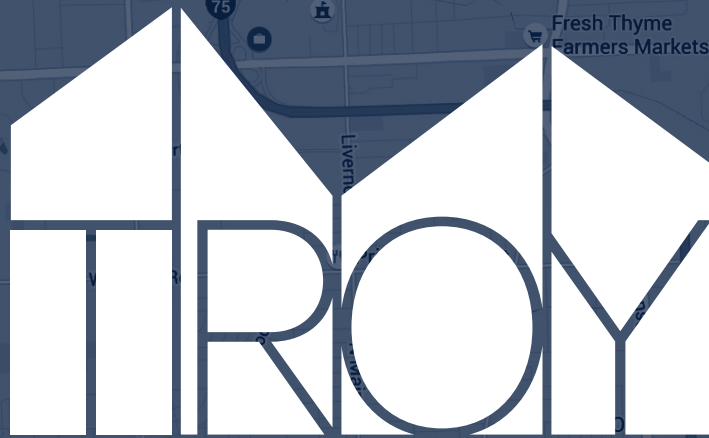


CITY OF TROY | 2018/2019

# Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2019



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City of Troy,  
Michigan



Year Ended  
June 30, 2019

## Comprehensive Annual Financial Report

### City Council

Mayor  
Mayor Pro Tem  
Council Members

Ethan Baker  
David Hamilton  
Edna Abraham  
Ed Pennington  
Theresa Brooks  
Ellen Hodorek  
Ann Erickson Gault

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

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# CITY OF TROY, MICHIGAN

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## INTRODUCTORY SECTION

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November 22, 2019

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, 2019 is hereby submitted. The report represents a comprehensive and detailed picture of our financial transactions during fiscal year 2018/19 and the financial condition of the various funds as of fiscal year end. This report was prepared by a team comprised of executive members, financial staff and department leaders of the City. Troy's staff is responsible for the accuracy of data and completeness and fairness of the presentation, including all disclosures.

A *Management's Discussion and Analysis Report* (MD&A), as well as entity-wide, full accrual financial statements are included in the front of the financial statement section. The fund statements are presented 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 continues to show steady improvement. The unemployment rate has decreased from the prior year and is well below the metro area, state and national average.

April 2019

Troy	2.8%
Oakland County	3.3%
Michigan	4.2%
National	3.9%

Source: CivicDashboards

The City reached the low point in taxable value in the 2013 fiscal year at \$4.219 billion after Michigan Tax Tribunal and Board of Review adjustments. Since then, the City has experienced modest annual growth in taxable value averaging 2.1%. The City experienced growth in net taxable value for fiscal 2019 at 4.0% and was comprised of growth in residential properties of 4.8%, and growth in both commercial properties (4.2%) and industrial properties (3.4%). For Michigan cities, Troy ranked third for the largest taxable values in the state. However, in this era of competition for business retention and attraction, we need to advance a preferred future in which residents and businesses continue to aspire to locate here.

The City adopts a three year budget that is nationally recognized. Our approach to funding major capital projects is to accumulate funds over a number of years to avoid the issuance of debt. The City has adopted a policy to maintain our unassigned fund balance of the general fund at a minimum 20% to 30% of general fund expenditures. Actual results outside these parameters requires a financial plan proposed by the city manager.

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

### Troy City Center

The transformation of 888 W. Big Beaver Road into a vibrant mixed use development is nearing completion. Façade and interior renovations for the 298,000 square foot office tower have been completed, a new 1600-space parking deck has been built and several new retail and restaurant establishments have opened. New retail tenants include Fidelity, City BBQ, Red Effect, Great Mediterranean, and Pokeworks. In addition, a 272-unit luxury apartment building is under construction. The Troy Downtown Development Authority supported the construction of the parking structure through its Quality Development Initiative.

### Health Alliance Plan

The nonprofit health plan HAP will be moving 1,100 employees into the former United Shore office building located at 1414 E. Maple Road. HAP is subleasing approximately 180,000 square feet in the 275,000 square foot building.

## Aptiv

Aptiv, a leader in connected vehicle research and development, is developing a \$20 million Mobility Research and Development Center at its existing Troy campus. The project will create 500 jobs. Aptiv selected the Troy site over sites in three other states. Aptiv was approved for a Good Jobs for Michigan incentive from the State of Michigan.

## Midland Credit Management

Midland Credit Management has added 31,000 square feet of leased space to its 320 E. Big Beaver Road office. The expansion will add approximately 150 new jobs at the location. The Michigan Economic Development Corporation approved a Business Development Program incentive for the project.

## Orbbec 3D

This Chinese based 3D camera and sensor company continues to grow in Troy. The company has expanded its office located at 2800 Livernois from 6,300 square feet to 11,100 square feet. The company employs twenty-one people and continued growth is expected.

## Orbis Corporation

Orbis, a plastic fabrication company, has signed a long-term lease to move its operations to 999 Chicago Road. The facility is 26,000 square feet, and the company employs forty-five people.

## Power Home Solar and Roofing

North Carolina based solar energy and roofing company has moved its call center operations to 500 Stephenson Highway. The 17,986 square foot office houses approximately fifty employees.

## Somerset Shoppes

The Troy Brownfield Redevelopment Authority approved a plan for the renovation and expansion of the retail center located at the corner of Maple Road and Coolidge. The project is nearing completion. New tenants include Planet Fitness, First Watch, SVS Vision and Profile by Sanford.

## Troy MarketPlace

Located on the south side of Big Beaver Road and west of Rochester Road, the Troy Marketplace has expanded its retail center by constructing 27,000 square feet of new retail buildings. The new retail buildings include tenants such as Mission BBQ, MOD Pizza, Menchie's Yogurt, First Watch, Donut Bar + Coffee, Nothing Bundt Cakes, Sports Clips, Mattress Firm, Barry Bagels and Pearle Vision.

## Uptown Apartments

The Troy Brownfield Redevelopment Authority approved a plan for Uptown Apartments located at 205 Park Street. This \$55 million development, now under construction, includes 383 residential rental units. The project is located on a parcel just south of the MJR movie theaters off of Livernois.

## FINANCIAL INFORMATION

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

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

### Budgeting Controls

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

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

### General Government Functions

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

This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Troy's MD&A can be found immediately following the report of the independent auditors. Since the MD&A focuses on the government-wide financial statements, the balance of this letter will be directed at the fund or activity level.

The general fund receives all City of Troy revenues not designated for special uses by statutes or the City Charter and accounts for most of the services provided to residents. Overall general fund revenues of \$57.9 million had a modest increase of \$2.3 million or 4.2% compared to the prior year. Property taxes, the general fund's largest revenue source, was \$33.0 million representing an increase of \$1.3 million or 4.0%. Taxable values of \$4.8 billion increased \$184 million or 4.0%.

State sources totaled \$8.6 million indicating an increase of \$144,377 or 1.7%. State shared revenue is a major source of revenue, which is a return to local governments of a portion of state sales tax and is not restricted to use. In addition, the City received approximately \$600,000 as a reimbursement from the state for lost manufacturing personal property tax due to exemptions from state legislation.

Charges for services totaled \$8.0 million a decrease of approximately \$660,000 or 7.6%. This decrease is a result of a decrease in engineering services from the capital fund of \$1.0 million offset by an increase in public work services of \$0.2 million.

Total general fund operating expenditures of \$59.3 million increased \$2.9 million or 5.2%. The increase is due primarily to an increase in public safety of \$2.2 million and general government of \$0.7 million. This increase is consistent with the City's objective of maintaining a strong public safety presence in the community.

Other financing sources (transfers in) of \$4.0 million decreased \$268,941 primarily from major and local street special revenue funds that reimburse the general fund for street maintenance. Other financing uses (transfers out) of \$1.6 million decreased \$564,590 primarily due to the parking lot pavement of the police/fire training facility (\$600,000) in prior year. The \$1.6 million in current year included transfers to the capital projects fund to purchase two fire trucks.

### General Fund Balance

Fund balance of the general fund increased by \$963,102 to a balance of \$34.4 million. Of this amount, \$7.2 million is nonspendable for such items as inventory, prepaid items and advances to other funds; \$1.6 million is restricted for budget stabilization, and \$5.9 million has been assigned for insurance claims, tax appeals and the subsequent years budgeted use of fund balance. The \$19.7 million remaining unassigned amount represents 33.2% of general fund expenditures. This amount exceeds the City's 20% to 30% target range but has been addressed in the City's subsequent three year budget.

### Special Revenue Funds

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

*Major Street Fund* - Gas and weight tax revenues received in this fund from the State of Michigan are used for repairs, maintenance, snow and ice removal, and construction of all streets classified as "major" within the city.

*Local Street Fund* - Gas and weight taxes as well as a transfer of funds from the Major Street Fund to finance the repairs, maintenance, snow and ice removal, and construction of all streets classified as "local" within the city.

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

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

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

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

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

## Enterprise Operations

The City operates five separate enterprise operations: water fund, sanitary sewer fund, aquatic center fund, Sylvan Glen and Sanctuary Lake Golf Course funds.

*Water Fund* - Operating revenues of \$19.7 million are down \$474,468 or (2.4%) compared to the prior fiscal year. This is directly due to the combined decrease in sale volumes from 465,000 mcf (thousand cubic feet) to 457,000 mcf. The decrease in volume is attributable to wetter conditions in summer and fall of 2018 as well as the spring of 2019. However, in recent years there has been a general trend in less water consumption annually. Water operating expenses of \$20.2 million decreased \$657,107 due to a decrease in general and administrative expenses in the current year of approximately \$564,000. Accordingly, the system incurred an operating loss of \$522,398. The net effect after consideration of non-operating revenues and developer contributions was an increase in net position of \$630,808 for the fiscal year. The economy and weather conditions can have a significant affect on water consumption. Rates are reviewed annually during budget development to ensure proper funding for operations, maintenance and capital improvements to the system.

*Sanitary Sewer Fund* - Generated \$13.1 million in operating revenues as compared to \$13.3 million in the prior year (a decrease of \$209,684 or 1.6%). This decrease was due to the decrease in volume sales as noted in the water fund section above and offset by the rate increase from \$26.60 to \$27.40 per mcf. Operating expenses of \$14.6 million increased \$98,367 or 0.7%. Fees for treatment services are 100% fixed and determined by the Oakland County Water Resource Commission (OCWRC) and accordingly are not affected by sales volume. Accordingly, the system incurred an operating loss of \$1.4 million. The net effect was a decrease in net position after non-operating revenues and developer contributions of \$73,128. Charges for volume used is based upon water volume usage and accordingly, the economy and weather conditions can have a significant impact on consumption. Rates are reviewed annually during budget development to ensure proper funding for operations, maintenance and capital improvements to the system.

*Sanctuary Lake Golf Course Fund* - Operating revenues of \$1.8 million increased by \$959 or 0.1% compared to the prior fiscal year. This increase is attributable to a slight decrease in rounds of play from 41,700 to 40,315 offset by maximizing price strategies. Operating expenses of \$1.7 million increased \$43,779 or 2.6% compared to the prior fiscal year. The course had operating income of \$61,322 before the cost of interest on debt of \$238,756. As a result, the golf course had a decrease in net position of \$157,201. Steps continue to generate income and cash flow to cover debt costs, including the contracting of Billy Casper Golf to manage and operate both golf courses.

*Sylvan Glen Golf Course Fund* - Operating revenues of \$1.3 million decreased \$29,302 or 2.3% compared to the prior fiscal year. This decrease is attributable to actual rounds of play decreasing from 45,848 to 44,112. Operating expenses of \$1.1 million increased \$27,960 or 2.6% compared to the prior year. The Course experienced an increase in net position of \$178,092 for the fiscal year.

*Aquatic Center* - Operating revenues of \$552,340 decreased \$25,768 or 4.5% from the prior year. This was primarily in the area of daily passes and membership fees which typically sell in the late spring season. Accordingly, early spring weather conditions can have a direct affect on membership sale volumes. Operating expenses of \$700,469 increased by \$42,817 or 6.5%.

## Internal Service Funds

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

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

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

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

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

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

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

## Fiduciary Funds

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

*Pension Trust - Employees' Retirement Fund* - This fund is used to account for the accumulation of resources for pension benefit payments to qualified general and public safety employees. The Employees Retirement Fund reported end-of-the-year net position held in trust for pension and health care benefits of \$200.5 million compared to the beginning amount of \$198.4 million. As of December 31, 2018, the most recent actuarial valuation, the fund was 114.2% funded.

*Pension Trust - Discretionary Fire Incentive Reserve Fund* - This fund is used to account for accumulation of resources for incentive payments to qualified volunteer firefighters. The fund reported end-of-year net position held in trust for benefits of \$10.8 million. As of December 31, 2018, the most recent actuarial valuation, the fund was 54.5% funded.

*Retiree Health Care Trust Fund* - The Retiree Health Care Trust Fund was established in fiscal year 2006 to account for medical benefits provided to employees during retirement. This fund will accumulate revenue until the reserves are depleted in the employee's retirement fund. This plan and trust is created under the authority of the Public Employee Health Care Fund Investment Act, Public Act 149 of 1999. The fund reported net position held for benefits of \$89.9 million. As of December 31, 2018, the most recent actuarial valuation, the fund was 69.8% funded.

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

### Component Units

Component units, as defined by GASB No. 14 and updated by GASB No. 61, are so classified due to their relationship with the primary government relative to financial accountability of the reporting agency.

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

*Local Development Financing Authority* - The Authority 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.

*Brownfield Redevelopment Authority* - The Authority was established in 2002 to account for projects that will improve environmentally distressed areas within the City of Troy.

## 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, library operations and debt service.

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

## Long-Term Financial Planning

Unassigned fund balance for the General Fund at year end was \$19.7 million or 33.2% of total general fund expenditures. This is above the general fund unassigned fund balance policy of 20%-30% of annual general fund expenditures.

The City's policy in restoring unassigned general fund balance to target levels includes using surplus unassigned fund balance for one-time purchases. The City maintains a 5 year capital improvement program. Typically specific projects are identified and funded through transfers from the general fund to the capital projects fund for these projects.

## OTHER INFORMATION

### Independent Audit

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

### 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, 2018.

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

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

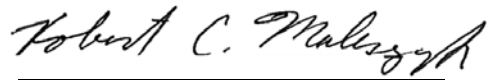
The City has also received the GFOA *Award for Outstanding Achievement in Popular Annual Financial Reporting* (PAFR) and the GFOA *Distinguished Budget Presentation Award* for the City's three year budget.

#### Acknowledgements

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

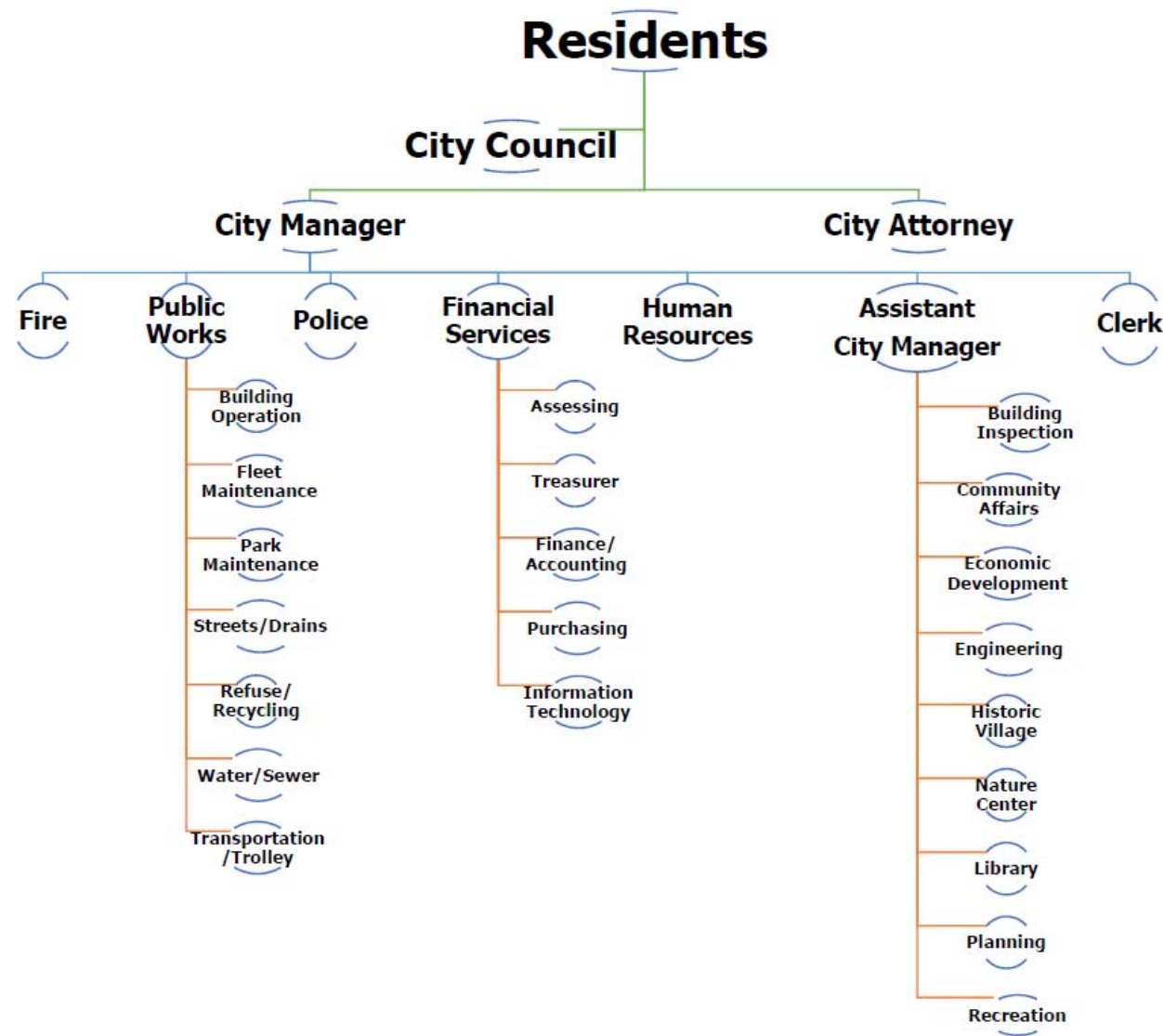


Mark F. Miller  
City Manager



Robert C. Maleszyk  
Chief Financial Officer

# Organizational Chart





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Troy  
Michigan**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

CITY OF TROY, MICHIGAN  
PRINCIPAL OFFICIALS

City Manager	Mark Miller
City Attorney	Lori Grigg Bluhm
Assistant City Manager	Robert Bruner
Chief Financial Officer	Robert Maleszyk
Community Development Director	Brent Savidant
City Assessor	Leger (Nino) Licari
City Clerk	Aileen Dickson
City Engineer	William Huotari
City Treasurer	Sandra Kasperek
Community Affairs Director	Cynthia Stewart
Accounting Manager	Lisa Burnham
Purchasing Manager	MaryBeth Murz
Fire Chief	Dave Roberts
Human Resources Director	Jeanette Menig
Information Technology Director	Gertrude Paraskevin
Library Director	Cathleen Russ
Recreation Director	Elaine Bo
Police Chief	Frank Natasi
Public Works Director	Kurt Bovensiep
Facilities and Grounds	Dennis Trantham
Fleet Operations Manager	Brian Varney
Streets and Drains Operations Manager	Scott Carruthers
Water and Sewer Operations Manager	Paul Trosper

**CITY OF TROY, MICHIGAN**  
**FUND ORGANIZATION CHART**

**Governmental Funds**

■ **General Fund\***

**Special Revenue Funds**

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

**Debt Service Funds**

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

■ **Capital Projects Fund\***

**Permanent Fund**

- Cemetery Perpetual Care

**Proprietary Funds**

**Enterprise Funds**

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

**Internal Service**

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

**Fiduciary Funds**

**Pension and OPEB Trust**

- Employees' Retirement System
- Volunteer Firefighter Incentive Trust
- Retiree Health Care Trust

**Agency**

- Agency

**Component Units**

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

\*Major funds under GASB No. 34

## FINANCIAL SECTION

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## INDEPENDENT AUDITORS' REPORT

November 22, 2019

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Troy, Michigan* (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Independent Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Troy, Michigan, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

#### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, on our consideration of the City of Troy, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rehmann Lohman LLC". The signature is written in a cursive, flowing style.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

# CITY OF TROY, MICHIGAN

## Management's Discussion and Analysis

As management of the City of Troy, Michigan (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found as listed in the table of contents of this report.

### Financial Highlights

· Total net position	\$434,406,269
· Change in total net position	22,127,681
· Fund balances, governmental funds	56,548,478
· Change in fund balances, governmental funds	4,792,873
· Unassigned fund balance, general fund	19,674,536
· Change in fund balance, general fund	963,102
· Installment debt outstanding	27,719,856
· Change in installment debt	(3,250,096)

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

The *statement of net position* presents information on all of the City assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) or from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, sanitation, community and economic development, and recreation and culture. The business-type activities of the City include water and sewer services, the aquatic center and golf courses.

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

# CITY OF TROY, MICHIGAN

## Management's Discussion and Analysis

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Troy, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long term impact of the government's near term financing decisions. Following both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances are reconciliations to facilitate this comparison between *governmental funds* and *governmental activities*.

Information for each of the City's individual governmental funds is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, debt service series 2013 fund and capital projects fund, which are considered to be the City's major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparisons statements or schedules have been provided herein to demonstrate compliance with those budgets.

**Proprietary Funds.** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sanitary sewer, golf courses (sanctuary lake and sylvan glen), and aquatic center operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its compensated absences, unemployment compensation, custodial services, information technology, motor equipment, and workers' compensation functions. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water, sanitary sewer, and Sanctuary Lake golf course funds, which are considered to be major funds of the City as well as the aggregate of the nonmajor enterprise funds.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

# CITY OF TROY, MICHIGAN

## Management's Discussion and Analysis

*Other Information.* In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information includes this management's discussion and analysis and the schedules for the City's pension and other postemployment benefits plans.

The *combining statements* referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

### Government-wide Financial Analysis

The City's combined net position increased \$22.1 million over the course of the fiscal year to a total of \$434.4 million. Net position of governmental activities increased \$21.6 million or 8.8%, and business-type activities increased \$0.5 million or 0.3%. Explanations for those changes are described below under the *governmental activities* and *business-type activities* sections of this Management's Discussion and Analysis.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Current and other assets	\$ 131,005,213	\$ 123,743,235	\$ 46,283,415	\$ 46,393,929	\$ 177,288,628	\$ 170,137,164
Capital assets, net	231,668,553	233,116,424	135,428,548	135,778,757	367,097,101	368,895,181
	<u>362,673,766</u>	<u>356,859,659</u>	<u>181,711,963</u>	<u>182,172,686</u>	<u>544,385,729</u>	<u>539,032,345</u>
<b>Deferred outflows of resources</b>						
	<u>996,103</u>	<u>6,841,663</u>	<u>590,707</u>	<u>898,861</u>	<u>1,586,810</u>	<u>7,740,524</u>
<b>Liabilities</b>						
Long-term debt	26,732,089	29,453,108	7,702,575	7,869,668	34,434,664	37,322,776
Other liabilities	45,022,642	72,276,193	5,428,447	6,881,969	50,451,089	79,158,162
	<u>71,754,731</u>	<u>101,729,301</u>	<u>13,131,022</u>	<u>14,751,637</u>	<u>84,885,753</u>	<u>116,480,938</u>
<b>Deferred inflows of resources</b>						
	<u>25,608,663</u>	<u>17,294,619</u>	<u>1,071,854</u>	<u>718,724</u>	<u>26,680,517</u>	<u>18,013,343</u>
<b>Net position</b>						
Net investment in capital assets	211,012,892	209,330,214	128,316,680	128,565,431	339,329,572	337,895,645
Restricted	49,675,789	17,995,682	1,194,908	-	50,870,697	17,995,682
Unrestricted	<u>5,617,794</u>	<u>17,351,506</u>	<u>38,588,206</u>	<u>39,035,755</u>	<u>44,206,000</u>	<u>56,387,261</u>
<b>Total net position</b>	<u>\$266,306,475</u>	<u>\$244,677,402</u>	<u>\$168,099,794</u>	<u>\$167,601,186</u>	<u>\$434,406,269</u>	<u>\$412,278,588</u>

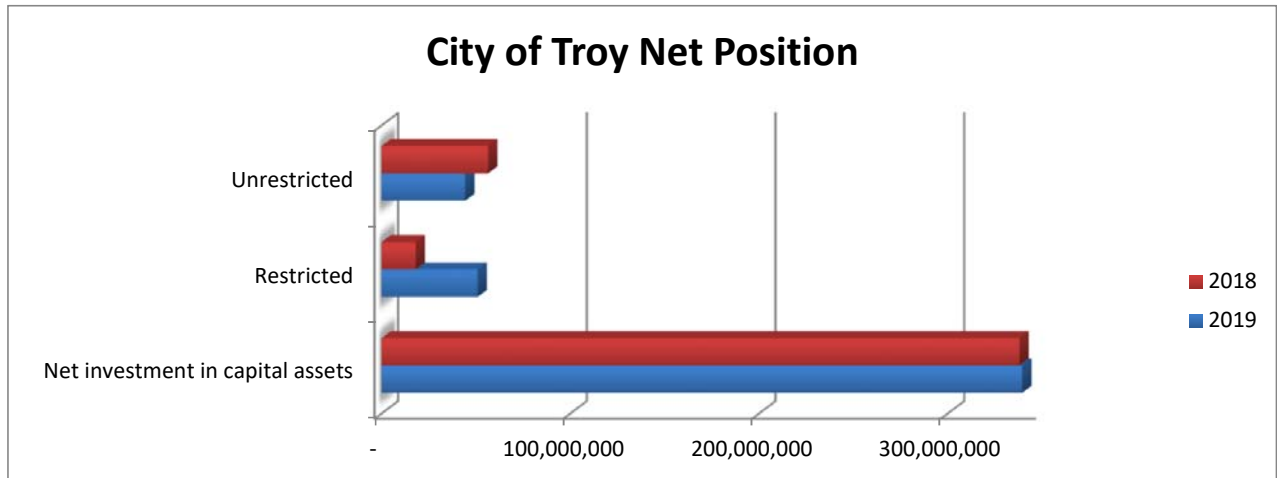
The largest portion of the City's net position (78.1%) reflects its investment in capital assets of \$339.3 million (e.g., land, museum artifacts, construction in progress, infrastructure, land improvements, buildings and improvements, miscellaneous equipment, office equipment, vehicles, library books, and the water and sewer system), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its residents. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## CITY OF TROY, MICHIGAN

### Management's Discussion and Analysis

An additional portion of the City's net position of \$50.9 million (11.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$44.2 million (10.2%) is unrestricted and may be used to meet the City's ongoing obligations to its residents and creditors.

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



# CITY OF TROY, MICHIGAN

## Management's Discussion and Analysis

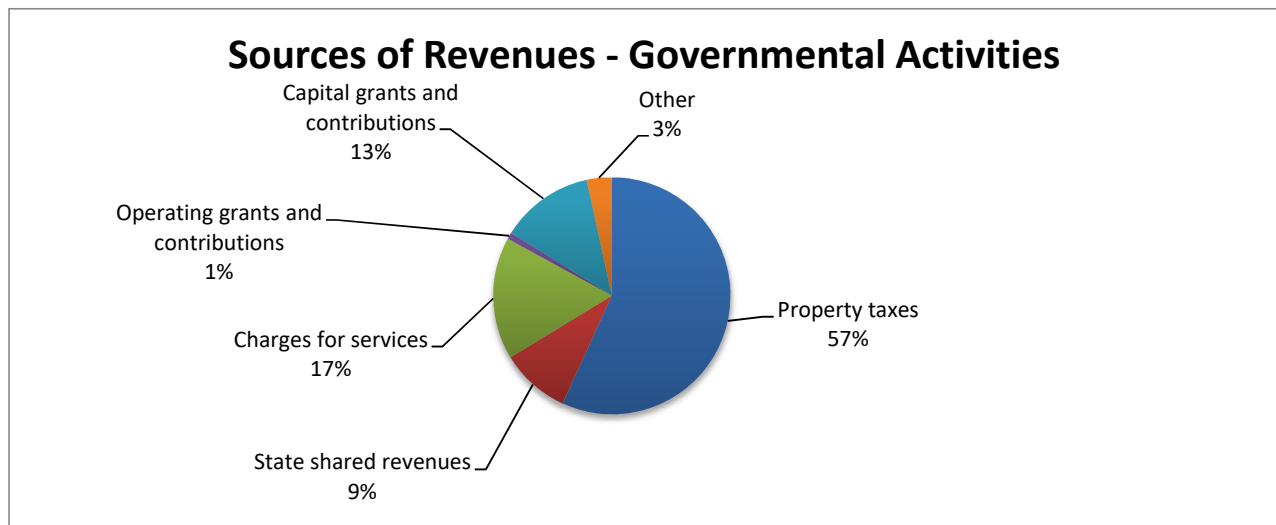
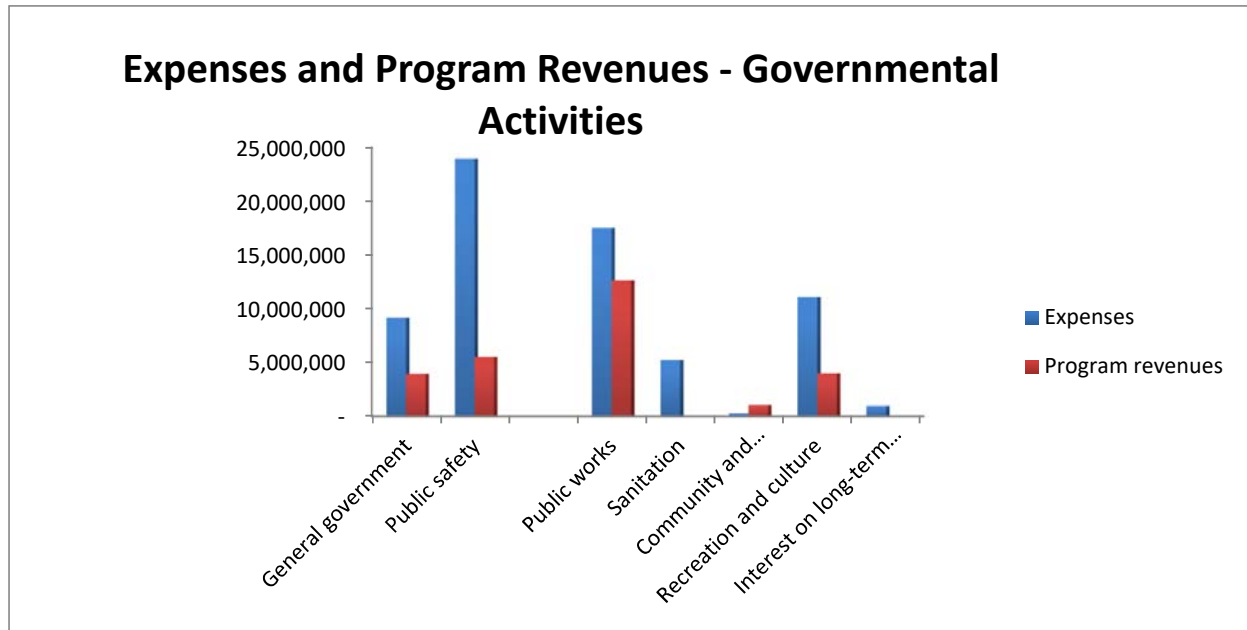
The following condensed financial information was derived from the government-wide statement of activities and reflects how the City's net position changed during the fiscal year:

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Program revenues						
Charges for services	\$ 15,001,153	\$ 15,644,937	\$ 36,408,602	\$ 37,146,865	\$ 51,409,755	\$ 52,791,802
Operating grants and contributions	810,436	1,134,640	-	-	810,436	1,134,640
Capital grants and contributions	11,438,685	10,501,834	1,064,065	738,252	12,502,750	11,240,086
General revenues						
Property taxes	51,108,963	49,396,636	-	-	51,108,963	49,396,636
State-shared revenues	8,535,476	8,378,417	-	-	8,535,476	8,378,417
Interest earnings	2,635,494	93,835	1,466,100	73,070	4,101,594	166,905
Other revenue	433,958	176,734	40,466	-	474,424	176,734
Total revenues	<u>89,964,165</u>	<u>85,327,033</u>	<u>38,979,233</u>	<u>37,958,187</u>	<u>128,943,398</u>	<u>123,285,220</u>
Expenses						
General government	9,161,093	10,527,094	-	-	9,161,093	10,527,094
Public safety	23,995,136	29,357,164	-	-	23,995,136	29,357,164
Public works	17,532,358	18,123,198	-	-	17,532,358	18,123,198
Sanitation	5,250,265	5,007,584	-	-	5,250,265	5,007,584
Community and economic development	305,789	851,314	-	-	305,789	851,314
Recreation and culture	11,114,884	11,320,591	-	-	11,114,884	11,320,591
Interest expense	975,567	1,095,894	-	-	975,567	1,095,894
Water	-	-	20,163,346	20,809,872	20,163,346	20,809,872
Sanitary sewer	-	-	14,545,633	14,441,047	14,545,633	14,441,047
Aquatic center	-	-	699,130	655,821	699,130	655,821
Golf courses	-	-	3,072,516	3,013,095	3,072,516	3,013,095
Total expenses	<u>68,335,092</u>	<u>76,282,839</u>	<u>38,480,625</u>	<u>38,919,835</u>	<u>106,815,717</u>	<u>115,202,674</u>
Change in net position	21,629,073	9,044,194	498,608	(961,648)	22,127,681	8,082,546
Net position, beginning of year	<u>244,677,402</u>	<u>235,633,208</u>	<u>167,601,186</u>	<u>168,562,834</u>	<u>412,278,588</u>	<u>404,196,042</u>
Net position, end of year	<u>\$266,306,475</u>	<u>\$244,677,402</u>	<u>\$168,099,794</u>	<u>\$167,601,186</u>	<u>\$434,406,269</u>	<u>\$412,278,588</u>

## CITY OF TROY, MICHIGAN

### Management's Discussion and Analysis

Governmental Activities. The following chart presents revenues and expenses of governmental activities for the fiscal year:



Total governmental revenue is reported at approximately \$90 million, an increase of \$4.6 million from the prior year. The increase is primarily due to capital grants and contributions of approximately \$0.9 million, an increase of property taxes of \$1.7 million and an increase in investment earnings of \$2.5 million. The capital contributions are received primarily from the Road Commission of Oakland County, Oakland County, Michigan Department of Transportation and the Federal Department of Transportation for street improvements. Property tax increases are a direct result of an increase in the taxable value of properties. Charges for services include building permit fees, medical marijuana growing licenses, and engineering fees charged to the capital projects fund.

## CITY OF TROY, MICHIGAN

### Management's Discussion and Analysis

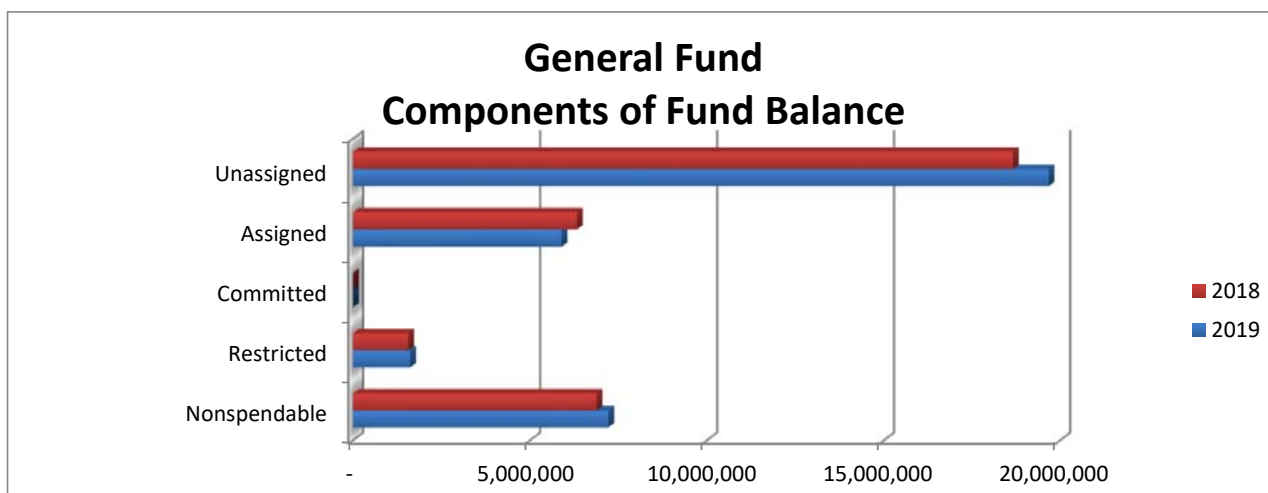
Total governmental expenses are reported at \$68.3 million, a decrease of \$7.9 million from the prior year. The decrease is primarily in the area of public safety which decreased by approximately \$5.4 million due to the change in net pension liability and related deferred amounts in the current year.

**Business-type Activities.** The City of Troy's business-type activities consist of water supply, sanitary sewer, aquatic center, and two municipal golf courses. Water and sanitary sewer services, classified as major funds, are provided to City residents through the Great Lakes Water Authority (GLWA) and Oakland County Water Resource Commission (OCWRC), respectively. Change in net position for business-type activities increased by \$498,608. This increase is more than explained by the water fund activities increased net position by \$630,808. These results were primarily due to continued developer and capital grant contributions in the year of \$657,404.

#### Financial Analysis of the City's Governmental Funds

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

The City's governmental funds reported combined fund balances of \$56.5 million, an increase of \$4.8 million compared to the prior year. Approximately 34.8% of this amount (\$19.7 million) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form, 2) legally required to be maintained intact/restricted for particular purposes, 3) committed for particular purposes, or 4) assigned for particular purposes.



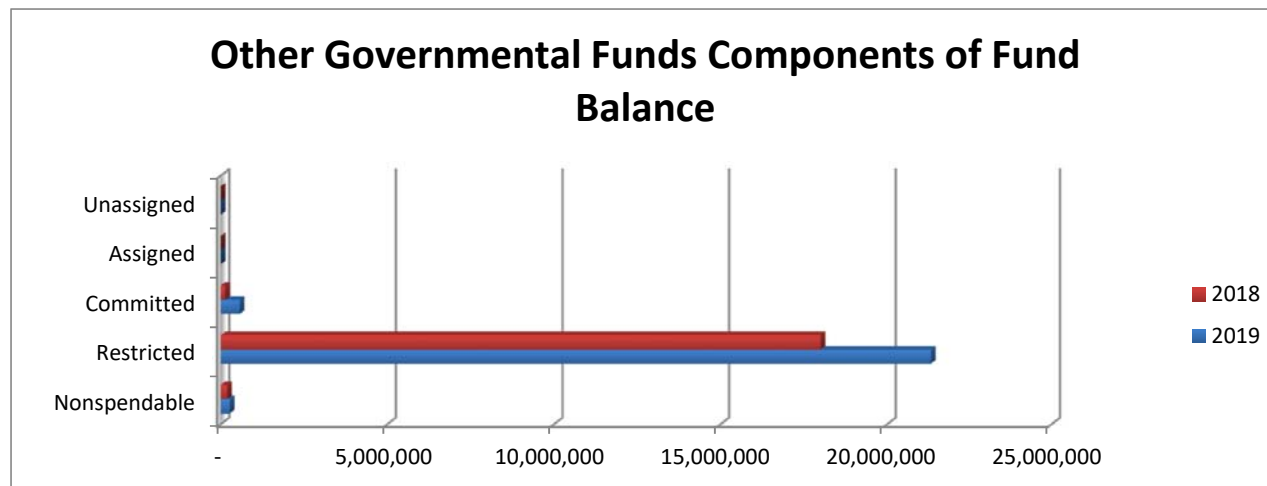
The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$19.7 million, while total general fund balance increased \$963,102 to \$34.4 million. A decrease in general fund balance was budgeted at \$3.4 million however favorable results in revenues of \$1.0 million along with expenditures of \$4.6 million and transfers net of \$1.3 million offset the budgeted decrease. The general fund unassigned fund balance has a target limits of 20% to 30% of annual expenditures. As a measure of the general funds liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 33.2% of total general fund expenditures, while total general fund balance represents approximately 58.0% of the same amount.

## CITY OF TROY, MICHIGAN

### Management's Discussion and Analysis

As mentioned, total general fund balance increased by \$963,102 in the current fiscal year. Total revenues of \$57.9 million had an increase of \$2.3 million or 4.2% compared to the prior year. The increase was primarily due to property taxes, the general fund's largest source of revenue, increased \$1.3 million or 4% and investment earnings increased by \$1.2 million.

General fund expenditures (before transfers) of \$59.3 million increased \$2.9 million or 5.2%. The increase was due primarily to an increase in public safety of \$2.2 million and general government of \$0.7 million. This increase is consistent with the City's objective of maintaining a strong public safety presence in the community.



The capital projects fund, a major fund, had an increase in fund balance of \$3.0 million during the current year for a total of \$10.0 million. Major capital projects included major street improvements of \$3.8 million and local street improvements of \$4.0 million. It should be noted that the general fund contributed \$1.6 million towards purchase of two fire trucks. The major streets fund contributed \$2.5 million and the local streets fund contributed \$1.5 million.

The Series 2013 debt service fund, a major fund, was issued by the City to advance refund prior debt issuance of the Troy Downtown Development Authority (TDDA), a discrete component unit of the City. The debt was issued by the City to mitigate the financial impact of debt burden on the TDDA that was facing decreased tax capture from the district due to the 2008 recession and to take advantage of the City's AAA bond rating to receive favorable rates. Restructure of the TDDA district provides funding for debt service payments that are derived through charges from the City to the TDDA for reimbursement purposes. The fund maintains a zero fund balance.

#### Financial Analysis of the City's Proprietary Funds

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

The unrestricted net position of the water fund was \$16.2 million and the sanitary sewer fund was \$28.4 million at the end of the current fiscal year. The Sanctuary Lake Golf Course had an unrestricted net deficit of \$8.3 million. The water fund total net position increased by \$630,808 while the sanitary sewer fund decreased by \$73,128. This was primarily due to the continued revenue from developers and capital grant contributions of \$657,404. Overall water consumption continues to decline offset by modest rate increases.

# CITY OF TROY, MICHIGAN

## Management's Discussion and Analysis

### General Fund Budgetary Highlights

Over the course of the year, City Council amended the budget to take into account events during the year. City Council recognized general fund surplus for the June 30, 2019 fiscal year and appropriated these funds to support the fire department capital needs with the purchase of two fire trucks.

Revenues of \$57.9 million were \$1.0 million over amended budget amounts. The favorable variance was due primarily to investment earnings of \$1.3 million during the fiscal year.

Expenditures of \$59.3 million were \$4.6 million under amended budget amounts. The expenditures by function contributing to a majority of the expenditures under the amended budget include general government by \$1.2 million primarily from personal services, supplies and other service charges. Public safety expenditures were under budget by \$1.5 million primarily from police personal service costs. Public works expenditures were under budget by \$1.7 million primarily from personal service costs and supplies.

### Capital Assets and Debt Administration

**Capital Assets.** At June 30, 2019, the City had invested \$367.1 million, net of accumulated depreciation, in a broad range of capital assets (see the table below). Additional information regarding the City's capital assets can be found in Note 6 to the financial statements.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 37,462,124	\$ 37,462,124	\$ 6,738,504	\$ 6,738,504	\$ 44,200,628	\$ 44,200,628
Museum artifacts	2,082,845	2,082,845	-	-	2,082,845	2,082,845
Construction in progress	3,375,541	2,893,657	6,078,745	4,224,332	9,454,286	7,117,989
Infrastructure	144,261,025	146,608,571	-	-	144,261,025	146,608,571
Land improvements	3,214,646	3,458,562	5,875,156	5,093,065	9,089,802	8,551,627
Buildings and improvements	28,534,755	30,085,191	1,272,330	1,482,803	29,807,085	31,567,994
Miscellaneous equipment	2,620,085	2,423,405	986,388	939,514	3,606,473	3,362,919
Office equipment	497,300	580,921	-	-	497,300	580,921
Vehicles	7,845,861	5,743,037	840,067	245,773	8,685,928	5,988,810
Library books/audio visual	1,774,371	1,778,111	-	-	1,774,371	1,778,111
Water and sewer transmission and distribution system	-	-	113,637,358	117,054,766	113,637,358	117,054,766
<b>Total capital assets, net</b>	<b>\$231,668,553</b>	<b>\$233,116,424</b>	<b>\$135,428,548</b>	<b>\$135,778,757</b>	<b>\$367,097,101</b>	<b>\$368,895,181</b>

## CITY OF TROY, MICHIGAN

### Management's Discussion and Analysis

**Debt Administration.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$27,149,482. Of this amount, \$26,055,000 is comprised of debt backed by the full faith and credit of the government. The remainder of the City's bonded debt represents bonds secured solely by specified revenue sources. Additional information on the City's long-term debt can be found in Note 9 to the financial statements.

	Long-term Debt					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 19,035,000	\$ 21,890,000	\$ 7,020,000	\$ 7,745,000	\$ 26,055,000	\$ 29,635,000
Public drains	1,094,482	1,334,952	-	-	1,094,482	1,334,952
Capital lease	-	-	570,374	-	570,374	-
Deferred amounts -						
For issuance premiums	526,179	561,258	112,201	124,668	638,380	685,926
Compensated absences	4,658,355	4,587,306	-	-	4,658,355	4,587,306
Estimated self-insurance claims	1,418,073	1,079,592	-	-	1,418,073	1,079,592
<b>Total long-term debt</b>	<b>\$ 26,732,089</b>	<b>\$ 29,453,108</b>	<b>\$ 7,702,575</b>	<b>\$ 7,869,668</b>	<b>\$ 34,434,664</b>	<b>\$ 37,322,776</b>

#### Economic Condition and Outlook

The following economic factors currently affect the City and were considered in developing the 2019/2020 through 2021/2022 three year fiscal budget.

- The millage rate for the 2019/2020 fiscal year decreased slightly to 10.2437 mills compared to the 10.2965 mills for the 2018/2019 fiscal year. This is due to limitations on local taxation as established in Article IC Sections 25 through 33 of the State of Michigan constitution also known as the *Headlee Amendment*. The total millage of 10.2437 mills includes general operating millage of 6.5 mills, capital projects of 1.3896 mills, refuse of 1.09 mills, debt service of 0.58 mills and library operations of 0.6841 mills.
- Total general fund revenues and other sources are expected to generate approximately \$63.0 million. This is an increase of \$0.8 million or 1.3% compared to the fiscal 2018/2019 results of \$62.2 million. Property tax revenues which accounts for approximately 54.44% of total general fund revenues is expected to generate \$34.3 million. This is an increase of \$1.4 million or 4.3%.
- General fund expenditures and other uses are budgeted at \$65.9 million. This is an increase of \$0.3 million or 0.4% compared to fiscal 2018/2019 results. The increase is primarily due to increases in public safety.
- The City purchases its water and sanitary sewer services from the Great Lakes Water Authority (GLWA) and Oakland County Water Resource Commission (OCWRC), respectively. The 2019/2020 budget recognizes a stabilized sales volume of approximately 470,000 mcf. This is a leveling of sales volume compared to a steady decrease over the last several years. Rates for the systems are developed based on estimated sales volume to cover estimated costs and capital requirements. Water rates were established at \$40.50 per mcf. Sanitary sewer rates increased to \$28.20 per mcf. The City prides itself on having one of the lowest combined water and sewer rates of any Southeastern Michigan community.
- The City maintains a long and established practice of using a conservative approach in developing its three-year budget.

## CITY OF TROY, MICHIGAN

### Management's Discussion and Analysis

#### Requests for Information

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

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

## BASIC FINANCIAL STATEMENTS

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# CITY OF TROY, MICHIGAN

## Statement of Net Position

June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments	\$ 67,080,255	\$ 40,984,710	\$ 108,064,965	\$ 1,671,106
Receivables, net	19,020,784	8,474,362	27,495,146	248,230
Internal balances	5,288,214	(5,288,214)	-	-
Other assets	2,266,001	532,797	2,798,798	-
Net pension asset	37,349,959	1,579,760	38,929,719	-
Capital assets not being depreciated	42,920,510	12,817,249	55,737,759	-
Capital assets being depreciated, net	188,748,043	122,611,299	311,359,342	-
<b>Total assets</b>	<b>362,673,766</b>	<b>181,711,963</b>	<b>544,385,729</b>	<b>1,919,336</b>
<b>Deferred outflows of resources</b>				
Deferred charge on refunding	-	590,707	590,707	-
Deferred pension amounts	996,103	-	996,103	-
<b>Total deferred outflows of resources</b>	<b>996,103</b>	<b>590,707</b>	<b>1,586,810</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	4,058,604	3,560,017	7,618,621	-
Accrued payroll	1,495,225	-	1,495,225	-
Accrued liabilities	835,912	671,022	1,506,934	109,061
Long-term debt:				
Due within one year	6,789,693	820,427	7,610,120	260,000
Due in more than one year	19,942,396	6,882,148	26,824,544	13,385,000
Net pension liability (due in more than one year)	10,322,790	-	10,322,790	-
Net other postemployment benefit liability (due in more than one year)	28,310,111	1,197,408	29,507,519	-
<b>Total liabilities</b>	<b>71,754,731</b>	<b>13,131,022</b>	<b>84,885,753</b>	<b>13,754,061</b>
<b>Deferred inflows of resources</b>				
Deferred pension amounts	9,366,011	384,852	9,750,863	-
Deferred other postemployment benefit amounts	16,242,652	687,002	16,929,654	-
Deferred gain on refunding	-	-	-	353,815
<b>Total deferred inflows of resources</b>	<b>25,608,663</b>	<b>1,071,854</b>	<b>26,680,517</b>	<b>353,815</b>
<b>Net position</b>				
Net investment in capital assets	211,012,892	128,316,680	339,329,572	-
Restricted for:				
Debt service	663,581	-	663,581	-
Capital projects	9,452,271	-	9,452,271	-
Highways and streets	8,433,229	-	8,433,229	-
Sanitation services	740,576	-	740,576	-
Library services	625,543	-	625,543	-
Other services	1,275,818	-	1,275,818	-
Perpetual care:				
Nonexpendable	164,000	-	164,000	-
Expendable	69,810	-	69,810	-
Pension	28,250,961	1,194,908	29,445,869	-
Unrestricted (deficit)	5,617,794	38,588,206	44,206,000	(12,188,540)
<b>Total net position (deficit)</b>	<b>\$ 266,306,475</b>	<b>\$ 168,099,794</b>	<b>\$ 434,406,269</b>	<b>\$ (12,188,540)</b>

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

# CITY OF TROY, MICHIGAN

## Statement of Activities

For the Year Ended June 30, 2019

		Program Revenues			
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues
Primary government					
Governmental activities:					
General government	\$ 9,161,093	\$ 3,953,495	\$ 11,000	\$ -	\$ (5,196,598)
Public safety	23,995,136	5,243,086	307,678	-	(18,444,372)
Public works	17,532,358	2,046,635	3,000	10,608,563	(4,874,160)
Sanitation	5,250,265	1,118	-	-	(5,249,147)
Community and economic development	305,789	-	230,496	829,622	754,329
Recreation and culture	11,114,884	3,756,819	258,262	500	(7,099,303)
Interest on long-term debt	975,567	-	-	-	(975,567)
Total governmental activities	68,335,092	15,001,153	810,436	11,438,685	(41,084,818)
Business-type activities:					
Water	20,163,346	19,679,644	-	657,404	173,702
Sanitary sewer	14,545,633	13,125,364	-	406,661	(1,013,608)
Aquatic center	699,130	552,340	-	-	(146,790)
Sylvan Glen golf course	1,111,941	1,269,017	-	-	157,076
Sanctuary Lake golf course	1,960,575	1,782,237	-	-	(178,338)
Total business-type activities	38,480,625	36,408,602	-	1,064,065	(1,007,958)
Total primary government	\$ 106,815,717	\$ 51,409,755	\$ 810,436	\$ 12,502,750	\$ (42,092,776)
Component units					
Downtown development authority	\$ 905,702	\$ -	\$ -	\$ -	\$ (905,702)
Local development financing authority	232,423	-	-	-	(232,423)
Brownfield redevelopment authority	10,466	-	-	-	(10,466)
Total component units	\$ 1,148,591	\$ -	\$ -	\$ -	\$ (1,148,591)

continued...

# CITY OF TROY, MICHIGAN

## Statement of Activities

For the Year Ended June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net expenses	\$ (41,084,818)	\$ (1,007,958)	\$ (42,092,776)	\$ (1,148,591)
General revenues:				
Property taxes	32,998,890	-	32,998,890	-
Property taxes for refuse purposes	5,102,374	-	5,102,374	-
Property taxes for community and economic development	-	-	-	1,734,531
Property taxes for library	3,280,407	-	3,280,407	-
Property taxes for capital projects	6,860,470	-	6,860,470	-
Property taxes for debt service	2,866,822	-	2,866,822	-
State shared revenue, unrestricted	8,535,476	-	8,535,476	41,568
Grants and contributions not restricted to specific programs	18,188	-	18,188	-
Unrestricted investment earnings	2,635,494	1,466,100	4,101,594	69,079
Gain on sale of capital assets	415,770	40,466	456,236	-
Total general revenues	62,713,891	1,506,566	64,220,457	1,845,178
Change in net position	21,629,073	498,608	22,127,681	696,587
Net position (deficit), beginning of year	244,677,402	167,601,186	412,278,588	(12,885,127)
Net position (deficit), end of year	\$ 266,306,475	\$ 168,099,794	\$ 434,406,269	\$ (12,188,540)
				concluded

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

# CITY OF TROY, MICHIGAN

## Balance Sheet

Governmental Funds

June 30, 2019

	General	Debt Service Series 2013	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 27,786,562	\$ -	\$ 11,574,455	\$ 10,765,469	\$ 50,126,486
Receivables:					
Accounts receivable, net	1,170,556	-	649,820	257,921	2,078,297
Taxes-delinquent, net	95,165	-	-	-	95,165
Special assessments	-	-	2,374	-	2,374
Interest	87,781	-	-	-	87,781
Due from component units	-	13,754,061	-	-	13,754,061
Due from other governments	1,400,351	-	-	1,512,761	2,913,112
Inventories	401,128	-	-	-	401,128
Prepaid items	1,335,624	-	-	104,684	1,440,308
Advances to other funds	5,478,384	-	-	-	5,478,384
<b>Total assets</b>	<b>\$ 37,755,551</b>	<b>\$ 13,754,061</b>	<b>\$ 12,226,649</b>	<b>\$ 12,640,835</b>	<b>\$ 76,377,096</b>
<b>Liabilities</b>					
Accounts payable	\$ 1,220,924	\$ -	\$ 2,072,366	495,066	\$ 3,788,356
Accrued payroll	1,495,225	-	-	-	1,495,225
Other liabilities	541,315	-	132,529	17,384	691,228
<b>Total liabilities</b>	<b>3,257,464</b>	<b>-</b>	<b>2,204,895</b>	<b>512,450</b>	<b>5,974,809</b>
<b>Deferred inflows of resources</b>					
Unavailable revenue - property tax and long-term receivables	95,165	13,754,061	4,583	-	13,853,809
<b>Fund balances</b>					
Nonspendable	7,215,136	-	-	268,684	7,483,820
Restricted	1,617,390	-	9,452,271	11,859,701	22,929,362
Committed	-	-	564,900	-	564,900
Assigned	5,895,860	-	-	-	5,895,860
Unassigned	19,674,536	-	-	-	19,674,536
<b>Total fund balances</b>	<b>34,402,922</b>	<b>-</b>	<b>10,017,171</b>	<b>12,128,385</b>	<b>56,548,478</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 37,755,551</b>	<b>\$ 13,754,061</b>	<b>\$ 12,226,649</b>	<b>\$ 12,640,835</b>	<b>\$ 76,377,096</b>

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

## CITY OF TROY, MICHIGAN

### Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2019

Fund balances - total governmental funds	\$ 56,548,478
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Amounts reported for *governmental activities* in the statement of net position are different because:

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

Capital assets not being depreciated	42,910,262
Capital assets being depreciated, net	183,590,498

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets (i.e., receivables) are offset by deferred inflows of resources in the governmental funds and, therefore, not included in fund balance.

Deferred inflows from DDA debt reimbursements and personal property tax receivables	13,853,809
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Certain pension and other postemployment benefit-related amounts, such as the net pension and other postemployment benefit assets/liabilities and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.

Net pension asset	37,349,959
Deferred outflow related to the net pension asset/liability	996,103
Net pension liability	(10,322,790)
Deferred inflow related to the net pension asset/liability	(9,366,011)
Net other postemployment benefit liability	(28,310,111)
Deferred inflow related to the net other postemployment benefit liability	(16,242,652)

Internal service funds are used by management to charge equipment usage and other services to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

Net position of governmental internal service funds.	17,718,662
Portion of internal service funds accumulated operating income attributed to business-type activities	(190,170)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Accrued interest payable	(155,828)
Bonds payable and related premiums	(20,655,661)
Claims incurred but not reported	(1,418,073)

Net position of governmental activities	<u>\$ 266,306,475</u>
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The accompanying notes are an integral part of these basic financial statements.

# CITY OF TROY, MICHIGAN

## Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2019

	General	Debt Service Series 2013	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 33,008,709	\$ -	\$ 6,860,470	\$ 11,249,603	\$ 51,118,782
Licenses and permits	2,930,791	-	-	-	2,930,791
Intergovernmental:					
Federal sources	23,347	-	214,799	112,065	350,211
State sources	8,640,169	-	625,000	9,442,645	18,707,814
Local sources	282,652	-	622,104	-	904,756
Charges for services	8,039,566	-	211,468	102,123	8,353,157
Fines and forfeitures	1,369,202	-	-	188,197	1,557,399
Investment earnings	1,268,847	-	360,728	473,411	2,102,986
Other	2,318,861	923,713	9,600	9,152	3,261,326
<b>Total revenues</b>	<b>57,882,144</b>	<b>923,713</b>	<b>8,904,169</b>	<b>21,577,196</b>	<b>89,287,222</b>
<b>Expenditures</b>					
Current:					
General government	8,154,382	-	8,190	78,660	8,241,232
Public safety	33,458,391	-	-	28,720	33,487,111
Public works	5,946,526	-	-	-	5,946,526
Sanitation	-	-	-	5,250,790	5,250,790
Community and economic development	3,865,823	-	-	112,065	3,977,888
Recreation and culture	7,895,973	-	-	3,192,416	11,088,389
Debt service:					
Principal	-	260,000	240,470	2,595,000	3,095,470
Interest	-	663,713	30,156	348,789	1,042,658
Capital outlay	-	-	12,587,681	-	12,587,681
<b>Total expenditures</b>	<b>59,321,095</b>	<b>923,713</b>	<b>12,866,497</b>	<b>11,606,440</b>	<b>84,717,745</b>
<b>Revenues over (under) expenditures</b>	<b>(1,438,951)</b>	<b>-</b>	<b>(3,962,328)</b>	<b>9,970,756</b>	<b>4,569,477</b>
<b>Other financing sources (uses)</b>					
Transfers in	4,037,463	-	6,779,776	3,876,825	14,694,064
Transfers out	(1,635,410)	-	-	(13,058,654)	(14,694,064)
Proceeds from sale of capital assets	-	-	223,396	-	223,396
<b>Total other financing sources (uses)</b>	<b>2,402,053</b>	<b>-</b>	<b>7,003,172</b>	<b>(9,181,829)</b>	<b>223,396</b>
<b>Net change in fund balances</b>	<b>963,102</b>	<b>-</b>	<b>3,040,844</b>	<b>788,927</b>	<b>4,792,873</b>
<b>Fund balances, beginning of year</b>	<b>33,439,820</b>	<b>-</b>	<b>6,976,327</b>	<b>11,339,458</b>	<b>51,755,605</b>
<b>Fund balances, end of year</b>	<b>\$ 34,402,922</b>	<b>\$ -</b>	<b>\$ 10,017,171</b>	<b>\$ 12,128,385</b>	<b>\$ 56,548,478</b>

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

## CITY OF TROY, MICHIGAN

### Reconciliation

Net Changes in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds	\$ 4,792,873
Amounts reported for <i>governmental activities</i> 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.	
Acquisition/construction of capital assets	12,581,133
Depreciation expense	(14,659,861)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather deferred to subsequent fiscal years.	
Change in deferred inflows for property taxes	(9,819)
Change in long-term receivable	(261,516)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term debt in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.	
Principal payments on long-term debt	3,095,470
Internal service funds are used by management to charge the costs of certain equipment usage to individual governmental funds. The net revenues (expense) attributable to those funds is reported with governmental activities.	
Net income from governmental activities in the internal service funds	1,128,862
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.	
Change in the net pension liability/asset and related deferred amounts	1,500,323
Change in the net OPEB liability and related deferred amounts	13,732,998
Change in accrued interest payable and amortization of bond premiums	67,091
Change in accrued claims payable	(338,481)
Change in net position of governmental activities	<u>\$ 21,629,073</u>

The accompanying notes are an integral part of these basic 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, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 32,879,130	\$ 32,879,130	\$ 33,008,709	\$ 129,579
Licenses and permits	2,888,880	2,888,880	2,930,791	41,911
Intergovernmental:				
Federal sources	4,500	4,500	23,347	18,847
State sources	8,388,500	8,388,500	8,640,169	251,669
Local sources	272,700	272,700	282,652	9,952
Charges for services	9,218,100	9,218,100	8,039,566	(1,178,534)
Fines and forfeitures	930,500	930,500	1,369,202	438,702
Investment earnings	77,000	77,000	1,268,847	1,191,847
Other	2,178,200	2,178,200	2,318,861	140,661
<b>Total revenues</b>	<b>56,837,510</b>	<b>56,837,510</b>	<b>57,882,144</b>	<b>1,044,634</b>
<b>Expenditures</b>				
General government:				
Council and executive administration	4,907,420	4,930,620	4,232,453	(698,167)
Finance	3,012,960	3,012,960	2,569,732	(443,228)
Other	1,294,910	1,392,740	1,352,197	(40,543)
<b>Total general government</b>	<b>9,215,290</b>	<b>9,336,320</b>	<b>8,154,382</b>	<b>(1,181,938)</b>
Public safety:				
Police	26,922,800	26,922,800	25,583,844	(1,338,956)
Fire	5,630,130	5,652,420	5,529,091	(123,329)
Building inspection	2,341,590	2,341,590	2,345,456	3,866
<b>Total public safety</b>	<b>34,894,520</b>	<b>34,916,810</b>	<b>33,458,391</b>	<b>(1,458,419)</b>
Public works -				
Roads and streets	7,601,820	7,601,820	5,946,526	(1,655,294)
Community and economic development:				
Engineering	2,841,250	2,841,250	2,931,062	89,812
Planning	953,650	953,650	934,761	(18,889)
<b>Total community and economic development</b>	<b>3,794,900</b>	<b>3,794,900</b>	<b>3,865,823</b>	<b>70,923</b>
Recreation and culture:				
Parks	3,070,880	3,072,510	2,942,700	(129,810)
Recreation	4,881,750	4,841,080	4,584,300	(256,780)
Historic village and nature center	388,870	395,640	368,973	(26,667)
<b>Total recreation and culture</b>	<b>8,341,500</b>	<b>8,309,230</b>	<b>7,895,973</b>	<b>(413,257)</b>
<b>Total expenditures</b>	<b>63,848,030</b>	<b>63,959,080</b>	<b>59,321,095</b>	<b>(4,637,985)</b>

continued...

## CITY OF TROY, MICHIGAN

### Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues over (under) expenditures	\$ (7,010,520)	\$ (7,121,570)	\$ (1,438,951)	\$ 5,682,619
Other financing sources (uses)				
Transfers in	5,328,500	5,328,500	4,037,463	(1,291,037)
Transfers out	(1,635,410)	(1,635,410)	(1,635,410)	-
Total other financing sources	3,693,090	3,693,090	2,402,053	(1,291,037)
Net change in fund balance	(3,317,430)	(3,428,480)	963,102	4,391,582
Fund balance, beginning of year	33,439,820	33,439,820	33,439,820	-
Fund balance, end of year	\$ 30,122,390	\$ 30,011,340	\$ 34,402,922	\$ 4,391,582

concluded.

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

# CITY OF TROY, MICHIGAN

## Statement of Net Position

Proprietary Funds

June 30, 2019

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sanitary Sewer	Sanctuary Lake Golf Course	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Assets</b>						
Current assets:						
Cash and investments	\$ 12,766,742	\$ 27,667,518	\$ 270,743	\$ 279,707	\$ 40,984,710	\$ 16,953,769
Accounts receivable:						
Billed	3,464,693	4,111	1,771	159,555	3,630,130	89,994
Unbilled	2,618,421	1,825,565	-	-	4,443,986	-
Due from other funds	-	-	-	108,280	108,280	-
Inventories	355,215	25,945	40,301	38,471	459,932	424,565
Prepaid items	-	-	34,527	38,338	72,865	-
Total current assets	19,205,071	29,523,139	347,342	624,351	49,699,903	17,468,328
Noncurrent assets:						
Contracts receivable	34,126	366,120	-	-	400,246	-
Advances to other funds	-	-	-	3,044,230	3,044,230	-
Net pension asset	1,313,221	266,539	-	-	1,579,760	-
Capital assets not being depreciated	3,363,839	5,345,395	2,213,463	1,894,552	12,817,249	10,248
Capital assets being depreciated, net	81,100,493	33,016,676	6,256,030	2,238,100	122,611,299	5,157,545
Total noncurrent assets	85,811,679	38,994,730	8,469,493	7,176,882	140,452,784	5,167,793
<b>Total assets</b>	<b>105,016,750</b>	<b>68,517,869</b>	<b>8,816,835</b>	<b>7,801,233</b>	<b>190,152,687</b>	<b>22,636,121</b>
<b>Deferred outflows of resources</b>						
Deferred charge on refunding	-	-	590,707	-	590,707	-
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	2,167,548	1,354,771	577	37,121	3,560,017	252,864
Due to other funds	-	-	108,280	-	108,280	-
Accrued liabilities	283,716	1,187	203,680	182,439	671,022	6,240
Compensated absences	-	-	-	-	-	2,667,658
Current portion of bonds and capital lease payable	-	-	773,947	46,480	820,427	-
Total current liabilities	2,451,264	1,355,958	1,086,484	266,040	5,159,746	2,926,762
Noncurrent liabilities:						
Compensated absences	-	-	-	-	-	1,990,697
Advances from other funds	-	-	8,342,312	180,302	8,522,614	-
Net other postemployment benefit liability	995,380	202,028	-	-	1,197,408	-
Bonds and capital leases payable	-	-	6,643,441	238,707	6,882,148	-
Total noncurrent liabilities	995,380	202,028	14,985,753	419,009	16,602,170	1,990,697
<b>Total liabilities</b>	<b>3,446,644</b>	<b>1,557,986</b>	<b>16,072,237</b>	<b>685,049</b>	<b>21,761,916</b>	<b>4,917,459</b>
<b>Deferred inflows of resources</b>						
Deferred pension amounts	319,920	64,932	-	-	384,852	-
Deferred other postemployment benefit amounts	571,090	115,912	-	-	687,002	-
Total deferred inflows of resources	891,010	180,844	-	-	1,071,854	-
<b>Net position</b>						
Net investment in capital assets	84,464,332	38,362,071	1,642,812	3,847,465	128,316,680	5,167,793
Restricted for pension	993,301	201,607	-	-	1,194,908	-
Unrestricted (deficit)	15,221,463	28,215,361	(8,307,507)	3,268,719	38,398,036	12,550,869
Total net position (deficit)	\$ 100,679,096	\$ 66,779,039	\$ (6,664,695)	\$ 7,116,184	167,909,624	\$ 17,718,662
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					190,170	
<b>Net position of business type activities</b>					<b>\$ 168,099,794</b>	

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

# CITY OF TROY, MICHIGAN

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

Proprietary Funds

For the Year Ended June 30, 2019

	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	\$ 18,616,798	\$ 13,124,295	\$ 1,777,349	\$ 1,449,144	\$ 34,967,586	\$ 8,516,189
Rental:						
Golf course	-	-	1,138	181,678	182,816	-
Restaurant	-	-	-	67,200	67,200	-
Hydrant	6,004	-	-	-	6,004	-
Building	-	-	-	-	-	204,309
Equipment	-	-	-	-	-	3,841,132
Tap and connections fees	609,621	-	-	-	609,621	-
Penalties	425,281	-	-	-	425,281	-
Other services	21,940	1,069	3,750	123,335	150,094	-
Other services to City funds	-	-	-	-	-	454,428
Total operating revenues	19,679,644	13,125,364	1,782,237	1,821,357	36,408,602	13,016,058
Operating expenses						
Cost of sales and services	13,700,093	11,182,082	-	-	24,882,175	8,167,375
General and administrative	455,859	826,473	-	-	1,282,332	683,446
Operations	3,124,728	1,031,973	1,393,134	1,517,388	7,067,223	2,667,352
Depreciation	2,921,362	1,527,756	327,781	293,251	5,070,150	1,032,906
Total operating expenses	20,202,042	14,568,284	1,720,915	1,810,639	38,301,880	12,551,079
Operating income (loss)	(522,398)	(1,442,920)	61,322	10,718	(1,893,278)	464,979
Nonoperating revenues (expenses)						
Investment earnings	495,802	963,131	-	7,167	1,466,100	532,508
Interest expense	-	-	(238,756)	(988)	(239,744)	-
Gain on sale of capital assets	-	-	20,233	20,233	40,466	192,374
Total nonoperating revenues (expenses)	495,802	963,131	(218,523)	26,412	1,266,822	724,882
Income (loss) before contributions	(26,596)	(479,789)	(157,201)	37,130	(626,456)	1,189,861
Developer and capital grant contributions	657,404	406,661	-	-	1,064,065	-
Change in net position	630,808	(73,128)	(157,201)	37,130	437,609	1,189,861
Net position (deficit), beginning of year	100,048,288	66,852,167	(6,507,494)	7,079,054		16,528,801
Net position (deficit), end of year	\$ 100,679,096	\$ 66,779,039	\$ (6,664,695)	\$ 7,116,184		\$ 17,718,662
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					60,999	
Change in net position of business-type activities					\$ 498,608	

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

# CITY OF TROY, MICHIGAN

## Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2019

	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	\$ 20,013,800	\$ 13,346,489	\$ 1,782,551	\$ 1,690,111	\$ 36,832,951	\$ -
Cash received from interfund services	-	-	-	-	-	13,031,619
Cash payments to employees	(2,559,387)	(1,077,884)	(687,130)	(762,761)	(5,087,162)	(8,300,555)
Cash payments to suppliers for goods and services	(15,301,088)	(11,473,650)	(578,238)	(712,853)	(28,065,829)	(3,195,362)
Cash payments for interfund services	(519,727)	(402,285)	(6,037)	(38,597)	(966,646)	-
Net cash provided by operating activities	1,633,598	392,670	511,146	175,900	2,713,314	1,535,702
Cash flows from capital and related financing activities						
Purchase of capital assets	(1,189,846)	(1,563,647)	(215,518)	(278,833)	(3,247,844)	(1,675,143)
Proceeds from sale of capital assets	-	-	118,126	118,126	236,252	203,754
Principal on capital lease	-	-	(16,722)	(16,722)	(33,444)	-
Principal on bonds	-	-	(725,000)	-	(725,000)	-
Bond and capital lease interest payments	-	-	(185,588)	(988)	(186,576)	-
Net cash used in capital and related financing activities	(1,189,846)	(1,563,647)	(1,024,702)	(178,417)	(3,956,612)	(1,471,389)
Cash flows from investing activities						
Investment earnings	495,802	963,131	-	7,167	1,466,100	532,508
Net change in cash and investments	939,554	(207,846)	(568,556)	59,650	222,802	596,821
Cash and investments, beginning of year	11,827,188	27,875,364	839,299	220,057	40,761,908	16,356,948
Cash and investments, end of year	\$ 12,766,742	\$ 27,667,518	\$ 270,743	\$ 279,707	\$ 40,984,710	\$ 16,953,769
Reconciliation of operating income (loss) to net cash provided by operating activities						
Operating income (loss)	\$ (522,398)	\$ (1,442,920)	\$ 61,322	\$ 10,718	\$ (1,893,278)	\$ 464,979
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	2,921,362	1,527,756	327,781	293,251	5,070,150	1,032,906
Changes in assets and liabilities:						
Accounts receivable	328,186	208,586	314	(22,966)	514,120	15,561
Due from other funds	-	-	-	(108,280)	(108,280)	-
Inventories	206	(5,092)	14	(3,564)	(8,436)	39,946
Prepaid items	-	-	4,795	9,817	14,612	-
Contracts receivable	5,970	12,539	-	-	18,509	-
Net pension asset	(120,111)	(24,379)	-	-	(144,490)	-
Deferred outflows of resources related to the net pension asset	201,601	40,918	-	-	242,519	-
Accounts payable	(498,010)	260,199	(12)	(8,315)	(246,138)	(90,672)
Due to other funds	-	-	108,280	-	108,280	-
Accrued liabilities	(59,313)	(58,308)	8,652	5,239	(103,730)	1,933
Compensated absences	-	-	-	-	-	71,049
Net other postemployment benefit liability	(917,445)	(186,209)	-	-	(1,103,654)	-
Deferred inflows of resources related to the net pension asset	(141,043)	(28,628)	-	-	(169,671)	-
Deferred inflows of resources related to the net other postemployment benefit liability	434,593	88,208	-	-	522,801	-
Net cash provided by operating activities	\$ 1,633,598	\$ 392,670	\$ 511,146	\$ 175,900	\$ 2,713,314	\$ 1,535,702
Noncash investing, capital, and financing activities						
Contributions of capital assets	\$ 657,404	\$ 406,661	\$ -	\$ -	\$ 1,064,065	\$ -
Capital assets acquired through capital lease	-	-	301,909	301,909	603,818	-

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

# CITY OF TROY, MICHIGAN

## Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2019

	Pension and Other Postemployment Benefit Trusts	Agency
<b>Assets</b>		
Cash and cash equivalents	\$ 6,988,745	\$ 6,784,956
Investments:		
U.S. government securities and agencies	5,336,589	-
Corporate bonds	20,764,034	-
Corporate equities	72,981,460	-
Preferred stock	496,763	-
Mutual funds	145,413,365	-
Exchange traded funds	49,292,377	-
Interest receivable	151,262	-
<b>Total assets</b>	<b>301,424,595</b>	<b>\$ 6,784,956</b>
<b>Liabilities</b>		
Accounts payable	2,684	\$ 34,135
Accrued liabilities	165,668	-
Performance deposits	-	6,750,821
<b>Total liabilities</b>	<b>168,352</b>	<b>\$ 6,784,956</b>
<b>Net position</b>		
Restricted for pension benefits	211,322,928	
Restricted for postemployment healthcare benefits	89,933,315	
<b>Total net position</b>	<b>\$ 301,256,243</b>	

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

## CITY OF TROY, MICHIGAN

### Statement of Changes in Fiduciary Net Position

Pension and Other Postemployment Benefit Trust Funds  
For the Year Ended June 30, 2019

#### Additions

##### Contributions:

Employer contributions	\$ 7,285,851
Employee contributions	164,311
On-behalf contributions	<u>136,413</u>

Total contributions	<u>7,586,575</u>
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##### Investment earnings:

Interest	716,105
Dividends	7,539,865
Other income	134,675
Net adjustment in fair value of investments	15,021,137
Less: investment expense	<u>(810,548)</u>

Net investment earnings	<u>22,601,234</u>
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Total additions	<u>30,187,809</u>
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#### Deductions

Benefits	18,376,629
Administrative expenses	<u>202,852</u>

Total deductions	<u>18,579,481</u>
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Net change in net position	11,608,328
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Net position, beginning of year	<u>289,647,915</u>
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Total restricted net position, end of year	<u><u>\$ 301,256,243</u></u>
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The accompanying notes are an integral part of these basic financial statements.

## CITY OF TROY, MICHIGAN

### Combining Statement of Net Position

Discretely Presented Component Units

June 30, 2019

	Downtown Development Authority	Local Development Financing Authority	Brownfield Redevelopment Authority	Total
<b>Assets</b>				
Cash and investments	\$ 1,003,560	\$ 62,917	\$ 604,629	\$ 1,671,106
Receivables:				
Revolving loans receivable	-	-	203,019	203,019
Taxes receivable	43,716	-	1,495	45,211
<b>Total assets</b>	<b>1,047,276</b>	<b>62,917</b>	<b>809,143</b>	<b>1,919,336</b>
<b>Liabilities</b>				
Interest payable	109,061	-	-	109,061
Long-term debt:				
Due within one year	260,000	-	-	260,000
Due in more than one year	13,385,000	-	-	13,385,000
<b>Total liabilities</b>	<b>13,754,061</b>	<b>-</b>	<b>-</b>	<b>13,754,061</b>
<b>Deferred inflows of resources</b>				
Deferred gain on refunding	353,815	-	-	353,815
<b>Net position</b>				
Unrestricted (deficit)	\$ (13,060,600)	\$ 62,917	\$ 809,143	\$ (12,188,540)

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

## CITY OF TROY, MICHIGAN

### Combining Statement of Activities

Discretely Presented Component Units

For the Year Ended June 30, 2019

	Downtown Development Authority	Local Development Financing Authority	Brownfield Redevelopment Authority	Total
Revenues				
General:				
Property taxes	\$ 1,612,549	\$ 106,644	\$ 15,338	\$ 1,734,531
Intergovernmental	-	41,568	-	41,568
Investment earnings	43,446	6,245	19,388	69,079
Total revenues	1,655,995	154,457	34,726	1,845,178
Expenses				
Community and economic development	267,093	232,423	10,466	509,982
Interest	638,609	-	-	638,609
Total expenses	905,702	232,423	10,466	1,148,591
Change in net position	750,293	(77,966)	24,260	696,587
Net position (deficit), beginning of year	(13,810,893)	140,883	784,883	(12,885,127)
Net position (deficit), end of year	\$ (13,060,600)	\$ 62,917	\$ 809,143	\$ (12,188,540)

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

## NOTES TO FINANCIAL STATEMENTS

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### Description of government-wide financial statements

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

#### Reporting Entity

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

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

#### Component Units

*Discretely presented component units* are legally separate entities, but are not in substance part of the government operation. The City of Troy has three component units, the Downtown Development Authority, Brownfield Redevelopment Authority and the Local Development Financing Authority, which meet the criteria for discretely presented component units. The Authorities are also reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. Financial statements for each of the individual component units are included in the supplemental information section as listed in the table of contents of this report. Separately issued audited financial statements are not available.

The purpose of the Downtown Development Authority is to issue bonds and use tax increment financing in the accomplishment of specific Downtown Development improvements to City-owned facilities and infrastructure, which are contained in the locally adopted development plan. The Downtown Development Authority may participate in projects for private development as long as it is for a public purpose. The Authority's governing body, which consists of thirteen individuals, is selected by the City Council. In addition, the City Council sets the annual budget.

The purpose of the Brownfield Redevelopment Authority is to provide assistance for the redevelopment of abandoned, idled, or under-utilized industrial or commercial properties, which are complicated by real or perceived environmental contamination. The Authority's governing body, which consists of seven individuals, is selected by the City Council. In addition, the City Council sets the annual budget for the Authority.

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

The Local Development Financing Authority is a multi-jurisdictional authority that was established to encourage local development in order to prevent conditions of unemployment and to promote economic growth. The Authority's governing body, which consists of five individuals, is selected by the City Council. In addition, the City Council sets the annual budget.

### Basis of Presentation - Government-Wide Financial Statements

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

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

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

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

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

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

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

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

### Basis of Presentation - Fund Accounting

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

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

### Governmental Funds

The City reports the following major and nonmajor governmental funds:

#### *Major Governmental Funds*

*General Fund.* The general fund is the general operating fund of the City. It is used to account for all financial resources except those accounted for and reported in another fund.

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

*Capital 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 residents. The City has one permanent fund for cemetery perpetual care.

## Notes to Financial Statements

### Proprietary Funds

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

The following proprietary funds are reported:

### *Enterprise Funds*

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

The City reports the following major enterprise funds:

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

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

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

### *Internal Service Funds*

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

### Fiduciary Funds

### *Pension and Other Postemployment Benefits Trust Funds*

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

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

### *Trust and Agency Fund*

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

### Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

All proprietary funds, pension and retiree healthcare trust funds are accounted for on a cost of services or "economic resources" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statements of net position. Revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position. Unbilled water and sewer fund utility service receivables are recorded at year-end.

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

#### *Cash and Investments*

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

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

Investments are stated at fair value.

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

The pension and retiree healthcare trust funds are authorized by Michigan Public Acts 314 of 1965, Public Act 485 of 1996 and Public Act 149 of 1999 to invest in certain reverse repurchase agreements, real estate leased to public agencies, stocks, diversified investment companies, annuity investment contracts, mortgages, certain state and local government obligations, and certain other specified investment vehicles.

#### *Inventories and Prepaid Items*

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

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

#### *Capital Assets*

Capital assets, which include property, buildings, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$10,000 (\$5,000 for federally funded projects) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation and infrastructure acquired prior to fiscal year ended June 30, 1980 is not reported in capital assets.

## CITY OF TROY, MICHIGAN

### Notes to Financial Statements

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

Assets	Years
Buildings	50 years
Water and sewer transmission and distribution system	50 years
Service connections	20 years
Infrastructure	20 - 25 years
Land improvements	10 years
Building improvements	20 years
Golf course equipment	3 - 10 years
Furniture and fixtures	3 - 10 years
Vehicles and miscellaneous equipment	2 - 20 years

#### *Accrued Vacation and Other Compensated Absences*

The City maintains an internal service fund to account for the accumulation of resources for, and the payment of, vacation, compensatory time, holiday and sick pay. These amounts along with the associated benefit costs are fully accrued in the compensated absences fund. Departments are charged by the internal service fund when the benefits are earned and a liability incurred.

#### *Long-Term Obligations*

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

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.

#### *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenditure/expense) until then. The City reports deferred outflows of resources for change in expected and actual investment returns, assumptions, and benefits provided in its pension plans as well as for the deferred charge on refundings. A deferred refunding charge results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

## CITY OF TROY, MICHIGAN

### Notes to Financial Statements

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has deferred inflows of resources related to pension and other postemployment benefit (OPEB) costs and a deferred gain on refunding. A deferred pension or OPEB inflow results when there is a change in total pension or OPEB liability due to benefit changes, differences between expected and actual experience, changes in actuarial assumptions, or differences between expected and actual investment returns. The amount is deferred and amortized over the average expected remaining service lives of all employees. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The governmental funds report unavailable revenues from delinquent personal property taxes and long-term receivables, which arise only under a modified accrual basis of accounting, that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### *Net Position Flow Assumption*

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

#### *Fund Balance Flow Assumption*

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

#### *Fund Balance Policies*

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

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

The City has established a policy to maintain a minimum unassigned fund balance for the General Fund at a level of 20% to 30% of annual expenditures. This is to provide stability and flexibility to respond to unexpected adversity and/or opportunities. The use of fund balance is appropriate as part of a financial plan and one-time expenditures. If unassigned fund balance falls below or grows above the established policy range, the City Manager will present a financial plan, typically as part of the fiscal budgeting process, to address the deficiency or surplus of unassigned fund balance.

### *Pension and Other Postemployment Benefits*

For purposes of measuring the net pension asset/liability, net other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pension and other postemployment benefit plans, and pension and other postemployment benefit expenses, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## 2. BUDGETARY INFORMATION

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

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

The City adopts its budget by function, which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations.

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. On or before the third Monday in April, the City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing on the budget is held before its final adoption.
3. As provided for by the City Charter, on or before the third Monday in May, the budget is legally adopted and by resolution designates the sum to be raised by taxation.

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

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).

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2019, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Final Budget	Actual	Actual Over (Under) Final Budget
General fund			
Public safety -			
Building inspection	\$ 2,341,590	\$ 2,345,456	\$ 3,866
Community and economic development -			
Engineering	2,841,250	2,931,062	89,812

The above budgeted amounts are presented at the activity level, which is the required minimum level of control per the Michigan Uniform Budget Manual. However, the level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) are established at the functional level for the general fund and fund level for special revenue funds.

## 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### State Construction Code Act

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

## CITY OF TROY, MICHIGAN

### Notes to Financial Statements

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

Shortfall at July 1, 2018	\$ (3,922,930)
Current year building permit revenue	<u>\$ 2,980,152</u>
Related expenses:	
Direct costs	2,345,456
Estimated indirect costs (8%)	<u>187,636</u>
Total construction code expenses	<u>2,533,092</u>
Net surplus for the year ended June 30, 2019	<u>447,060</u>
Cumulative shortfall at June 30, 2019	<u><u>\$ (3,475,870)</u></u>

#### 4. DEPOSITS AND INVESTMENTS

##### Statutory Authority

State statutes authorize the City to make limited investments of non-pension surplus funds authorized by Michigan Public Act 20 of 1943, as amended), and may invest in the following:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase. Not more than fifty percent of any fund may be invested in commercial paper at any time.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan or any of its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20, as amended.

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

### Summary of Deposit and Investment Balances

The following is a reconciliation of deposit and investment balances segregated by cash and cash equivalents and investments as of June 30, 2019:

	Primary Government	Component Units	Totals
Statement of net position			
Cash and investments	\$ 108,064,965	\$ 1,671,106	\$ 109,736,071
Statement of fiduciary net position			
Pension and OPEB trust funds:			
Cash and cash equivalents	6,988,745	-	6,988,745
Investments	294,284,588	-	294,284,588
Agency funds -			
Cash and cash equivalents	6,784,956	-	6,784,956
Total	<u>\$ 416,123,254</u>	<u>\$ 1,671,106</u>	<u>\$ 417,794,360</u>
Deposits and investments			
Bank deposits -			
Checking / savings accounts			\$ 47,077,456
Investment in securities and mutual funds:			
Pooled investments			71,593,995
Pension and OPEB investments			299,108,528
Cash on hand			<u>14,381</u>
Total			<u>\$ 417,794,360</u>

### Deposit and Investment Risk

#### *Deposits*

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City of Troy deposits may not be returned. State law does not require and the City's investment policy does not directly address a deposit policy for custodial credit risk. At year end, \$44,025,917 of the City of Troy's bank deposits (certificates of deposit, checking, and cash) of \$49,561,624 was exposed to custodial credit risk because they were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### *Investments*

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

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

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

Investment	Fair Value	Weighted Average Maturity
<b>Pooled investments</b>		
U.S. Government or agency bond/note	\$ 66,345,614	3.6 years
Municipal bonds	593,792	5.5 years
<b>Pension and OPEB investments</b>		
U.S. Government or agency bond/note	5,336,589	6.4 years
Corporate bonds	20,764,044	4.1 years
ETF's -fixed income	4,097,816	7.3 years
Mutual Funds - fixed income	51,635,402	3.5 years

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

	Pooled Investments	Pension and OPEB Investments	Total
AAA	\$ 65,636,871	\$ 14,283,488	\$ 79,920,359
AA to AA-	1,302,535	3,595,237	4,897,772
A to A-	-	27,298,137	27,298,137
BBB to BBB-	-	27,728,835	27,728,835
BB to BB-	-	-	-
B to B-	-	6,529,108	6,529,108
CCC or below	-	665,091	665,091
Not rated	-	1,733,955	1,733,955
<b>Total</b>	<b>\$ 66,939,406</b>	<b>\$ 81,833,851</b>	<b>\$ 148,773,257</b>

*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

#### Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs - other than quoted prices - included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: a) quoted prices for similar assets or liabilities in active markets; b) quoted prices for identical or similar assets or liabilities in markets that are not active; and c) inputs other than quoted prices that are observable for the asset or liability, such as: (1) interest rates and yield curves observable at commonly quoted intervals; (2) implied volatilities and (3) credit spreads. Finally, Level 3 inputs are unobservable and are based on estimates and assumptions. These levels are determined by the City's investment managers. These are determined at the fund level based on a review of the investment's class, structure, and what kind of securities are held in funds. The investment managers will request the information from the fund manager if necessary. The City had the following recurring fair value measurements as of June 30, 2019.

	Level 1	Level 2	Net Asset Value	Total
Cash and money market funds	\$ 5,387,835	\$ 2,305,779	\$ -	\$ 7,693,614
United States government obligations	17,716,237	53,965,965	-	71,682,202
State and municipal bonds	-	593,792	-	593,792
Corporate bonds and fixed income commingled funds	72,075,850	4,421,412	-	76,497,262
Common stocks and equity mutual funds	212,450,738	-	-	212,450,738
Local government investment pool	-	-	1,784,915	1,784,915
Total	<u>\$ 307,630,660</u>	<u>\$ 61,286,948</u>	<u>\$ 1,784,915</u>	<u>\$ 370,702,523</u>

#### Fund Investments - Investments in Entities that Calculate Net Asset Value per Share.

The City holds shares in Michigan CLASS whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

At year end, the net asset value of the City's investment in Michigan CLASS was \$1,748,915. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies.

#### Fund Investments - Mutual Funds and Separately Managed Accounts (SMAs)

An open-ended mutual fund, a registered investment company, produces a daily NAV that is validated with a sufficient level of observable activity (i.e., purchases and sales at NAV) to support classification of the fair value measurement as Level 1 in the fair value hierarchy. In this case, the NAV represents the exit value of the security at the measurement date.

## CITY OF TROY, MICHIGAN

### Notes to Financial Statements

The primary rationale to support the classification of Mutual Funds as Level 1 in the fair value hierarchy are: 1.) the investments in the funds are required to be measured at fair value (SEC regulated), 2.) the NAV is unadjusted and is in all cases the transaction price for purchases and sales (the NAV represents the exit value of the security at the measurement date), 3.) there are no restrictions on redemptions and 4.) the NAV is made publicly available daily.

The City's investment consultants also typically view SMAs as being reasonably considered Level 1 in the fair value hierarchy. The Fund Investment provides look-through capability to the underlying holdings, which can then be valued at fair market prices with strong liquidity.

#### Fund Investments - Commingled Funds and Trusts

Commingled Funds and Common Trust Funds do not all meet these criteria listed above for mutual funds. A fund administrator typically does not have the transparency into valuation methodology and valuation frequency of each of these pooled investment vehicles to make an accurate appraisal of whether the NAV does represent the exit value of the fund at each measurement date.

For this reason, the City's investment consultant takes a conservative approach with the default position being to consider these investments as Level 2 in the fair value hierarchy.

The net asset value (NAV) of an open-ended fund, whether a registered investment company fund, such as a mutual fund, or certain alternative investment funds, such as a hedge fund, serves as the basis for subscription and redemption transactions for investors in such funds. For investments in funds for which the underlying assets and liabilities are required to be measured at fair value, and where NAV is available, the NAV is generally the most appropriate starting point when determining the fair value measurement for an interest in such fund. However, when valuing such an investment, the holder must estimate the fair value of the interest held, which at times may be different from a value based solely on the NAV of the fund. The holder should also consider various factors including, but not limited to, the attributes of the interest held, including any restrictions or illiquidity on the disposition of the interest, and the holder's requirements to understand and accept the valuations provided by the fund (or modify them if appropriate), to determine the fair value of the interest itself. Depending on the facts and circumstances, the NAV may need to be adjusted depending upon the rights and obligations of the ownership interest and/or other factors. Furthermore, any adjustments to NAV based on unobservable inputs may result in the fair value measurement being categorized as a Level 3 measurement, if those inputs are significant to the overall fair value measurement.

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

### 5. RECEIVABLES

Receivables, which include amounts due from other governments at June 30, 2019, are summarized as follows:

	Governmental Activities	Business-type Activities	Component Units
Billed accounts receivable	\$ 2,192,792	\$ 3,630,130	\$ -
Allowance for billed accounts receivable	(24,501)	-	-
Unbilled accounts receivable	-	4,443,986	-
Revolving loan fund	-	-	203,019
Delinquent personal property taxes	135,230	-	45,211
Allowance for delinquent personal property taxes	(40,065)	-	-
Special assessments	2,374	-	-
Interest	87,781	-	-
Contracts receivable	-	400,246	-
Due from Downtown Development Authority	13,754,061	-	-
Due from other governments	2,913,112	-	-
	<u>\$ 19,020,784</u>	<u>\$ 8,474,362</u>	<u>\$ 248,230</u>
Amount not expected to be collected within one year	<u>\$ 13,385,000</u>	<u>\$ 400,246</u>	<u>\$ 203,019</u>

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

### 6. CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 37,462,124	\$ -	\$ -	\$ -	\$ 37,462,124
Museum artifacts	2,082,845	-	-	-	2,082,845
Construction in progress	2,893,657	481,884	-	-	3,375,541
	<u>42,438,626</u>	<u>481,884</u>	<u>-</u>	<u>-</u>	<u>42,920,510</u>
Capital assets, being depreciated:					
Infrastructure:					
Major/county/local road:	256,515,376	7,003,452	-	-	263,518,828
Local donated roads	33,551,524	-	-	-	33,551,524
Sidewalks	34,927,607	483,942	-	-	35,411,549
Drains	11,210,485	61,389	-	-	11,271,874
Land improvements	11,116,828	59,980	-	-	11,176,808
Buildings and improvements	95,971,330	1,650,019	-	-	97,621,349
Miscellaneous equipment	7,182,607	594,863	(26,952)	-	7,750,518
Office equipment	3,086,524	108,336	-	-	3,194,860
Vehicles	19,123,867	3,219,174	(713,950)	-	21,629,091
Library books/audio visual	6,455,313	593,237	(1,471,979)	-	5,576,571
	<u>479,141,461</u>	<u>13,774,392</u>	<u>(2,212,881)</u>	<u>-</u>	<u>490,702,972</u>
Less accumulated depreciation for:					
Infrastructure:					
Major/county/local road:	(128,279,692)	(8,771,151)	-	-	(137,050,843)
Local donated roads	(30,634,468)	(462,193)	-	-	(31,096,661)
Sidewalks	(29,530,821)	(425,560)	-	-	(29,956,381)
Drains	(1,151,440)	(237,425)	-	-	(1,388,865)
Land improvements	(7,658,266)	(303,896)	-	-	(7,962,162)
Buildings and improvements	(65,886,139)	(3,200,455)	-	-	(69,086,594)
Miscellaneous equipment	(4,759,202)	(398,183)	26,952	-	(5,130,433)
Office equipment	(2,505,603)	(191,957)	-	-	(2,697,560)
Vehicles	(13,380,830)	(1,104,970)	702,570	-	(13,783,230)
Library books/audio visual	(4,677,202)	(596,977)	1,471,979	-	(3,802,200)
	<u>(288,463,663)</u>	<u>(15,692,767)</u>	<u>2,201,501</u>	<u>-</u>	<u>(301,954,929)</u>
Total capital assets being depreciated, net	<u>190,677,798</u>	<u>(1,918,375)</u>	<u>(11,380)</u>	<u>-</u>	<u>188,748,043</u>
Governmental activities capital assets, net	<u>\$ 233,116,424</u>	<u>\$ (1,436,491)</u>	<u>\$ (11,380)</u>	<u>\$ -</u>	<u>\$ 231,668,553</u>

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Business-type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 6,738,504	\$ -	\$ -	\$ -	\$ 6,738,504
Construction in progress	4,224,332	2,753,479	-	(899,066)	6,078,745
	<u>10,962,836</u>	<u>2,753,479</u>	<u>-</u>	<u>(899,066)</u>	<u>12,817,249</u>
Capital assets, being depreciated:					
Water and sewer transmission and distribution system	206,399,953	951,131	-	34,433	207,385,517
Service connections	750,121	-	-	-	750,121
Land improvements	8,735,182	128,862	-	864,633	9,728,677
Buildings and improvements	7,577,498	78,856	-	-	7,656,354
Miscellaneous equipment	2,268,526	163,331	-	-	2,431,857
Vehicles	807,576	840,068	(499,876)	-	1,147,768
Furniture, fixtures and other	24,500	-	-	-	24,500
	<u>226,563,356</u>	<u>2,162,248</u>	<u>(499,876)</u>	<u>899,066</u>	<u>229,124,794</u>
Less accumulated depreciation for:					
Water and sewer transmission and distribution system	(89,345,187)	(4,402,972)	-	-	(93,748,159)
Service connections	(750,121)	-	-	-	(750,121)
Land improvements	(3,642,117)	(211,404)	-	-	(3,853,521)
Buildings and improvements	(6,094,695)	(289,329)	-	-	(6,384,024)
Miscellaneous equipment	(1,329,012)	(116,457)	-	-	(1,445,469)
Vehicles	(561,803)	(49,988)	304,090	-	(307,701)
Furniture, fixtures and other	(24,500)	-	-	-	(24,500)
	<u>(101,747,435)</u>	<u>(5,070,150)</u>	<u>304,090</u>	<u>-</u>	<u>(106,513,495)</u>
Total capital assets being depreciated, net	<u>124,815,921</u>	<u>(2,907,902)</u>	<u>(195,786)</u>	<u>899,066</u>	<u>122,611,299</u>
Business-type activities capital assets, net	<u>\$ 135,778,757</u>	<u>\$ (154,423)</u>	<u>\$ (195,786)</u>	<u>\$ -</u>	<u>\$ 135,428,548</u>

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

### Depreciation of governmental activities by function

General government	\$ 4,285,283
Public safety	477,646
Public works	9,997,090
Community and economic development	115,396
Recreation and culture	817,352
	<u>15,692,767</u>

Total depreciation expense - governmental activities \$ 15,692,767

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

### Depreciation of business-type activities by function

Water	\$ 2,921,362
Sanitary Sewer	1,527,756
Sanctuary Lake Golf Course	327,781
Sylvan Glen Golf Course	98,332
Aquatic Center	194,919

Total depreciation expense - business-type activities \$ 5,070,150

## 7. INTERFUND ADVANCES AND TRANSFERS

The amounts of interfund advances transfers are as follows as of June 30, 2019:

	Advanced to Other Funds	Advanced from Other Funds
General Fund	\$ 5,478,384	\$ -
Enterprise Funds:		
Sanctuary Lake Golf Course Fund	-	8,342,312
Sylvan Glen Course Fund	3,044,230	-
Aquatic Center Fund	-	180,302
Total	<u>\$ 8,522,614</u>	<u>\$ 8,522,614</u>

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

Interfund transfers reported in the fund statements are as follows as of June 30, 2019:

Transfers out	Transfers In			Totals
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 1,635,410	\$ -	\$ 1,635,410
Nonmajor Governmental Funds	4,037,463	5,144,366	3,876,825	13,058,654
Total	<u>\$ 4,037,463</u>	<u>\$ 6,779,776</u>	<u>\$ 3,876,825</u>	<u>\$ 14,694,064</u>

### General Fund

Transfers to the capital projects fund are for the purchase of ladder trucks for the fire department.

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

### Nonmajor Governmental Funds

The general fund is responsible for major, local and county street maintenance and snow removal. Funding sources for these services includes the major street fund and local street fund transfers to the general fund in the amount of \$2,140,530 and \$1,896,933 respectively. In addition, the general fund receives funding from Oakland County for county street snow removal. The capital projects fund is responsible for all governmental activity type capital projects with the exception of internal service funds. Funding sources include major street fund and local street fund transfers to the capital projects fund in the amounts of \$2,500,000 and \$1,500,000, respectively, representing partial funding for capital street improvements. In addition, the library fund transferred \$917,827 to the capital projects fund for library capital purchases including collections, and the drug forfeiture fund transferred \$226,539 to the capital projects fund for updates to the gun range and police station scanner replacement. The major street fund transfer to the local street fund of \$1,000,000 represents allowable redirection of state funding. The general debt service fund transferred to the Proposal A, B, and C debt service funds in the amount of \$2,876,825 for principal and interest payments on outstanding debt.

### 8. OPERATING LEASES

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

Year Ended June 30,	Amount
2020	\$ 14,480
2021	8,017
2022	<u>974</u>
	<u>\$ 23,471</u>

Lease costs for the year ended June 30, 2019, were \$41,814.

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

### 9. LONG-TERM DEBT

#### Primary Government

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
General obligation bonds	\$ 21,890,000	\$ -	\$ (2,855,000)	\$ 19,035,000	\$ 2,890,000
Notes from direct borrowings and direct placements	1,334,952	-	(240,470)	1,094,482	246,159
<b>Total installment debt</b>	<b>23,224,952</b>	<b>-</b>	<b>(3,095,470)</b>	<b>20,129,482</b>	<b>3,136,159</b>
<b>Deferred amounts -</b>					
For issuance premiums	561,258	-	(35,079)	526,179	35,079
Accrued compensated absences	4,587,306	4,588,280	(4,517,231)	4,658,355	2,667,658
Estimated self-insurance claims	1,079,592	11,529,643	(11,191,162)	1,418,073	950,797
<b>Total governmental activities debt</b>	<b>\$ 29,453,108</b>	<b>\$ 16,117,923</b>	<b>\$ (18,838,942)</b>	<b>\$ 26,732,089</b>	<b>\$ 6,789,693</b>
<b>Business-type activities</b>					
General obligation bonds	\$ 7,745,000	\$ -	\$ (725,000)	\$ 7,020,000	\$ 715,000
Capital leases	-	603,818	(33,444)	570,374	92,960
Deferred amounts - For issuance premiums	124,668	-	(12,467)	112,201	12,467
<b>Total business-type activities</b>	<b>\$ 7,869,668</b>	<b>\$ 603,818</b>	<b>\$ (770,911)</b>	<b>\$ 7,702,575</b>	<b>\$ 820,427</b>
<b>Total primary government</b>	<b>\$ 37,322,776</b>	<b>\$ 16,721,741</b>	<b>\$ (19,609,853)</b>	<b>\$ 34,434,664</b>	<b>\$ 7,610,120</b>

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

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

Debt issues outstanding are as follows:

	Maturity Date	Original Issue	Interest Rate	Amount Outstanding
<b>Primary Government</b>				
<b>Governmental activities</b>				
General obligation bonds:				
Proposal A - streets/streetscape:				
2008 Refunding of series 2000	2021	\$ 3,505,000	3.0-4.0%	\$ 685,000
2010 Refunding of series 2001	2021	4,515,000	2.0-5.0%	1,095,000
Proposal B - public safety/city hall:				
2010 Refunding of series 2001	2021	835,000	2.0-5.0%	200,000
2010 Refunding of series 2003	2021	9,110,000	2.0-5.0%	2,105,000
Proposal C - community center -				
2010 Refunding of series 2001	2021	5,910,000	2.0-5.0%	1,305,000
Series 2013 - DDA Refunding	2034	14,945,000	2.0-5.25%	13,645,000
Notes from direct borrowings and direct placements:				
GWK Series 2000A	2022	457,372	2.50%	83,775
GWK Series 2001C	2024	2,102,682	2.50%	626,583
GWK Series 2001D	2024	81,089	2.50%	16,566
GWK Series 2005	2026	41,440	1.63%	15,179
GWK Series 2007G	2028	46,242	1.63%	22,196
GWK Series 2008H	2029	196,953	2.50%	109,381
GWK Series 2016	2024	190,572	2.33%	110,762
North Arm Series 1998	2021	926,972	2.25%	110,040
Total governmental activities		<u>42,863,322</u>		<u>20,129,482</u>
<b>Business-type activities</b>				
General obligation bonds -				
Golf course series 2012	2028	<u>\$ 9,655,000</u>	1.5-3.0%	<u>\$ 7,020,000</u>
Total primary government		<u><u>\$ 52,518,322</u></u>		<u><u>\$ 27,149,482</u></u>

## CITY OF TROY, MICHIGAN

### Notes to Financial Statements

The annual debt requirements to maturity for the general obligation bonds outstanding as of June 30, 2019 are as follows:

Year Ended June 30,	Primary Government			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 2,890,000	\$ 818,388	\$ 715,000	\$ 169,950
2021	3,135,000	691,067	700,000	155,800
2022	440,000	618,113	685,000	140,238
2023	500,000	594,613	770,000	122,050
2024	600,000	567,113	755,000	102,988
2025-2029	5,120,000	2,246,309	3,395,000	197,925
2030-2034	6,350,000	807,367	-	-
	<u>\$ 19,035,000</u>	<u>\$ 6,342,970</u>	<u>\$ 7,020,000</u>	<u>\$ 888,951</u>

The annual debt requirements to maturity for the notes from direct borrowings and direct placements outstanding as of June 30, 2019 are as follows:

Year Ended June 30,	Primary Government	
	Governmental Activities	
	Principal	Interest
2020	\$ 246,159	\$ 25,249
2021	250,338	19,408
2022	200,145	14,080
2023	162,036	9,257
2024	164,407	5,320
2025-2029	71,397	3,120
	<u>\$ 1,094,482</u>	<u>\$ 76,434</u>

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

#### *Capital Leases*

The City entered into a lease agreement as lessee for financing the acquisition of golf carts for both Sylvan Glenn and Sanctuary Lake Golf Courses in April 2019. The equipment was valued at \$840,068 with a ten (10) year useful life. The City did not take depreciation in the year of acquisition for the golf carts. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

Future minimum lease payments are as follows:

Year Ended June 30,	Payments
2020	\$ 110,265
2021	110,265
2022	110,265
2023	110,265
2024	110,265
2025	73,510
	<u>624,835</u>
Less amount representing interest	<u>(54,461)</u>
	<u>\$ 570,374</u>

### Component Units

The following is a summary of long-term liability transactions of the City's component units for the year ended June 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Downtown development authority					
Obligated tax captures -					
City G.O. bonds					
Series 2013	\$ 13,905,000	\$ -	\$ (260,000)	\$ 13,645,000	\$ 260,000

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

Component unit debt issues outstanding are as follows:

	Maturity Date	Original Issue	Interest Rate	Amount Outstanding
Downtown development authority				
Obligated tax capture -				
City issued Series 2013 DDA refinancing debt	2034	\$ 14,945,000	2.0-5.25%	\$ 13,645,000

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

The annual debt requirements to maturity for all component unit long-term obligations as of June 30, 2019 are as follows:

Year Ended June 30,	Component Unit - Downtown Development Authority	
	Principal	Interest
2020	\$ 260,000	\$ 654,363
2021	375,000	638,488
2022	440,000	618,113
2023	500,000	594,613
2024	600,000	567,113
2025-2029	5,120,000	2,246,309
2030-2034	6,350,000	807,367
	<u>\$ 13,645,000</u>	<u>\$ 6,126,366</u>

## 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 \$1,000 per occurrence. The liability maximum self-insured retention is \$500,000 per occurrence with an aggregate stop loss of \$1,000,000 per policy year for both property and liability.

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

No settlements have exceeded insurance coverage during the last three years. The City has made no significant reductions in insurance coverage during the year. The City has received no indication that any significant losses exist at June 30, 2019.

The following are the changes in incurred but not reported (IBNR) estimates:

Year Ended June 30,	Beginning Balance	Additions	Deductions	Ending Balance
2017	\$ 939,104	\$ 8,590,656	\$ (8,527,829)	\$ 1,001,931
2018	1,001,931	9,616,604	(9,538,943)	1,079,592
2019	1,079,592	11,529,643	(11,191,162)	1,418,073

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

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

### 11. LITIGATION AND CONTINGENT LIABILITIES

#### Litigation

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

#### Tax Appeals to the Michigan Tax Tribunal

The City has a minimal amount of outstanding property tax assessment appeals totaling approximately \$1.5 million in contended taxable values to the Michigan Tax Tribunal. If the City is not successful with a portion of these appeals, the City of Troy's share of the tax to be refunded would be the levied rate (approximately \$10 per thousand of assessed value) plus interest. The amount of refund (if any) cannot be determined as of June 30, 2019.

### 12. PROPERTY TAXES

Property taxes are recorded on the modified accrual basis of accounting and are levied, and become a lien on July 1<sup>st</sup> on the taxable valuation of the property located within its boundaries as of the preceding December 31<sup>st</sup>. Taxable value is determined by the prior year's taxable value plus 5% or the Consumer Price Index whichever is less, starting with the 1994 state equalized value as the base taxable value. Assessed values are equalized by the State, to closely approximate fifty percent of estimated current market value. The final taxable value of real and personal property subject to property tax within the City for the fiscal 2018-2019 levy was \$4,763,868,145. The City's operating tax rate was 6.50 mills for the same year with additional mills of 1.07 for refuse removal and disposal, 0.69 for library operations, 0.60 for debt service, and 1.44 for capital preservation and improvements.

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

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

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

### 13. TAX ABATEMENT

The City provides tax abatements under four programs: The Industrial Facility Tax - Full Rate Program, the Industrial Facility Tax Half Rate Program, the Payment in Lieu of Taxes (PILOT) Program and the Brownfield Redevelopment Program.

## CITY OF TROY, MICHIGAN

### Notes to Financial Statements

The Industrial Facility Tax - Full Rate Program provides tax abatements on real property to encourage investment in industrial property that is otherwise obsolete and/or requires rehabilitation. The Program is established under Michigan P.A. 198 of 1974 empowering local governments to establish such programs and/or districts. The Program qualifications are further defined under City Council Resolution 2002-05-273. The abatements equal 100 percent of the additional property tax resulting from the increase in taxable value as a result of the improvements, are administered as a reduction in the tax bill, and can last for up to 12 years after completion of the project. Abatements are obtained through application by the property owner prior to commencing the improvements and require subsequent provision by the owner of proof that the improvements have been made. There are no provisions for recapturing abated taxes. No other commitments were made by the City as part of those agreements.

The Industrial Facility Tax - Half Rate Program is much like the Full-Rate Program discussed above. It is intended to reduce economic obsolescence, provide homogenous industrial areas and increase employment opportunities. The Program is established under Michigan P.A. 198 of 1974. The Program qualifications are further defined under City Council Resolution 2010-08-173. The abatements equal 50% of the millage applied to 100% of the taxable value of the real and personal property, are administered as a reduction in the tax bill, and can last for up to 6 years. Abatements are obtained through application by the property owner or leasee and require subsequent provision by the applicant of proof that the qualifications have been met. There are no provisions for recapturing abated taxes. No other commitments were made by the City as part of those agreements.

The Payment in Lieu of Taxes (PILOT) Program is designed to provide tax abatements for owners of multi-family residential units that provide housing to low income residents. There are only two such properties that qualify for the Program in the City and is established by local ordinances. The Program qualifications include providing a percentage of low income housing units in the development and the property owner must have an outstanding mortgage. The abatements are obtained through an application process by the property owner prior to leasing to prospective tenants. The payments in lieu of taxes are calculated on a formula that takes into account the Potential Gross Income of the property less vacancies and applies a rate as determined by the State of Michigan.

The Brownfield Redevelopment Program is designed to implement Brownfield Plans, create Brownfield Redevelopment Zones, promote revitalization, and the redevelopment and reuse of distressed properties within the City using a tax abatement incentive. The program is established under the Brownfield Redevelopment Financing Act, Act 381 of 1996. Tax abatements are equal to 100% of the tax revenues captured on the taxable value and are administered as refunds to eligible participants. Refunds are further limited to the total approved and expended redevelopment costs by the taxpayer as authorized under the Act.

Tax Abatement Program	Amount of Taxes Abated During Fiscal Year
Industrial Facility Tax - Full Rate	\$ (3,152) (Capture due to decline in taxable value base)
Industrial Facility Tax - Half Rate	45,165
Payment in Lieu of Taxes (PILOT)	85,996
Brownfield Redevelopment	<u>83,904</u>
Total Tax Abatements	<u>\$ 211,913</u>

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

### 14. DEFINED BENEFIT PENSION PLANS

#### Employee Retirement System

*Plan Administration.* The City of Troy Employee Retirement System (TERS), under the authorization of the City Code chapter 10, administers the City's employee pension plan covering all full-time general and public safety employees of the City. The single-employer defined benefit plan provides retirement benefits based on credited service time and average compensation with death and disability benefits, and under some circumstances, payments to dependents. Separate financial statements are not issued for the Plan.

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

*Plan Membership.* At December 31, 2018, pension plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	330
Vested terminated employees	6
Active employees	<u>48</u>
Total membership	<u><u>384</u></u>

The defined benefit pension plan is closed to new members.

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

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

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

## CITY OF TROY, MICHIGAN

### Notes to Financial Statements

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

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

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

*Contributions.* Employee contributions for classified and exempt employees is 5% of eligible wages. Members of collective bargaining groups contribution are directed by contract. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members. For the year ended June 30, 2019, the active member contribution rate was between 1.5% and 4.5% of their annual covered salary, depending on bargaining unit, and the City's average contribution rate was 0.0% of annual eligible wages.

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

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

*Long-term expected rate of return.* The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equities (Domestic 40% and International 19%)	59.00%	6.40%	3.79%
Fixed income	29.00%	1.10%	0.32%
Real estate	7.00%	6.30%	0.44%
Cash	5.00%	-1.00%	-0.05%
	<u>100.00%</u>		<u>4.50%</u>
Inflation expectation			<u>2.00%</u>
Investment rate of return			<u>6.50%</u>

*Rate of return.* For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 8.12%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The long-term rate of return is estimated at 6.5%.

## CITY OF TROY, MICHIGAN

### Notes to Financial Statements

*Changes in the net pension asset.* The components of the change in the net pension asset are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset)
Balances at June 30, 2018	\$ 161,236,461	\$ 196,605,567	\$ (35,369,106)
Changes for the year:			
Service cost	919,922	-	919,922
Interest	10,145,675	-	10,145,675
Differences between expected and actual experience	1,345,828	-	1,345,828
Changes in assumptions	(701,730)	-	(701,730)
Employee contributions	-	164,311	(164,311)
Net investment income	-	15,253,371	(15,253,371)
Benefit payments, including refunds of employee contributions	(11,382,935)	(11,382,935)	-
Administrative expense	-	(147,374)	147,374
Net changes	326,760	3,887,373	(3,560,613)
Balances at June 30, 2019	\$ 161,563,221	\$ 200,492,940	\$ (38,929,719)

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of December 31, 2018 with a measurement and reporting date of June 30, 2019. The following actuarial assumptions were applied to all periods included in the measurement:

Actuarial cost method	Entry-age
Inflation	2.6%
Salary increases (including inflation)	3.5% to 7.5%
Investment rate of return	6.5%
Mortality rates	RP-2014 Healthy Annuitant
Actuarial experience study	2001-2006

*Actuarial assumption changes.* The only assumption change for the current year is a decrease in the long-term municipal bond rate. All other assumptions are the same as those used in the prior year.

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

## CITY OF TROY, MICHIGAN

### Notes to Financial Statements

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

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
City's TERS net pension asset	\$ (22,277,830)	\$ (38,929,719)	\$ (53,056,547)

*Pension Expense and Deferred Inflows of Resources Related to Pensions.* For the year ended June 30, 2019, the City recognized pension expense of (\$1,765,410). At June 30, 2019, the City reported pension-related deferred inflows of resources from the following sources:

	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	<u>\$ 9,483,850</u>

Amounts reported as pension-related deferred inflows of resources will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2020	\$ 2,207,427
2021	4,615,996
2022	2,091,748
2023	<u>568,679</u>
Total	<u>\$ 9,483,850</u>

#### Volunteer Firefighter Incentive Plan (VFIP)

The City of Troy has a noncontributory incentive plan and trust 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, 2019 was determined using an individual entry age funding method.

Management of the plan is vested with the Volunteer Firefighter Incentive Plan Board, which consists of seven voting members. Two of the voting members are designated by their position which includes the City Manager and the City Director of Financial Services. Three of the voting members are elected by plan members. One voting member of City Council as selected by the Council and one voting citizen, who is an elector of the city and who is not a member of the system and who is not a member of City Council as appointed by the Mayor.

## CITY OF TROY, MICHIGAN

### Notes to Financial Statements

*Plan Membership.* At December 31, 2018 volunteer firefighter incentive plan membership consisted of the following:

Volunteers and beneficiaries currently receiving benefits	98
Inactive, nonretired members	26
Members on leave of absence	6
Active volunteers	<u>152</u>
Total membership	<u><u>282</u></u>

*Benefits provided.* At July 1, 2017, the benefit payment was \$769 per year for incentive service. Participants are eligible for payments at age 55 with ten or more years of volunteer service, age 50 with 25 years of volunteer service or any age with 30 years or more of volunteer service.

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

Fiscal Year Beginning July 1,	Benefit Amount Per Year of Service
2015	\$ 681
2016	724
2017	769
2018	769
2019	769

*Contributions.* The City makes contributions to the plan through actuarially determined and recommended amounts by an independent actuary. Funding is established through City Council resolution during the budget process. The City's contribution to the plan for the year ended June 30, 2019 was \$1,285,300 and the actuarially determined contribution was \$1,285,259. The volunteer firefighters are not paid any remuneration for their service.

## CITY OF TROY, MICHIGAN

### Notes to Financial Statements

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equities (Domestic 40% and International 19%)	59.00%	5.40%	3.20%
Fixed income	29.00%	0.10%	0.03%
Real estate	7.00%	5.30%	0.37%
Cash	5.00%	-2.00%	-0.10%
	<u>100.00%</u>		<u>3.50%</u>
Inflation expectation			<u>3.00%</u>
Investment rate of return			<u>6.50%</u>

*Rate of return.* For the year ended June 30, 2019, the annual money-weighted rate of return on volunteer firefighter incentive plan investments, net of investment expenses was 5.54%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The long-term estimated rate of return is 6.5%.

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

*Changes in the net pension liability.* The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 20,099,378	\$ 9,893,265	\$ 10,206,113
Changes for the year:			
Service cost	545,049	-	545,049
Interest	1,272,457	-	1,272,457
Differences between expected and actual experience	(64,876)	-	(64,876)
Changes in assumptions	155,633	-	155,633
Employer contributions	-	1,285,300	(1,285,300)
Net investment income	-	518,466	(518,466)
Benefit payments, including refunds of employee contributions	(854,863)	(854,863)	-
Administrative expense	-	(12,180)	12,180
Net changes	1,053,400	936,723	116,677
Balances at June 30, 2019	\$ 21,152,778	\$ 10,829,988	\$ 10,322,790

*Actuarial assumptions.* The total plan liability was determined by an actuarial valuation as of December 31, 2018 with a measurement and reporting date of June 30, 2019. The following actuarial assumptions were applied to all periods included in the measurement.

Actuarial cost method	Entry age
Remaining amortization period	25 years
Inflation	N/A
Investment rate of return	6.5%
Mortality rates	RP-2014 Healthy Annuitant

*Actuarial assumption changes.* The only assumption change from the prior year is the Single Discount Rate (SDR), which changed from 6.38% to 6.37%. All other assumptions are the same as those used in the prior year.

*Single discount rate.* A single discount rate of 6.37% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on investments of 6.5% and a municipal bond rate of 3.13%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2078. As a result, the long-term expected rate of return on plan investments was applied to projected benefit payments through the year 2078, and the municipal bond rate was applied to all benefit payments after that date.

## CITY OF TROY, MICHIGAN

### Notes to Financial Statements

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability, calculated using a single discount rate of 6.37%, as well as what the net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

	1% Decrease 5.37%	Current Discount Rate 6.37%	1% Increase 7.37%
City's net VFIP plan liability	\$ 13,640,942	\$ 10,322,790	\$ 7,647,439

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* For the year ended June 30, 2019, the City recognized pension expense of \$1,478,748. At June 30, 2019, the City reported pension-related deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 429,706	\$ 100,187	\$ 329,519
Changes in assumptions	374,576	166,826	207,750
Net difference between projected and actual earnings on pension plan investments	191,821	-	191,821
Total	<u>\$ 996,103</u>	<u>\$ 267,013</u>	<u>\$ 729,090</u>

Amounts reported as pension-related deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2020	\$ 242,787
2021	176,054
2022	125,174
2023	90,067
2024	43,362
Thereafter	<u>51,646</u>
Total	<u>\$ 729,090</u>

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

### Summary of Pension Plans

	Employee Retirement System	Volunteer Firefighter Incentive Plan	Total
Net pension asset (NPA)	\$ 38,929,719	\$ -	\$ 38,929,719
Net pension liability (NPL)	-	10,322,790	10,322,790
Deferred outflows related to the NPA/NPL	-	996,103	996,103
Deferred inflows related to the NPA/NPL	9,483,850	267,013	9,750,863
Pension expense	(1,765,410)	1,478,748	(286,662)

### 15. RETIREE HEALTHCARE TRUST (OPEB) FUND

#### Plan Description

*Plan Administration.* The City of Troy Retiree Healthcare Trust (TRHCT), under authorization of the Public Employee Health Care Act, Public Act 149 of 1999 (MCL 38.1211 et seq.) and constituting a governmental trust pursuant to Section 115 of the Internal Revenue Code of 1986, as amended, administers the city's employee retiree healthcare plan covering all full-time general and public safety employees of the city. The single-employer defined benefit OPEB plan provides retirement healthcare based on credited service time with death and disability benefits, and under some circumstances, payments for dependents. The plan does not issue separate stand alone financial statements and administrative costs are paid by the plan through employer contributions.

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

*Plan Membership.* At December 31, 2018 pension plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	345
Active employees	<u>193</u>
Total membership	<u><u>538</u></u>

The defined benefit OPEB plan is closed to new members.

## CITY OF TROY, MICHIGAN

### Notes to Financial Statements

*Benefits Provided.* The City provides certain healthcare benefits in accordance with the bargaining group agreements and other requirements as established at the time of retirement. Most bargaining group agreements vested 4% of retiree healthcare insurance premiums per year of active service with a maximum vesting percentage of 100% until June 30, 2013. Subsequently, the agreements establish a 3% vesting of retiree healthcare insurance premiums per year of active service with a maximum vesting percentage of 90%. The exception to these agreements are with the Troy Police Officers Association (TPOA) and classified/exempt groups. These groups remain at 4% vesting of retiree healthcare insurance premiums per year of active service with a maximum vesting percentage of 100%. All groups have an age and years of service requirement before benefits will be provided. These age and service requirements are the same as established in the defined benefit pension plan (TERS).

Spouses of living retirees are eligible for retiree healthcare coverage through the City. Only the spouse named at the time of retirement is eligible. Surviving spouses of deceased retirees are eligible for retiree healthcare coverage through the City if the surviving spouse is receiving a survivor's Defined Benefit pension or is the spouse of a defined contribution member. The surviving spouse's benefit amount is equal to a retiree's one person coverage.

Members and spouse have the option to enroll in Medicare Part B, unless required by their insurance carrier. Premium for Medicare Part B, if elected, is the responsibility of the retiree or spouse.

Members retiring under deferred retirement conditions are not eligible for retiree healthcare through the City. The plan provides duty disability benefits with no age or service requirements and benefits commence immediately. Non-duty disability are provided to members with five years of service (ten years for Classified/Exempt and MAP employees) and benefits commence immediately.

The plan provides duty death benefits with no age or service requirements and benefits commence immediately. The plan also provides non-duty death benefits for members with ten or more years of service. These benefits also commence immediately.

*Contributions.* There are no required employee contributions to the plan. Employer contributions are established based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability over a twenty five year period. The City is not required to contribute the actuarially determined rate but has an established and long history of making the contribution. For the year ended June 30, 2019, the City's average contribution rate was 35.38% of eligible wages.

#### Investments

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

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

*Long-term expected rate of return.* The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equities (Domestic 40% and International 19%)	59.00%	6.40%	3.79%
Fixed income	29.00%	1.10%	0.32%
Real estate	7.00%	6.30%	0.44%
Cash	5.00%	-1.00%	-0.05%
	<u>100.00%</u>		<u>4.50%</u>
Inflation expectation			<u>2.00%</u>
Investment rate of return			<u>6.50%</u>

*Rate of return.* For the year ended June 30, 2019, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expenses, was 8.39%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The long-term rate of return is estimated at 6.5%.

## CITY OF TROY, MICHIGAN

### Notes to Financial Statements

*Changes in the net OPEB liability.* The components of the change in the net OPEB liability are summarized as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2018	\$ 139,853,735	\$ 83,149,083	\$ 56,704,652
Changes for the year:			
Service cost	838,659	-	838,659
Interest	8,918,237	-	8,918,237
Differences between expected and actual experience	(22,311,315)	-	(22,311,315)
Changes in assumptions	(1,719,651)	-	(1,719,651)
Employer contributions	-	6,000,551	(6,000,551)
On-behalf contributions	-	136,413	(136,413)
Net investment income	-	6,829,397	(6,829,397)
Benefit payments	(6,138,831)	(6,138,831)	-
Administrative and other changes	-	(43,298)	43,298
Net changes	(20,412,901)	6,784,232	(27,197,133)
Balances at June 30, 2019	\$ 119,440,834	\$ 89,933,315	\$ 29,507,519

*Actuarial assumptions.* The total OPEB plan liability was determined by an actuarial valuation as of December 31, 2018 with a measurement and reporting date of June 30, 2019. The following actuarial assumptions were applied to all periods included in the measurement.

Actuarial cost method	Entry age
Inflation	2.6%
Salary increases	3.5% including inflation
Investment rate of return	6.5%, net of expense, including inflation
Healthcare cost trend rates	9.0% gradually decreasing to ultimate 3.50%
Mortality rates	RP-2014 Healthy Annuitant

*Actuarial assumption changes.* The only assumption change from the prior year is an increase in the remaining amortization period from 22 years to 25 years.

*Single discount rate.* A single discount rate of 6.50% was used to measure the total OPEB plan liability. This single discount rate was based on the expected rate of return on investments of 6.50%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

## CITY OF TROY, MICHIGAN

### Notes to Financial Statements

*Sensitivity of the net OPEB liability to changes in the discount rate.* The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

	1% Decrease 5.5%	Current Discount Rate 6.5%	1% Increase 7.5%
City's net OPEB liability	\$ 46,517,848	\$ 29,507,519	\$ 18,554,332

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rates of 9 percent decreasing to 3.5 percent, as well as what the City's net OPEB liability would be if it were calculated using the healthcare cost trend rates that are 1% lower (8 percent decreasing to 2.5 percent) or 1% higher (10 percent decreasing to 4.5 percent) than the current healthcare cost trend rates:

	1% Decrease (8% decreasing to 2.5%)	Current (9% decreasing to 3.5%)	1% Increase (10% decreasing to 4.5%)
City's net OPEB liability	\$ 17,614,910	\$ 29,507,519	\$ 47,627,329

*OPEB expense and deferred inflows of resources related to OPEB.* For the year ended June 30, 2019, the City recognized OPEB expense of (\$8,313,300). At June 30, 2019, the City reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 12,622,461
Changes in assumptions	959,685
Net difference between projected and actual earnings on investments	3,347,508
Total deferred inflows	<u>\$ 16,929,654</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2020	\$ (12,047,134)
2021	(4,046,869)
2022	(557,188)
2023	<u>(278,463)</u>
Total	<u>\$ (16,929,654)</u>

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

### 16. COMBINING FINANCIAL INFORMATION - PENSION AND OTHER POSTEMPLOYMENT TRUST FUNDS

#### Statements of Fiduciary Net Position

	Employee Retirement System	Volunteer Firefighter Incentive Plan	Retiree Healthcare Trust Fund	Total
<b>Assets</b>				
Cash	\$ 3,421,028	\$ 919,421	\$ 2,648,296	\$ 6,988,745
Investments, at fair value:				
U.S. government				
securities and agencies	3,524,812	1,811,777	-	5,336,589
Corporate bonds	5,389,178	-	15,374,856	20,764,034
Corporate equities	51,258,366	3,779,419	17,943,675	72,981,460
Preferred stock	496,763	-	-	496,763
Mutual funds	104,508,527	1,978,497	38,926,341	145,413,365
Exchange traded funds	31,957,680	2,351,513	14,983,184	49,292,377
Interest receivable	9,447	-	141,815	151,262
<b>Total assets</b>	<b>200,565,801</b>	<b>10,840,627</b>	<b>90,018,167</b>	<b>301,424,595</b>
<b>Liabilities</b>				
Accounts payable	1,364	1,320	-	2,684
Accrued liabilities	71,497	9,319	84,852	165,668
<b>Total liabilities</b>	<b>72,861</b>	<b>10,639</b>	<b>84,852</b>	<b>168,352</b>
<b>Net position</b>				
Restricted for:				
Pension benefits	200,492,940	10,829,988	-	211,322,928
Retiree healthcare benefits	-	-	89,933,315	89,933,315
<b>Total net position</b>	<b>\$ 200,492,940</b>	<b>\$ 10,829,988</b>	<b>\$ 89,933,315</b>	<b>\$ 301,256,243</b>

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

### Statements of Changes in Fiduciary Net Position

	Employee Retirement System	Volunteer Firefighter Incentive Plan	Retiree Healthcare Trust Fund	Total
<b>Additions</b>				
Contributions:				
Employer	\$ -	\$ 1,285,300	\$ 6,000,551	\$ 7,285,851
Plan members	164,311	-	-	164,311
On-behalf	-	-	136,413	136,413
Total contributions	164,311	1,285,300	6,136,964	7,586,575
Investment earnings:				
Interest	246,857	68,759	400,489	716,105
Dividends	4,968,584	174,964	2,396,317	7,539,865
Other income	134,675	-	-	134,675
Net adjustment in fair value of investments	10,365,936	312,960	4,342,241	15,021,137
Total investment earnings	15,716,052	556,683	7,139,047	23,411,782
Less: investment expense	462,681	38,217	309,650	810,548
Net investment earnings	15,253,371	518,466	6,829,397	22,601,234
Total additions	15,417,682	1,803,766	12,966,361	30,187,809
<b>Deductions</b>				
Benefits - pension	11,382,935	854,863	-	12,237,798
Benefits - retiree healthcare	1,811,457	-	4,327,374	6,138,831
Administrative expenses	147,374	12,180	43,298	202,852
Total deductions	13,341,766	867,043	4,370,672	18,579,481
Change in net position	2,075,916	936,723	8,595,689	11,608,328
Restricted net position, beginning				
Pension benefits	196,605,567	9,893,265	-	206,498,832
Retiree healthcare benefits	1,811,457	-	81,337,626	83,149,083
Total restricted, beginning	198,417,024	9,893,265	81,337,626	289,647,915
Restricted net position, ending				
Pension benefits	200,492,940	10,829,988	-	211,322,928
Retiree healthcare benefits	-	-	89,933,315	89,933,315
Total restricted, ending	\$ 200,492,940	\$ 10,829,988	\$ 89,933,315	\$ 301,256,243

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

### 17. 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, 2019 was 297.

The DCP maintains a schedule of vesting as follows: participants who transferred from the Employees Retirement System are fully vested. For new hires the following schedule applies: 50% vested after 3 years, 75% vested after 4 years and 100% vested after 5 years. Employees contribute 3 to 6 percent of their salary, while the employer contributes 8 to 13 percent. All employees are able to contribute up to 10 percent of their salary on a voluntary after-tax basis. All contributions are remitted to a third-party plan administrator.

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

The City's payroll for employees covered by the DCP for the year ended June 30, 2019, was \$21,358,431. The required contributions, which matched those actually made, were \$1,054,209 by employees and \$2,286,120 by the City, representing 4.9 percent and 10.7 percent of covered payroll, respectively.

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

### 18. FUND BALANCES - GOVERNMENTAL FUNDS

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies fund balances based primarily on the extent to which it is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
<b>Nonspendable</b>				
Inventories	\$ 401,128	\$ -	\$ -	\$ 401,128
Prepaid items	1,335,624	-	104,684	1,440,308
Permanent fund corpus	-	-	164,000	164,000
Advance to Sanctuary Lake golf course	5,298,082	-	-	5,298,082
Advance to Aquatic Center	180,302	-	-	180,302
<b>Total nonspendable</b>	<b>7,215,136</b>	<b>-</b>	<b>268,684</b>	<b>7,483,820</b>
<b>Restricted</b>				
Special revenue funding source restrictions:				
Highways and streets	-	-	8,433,229	8,433,229
Sanitation	-	-	740,576	740,576
Library	-	-	520,859	520,859
Other	-	-	1,345,628	1,345,628
Debt funding source restrictions	-	-	819,409	819,409
Budget stabilization	1,617,390	-	-	1,617,390
Capital improvements	-	9,059,987	-	9,059,987
Dog park development	-	34,344	-	34,344
Federal transportation	-	357,940	-	357,940
<b>Total restricted</b>	<b>1,617,390</b>	<b>9,452,271</b>	<b>11,859,701</b>	<b>22,929,362</b>
<b>Committed</b>				
Construction projects	-	564,900	-	564,900
<b>Assigned</b>				
Insurance claims	3,000,000	-	-	3,000,000
Tax appeals	6,440	-	-	6,440
Subsequent years budget	2,889,420	-	-	2,889,420
<b>Total assigned</b>	<b>5,895,860</b>	<b>-</b>	<b>-</b>	<b>5,895,860</b>
<b>Unassigned</b>	<b>19,674,536</b>	<b>-</b>	<b>-</b>	<b>19,674,536</b>
<b>Total fund balances</b>	<b>\$ 34,402,922</b>	<b>\$ 10,017,171</b>	<b>\$ 12,128,385</b>	<b>\$ 56,548,478</b>

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

### 19. DEFICIT NET POSITION

The Sanctuary Lake golf course fund has a net position deficit of \$6,664,695 at June 30, 2019.

The Sanctuary Lake golf course completed its fourteenth year of operations with operating income of \$61,322 including depreciation expense of \$327,781. Nonoperating activity included interest expense of \$238,756 and a gain on sale of capital assets of \$20,233 resulting in a decrease change in net position of \$157,201. This compares to a decrease change in net position of \$149,403 last fiscal year. Cash flows from operations were positive in the amount of \$511,146. As such, the deficit is a result of operating income insufficient to meet the debt funding requirements. The fund has incurred advances from primarily the general fund and Sylvan Glen golf course fund to meet its cash debt financing requirements.

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

The Downtown Development Authority (component unit) reported a net position deficit of \$13,060,600 compared to \$13,810,893 last fiscal year. This deficit is attributable to recognizing outstanding long-term debt to be financed with future tax increment revenues from the district.

### 20. BUDGET STABILIZATION FUND

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

### 21. SIGNIFICANT COMMITMENTS

As of June 30, 2019, the City had \$1,073,951 in construction commitments outstanding for various projects including street improvements, water system improvements and sanitary sewer improvements. The commitments will be satisfied using grant funding, millage proceeds and fund balance.

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## REQUIRED SUPPLEMENTARY INFORMATION

# CITY OF TROY, MICHIGAN

## Required Supplementary Information Employee Retirement System

### Schedule of Changes in Net Pension Asset and Related Ratios

	Year Ended June 30,					
	2014	2015	2016	2017	2018	2019
Total pension liability						
Service cost	\$ 985,140	\$ 966,066	\$ 993,515	\$ 951,388	\$ 915,316	\$ 919,922
Interest	9,635,941	9,626,619	10,251,205	10,180,968	10,153,512	10,145,675
Changes in benefit terms	-	-	(10,477)	-	-	-
Differences between expected and actual experience	286,868	1,874,178	(1,118,247)	(238,774)	176,027	1,345,828
Changes of assumptions	-	8,167,150	-	-	-	(701,730)
Benefit payments, including refunds of employee contributions	(10,955,507)	(11,128,133)	(11,108,572)	(11,245,246)	(11,352,909)	(11,382,935)
Net change in total pension liability	(47,558)	9,505,880	(992,576)	(351,664)	(108,054)	326,760
Total pension liability, beginning of year	153,230,433	153,182,875	162,688,755	161,696,179	161,344,515	161,236,461
Total pension liability, end of year	153,182,875	162,688,755	161,696,179	161,344,515	161,236,461	161,563,221
Plan fiduciary net position						
Employer contributions	1,867,473	1,451,198	314,025	658,557	-	-
Employee contributions	174,214	165,624	166,434	163,907	159,830	164,311
Net investment income (loss)	35,667,991	6,229,392	(330,035)	23,674,177	19,495,709	15,253,371
Benefit payments, including refunds of employee contributions	(10,955,507)	(11,128,133)	(11,108,572)	(11,245,246)	(11,352,909)	(11,382,935)
Administrative expense	(242,023)	(129,870)	(133,867)	(136,279)	(137,054)	(147,374)
Net change in plan fiduciary net position	26,512,148	(3,411,789)	(11,092,015)	13,115,116	8,165,576	3,887,373
Plan fiduciary net position, beginning of year	163,316,531	189,828,679	186,416,890	175,324,875	188,439,991	196,605,567
Plan fiduciary net position, end of year	189,828,679	186,416,890	175,324,875	188,439,991	196,605,567	200,492,940
City's net pension asset	\$ (36,645,804)	\$ (23,728,135)	\$ (13,628,696)	\$ (27,095,476)	\$ (35,369,106)	\$ (38,929,719)
Plan fiduciary net position as a percentage of total pension liability	123.92%	114.58%	108.43%	116.79%	121.94%	124.10%
Covered payroll	\$ 4,768,908	\$ 4,902,224	\$ 4,910,089	\$ 4,532,372	\$ 4,428,407	\$ 4,695,195
City's net pension asset as a percentage of covered payroll	-768.43%	-484.03%	-277.57%	-597.82%	-798.69%	-829.14%

#### Notes:

GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Assumption changes for 2019 include a decrease in the long-term municipal bond rate.

# CITY OF TROY, MICHIGAN

## Required Supplementary Information

### Employee Retirement System

#### Schedule of Net Pension Asset

Fiscal Year Ended June 30,	Total Pension Liability	Plan Net Position	Net Pension Asset	Plan Net Position as Percentage of Total Pension Liability	Covered Payroll	Net Pension Asset as Percentage of Covered Payroll
2013	\$ 153,230,433	\$ 163,316,531	\$ (10,086,098)	106.6%	\$ 5,069,499	-199.0%
2014	153,182,875	189,828,679	(36,645,804)	123.9%	4,768,908	-768.4%
2015	162,688,755	186,416,890	(23,728,135)	114.6%	4,902,224	-484.0%
2016	161,696,179	175,324,875	(13,628,696)	108.4%	4,910,089	-277.6%
2017	161,344,515	188,439,991	(27,095,476)	116.8%	4,532,372	-597.8%
2018	161,236,461	196,605,567	(35,369,106)	121.9%	4,428,407	-798.7%
2019	161,563,221	200,492,940	(38,929,719)	124.1%	4,695,195	-829.1%

# CITY OF TROY, MICHIGAN

## Required Supplementary Information

### Employee Retirement System

#### Schedule of Contributions

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll
2012	\$ 2,157,379	\$ 2,195,477	\$ (38,098)	\$ 5,427,637	40.4%
2013	1,883,530	1,883,530	-	5,069,499	37.2%
2014	1,845,880	1,867,473	(21,593)	4,768,908	39.2%
2015	1,451,198	1,451,198	-	4,902,224	29.6%
2016	314,025	314,025	-	4,910,089	6.4%
2017	658,557	658,557	-	4,532,372	14.5%
2018	-	-	-	4,428,407	0.0%
2019	-	-	-	4,695,195	0.0%

GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

#### Notes to Schedule of Contributions

Valuation Date: December 31, 2016

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

#### Methods and assumptions used to determine contribution rates:

Actuarial cost method	Aggregate
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	5-year smoothed market
Inflation	2.6%; No explicit price inflation assumption is used in this valuation
Salary increases	3.5% to 7.5% including inflation
Investment rate of return	6.50%
Retirement age	Age-based table of rates that are specific to the type of eligibility condition. First used for the 1973 valuation; Classified, Exempt, Command Officers first used for the 1981 valuation; Non-Classified/Exempt General members first used for the 1986 valuation.
Mortality	RP-2014 Healthy Annuitant, Employee and Disabled Retiree tables for males and females projected to 2019 with the MP-2014 mortality improvement scale.
Other information	None

## CITY OF TROY, MICHIGAN

### Required Supplementary Information

#### Employee Retirement System

##### Schedule of Investment Returns

Fiscal Year Ending June 30,	Annual Return <sup>(1)</sup>
2012	-1.10%
2013	18.20%
2014	22.20%
2015	3.29%
2016	-0.23%
2017	13.79%
2018	10.56%
2019	8.12%

<sup>(1)</sup> Annual money-weighted rate of return, net of investment expenses.

GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

## CITY OF TROY, MICHIGAN

**Required Supplementary Information**  
 Volunteer Firefighter Incentive Plan

## Schedule of Changes in Net Pension Liability and Related Ratios

	Year Ended June 30,					
	2014	2015	2016	2017	2018	2019
<b>Total pension liability</b>						
Service cost	\$ 447,479	\$ 463,508	\$ 464,863	\$ 512,549	\$ 549,611	\$ 545,049
Interest	819,211	1,033,632	1,077,246	1,124,731	1,191,740	1,272,457
Changes in benefit terms	1,727,859	-	-	-	-	-
Differences between expected and actual experience	-	270,606	(93,449)	126,281	353,853	(64,876)
Changes of assumptions	1,703,002	120,951	424,977	(238,964)	(27,953)	155,633
Benefit payments	(1,379,391)	(987,639)	(1,166,059)	(685,085)	(803,388)	(854,863)
Net change in total pension liability	3,318,160	901,058	707,578	839,512	1,263,863	1,053,400
Total pension liability, beginning of year	13,069,207	16,387,367	17,288,425	17,996,003	18,835,515	20,099,378
Total pension liability, end of year	16,387,367	17,288,425	17,996,003	18,835,515	20,099,378	21,152,778
<b>Plan fiduciary net position</b>						
Employer contributions	1,078,500	3,078,500	1,100,632	1,113,496	1,712,500	1,285,300
Net investment income	286,663	100,516	152,770	399,329	628,552	518,466
Benefit payments	(1,379,391)	(987,639)	(1,166,059)	(685,085)	(803,388)	(854,863)
Administrative expense	(12,420)	(19,748)	(14,428)	(54,948)	(13,227)	(12,180)
Net change in plan fiduciary net position	(26,648)	2,171,629	72,915	772,792	1,524,437	936,723
Plan fiduciary net position, beginning of year	5,378,140	5,351,492	7,523,121	7,596,036	8,368,828	9,893,265
Plan fiduciary net position, end of year	5,351,492	7,523,121	7,596,036	8,368,828	9,893,265	10,829,988
City's net pension liability	<u>\$ 11,035,875</u>	<u>\$ 9,765,304</u>	<u>\$ 10,399,967</u>	<u>\$ 10,466,687</u>	<u>\$ 10,206,113</u>	<u>\$ 10,322,790</u>
Plan fiduciary net position as a percentage of total pension liability	32.66%	43.52%	42.21%	44.43%	49.22%	51.20%
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A
City's net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Assumption changes for 2019 include a decrease in the discount rate.

## CITY OF TROY, MICHIGAN

### Required Supplementary Information

#### Volunteer Firefighter Incentive Plan

##### Schedule of Net Pension Liability

Fiscal Year Ended June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Position as Percentage of Total Pension Liability	Covered Payroll	Liability as Percentage of Covered Payroll
2013	\$ 13,069,207	\$ 5,378,140	\$ 7,691,067	41.2%	N/A	N/A
2014	16,387,367	5,351,492	11,035,875	32.7%	N/A	N/A
2015	17,288,425	7,523,121	9,765,304	43.5%	N/A	N/A
2016	17,996,003	7,596,036	10,399,967	42.2%	N/A	N/A
2017	18,835,515	8,368,828	10,466,687	44.4%	N/A	N/A
2018	20,099,378	9,893,265	10,206,113	49.2%	N/A	N/A
2019	21,152,778	10,829,988	10,322,790	51.2%	N/A	N/A

# CITY OF TROY, MICHIGAN

## Required Supplementary Information

### Volunteer Firefighter Incentive Plan

#### Schedule of Contributions

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll
2013	\$ 868,074	\$ 868,074	\$ -	N/A	N/A
2014	858,472	1,078,500	(220,028)	N/A	N/A
2015	843,872	3,078,500	(2,234,628)	N/A	N/A
2016	1,100,632	1,100,632	-	N/A	N/A
2017	1,113,496	1,113,496	-	N/A	N/A
2018	1,112,471	1,712,500	(600,029)	N/A	N/A
2019	1,285,259	1,285,300	(41)	N/A	N/A

GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

#### Notes to Schedule of Contributions

Valuation Date: December 31, 2016

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

#### Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age  
 Amortization method Level dollar, open  
 Remaining amortization period 25 years  
 Asset valuation method 4-year smoothed market  
 Investment rate of return 6.50%  
 Retirement age Age and experienced-based table of rates that are specific to the type of eligibility condition.  
 Mortality RP-2014 Healthy Annuitant Mortality Table projected 5 years to 2019.

#### Benefit changes

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

## CITY OF TROY, MICHIGAN

### Required Supplementary Information

#### Volunteer Firefighter Incentive Plan

##### Schedule of Investment Returns

Fiscal Year Ending June 30,	Annual Return <sup>(1)</sup>
2014	4.79%
2015	1.04%
2016	1.79%
2017	4.14%
2018	6.42%
2019	5.54%

<sup>(1)</sup> Annual money-weighted rate of return, net of investment expenses.

GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

# CITY OF TROY, MICHIGAN

## Required Supplementary Information

### Other Postemployment Benefits - Retiree Healthcare

#### Schedule of Changes in Net Other Postemployment Benefit (OPEB) Liability and Related Ratios

	Year Ended June 30,		
	2017	2018	2019
Total OPEB liability			
Service cost	\$ 1,285,223	\$ 1,166,226	\$ 838,659
Interest	8,476,587	8,761,601	8,918,237
Differences between expected and actual experience	-	(1,499,301)	(22,311,315)
Changes of assumptions	-	-	(1,719,651)
Benefit payments	(5,063,891)	(5,571,068)	(6,138,831)
Net change in total OPEB liability	4,697,919	2,857,458	(20,412,901)
Total OPEB liability, beginning of year	132,298,358	136,996,277	139,853,735
Total OPEB liability, end of year	136,996,277	139,853,735	119,440,834
Plan fiduciary net position			
Employer contributions	4,668,805	4,812,375	6,000,551
On-behalf contributions	36,244	149,655	136,413
Net investment income (loss)	7,980,021	6,403,187	6,829,397
Benefit payments	(5,063,891)	(5,571,068)	(6,138,831)
Administrative and other changes	(4,214)	(39,518)	(43,298)
Net change in plan fiduciary net position	7,616,965	5,754,631	6,784,232
Plan fiduciary net position, beginning of year	69,777,487	77,394,452	83,149,083
Plan fiduciary net position, end of year	77,394,452	83,149,083	89,933,315
City's net OPEB liability	\$ 59,601,825	\$ 56,704,652	\$ 29,507,519
Plan fiduciary net position as a percentage of total OPEB liability	56.49%	59.45%	75.30%
Covered payroll	\$ 17,101,107	\$ 17,101,107	\$ 16,962,271
City's net OPEB liability as a percentage of covered payroll	348.53%	331.58%	173.96%

Note: GASB 75 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Actuarial assumption changes. The only assumption change from the prior year is an increase in the remaining amortization period from 22 years to 25 years.

# CITY OF TROY, MICHIGAN

## Required Supplementary Information

### Other Postemployment Benefits - Retiree Healthcare

#### Schedule of Net OPEB Liability

Fiscal Year Ended June 30,	Total OPEB Liability	Plan Net Position	Net OPEB Liability	Position as Percentage of Total OPEB Liability	Covered Payroll	Net OPEB Liability as Percentage of Covered Payroll
2016	\$ 132,298,358	\$ 69,777,487	\$ 62,520,871	52.74%	\$ 19,614,000	318.76%
2017	136,996,277	77,394,452	59,601,825	56.49%	17,101,107	348.53%
2018	139,853,735	83,149,083	56,704,652	59.45%	17,101,107	331.58%
2019	119,440,834	89,933,315	29,507,519	75.30%	16,962,271	173.96%

# CITY OF TROY, MICHIGAN

## Required Supplementary Information

### Other Postemployment Benefits - Retiree Healthcare

#### Schedule of Contributions

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll
2016	\$ 4,793,327	\$ 4,793,327	\$ -	\$ 19,614,000	24.44%
2017	4,668,805	4,668,805	-	17,101,107	27.30%
2018	4,654,492	4,812,375	(157,883)	17,101,107	28.14%
2019	5,646,672	6,000,551	(353,879)	16,962,271	35.38%

Note: GASB 75 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

#### Notes to Schedule of Contributions

Valuation Date: December 31, 2016

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

#### Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Closed
Remaining amortization period	22 years for FY beginning July 1, 2017
Asset valuation method	Market Value
Inflation	2.60%
Salary increases	3.50% including inflation
Investment rate of return	6.50%, net OPEB plan investment expense, including inflation
Retirement age	Experience-based table of rates that are specific to type of eligibility condition
Mortality	RP-2014 Healthy Annuitant, Employee and Disabled Retiree tables for males and females projected to 2019 with the MP-2014 mortality improvement scale.
Other information	None

## CITY OF TROY, MICHIGAN

### Required Supplementary Information

#### Other Postemployment Benefits - Retiree Healthcare

##### Schedule of Investment Returns

Fiscal Year Ending June 30,	Annual Return <sup>(1)</sup>
2017	11.53%
2018	8.53%
2019	8.39%

<sup>(1)</sup> Annual money-weighted rate of return, net of investment expenses.

Note: GASB 75 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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## COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

### SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

### DEBT SERVICE FUNDS

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

### PERMANENT FUND

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

### ENTERPRISE FUNDS

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

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

## COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES (concluded)

### INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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# CITY OF TROY, MICHIGAN

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2019

	Special Revenue					
	Major Streets	Local Streets	Refuse	Transit Center	Drug Forfeiture	Library
<b>Assets</b>						
Cash and investments	\$ 4,361,165	\$ 2,638,900	\$ 1,174,533	\$ -	\$ 1,265,346	\$ 383,706
Accounts receivable	-	-	740	50,155	-	207,026
Due from other governments	1,027,568	405,596	-	-	-	-
Prepaid items	-	-	-	-	-	104,684
<b>Total assets</b>	<u>\$ 5,388,733</u>	<u>\$ 3,044,496</u>	<u>\$ 1,175,273</u>	<u>\$ 50,155</u>	<u>\$ 1,265,346</u>	<u>\$ 695,416</u>
<b>Liabilities</b>						
Negative equity in cash and investments	\$ -	\$ -	\$ -	\$ 35,266	\$ -	\$ -
Accounts payable	-	-	434,697	3,342	1,075	52,489
Accrued liabilities	-	-	-	-	-	17,384
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>434,697</u>	<u>38,608</u>	<u>1,075</u>	<u>69,873</u>
<b>Fund balances</b>						
Nonspendable	-	-	-	-	-	104,684
Restricted	5,388,733	3,044,496	740,576	11,547	1,264,271	520,859
<b>Total fund balances</b>	<u>5,388,733</u>	<u>3,044,496</u>	<u>740,576</u>	<u>11,547</u>	<u>1,264,271</u>	<u>625,543</u>
<b>Total liabilities and fund balances</b>	<u>\$ 5,388,733</u>	<u>\$ 3,044,496</u>	<u>\$ 1,175,273</u>	<u>\$ 50,155</u>	<u>\$ 1,265,346</u>	<u>\$ 695,416</u>

Special Revenue	Debt Service				Permanent Fund	
Community Development Block Grant	General Debt Service	Proposal A Debt Service	Proposal B Debt Service	Proposal C Debt Service	Cemetery Perpetual Care	Total Nonmajor Governmental Funds
\$ -	\$ 819,409	\$ -	\$ -	\$ -	\$ 233,810	\$ 10,876,869
-	-	-	-	-	-	257,921
79,597	-	-	-	-	-	1,512,761
-	-	-	-	-	-	104,684
<u>\$ 79,597</u>	<u>\$ 819,409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 233,810</u>	<u>\$ 12,752,235</u>
\$ 76,134	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111,400
3,463	-	-	-	-	-	495,066
-	-	-	-	-	-	17,384
<u>79,597</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>623,850</u>
-	-	-	-	-	164,000	268,684
-	819,409	-	-	-	69,810	11,859,701
<u>-</u>	<u>819,409</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>233,810</u>	<u>12,128,385</u>
<u>\$ 79,597</u>	<u>\$ 819,409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 233,810</u>	<u>\$ 12,752,235</u>

# CITY OF TROY, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2019

	Special Revenue					
	Major Streets	Local Streets	Refuse	Transit Center	Drug Forfeiture	Library
Revenues						
Property taxes	\$ -	\$ -	\$ 5,102,374	\$ -	\$ -	\$ 3,280,407
Intergovernmental:						
Federal sources	-	-	-	-	-	-
State sources	6,871,404	2,331,116	-	-	-	240,125
Charges for services	-	-	1,118	78,661	-	20,369
Fines and forfeitures	-	-	-	-	138,770	49,427
Investment earnings	148,806	96,242	87,768	11	46,859	57,838
Other	-	-	-	-	-	9,152
Total revenues	7,020,210	2,427,358	5,191,260	78,672	185,629	3,657,318
Expenditures						
Current:						
General government	-	-	-	78,660	-	-
Public safety	-	-	-	-	28,720	-
Sanitation	-	-	5,250,790	-	-	-
Community and economic development	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	3,192,416
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	-	-	5,250,790	78,660	28,720	3,192,416
Revenues over (under) expenditures	7,020,210	2,427,358	(59,530)	12	156,909	464,902
Other financing sources (uses)						
Transfers in	-	1,000,000	-	-	-	-
Transfers out	(5,640,530)	(3,396,933)	-	-	(226,539)	(917,827)
Total other financing sources (uses)	(5,640,530)	(2,396,933)	-	-	(226,539)	(917,827)
Net change in fund balances	1,379,680	30,425	(59,530)	12	(69,630)	(452,925)
Fund balances, beginning of year	4,009,053	3,014,071	800,106	11,535	1,333,901	1,078,468
Fund balances, end of year	\$ 5,388,733	\$ 3,044,496	\$ 740,576	\$ 11,547	\$ 1,264,271	\$ 625,543

Special Revenue	Debt Service				Permanent Fund	
Community Development Block Grant	General Debt Service	Proposal A Debt Service	Proposal B Debt Service	Proposal C Debt Service	Cemetery Perpetual Care	Total Nonmajor Governmental Funds
\$ -	\$ 2,866,822	\$ -	\$ -	\$ -	\$ -	\$ 11,249,603
112,065	-	-	-	-	-	112,065
-	-	-	-	-	-	9,442,645
-	-	-	-	-	1,975	102,123
-	-	-	-	-	-	188,197
-	28,410	-	-	-	7,477	473,411
-	-	-	-	-	-	9,152
112,065	2,895,232	-	-	-	9,452	21,577,196
-	-	-	-	-	-	78,660
-	-	-	-	-	-	28,720
-	-	-	-	-	-	5,250,790
112,065	-	-	-	-	-	112,065
-	-	-	-	-	-	3,192,416
-	-	825,000	1,155,000	615,000	-	2,595,000
-	66,964	96,125	111,725	73,975	-	348,789
112,065	66,964	921,125	1,266,725	688,975	-	11,606,440
-	2,828,268	(921,125)	(1,266,725)	(688,975)	9,452	9,970,756
-	-	921,125	1,266,725	688,975	-	3,876,825
-	(2,876,825)	-	-	-	-	(13,058,654)
-	(2,876,825)	921,125	1,266,725	688,975	-	(9,181,829)
-	(48,557)	-	-	-	9,452	788,927
-	867,966	-	-	-	224,358	11,339,458
\$ -	\$ 819,409	\$ -	\$ -	\$ -	\$ 233,810	\$ 12,128,385

## CITY OF TROY, MICHIGAN

### Schedule of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - Major Streets Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental -				
State sources	\$ 5,830,430	\$ 5,830,430	\$ 6,871,404	\$ 1,040,974
Investment earnings	5,000	5,000	148,806	143,806
Total revenues	5,835,430	5,835,430	7,020,210	1,184,780
Other financing uses				
Transfers out	(6,133,300)	(6,133,300)	(5,640,530)	(492,770)
Net change in fund balance	(297,870)	(297,870)	1,379,680	1,677,550
Fund balance, beginning of year	4,009,053	4,009,053	4,009,053	-
Fund balance, end of year	<u>\$ 3,711,183</u>	<u>\$ 3,711,183</u>	<u>\$ 5,388,733</u>	<u>\$ 1,677,550</u>

## CITY OF TROY, MICHIGAN

### Schedule of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - Local Streets Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental -				
State sources	\$ 2,296,920	\$ 2,296,920	\$ 2,331,116	\$ 34,196
Investment earnings	5,000	5,000	96,242	91,242
Total revenues	2,301,920	2,301,920	2,427,358	125,438
Other financing sources (uses)				
Transfers in	1,000,000	1,000,000	1,000,000	-
Transfers out	(4,193,100)	(4,193,100)	(3,396,933)	(796,167)
Total other financing uses	(3,193,100)	(3,193,100)	(2,396,933)	(796,167)
Net change in fund balance	(891,180)	(891,180)	30,425	921,605
Fund balance, beginning of year	3,014,071	3,014,071	3,014,071	-
Fund balance, end of year	\$ 2,122,891	\$ 2,122,891	\$ 3,044,496	\$ 921,605

## CITY OF TROY, MICHIGAN

### Schedule of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - Refuse Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 5,105,920	\$ 5,105,920	\$ 5,102,374	\$ (3,546)
Charges for services	5,500	5,500	1,118	(4,382)
Investment earnings	10,000	10,000	87,768	77,768
Total revenues	5,121,420	5,121,420	5,191,260	69,840
Expenditures				
Current - Sanitation	5,312,510	5,312,510	5,250,790	(61,720)
Net change in fund balance	(191,090)	(191,090)	(59,530)	131,560
Fund balance, beginning of year	800,106	800,106	800,106	-
Fund balance, end of year	\$ 609,016	\$ 609,016	\$ 740,576	\$ 131,560

## CITY OF TROY, MICHIGAN

### Schedule of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - Transit Center Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 90,510	\$ 90,510	\$ 78,661	\$ (11,849)
Investment earnings	-	-	11	11
Total revenues	90,510	90,510	78,672	(11,838)
Expenditures				
Current -				
General government	90,510	90,510	78,660	(11,850)
Net change in fund balance	-	-	12	12
Fund balance, beginning of year	11,535	11,535	11,535	-
Fund balance, end of year	\$ 11,535	\$ 11,535	\$ 11,547	\$ 12

## CITY OF TROY, MICHIGAN

### Schedule of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - Drug Forfeiture Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Fines and forfeitures	\$ 131,000	\$ 131,000	\$ 138,770	\$ 7,770
Investment earnings	2,000	2,000	46,859	44,859
Total revenues	133,000	133,000	185,629	52,629
Expenditures				
Current -				
Public safety	102,000	102,000	28,720	(73,280)
Revenues over expenditures	31,000	31,000	156,909	125,909
Other financing uses				
Transfers out	(213,000)	(438,360)	(226,539)	(211,821)
Net change in fund balance	(182,000)	(407,360)	(69,630)	337,730
Fund balance, beginning of year	1,333,901	1,333,901	1,333,901	-
Fund balance, end of year	\$ 1,151,901	\$ 926,541	\$ 1,264,271	\$ 337,730

# CITY OF TROY, MICHIGAN

## Schedule of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - Library Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 3,283,230	\$ 3,283,230	\$ 3,280,407	\$ (2,823)
Intergovernmental -				
State sources	182,670	182,670	240,125	57,455
Charges for services	26,050	26,050	20,369	(5,681)
Fines and forfeitures	90,000	90,000	49,427	(40,573)
Investment earnings	1,000	1,000	57,838	56,838
Other	8,000	8,000	9,152	1,152
Total revenues	3,590,950	3,590,950	3,657,318	66,368
Expenditures				
Current -				
Recreation and culture	3,278,330	3,313,000	3,192,416	(120,584)
Revenues over expenditures	312,620	277,950	464,902	186,952
Other financing uses				
Transfers out	(940,000)	(940,000)	(917,827)	(22,173)
Net change in fund balance	(627,380)	(662,050)	(452,925)	209,125
Fund balance, beginning of year	1,078,468	1,078,468	1,078,468	-
Fund balance, end of year	\$ 451,088	\$ 416,418	\$ 625,543	\$ 209,125

## CITY OF TROY, MICHIGAN

### Schedule of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - Community Development Block Grant Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental -				
Federal sources	\$ 390,000	\$ 517,490	\$ 112,065	\$ (405,425)
Expenditures				
Current -				
Community and economic development	45,000	45,000	112,065	67,065
Revenues over expenditures	345,000	472,490	-	(472,490)
Other financing uses				
Transfers out	(345,000)	(472,490)	-	(472,490)
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

# CITY OF TROY, MICHIGAN

## Combining Statement of Net Position

### Nonmajor Enterprise Funds

June 30, 2019

	Sylvan Glen Golf Course	Aquatic Center	Total
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 23,647	\$ 256,060	\$ 279,707
Accounts receivable	108,000	51,555	159,555
Due from other funds	108,280	-	108,280
Inventories	38,471	-	38,471
Prepaid items	38,338	-	38,338
Total current assets	<u>316,736</u>	<u>307,615</u>	<u>624,351</u>
Noncurrent assets:			
Advances to other funds	3,044,230	-	3,044,230
Capital assets not being depreciated	1,894,552	-	1,894,552
Capital assets being depreciated, net	1,579,435	658,665	2,238,100
Total noncurrent assets	<u>6,518,217</u>	<u>658,665</u>	<u>7,176,882</u>
<b>Total assets</b>	<u>6,834,953</u>	<u>966,280</u>	<u>7,801,233</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	1,168	35,953	37,121
Accrued liabilities	180,471	1,968	182,439
Current portion of capital lease payable	46,480	-	46,480
Total current liabilities	<u>228,119</u>	<u>37,921</u>	<u>266,040</u>
Noncurrent liabilities:			
Advances from other funds	-	180,302	180,302
Capital lease payable	238,707	-	238,707
Total noncurrent liabilities	<u>238,707</u>	<u>180,302</u>	<u>419,009</u>
<b>Total liabilities</b>	<u>466,826</u>	<u>218,223</u>	<u>685,049</u>
<b>Net position</b>			
Net investment in capital assets	3,188,800	658,665	3,847,465
Unrestricted	<u>3,179,327</u>	<u>89,392</u>	<u>3,268,719</u>
<b>Total net position</b>	<u>\$ 6,368,127</u>	<u>\$ 748,057</u>	<u>\$ 7,116,184</u>

## CITY OF TROY, MICHIGAN

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

Nonmajor Enterprise Funds

For the Year Ended June 30, 2019

	Sylvan Glen Golf Course	Aquatic Center	Total
Operating revenues			
Charges for services	\$ 916,339	\$ 532,805	\$ 1,449,144
Rental:			
Golf course	181,678	-	181,678
Restaurant	67,200	-	67,200
Other services	103,800	19,535	123,335
Total operating revenues	1,269,017	552,340	1,821,357
Operating expenses			
Operations	1,011,838	505,550	1,517,388
Depreciation	98,332	194,919	293,251
Total operating expenses	1,110,170	700,469	1,810,639
Operating income (loss)	158,847	(148,129)	10,718
Nonoperating revenues (expenses)			
Investment earnings	-	7,167	7,167
Interest expense	(988)	-	(988)
Gain on sale of capital assets	20,233	-	20,233
Total nonoperating revenues	19,245	7,167	26,412
Change in net position	178,092	(140,962)	37,130
Net position, beginning of year	6,190,035	889,019	7,079,054
Net position, end of year	\$ 6,368,127	\$ 748,057	\$ 7,116,184

# CITY OF TROY, MICHIGAN

## Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended June 30, 2019

	Sylvan Glen Golf Course	Aquatic Center	Total
Cash flows from operating activities			
Cash received from customers	\$ 1,151,534	\$ 538,577	\$ 1,690,111
Cash payments to employees	(505,670)	(257,091)	(762,761)
Cash payments to suppliers for goods and services	(512,742)	(200,111)	(712,853)
Cash payments for interfund services	(8,286)	(30,311)	(38,597)
Net cash provided by operating activities	124,836	51,064	175,900
Cash flows from capital and related financing activities			
Purchase of capital assets	(278,833)	-	(278,833)
Proceeds from sale of capital assets	118,126	-	118,126
Principal on capital lease	(16,722)	-	(16,722)
Interest on capital lease	(988)	-	(988)
Net cash used in capital and related financing activities	(178,417)	-	(178,417)
Cash flows from investing activities			
Investment earnings	-	7,167	7,167
Net change in cash and investments	1,419	58,231	59,650
Cash and investments, beginning of year	22,228	197,829	220,057
Cash and investments, end of year	\$ 23,647	\$ 256,060	\$ 279,707
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 158,847	\$ (148,129)	\$ 10,718
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	98,332	194,919	293,251
Changes in assets and liabilities:			
Accounts receivable	(9,203)	(13,763)	(22,966)
Due from other funds	(108,280)	-	(108,280)
Inventories	(3,564)	-	(3,564)
Prepaid items	9,817	-	9,817
Accounts payable	(25,203)	16,888	(8,315)
Accrued liabilities	4,090	1,149	5,239
Net cash provided by operating activities	\$ 124,836	\$ 51,064	\$ 175,900
Noncash investing, capital, and financing activities			
Capital assets acquired through capital lease	\$ 301,909	\$ -	\$ 301,909

# CITY OF TROY, MICHIGAN

## Combining Statement of Net Position

Internal Service Funds

June 30, 2019

	Compensated Absences	Unemployment Compensation	Custodial Services
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 5,658,355	\$ 40,447	\$ 949,397
Accounts receivable	-	-	-
Inventories	-	-	-
Total current assets	<u>5,658,355</u>	<u>40,447</u>	<u>949,397</u>
Noncurrent assets:			
Capital assets not being depreciated	-	-	-
Capital assets being depreciated, net	-	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>5,658,355</u>	<u>40,447</u>	<u>949,397</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	-	447	2,292
Accrued liabilities	-	-	-
Compensated absences	2,667,658	-	-
Total current liabilities	<u>2,667,658</u>	<u>447</u>	<u>2,292</u>
Noncurrent liabilities -			
Compensated absences	<u>1,990,697</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>4,658,355</u>	<u>447</u>	<u>2,292</u>
<b>Net position</b>			
Investment in capital assets	-	-	-
Unrestricted	<u>1,000,000</u>	<u>40,000</u>	<u>947,105</u>
Total net position	<u>\$ 1,000,000</u>	<u>\$ 40,000</u>	<u>\$ 947,105</u>



Information Technology	Motor Equipment	Workers' Compensation	Total
\$ 1,400,380	\$ 6,905,190	\$ 2,000,000	\$ 16,953,769
10,972	79,022	-	89,994
-	424,565	-	424,565
<u>1,411,352</u>	<u>7,408,777</u>	<u>2,000,000</u>	<u>17,468,328</u>
-	10,248	-	10,248
277,950	4,879,595	-	5,157,545
<u>277,950</u>	<u>4,889,843</u>	<u>-</u>	<u>5,167,793</u>
<u>1,689,302</u>	<u>12,298,620</u>	<u>2,000,000</u>	<u>22,636,121</u>
71,204	178,921	-	252,864
-	6,240	-	6,240
-	-	-	2,667,658
<u>71,204</u>	<u>185,161</u>	<u>-</u>	<u>2,926,762</u>
-	-	-	1,990,697
<u>71,204</u>	<u>185,161</u>	<u>-</u>	<u>4,917,459</u>
277,950	4,889,843	-	5,167,793
<u>1,340,148</u>	<u>7,223,616</u>	<u>2,000,000</u>	<u>12,550,869</u>
<u>\$ 1,618,098</u>	<u>\$ 12,113,459</u>	<u>\$ 2,000,000</u>	<u>\$ 17,718,662</u>

## CITY OF TROY, MICHIGAN

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

Internal Service Funds

For the Year Ended June 30, 2019

	Compensated Absences	Unemployment Compensation	Custodial Services
Operating revenues			
Charges for services	\$ 4,414,954	\$ -	\$ 1,411,670
Rental:			
Building	-	-	-
Equipment	-	-	-
Other services to City funds	-	2,049	-
Total operating revenues	4,414,954	2,049	1,411,670
Operating expenses			
Cost of sales and services	4,588,280	3,330	1,236,057
General and administrative	-	-	-
Operations	-	-	-
Depreciation	-	-	-
Total operating expenses	4,588,280	3,330	1,236,057
Operating income (loss)	(173,326)	(1,281)	175,613
Nonoperating revenues			
Investment earnings	173,326	1,281	29,648
Gain on sale of capital assets	-	-	-
Total nonoperating revenues	173,326	1,281	29,648
Change in net position	-	-	205,261
Net position, beginning of year	1,000,000	40,000	741,844
Net position, end of year	\$ 1,000,000	\$ 40,000	\$ 947,105



Information Technology	Motor Equipment	Workers' Compensation	Total
\$ 2,150,401	\$ 93,344	\$ 445,820	\$ 8,516,189
-	204,309	-	204,309
-	3,841,132	-	3,841,132
-	441,755	10,624	454,428
2,150,401	4,580,540	456,444	13,016,058
1,813,778	-	525,930	8,167,375
-	683,446	-	683,446
-	2,667,352	-	2,667,352
148,701	884,205	-	1,032,906
1,962,479	4,235,003	525,930	12,551,079
187,922	345,537	(69,486)	464,979
42,689	216,078	69,486	532,508
-	192,374	-	192,374
42,689	408,452	69,486	724,882
230,611	753,989	-	1,189,861
1,387,487	11,359,470	2,000,000	16,528,801
\$ 1,618,098	\$ 12,113,459	\$ 2,000,000	\$ 17,718,662

# CITY OF TROY, MICHIGAN

## Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2019

	Compensated Absences	Unemployment Compensation	Custodial Services
Cash flows from operating activities			
Cash received from interfund services	\$ 4,414,954	\$ 2,049	\$ 1,411,670
Cash payments to employees	(4,517,231)	-	(988,800)
Cash payments to suppliers for goods and services	-	(3,312)	(271,558)
Net cash provided by (used in) operating activities	(102,277)	(1,263)	151,312
Cash flows from capital and related financing activities			
Purchase of capital assets	-	-	-
Proceeds from sale of capital assets	-	-	-
Net cash used in capital and related financing activities	-	-	-
Cash flows from investing activities			
Investment earnings	173,326	1,281	29,648
Net change in cash and investments	71,049	18	180,960
Cash and investments, beginning of year	5,587,306	40,429	768,437
Cash and investments, end of year	\$ 5,658,355	\$ 40,447	\$ 949,397
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ (173,326)	\$ (1,281)	\$ 175,613
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	-	-	-
Changes in assets and liabilities:			
Accounts receivable	-	-	-
Inventories	-	-	-
Accounts payable	-	18	(24,301)
Accrued liabilities	-	-	-
Compensated absences	71,049	-	-
Net cash provided by (used in) operating activities	\$ (102,277)	\$ (1,263)	\$ 151,312

Information Technology	Motor Equipment	Workers' Compensation	Total
\$ 2,150,193	\$ 4,596,309	\$ 456,444	\$ 13,031,619
(1,189,345)	(1,605,179)	-	(8,300,555)
(654,254)	(1,740,308)	(525,930)	(3,195,362)
306,594	1,250,822	(69,486)	1,535,702
(48,263)	(1,626,880)	-	(1,675,143)
-	203,754	-	203,754
(48,263)	(1,423,126)	-	(1,471,389)
42,689	216,078	69,486	532,508
301,020	43,774	-	596,821
1,099,360	6,861,416	2,000,000	16,356,948
<u>\$ 1,400,380</u>	<u>\$ 6,905,190</u>	<u>\$ 2,000,000</u>	<u>\$ 16,953,769</u>
\$ 187,922	\$ 345,537	\$ (69,486)	\$ 464,979
148,701	884,205	-	1,032,906
(208)	15,769	-	15,561
-	39,946	-	39,946
(28,801)	(37,588)	-	(90,672)
(1,020)	2,953	-	1,933
-	-	-	71,049
<u>\$ 306,594</u>	<u>\$ 1,250,822</u>	<u>\$ (69,486)</u>	<u>\$ 1,535,702</u>

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## CITY OF TROY, MICHIGAN

### Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2019

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
<b>Assets</b>				
Cash and investments	\$ 4,972,720	\$ 208,108,235	\$ (206,295,999)	\$ 6,784,956
Taxes receivable	-	244,168,471	(244,168,471)	-
<b>Total assets</b>	<u>\$ 4,972,720</u>	<u>\$ 452,276,706</u>	<u>\$ (450,464,470)</u>	<u>\$ 6,784,956</u>
<b>Liabilities</b>				
Accounts payable	\$ 51,100	\$ 204,399,302	\$ (204,416,267)	\$ 34,135
Performance deposits	4,921,620	3,971,891	(2,142,690)	6,750,821
<b>Total liabilities</b>	<u>\$ 4,972,720</u>	<u>\$ 208,371,193</u>	<u>\$ (206,558,957)</u>	<u>\$ 6,784,956</u>

# CITY OF TROY, MICHIGAN

## Statement of Net Position and Governmental Fund Balance Sheet

Downtown Development Authority

June 30, 2019

	Operating	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash and investments	\$ 1,003,560	\$ -	\$ 1,003,560
Receivables -			
Taxes receivable	43,716	-	43,716
<b>Total assets</b>	<u>\$ 1,047,276</u>	<u>-</u>	<u>1,047,276</u>
<b>Liabilities</b>			
Interest payable	\$ -	109,061	109,061
Long-term debt:			
Due within one year	-	260,000	260,000
Due in more than one year	-	13,385,000	13,385,000
<b>Total liabilities</b>	<u>-</u>	<u>13,754,061</u>	<u>13,754,061</u>
<b>Deferred inflows of resources</b>			
Unavailable property taxes	43,716	(43,716)	-
Deferred gain on refunding	-	353,815	353,815
<b>Total deferred inflows of resources</b>	<u>43,716</u>	<u>310,099</u>	<u>353,815</u>
<b>Fund balance</b>			
Unassigned	<u>1,003,560</u>	<u>(1,003,560)</u>	<u>-</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 1,047,276</u>		
<b>Net position</b>			
Unrestricted (deficit)		<u>\$ (13,060,600)</u>	<u>\$ (13,060,600)</u>

## CITY OF TROY, MICHIGAN

### Reconciliation

Fund Balance for Governmental Fund  
to Net Position of Governmental Activities  
Downtown Development Authority  
June 30, 2019

Fund balance - total governmental fund	\$ 1,003,560
--	--------------

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

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

Deferred inflows from unavailable property tax receivables	43,716
--	--------

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Accrued interest payable	(109,061)
Deferred gain on refunding	(353,815)
Debt reimbursement payable	<u>(13,645,000)</u>

Net position of governmental activities	<u><u>\$ (13,060,600)</u></u>
---	-------------------------------

## CITY OF TROY, MICHIGAN

### Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance Downtown Development Authority For the Year Ended June 30, 2019

	Operating	Adjustments	Statement of Activities
Revenues			
General:			
Property taxes	\$ 1,604,259	\$ 8,290	\$ 1,612,549
Investment earnings	43,446	-	43,446
Total revenues	<u>1,647,705</u>	<u>8,290</u>	<u>1,655,995</u>
Expenditures/expenses			
Community and economic development	267,093	-	267,093
Debt service:			
Principal	260,000	(260,000)	-
Interest	663,713	(25,104)	638,609
Total expenditures/expenses	<u>1,190,806</u>	<u>(285,104)</u>	<u>905,702</u>
Net change in fund balances/ net position	456,899	293,394	750,293
Fund balance/net position (deficit), beginning of year	<u>546,661</u>	<u>(14,357,554)</u>	<u>(13,810,893)</u>
Fund balance/net position (deficit), end of year	<u>\$ 1,003,560</u>	<u>\$ (14,064,160)</u>	<u>\$ (13,060,600)</u>

## CITY OF TROY, MICHIGAN

### Reconciliation

Net Changes in Fund Balance of Governmental Fund  
to Change in Net Position of Governmental Activities  
Downtown Development Authority  
For the Year Ended June 30, 2019

Net change in fund balance - total governmental fund	\$ 456,899
--	------------

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

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

Net difference in deferred inflows	8,290
------------------------------------	-------

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

Principal payments on long-term debt	260,000
--------------------------------------	---------

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.

Decrease in accrued interest expense	<u>25,104</u>
--------------------------------------	---------------

Change in net position of governmental activities	<u><u>\$ 750,293</u></u>
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## CITY OF TROY, MICHIGAN

### Statement of Net Position and Governmental Fund Balance Sheet

Local Development Financing Authority

June 30, 2019

	Operating	Adjustments	Statement of Net Position
Assets			
Cash and investments	<u>\$ 62,917</u>	<u>\$ -</u>	<u>\$ 62,917</u>
Fund balance			
Unassigned	<u>\$ 62,917</u>	<u>(62,917)</u>	<u>-</u>
Net position			
Unrestricted		<u>\$ 62,917</u>	<u>\$ 62,917</u>

## CITY OF TROY, MICHIGAN

### Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance Local Development Financing Authority For the Year Ended June 30, 2019

	Operating	Adjustments	Statement of Activities
Revenues			
General:			
Property taxes	\$ 106,644	\$ -	\$ 106,644
Intergovernmental	41,568	-	41,568
Investment earnings	6,245	-	6,245
	<hr/>	<hr/>	<hr/>
Total revenues	154,457	-	154,457
Expenditures/expenses			
Community and economic development	232,423	-	232,423
	<hr/>	<hr/>	<hr/>
Net change in fund balance/net position	(77,966)	-	(77,966)
Fund balance/net position, beginning of year	140,883	-	140,883
	<hr/>	<hr/>	<hr/>
Fund balance/net position, end of year	<u>\$ 62,917</u>	<u>\$ -</u>	<u>\$ 62,917</u>

## CITY OF TROY, MICHIGAN

### Statement of Net Position and Governmental Fund Balance Sheet

Brownfield Redevelopment Authority

June 30, 2019

	Operating	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash and investments	\$ 604,629	\$ -	\$ 604,629
Receivables:			
Revolving loans receivable	203,019	-	203,019
Taxes receivable	1,495	-	1,495
	<u>809,143</u>	<u>-</u>	<u>809,143</u>
<b>Total assets</b>	<u>\$ 809,143</u>	<u>-</u>	<u>809,143</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue - loans receivable	\$ 203,019	(203,019)	-
<b>Fund balance</b>			
Unassigned	606,124	(606,124)	-
	<u>606,124</u>	<u>(606,124)</u>	<u>-</u>
<b>Total deferred inflows and fund balance</b>	<u>\$ 809,143</u>		
<b>Net position</b>			
Unrestricted		<u>\$ 809,143</u>	<u>\$ 809,143</u>

## CITY OF TROY, MICHIGAN

### Reconciliation

Fund Balance for Governmental Fund  
to Net Position of Governmental Activities  
Brownfield Redevelopment Authority  
June 30, 2019

Fund balance - total governmental fund	\$	606,124
--	----	---------

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

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

203,019
---------

Net position of governmental activities	\$	<u>809,143</u>
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## CITY OF TROY, MICHIGAN

### Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance Brownfield Redevelopment Authority For the Year Ended June 30, 2019

	Operating	Adjustments	Statement of Activities
Revenues			
General:			
Property taxes	\$ 83,904	\$ (68,566)	\$ 15,338
Investment earnings	19,388	-	19,388
Total revenues	103,292	(68,566)	34,726
Expenditures/expenses			
Community and economic development	10,466	-	10,466
Net change in fund balance/net position	92,826	(68,566)	24,260
Fund balance/net position, beginning of year	513,298	271,585	784,883
Fund balance/net position, end of year	<u>\$ 606,124</u>	<u>\$ 203,019</u>	<u>\$ 809,143</u>

## CITY OF TROY, MICHIGAN

### Reconciliation

Net Changes in Fund Balance of Governmental Fund  
to Change in Net Position of Governmental Activities  
Brownfield Redevelopment Authority  
For the Year Ended June 30, 2019

Net change in fund balance - total governmental fund	\$	92,826
--	----	--------

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

Governmental funds report loans to other entities as an expenditure; however, in the statement of activities, these costs are eliminated and capitalized as long-term receivables.	(68,566)
--	----------

Change in net position of governmental activities	\$	<u>24,260</u>
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## STATISTICAL SECTION

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# CITY OF TROY, MICHIGAN

## Statistical Section Table of Contents

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

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

## CITY OF TROY, MICHIGAN

### Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	2010	2011	2012	2013
<b>Governmental activities</b>				
Net investment in capital assets	\$ 170,829,690	\$ 174,656,911	\$ 175,292,324	\$ 179,616,224
Restricted	26,293,289	19,293,248	16,096,939	18,414,931
Unrestricted	33,877,687	38,429,041	48,526,117	54,304,874
<b>Total governmental activities</b>	<b>\$ 231,000,666</b>	<b>\$ 232,379,200</b>	<b>\$ 239,915,380</b>	<b>\$ 252,336,029</b>
<b>Business-type activities</b>				
Net investment in capital assets	\$ 116,929,920	\$ 117,612,994	\$ 118,170,260	\$ 117,311,016
Restricted	-	-	-	-
Unrestricted	43,046,756	45,052,579	47,550,528	51,044,950
<b>Total business-type activities</b>	<b>\$ 159,976,676</b>	<b>\$ 162,665,573</b>	<b>\$ 165,720,788</b>	<b>\$ 168,355,966</b>
<b>Primary government</b>				
Net investment in capital assets	\$ 287,759,610	\$ 292,269,905	\$ 293,462,584	\$ 296,927,240
Restricted	26,293,289	19,293,248	16,096,939	18,414,931
Unrestricted	76,924,443	83,481,620	96,076,645	105,349,824
<b>Total primary government</b>	<b>\$ 390,977,342</b>	<b>\$ 395,044,773</b>	<b>\$ 405,636,168</b>	<b>\$ 420,691,995</b>

Note: GASB Statement No. 68 was implemented for the year ended June 30, 2015; however, prior years were not restated.

Note: GASB Statement No. 75 was implemented for the year ended June 30, 2017; however, prior years were not restated.

Schedule 1  
Unaudited

2014	2015	2016	2017	2018	2019
\$ 168,722,287	\$ 178,865,098	\$ 194,299,483	\$ 202,939,709	\$ 209,330,214	\$ 211,012,892
25,024,969	24,785,605	19,460,570	19,429,092	17,995,682	49,675,789
65,673,197	82,121,441	79,865,292	13,264,407	17,351,506	5,617,794
<u>\$ 259,420,453</u>	<u>\$ 285,772,144</u>	<u>\$ 293,625,345</u>	<u>\$ 235,633,208</u>	<u>\$ 244,677,402</u>	<u>\$ 266,306,475</u>
\$ 118,730,653	\$ 119,825,109	\$ 127,611,126	\$ 129,220,049	\$ 128,565,431	\$ 128,316,680
-	-	-	-	-	1,194,908
48,878,034	45,659,008	38,593,816	39,342,785	39,035,755	38,588,206
<u>\$ 167,608,687</u>	<u>\$ 165,484,117</u>	<u>\$ 166,204,942</u>	<u>\$ 168,562,834</u>	<u>\$ 167,601,186</u>	<u>\$ 168,099,794</u>
\$ 287,452,940	\$ 298,690,207	\$ 321,910,609	\$ 332,159,758	\$ 337,895,645	\$ 339,329,572
25,024,969	24,785,605	19,460,570	19,429,092	17,995,682	50,870,697
114,551,231	127,780,449	118,459,108	52,607,192	56,387,261	44,206,000
<u>\$ 427,029,140</u>	<u>\$ 451,256,261</u>	<u>\$ 459,830,287</u>	<u>\$ 404,196,042</u>	<u>\$ 412,278,588</u>	<u>\$ 434,406,269</u>

# CITY OF TROY, MICHIGAN

## Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2010	2011	2012	2013
<b>Expenses</b>				
Governmental activities:				
General government	\$ 10,480,528	\$ 10,057,545	\$ 9,677,191	\$ 8,459,810
Public safety	31,300,208	30,776,101	27,228,933	26,878,737
Public works	15,000,517	14,812,707	13,703,006	13,626,846
Sanitation	3,994,706	4,110,330	4,216,260	4,331,500
Community and economic development	1,460,081	1,030,929	854,593	1,366,075
Recreation and culture	12,573,922	9,865,320	8,812,144	9,145,272
Interest on long-term debt	650,484	665,356	1,101,675	1,019,021
Total governmental activities	<u>75,460,446</u>	<u>71,318,288</u>	<u>65,593,802</u>	<u>64,827,261</u>
Business-type activities:				
Water	12,474,578	12,439,089	13,904,820	14,434,204
Sanitary Sewer	9,145,016	10,400,332	11,767,038	12,215,434
Aquatic center	561,343	565,873	566,978	543,834
Sylvan Glen golf course	1,087,120	1,021,420	1,061,139	1,052,043
Sanctuary Lake golf course	1,632,244	1,523,616	1,821,384	1,676,239
Total business-type activities	<u>24,900,301</u>	<u>25,950,330</u>	<u>29,121,359</u>	<u>29,921,754</u>
Total primary government expenses	<u>100,360,747</u>	<u>97,268,618</u>	<u>94,715,161</u>	<u>94,749,015</u>
<b>Program revenues</b>				
Governmental activities:				
Charges for services:				
General government	2,792,387	3,017,126	3,039,578	3,114,515
Public safety	2,606,050	2,912,838	3,219,618	3,545,823
Public works	1,912,056	1,696,240	2,357,325	2,223,031
Sanitation	4,796	4,860	5,700	6,012
Recreation and culture	4,484,145	3,850,470	3,444,462	3,651,142
Operating grants and contributions	1,057,307	1,474,950	912,173	1,196,458
Capital grants and contributions	8,590,800	6,895,652	6,723,177	10,435,694
Total governmental activities	<u>21,447,541</u>	<u>19,852,136</u>	<u>19,702,033</u>	<u>24,172,675</u>

2014	2015	2016	2017	2018	2019
\$ 9,875,913	\$ 10,449,379	\$ 11,305,100	\$ 10,925,546	\$ 10,527,094	\$ 9,161,093
28,860,117	35,744,673	31,023,545	29,403,916	29,357,164	23,995,136
15,478,239	17,224,145	16,269,932	16,553,537	18,123,198	17,532,358
4,267,388	4,606,627	4,517,499	4,889,569	5,007,584	5,250,265
16,303,702	1,018,643	955,880	794,535	851,314	305,789
9,432,683	10,091,847	10,248,458	10,442,184	11,320,591	11,114,884
1,065,510	1,444,384	1,344,219	1,206,243	1,095,894	975,567
<u>85,283,552</u>	<u>80,579,698</u>	<u>75,664,633</u>	<u>74,215,530</u>	<u>76,282,839</u>	<u>68,335,092</u>
15,479,500	15,767,708	18,508,493	18,992,183	20,809,872	20,163,346
12,864,584	12,807,380	12,584,209	12,401,390	14,441,047	14,545,633
531,369	583,709	700,430	717,905	655,821	699,130
1,096,974	1,130,082	1,143,351	1,114,618	1,082,544	1,111,941
1,735,921	1,733,846	1,900,990	1,917,677	1,930,551	1,960,575
<u>31,708,348</u>	<u>32,022,725</u>	<u>34,837,473</u>	<u>35,143,773</u>	<u>38,919,835</u>	<u>38,480,625</u>
<u>116,991,900</u>	<u>112,602,423</u>	<u>110,502,106</u>	<u>109,359,303</u>	<u>115,202,674</u>	<u>106,815,717</u>
3,241,183	3,783,480	3,766,949	3,983,385	3,862,669	3,953,495
4,076,054	4,691,450	4,451,076	4,612,475	4,975,806	5,243,086
2,634,542	3,364,953	3,335,490	2,916,921	3,082,359	2,046,635
6,358	6,590	8,630	8,199	25,923	1,118
3,536,383	3,589,925	3,587,481	3,683,297	3,698,180	3,756,819
835,352	1,097,166	760,549	951,275	1,134,640	810,436
23,832,070	10,447,244	11,466,690	9,304,781	10,501,834	11,438,685
<u>38,161,942</u>	<u>26,980,808</u>	<u>27,376,865</u>	<u>25,460,333</u>	<u>27,281,411</u>	<u>27,250,274</u>

continued...

# CITY OF TROY, MICHIGAN

## Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2010	2011	2012	2013
Business-type activities:				
Charges for services:				
Water	\$ 13,968,516	\$ 14,139,274	\$ 15,923,727	\$ 15,965,202
Sanitary Sewer	10,372,640	11,917,175	13,177,412	12,978,863
Aquatic center	451,670	503,685	577,757	481,424
Sylvan Glen golf course	1,128,192	1,024,216	1,290,051	1,173,838
Sanctuary Lake golf course	968,687	940,775	1,442,755	1,295,277
Operating grants and contributions	-	-	-	-
Capital grants and contributions	299,239	221,561	150,603	528,416
Total business-type activities	<u>27,188,944</u>	<u>28,746,686</u>	<u>32,562,305</u>	<u>32,423,020</u>
Total primary government program revenues	<u>48,636,485</u>	<u>48,598,822</u>	<u>52,264,338</u>	<u>56,595,695</u>
Net (expense)/revenue				
Governmental activities	(54,012,905)	(51,466,152)	(45,891,769)	(40,654,586)
Business-type activities	<u>2,288,643</u>	<u>2,796,356</u>	<u>3,440,946</u>	<u>2,501,266</u>
Total primary government net expense	<u>(51,724,262)</u>	<u>(48,669,796)</u>	<u>(42,450,823)</u>	<u>(38,153,320)</u>
General revenues				
Governmental activities:				
General revenues:				
Property taxes	50,673,061	46,067,375	46,295,903	46,419,615
State-shared revenues	5,615,666	5,615,666	6,136,066	6,279,381
Grants and contributions not restricted to specific programs	1,207,291	8,652	33,400	50,485
Unrestricted investment earnings	785,025	537,935	245,077	185,302
Miscellaneous	163,134	123,038	121,187	140,452
Transfers	627,160	492,020	596,316	-
Total governmental activities	<u>59,071,337</u>	<u>52,844,686</u>	<u>53,427,949</u>	<u>53,075,235</u>
Business-type activities:				
General revenues:				
Grants and contributions not restricted to specific programs	301	-	-	-
Unrestricted investment earnings	487,698	384,561	210,585	133,912
Miscellaneous	4,800	-	-	-
Transfers	(627,160)	(492,020)	(596,316)	-
Total business-type activities	<u>(134,361)</u>	<u>(107,459)</u>	<u>(385,731)</u>	<u>133,912</u>
Total primary government	<u>58,936,976</u>	<u>52,737,227</u>	<u>53,042,218</u>	<u>53,209,147</u>
Change in net position				
Governmental activities	5,058,432	1,378,534	7,536,180	12,420,649
Business-type activities	<u>2,154,282</u>	<u>2,688,897</u>	<u>3,055,215</u>	<u>2,635,178</u>
Total primary government	<u>\$ 7,212,714</u>	<u>\$ 4,067,431</u>	<u>\$ 10,591,395</u>	<u>\$ 15,055,827</u>

2014	2015	2016	2017	2018	2019
\$ 15,078,684	\$ 14,626,110	\$ 17,465,511	\$ 20,699,381	\$ 20,154,112	\$ 19,679,644
12,451,888	11,900,157	12,470,724	13,513,930	13,335,048	13,125,364
532,293	431,141	728,589	591,389	578,108	552,340
984,908	1,128,968	1,291,367	1,363,358	1,298,319	1,269,017
1,335,433	1,375,137	1,809,386	1,739,789	1,781,278	1,782,237
-	19,153	-	-	-	-
262,237	285,963	1,104,132	2,681,660	738,252	1,064,065
30,645,443	29,766,629	34,869,709	40,589,507	37,885,117	37,472,667
68,807,385	56,747,437	62,246,574	66,049,840	65,166,528	64,722,941
(47,121,610)	(53,598,890)	(48,287,768)	(48,755,197)	(49,001,428)	(41,084,818)
(1,062,905)	(2,256,096)	32,236	5,445,734	(1,034,718)	(1,007,958)
(48,184,515)	(55,854,986)	(48,255,532)	(43,309,463)	(50,036,146)	(42,092,776)
46,759,393	46,993,478	48,369,185	48,184,737	49,396,636	51,108,963
6,435,145	6,541,560	6,535,632	8,091,385	8,378,417	8,535,476
54,535	22,848	24,472	14,619	20,070	18,188
424,286	258,208	1,079,714	12,506	93,835	2,635,494
532,674	523,636	131,968	-	156,664	415,770
-	-	-	-	-	-
54,206,033	54,339,730	56,140,971	56,303,247	58,045,622	62,713,891
-	-	-	-	-	-
305,126	131,526	681,643	29,858	73,070	1,466,100
10,500	-	6,946	-	-	40,466
-	-	-	-	-	-
315,626	131,526	688,589	29,858	73,070	1,506,566
54,521,659	54,471,256	56,829,560	56,333,105	58,118,692	64,220,457
7,084,423	740,840	7,853,203	7,548,050	9,044,194	21,629,073
(747,279)	(2,124,570)	720,825	5,475,592	(961,648)	498,608
\$ 6,337,144	\$ (1,383,730)	\$ 8,574,028	\$ 13,023,642	\$ 8,082,546	\$ 22,127,681

concluded.

## CITY OF TROY, MICHIGAN

### Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2010	2011	2012	2013
General fund				
Nonspendable	\$ 447,720	\$ 4,034,119	\$ 3,884,686	\$ 4,369,038
Restricted	-	1,508,257	1,514,118	1,525,598
Committed	3,400,000	3,610,131	1,517,000	2,771,300
Assigned	9,171,895	5,953,000	3,655,000	3,148,000
Unassigned	10,722,271	12,359,648	23,340,380	24,946,170
Total general fund	23,741,886	27,465,155	33,911,184	36,760,106
All other governmental funds				
Nonspendable	-	-	158,200	160,579
Restricted	8,294,105	12,047,688	15,938,739	18,472,876
Committed	89,400	7,245,560	2,662,187	3,099,166
Assigned	17,909,784	-	-	-
Total all other governmental funds	26,293,289	19,293,248	18,759,126	21,732,621
Total governmental funds	\$ 50,035,175	\$ 46,758,403	\$ 52,670,310	\$ 58,492,727

2014	2015	2016	2017	2018	2019
\$ 4,417,528	\$ 5,287,206	\$ 5,669,290	\$ 6,260,979	\$ 6,885,751	\$ 7,215,136
1,534,139	1,538,879	1,563,203	1,563,397	1,565,721	1,617,390
6,622,968	-	-	-	-	-
3,162,000	8,075,520	5,312,270	4,561,613	6,326,870	5,895,860
21,856,139	19,716,862	20,062,397	19,776,349	18,661,478	19,674,536
<u>37,592,774</u>	<u>34,618,467</u>	<u>32,607,160</u>	<u>32,162,338</u>	<u>33,439,820</u>	<u>34,402,922</u>
224,977	200,512	196,900	293,680	187,299	268,684
21,023,992	23,781,735	19,510,120	19,352,374	17,996,223	21,311,972
3,776,000	803,358	2,720,822	945,425	132,263	564,900
-	-	-	-	-	-
<u>25,024,969</u>	<u>24,785,605</u>	<u>22,427,842</u>	<u>20,591,479</u>	<u>18,315,785</u>	<u>22,145,556</u>
<u>\$ 62,617,743</u>	<u>\$ 59,404,072</u>	<u>\$ 55,035,002</u>	<u>\$ 52,753,817</u>	<u>\$ 51,755,605</u>	<u>\$ 56,548,478</u>

# CITY OF TROY, MICHIGAN

## Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2010	2011	2012	2013
<b>Revenues</b>				
Property taxes	\$ 50,828,551	\$ 46,082,673	\$ 46,450,199	\$ 46,470,104
Licenses and permits	1,113,809	1,259,748	1,686,633	2,254,775
Intergovernmental - federal	3,185,364	2,171,633	1,040,037	5,119,153
Intergovernmental - state	10,494,294	10,504,385	11,384,502	11,673,045
Intergovernmental - local	908,398	1,039,709	614,530	786,068
Charges for services	8,151,713	7,335,759	7,660,204	7,760,295
Fines and forfeits	1,226,729	1,277,705	1,154,999	902,183
Investment earnings	643,073	430,899	186,897	154,351
Other	3,347,701	1,967,075	2,330,595	2,007,022
<b>Total revenues</b>	<b>79,899,632</b>	<b>72,069,586</b>	<b>72,508,596</b>	<b>77,126,996</b>
<b>Expenditures</b>				
Current:				
General government	8,562,924	8,232,791	7,499,219	7,409,887
Public safety	30,902,648	29,899,440	26,644,367	27,371,783
Public works	4,844,712	4,799,035	4,159,761	4,257,865
Other public works	2,043,464	1,756,490	1,680,731	1,779,928
Sanitation	3,996,065	4,109,985	4,216,324	4,331,560
Community and economic development	127,522	148,800	133,712	621,439
Recreation and culture	12,231,424	9,067,491	8,060,815	8,243,322
Debt service:				
Principal	2,304,692	2,496,586	2,536,167	2,626,776
Interest and other charges	1,375,693	1,248,479	1,119,964	1,042,839
Capital outlay	17,062,105	14,244,384	11,130,331	13,670,400
<b>Total expenditures</b>	<b>83,451,249</b>	<b>76,003,481</b>	<b>67,181,391</b>	<b>71,355,799</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(3,551,617)</b>	<b>(3,933,895)</b>	<b>5,327,205</b>	<b>5,771,197</b>
<b>Other financing sources (uses)</b>				
Transfers in	10,441,542	9,229,240	8,803,101	8,648,930
Transfers out	(9,934,593)	(8,772,125)	(8,218,400)	(8,648,930)
Issuance of debt	11,321,816	9,110,000	-	-
Premium on debt issuance	-	947,639	-	-
Payments to escrow agents	(11,261,350)	(9,919,004)	-	-
Proceeds from sale of capital assets	-	61,373	-	51,220
<b>Total other financing sources (uses)</b>	<b>567,415</b>	<b>657,123</b>	<b>584,701</b>	<b>51,220</b>
<b>Net change in fund balances</b>	<b>\$ (2,984,202)</b>	<b>\$ (3,276,772)</b>	<b>\$ 5,911,906</b>	<b>\$ 5,822,417</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>5.5%</b>	<b>6.1%</b>	<b>6.5%</b>	<b>6.4%</b>

2014	2015	2016	2017	2018	2019
\$ 46,739,163	\$ 47,032,046	\$ 48,181,711	\$ 48,330,909	\$ 49,449,053	\$ 51,118,782
2,429,459	2,896,533	2,519,342	2,755,580	2,947,987	2,930,791
3,189,800	1,909,795	2,492,626	564,401	419,889	350,211
12,238,420	14,532,201	14,016,525	15,102,588	17,266,839	18,707,814
31,209	587,902	1,401,455	1,624,744	1,227,514	904,756
8,378,616	9,375,710	9,636,700	9,198,024	9,328,352	8,353,157
1,396,241	1,418,354	1,183,571	1,415,429	1,617,607	1,557,399
348,625	224,322	865,229	10,795	70,137	2,102,986
2,042,877	3,086,024	2,948,266	3,167,305	3,139,232	3,261,326
<u>76,794,410</u>	<u>81,062,887</u>	<u>83,245,425</u>	<u>82,169,775</u>	<u>85,466,610</u>	<u>89,287,222</u>
6,621,292	6,992,997	7,338,404	7,931,122	7,557,035	8,241,232
28,082,145	31,108,472	28,611,021	29,860,208	31,427,553	33,487,111
5,675,847	5,638,918	5,372,214	5,441,176	6,184,744	5,946,526
-	-	-	-	-	-
4,267,898	4,606,610	4,517,910	4,890,106	5,008,258	5,250,790
18,327,123	3,207,237	3,186,003	3,364,862	3,627,340	3,977,888
8,556,099	9,186,959	9,457,699	9,793,755	10,771,468	11,088,389
2,691,746	2,832,182	2,922,716	2,980,066	2,910,420	3,095,470
1,126,667	1,505,715	1,407,944	1,274,264	1,160,095	1,042,658
13,725,931	19,554,175	24,973,022	18,916,700	17,818,579	12,587,681
<u>89,074,748</u>	<u>84,633,265</u>	<u>87,786,933</u>	<u>84,452,259</u>	<u>86,465,492</u>	<u>84,717,745</u>
<u>(12,280,338)</u>	<u>(3,570,378)</u>	<u>(4,541,508)</u>	<u>(2,282,484)</u>	<u>(998,882)</u>	<u>4,569,477</u>
13,742,158	15,247,847	18,223,266	15,568,422	14,583,366	14,694,064
(13,292,158)	(15,306,857)	(18,223,266)	(15,568,422)	(14,583,366)	(14,694,064)
14,945,000	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
273,700	415,717	172,438	1,299	670	223,396
<u>15,668,700</u>	<u>356,707</u>	<u>172,438</u>	<u>1,299</u>	<u>670</u>	<u>223,396</u>
<u>\$ 3,388,362</u>	<u>\$ (3,213,671)</u>	<u>\$ (4,369,070)</u>	<u>\$ (2,281,185)</u>	<u>\$ (998,212)</u>	<u>\$ 4,792,873</u>
5.1%	6.7%	6.9%	6.5%	5.9%	5.7%

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**General Governmental Tax Revenue by Source**  
 Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities					Total All Property Taxes
	General	Refuse	Library	Capital	General Debt Service	
2010	\$ 36,362,516	\$ 3,900,932	\$ -	\$ 7,957,902	\$ 2,607,201	\$ 50,828,551
2011	32,550,858	4,057,573	-	7,137,343	2,321,601	46,067,375
2012	30,424,031	4,168,478	3,037,539	6,645,570	2,020,285	46,295,903
2013	29,612,174	4,446,398	2,962,459	6,481,465	2,917,119	46,419,615
2014	29,591,708	4,647,626	2,982,973	6,526,304	3,010,782	46,759,393
2015	29,844,976	4,595,925	3,004,907	6,574,245	2,973,425	46,993,478
2016	30,673,539	4,733,992	3,083,735	6,771,668	3,106,251	48,369,185
2017	30,813,146	4,764,992	3,110,616	6,815,995	2,679,988	48,184,737
2018	31,687,325	4,909,101	3,179,008	6,861,168	2,760,034	49,396,636
2019	32,998,890	5,102,374	3,280,407	6,860,470	2,866,822	51,108,963

## 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
2010	\$ 48,273,658	\$ 47,388,992	98.17%	\$ 766,850	\$ 48,155,842
2011	43,852,179	42,664,592	97.29%	1,095,386	43,759,978
2012	44,257,157	43,064,206	97.30%	1,108,768	44,172,974
2013	44,391,807	43,575,998	98.16%	729,657	44,305,655
2014	45,071,690	44,160,748	97.98%	609,614	44,770,362
2015	45,097,245	44,545,996	98.78%	483,614	45,029,610
2016	46,462,301	45,764,152	98.50%	615,231	46,379,383
2017	46,326,577	45,802,258	98.87%	476,191	46,278,449
2018	47,541,259	47,004,145	98.87%	481,373	47,485,518
2019	49,116,110	48,572,479	98.89%	477,132	49,049,611

Schedule 6  
Unaudited



Percentage of Total Tax Collections To Total Tax Levy	Outstanding Delinquent Taxes	Percentage of Delinquent Taxes To Total Tax Levy
99.76%	\$ 116,780	0.24%
99.79%	92,200	0.21%
99.81%	84,183	0.19%
99.81%	86,153	0.19%
99.33%	101,328	0.22%
99.85%	57,632	0.13%
99.82%	82,964	0.18%
99.90%	48,127	0.10%
99.88%	55,740	0.12%
99.86%	66,222	0.13%

## CITY OF TROY, MICHIGAN

### Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(Per \$1,000 of Assessed Valuation)

Tax Year	City of Troy						Overlapping Governments	
	General	Capital	Refuse	Debt	Library	Total	Troy School District	Oakland County
2010 H	6.50	1.53	0.75	0.50	-	9.28	8.77	4.65
2010 NH	6.50	1.53	0.75	0.50	-	9.28	22.10	4.65
2011 H	6.50	1.53	0.87	0.50	-	9.40	9.74	4.65
2011 NH	6.50	1.53	0.87	0.50	-	9.40	22.73	4.65
2012 H	6.50	1.53	0.96	0.50	0.70	10.19	10.16	4.65
2012 NH	6.50	1.53	0.96	0.50	0.70	10.19	22.73	4.65
2013 H	6.50	1.53	1.05	0.70	0.70	10.48	10.51	4.65
2013 NH	6.50	1.53	1.05	0.70	0.70	10.48	22.95	4.65
2014 H	6.50	1.53	1.09	0.70	0.70	10.52	10.07	4.65
2014 NH	6.50	1.53	1.09	0.70	0.70	10.52	22.95	4.65
2015 H	6.50	1.53	1.07	0.70	0.70	10.50	9.96	4.65
2015 NH	6.50	1.53	1.07	0.70	0.70	10.50	22.59	4.65
2016 H	6.50	1.53	1.07	0.70	0.70	10.50	9.69	4.55
2016 NH	6.50	1.53	1.07	0.70	0.70	10.50	22.58	4.55
2017 H	6.50	1.53	1.07	0.60	0.70	10.40	10.33	4.49
2017 NH	6.50	1.53	1.07	0.60	0.70	10.40	22.70	4.49
2018 H	6.50	1.44	1.07	0.60	0.69	10.30	10.33	4.49
2018 NH	6.50	1.44	1.07	0.60	0.69	10.30	22.70	4.49
2019 H	6.50	1.39	1.09	0.58	0.68	10.24	9.97	4.48
2019 NH	6.50	1.39	1.09	0.58	0.68	10.24	23.09	4.48

H - Homestead

NH - Non-Homestead

Note: The tax year reflects the July 1 and December 1 levy dates.

Overlapping Governments						Total
Oakland County Community College	Intermediate School District	SMART	State Education	Zoo	Art	
1.58	3.37	0.59	6.00	0.10	-	34.34
1.58	3.37	0.59	6.00	0.10	-	47.67
1.58	3.37	0.59	6.00	0.10	-	35.43
1.58	3.37	0.59	6.00	0.10	-	48.42
1.58	3.37	0.59	6.00	0.10	-	36.64
1.58	3.37	0.59	6.00	0.10	-	49.21
1.58	3.37	0.59	6.00	0.10	0.20	37.48
1.58	3.37	0.59	6.00	0.10	0.20	49.92
1.58	3.37	0.59	6.00	0.10	0.20	37.08
1.58	3.37	0.59	6.00	0.10	0.20	49.96
1.58	3.37	1.00	6.00	0.10	0.20	37.36
1.58	3.37	1.00	6.00	0.10	0.20	49.99
1.58	3.36	1.00	6.00	0.10	0.20	36.98
1.58	3.36	1.00	6.00	0.10	0.20	49.87
1.57	3.34	0.99	6.00	0.10	0.20	37.42
1.57	3.34	0.99	6.00	0.10	0.20	49.80
1.56	3.11	0.99	6.00	0.10	0.20	37.07
1.56	3.11	0.99	6.00	0.10	0.20	49.44
1.53	3.25	0.99	6.00	0.10	0.19	36.74
1.53	3.25	0.99	6.00	0.10	0.20	49.87

## CITY OF TROY, MICHIGAN

### Assessed Value and Taxable Value of Property Last Ten Fiscal Years

Assessment Date	Levy Date	Fiscal Year Ended	Residential Property	Commercial Property	Industrial Property	Personal Property
12/31/2009	7/01/2010	6/30/2011	\$ 2,788,952,055	\$ 1,207,199,537	\$ 439,470,690	\$ 407,990,730
12/31/2010	7/01/2011	6/30/2012	2,631,131,230	1,192,065,320	241,468,720	384,084,890
12/31/2011	7/01/2012	6/30/2013	2,643,043,570	973,996,760	300,554,800	395,096,920
12/31/2012	7/01/2013	6/30/2014	2,704,214,970	908,560,198	283,393,700	414,094,580
12/31/2013	7/01/2014	6/30/2015	2,790,011,280	878,242,440	277,484,950	425,887,200
12/31/2014	7/01/2015	6/30/2016	2,894,875,560	891,581,610	281,097,400	437,230,620
12/31/2015	7/01/2016	6/30/2017	2,977,938,320	893,540,330	286,584,670	381,971,050
12/31/2016	7/01/2017	6/30/2018	3,079,437,250	917,513,840	298,329,510	384,517,840
12/31/2017	7/01/2018	6/30/2019	3,226,541,500	956,053,740	308,328,990	382,154,210
12/31/2018	7/01/2019	6/30/2020	3,385,512,720	1,002,161,500	322,138,580	386,182,310

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.

Total Gross Taxable Value	Michigan Tax Tribunals, Board of Reviews and TIFS	Net Taxable Value	Total Direct Tax Rate	Assessed Value	Taxable Value as a Percentage of Assessed Value
\$ 4,843,613,012	\$ (187,025,599)	\$ 4,656,587,413	9.4	\$ 4,988,518,313	97.10%
4,448,750,160	(115,608,486)	4,333,141,674	10.19	4,540,412,680	97.98%
4,312,692,050	(93,614,668)	4,219,077,382	10.48	4,410,108,900	97.79%
4,310,263,448	(63,630,562)	4,246,632,886	10.52	4,491,432,340	95.97%
4,371,625,870	(93,053,718)	4,278,572,152	10.5	4,827,541,740	90.56%
4,504,785,190	(98,475,692)	4,406,309,498	10.50	5,313,611,700	84.78%
4,540,034,370	(79,428,775)	4,460,605,595	10.40	5,626,878,870	80.68%
4,679,798,440	(99,915,047)	4,579,883,393	10.36	5,894,241,720	79.40%
4,873,078,440	(109,210,295)	4,763,868,145	10.30	6,146,885,474	79.28%
5,095,995,110	(101,919,902)	4,994,075,208	10.24	6,536,364,170	77.96%

## CITY OF TROY, MICHIGAN

### Principal Property Taxpayers Current Year and Ten Years Ago

Taxpayer	2009		
	Taxable Value	Rank	Percentage of Total City Taxable Value
Frankel Forbes Cohen	\$ 69,981,710	1	1.28%
Kojaian	57,000,830	2	1.04%
Emmes Asset Management	43,586,970	3	0.80%
Nykel Management	32,993,920	4	0.60%
Delphi	31,556,620	5	0.58%
Troy Industrial	31,304,140	6	0.57%
888 W. Big Beaver	30,329,290	7	0.56%
Detroit Edison	29,560,570	8	0.54%
Nemer Troy Place	28,094,280	9	0.51%
Osprey - Troy Place	27,463,660	10	0.50%
	<u>\$ 381,871,990</u>		<u>6.99%</u>

**Principal Property Taxpayers**  
 Current Year and Ten Years Ago

Taxpayer	2019		
	Taxable Value	Rank	Percentage of Total City Taxable Value
Frankel Forbes Cohen	\$ 56,656,730	1	1.16%
Detroit Edison	44,744,250	2	0.92%
Nykel Management	30,222,270	3	0.62%
Troy Office Center Owner LLC	28,899,610	4	0.59%
Bostick Consolidated	27,183,590	5	0.56%
Urbancal Oakland Mall	24,192,760	6	0.50%
Columbia Center Troy Assoc	21,791,170	7	0.45%
Kelly Properties	19,960,800	8	0.41%
Consumers	18,299,180	9	0.38%
Wilshire Plaza	17,179,890	10	0.35%
	<u>\$ 289,130,250</u>		<u>5.93%</u>

## CITY OF TROY, MICHIGAN

### Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities	Business-Type Activities	Total Outstanding Debt	Less: Amounts Restricted to Repaying Principal	Net Outstanding Debt	Percentage of Personal Income
	General Obligation and County Issued Bonds	General Obligation Bonds and Leases				
2010	\$ 30,670,062	\$ 10,700,000	\$ 41,370,062	\$ -	\$ 41,370,062	1.21%
2011	27,783,479	10,300,000	38,083,479	-	38,083,479	1.14%
2012	25,247,312	9,900,000	35,147,312	-	35,147,312	1.04%
2013	22,620,536	11,160,759	33,781,295	-	33,781,295	0.99%
2014	35,575,364	10,653,108	46,228,472	-	46,228,472	1.35%
2015	32,708,103	10,092,661	42,800,764	-	42,800,764	1.25%
2016	29,750,308	9,334,334	39,084,642	-	39,084,642	1.14%
2017	26,731,709	8,583,041	35,314,750	-	35,314,750	1.03%
2018	23,786,210	7,869,668	31,655,878	-	31,655,878	0.92%
2019	20,655,661	7,702,575	28,358,236	(663,581)	27,694,655	0.85%

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

Schedule 10  
Unaudited

	Debt Per Capita	Debt Per Taxable Value
\$	509	0.76%
	470	0.79%
	428	0.79%
	408	0.78%
	555	1.07%
	514	0.98%
	470	0.87%
	425	0.78%
	363	0.68%
	328	0.61%

**Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt  
to Total General Governmental Expenditures  
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Principal	Interest and Fiscal Charges	Total Debt Service	Total General Governmental Expenditures	Percentage of Debt Service to General Government Expenditures
2010	\$ 2,065,000	\$ 1,292,143	\$ 3,357,143	\$ 66,065,902	5.08%
2011	2,300,000	1,245,789	3,545,789	61,499,991	5.77%
2012	2,335,000	1,045,189	3,380,189	55,627,231	6.08%
2013	2,420,000	973,354	3,393,354	57,288,668	5.92%
2014	2,480,000	1,090,225	3,570,225	75,062,875	4.76%
2015	2,615,000	1,447,174	4,062,174	64,791,748	6.27%
2016	2,700,000	1,355,075	4,055,075	62,507,401	6.49%
2017	2,750,000	1,231,176	3,981,176	65,257,482	6.10%
2018	2,675,000	1,123,112	3,798,112	68,371,926	5.56%
2019	2,855,000	1,012,502	3,867,502	71,851,248	5.38%

Includes General, Special Revenue, Debt Service and Permanent Funds.

## CITY OF TROY, MICHIGAN

Schedule 12  
Unaudited

## Computation of Direct and Overlapping Debt

June 30, 2019

Jurisdiction	Net General Bonded Debt Outstanding	Percentage Applicable to Troy	Amount Applicable to Troy
City of Troy - Direct debt	\$ 20,655,661	100.00%	\$ 20,655,661
City of Troy - Overlapping Debt:			
Avondale School District	87,665,811	20.16%	17,673,427
Birmingham School District	187,995,000	3.71%	6,974,615
Bloomfield Hills School District	51,540,000	2.36%	1,216,344
Royal Oak School District	35,340,000	2.07%	731,538
Troy School District	146,700,000	100.00%	146,700,000
Warren School District	211,895,000	7.54%	15,976,883
Oakland County	314,844,309	8.44%	26,572,860
Macomb Intermediate School District	2,250,000	0.98%	22,050
Oakland Intermediate School District	43,855,000	8.01%	3,512,786
Total overlapping debt	1,082,085,120		219,380,502
Total direct and overlapping debt	\$ 1,102,740,781		\$ 240,036,163

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

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**Computation of Legal Debt Margin**

June 30, 2019

Assessed Valuation at December 31, 2017

\$ 6,146,885,474

	Annual Net Debt	Legal Margin		
		Percentage of State Equalized Valuation	Amount	Legal Debt Margin
General obligation debt	\$ 26,055,000	10.0%	\$ 614,688,547	\$ 588,633,547
Emergency bonds	-	37.5%	2,305,082,053	2,305,082,053
Special assessment bonds	-	12.0%	<u>737,626,257</u>	<u>737,626,257</u>
Total debt	<u>\$ 26,055,000</u>		<u>\$ 3,657,396,857</u>	<u>\$ 3,631,341,857</u>

The statutory debt limits of net bonded indebtedness incurred for all public purposes shall not at any one time exceed 10% of the assessed valuation of taxable property in the City (\$6,146,885,474), except that this limit may be exceeded by 3/8ths of 1% in case of fire, flood or other calamity. This limitation does not include bonds issued in anticipation of the payment of special assessments, nor bonds issued pursuant to court order for sewage or garbage disposal systems.

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

## CITY OF TROY, MICHIGAN

### Legal Debt Margin Information Last Ten Fiscal Years

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

Schedule 14  
Unaudited

Fiscal Year				
2015	2016	2017	2018	2019
\$ 482,754,174	\$ 531,361,170	\$ 562,687,887	\$ 589,424,172	\$ 614,688,547
<u>(39,670,000)</u>	<u>(36,325,000)</u>	<u>(32,940,000)</u>	<u>(29,635,000)</u>	<u>(26,055,000)</u>
<u>\$ 443,084,174</u>	<u>\$ 495,036,170</u>	<u>\$ 529,747,887</u>	<u>\$ 559,789,172</u>	<u>\$ 588,633,547</u>
8.22%	6.84%	5.85%	5.03%	4.24%

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**Pledged Revenue Coverage**  
 Last Ten Fiscal Years

Golf Course Bonds					
Fiscal Year Ended	Collections	Debt Service			Coverage (1)
		Principal	Interest	Total	
2010	\$ 974,051	\$ 300,000	\$ 515,200	\$ 815,200	119%
2011	940,775	400,000	501,945	901,945	104%
2012	1,442,755	400,000	485,446	885,446	163%
2013	1,295,277	400,000	419,657	819,657	158%
2014	1,335,433	400,000	328,254	728,254	183%
2015	1,375,137	450,000	298,686	748,686	184%
2016	1,809,386	645,000	289,881	934,881	194%
2017	1,739,789	635,000	273,648	908,648	191%
2018	1,781,278	630,000	253,545	883,545	202%
2019	1,782,237	725,000	238,756	963,756	185%

Michigan Transportation Fund Bonds					
Fiscal Year Ended	Collections	Debt Service			Coverage (1)
		Principal	Interest	Total	
2010	\$ 2,329,592	\$ 175,000	\$ 54,913	\$ 229,913	1013%
2011	2,363,803	175,000	45,900	220,900	1070%
2012	2,487,834	200,000	36,713	236,713	1051%
2013	2,521,831	225,000	26,013	251,013	1005%
2014	2,759,611	250,000	13,750	263,750	1046%
2015	-	-	-	-	N/A
2016	-	-	-	-	N/A
2017	-	-	-	-	N/A
2018	-	-	-	-	N/A
2019	-	-	-	-	N/A

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

## CITY OF TROY, MICHIGAN

### Demographic Statistics

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Population (3)	Median Age (3)	Number of Households(3)	Average Household Size (3)	Income Per Capita (3)
2010	81,235	38.1	30,723	2.69	\$ 42,000
2011	80,980	41.8	32,907	2.63	41,200
2012	82,071	41.8	32,998	2.61	41,200
2013	82,853	41.8	33,063	2.61	41,200
2014	83,270	41.8	33,182	2.60	41,209
2015	83,319	41.8	33,233	2.60	41,209
2016	83,181	41.8	32,002	2.59	41,209
2017	83,181	41.8	32,002	2.59	41,209
2018	87,177	41.5	30,812	2.71	39,545
2019	84,547	42.2	31,674	2.63	39,545

Source:

- (1) U.S. Census - American Fact Finder
- (2) CivicDashboard
- (3) Southeast Michigan Council of Governments (SEMCOG)



			Education Age 25 or Older		
Median Income per Household (1)	Personal Income (millions)	Unemployment Rate (%) (2)	High School (3)	Bachelor Degree (3)	Graduate or Professional Degree (3)
\$ 87,269	\$ 3,412	11.9	67	50	22
85,946	3,336	9.5	73	57	27
86,465	3,381	7.7	73	57	27
85,685	3,414	7.4	73	57	27
84,325	3,431	5.9	95	57	27
85,797	3,433	4.4	95	57	27
87,269	3,428	3.5	95	57	27
87,269	3,428	2.5	95	57	27
85,027	3,447	2.8	95	58	28
93,017	3,343	2.8	95	59	29

## CITY OF TROY, MICHIGAN

### Principal Employers by Industry Current and Previous Four Years

Industry	2015			2016		
	Number of Parcels	Rank	Percent of Total Parcels	Number of Parcels	Rank	Percent of Total Parcels
Industrial, Light Manufacturing	637	1	39.37%	639	1	39.15%
Office	259	2	16.01%	259	2	15.87%
Retail Store (Mall, Plaza, Market, Whse, Discount)	155	3	9.58%	155	3	9.50%
Medical Office	85	4	5.25%	85	5	5.21%
Restaurant and Fast Food	66	7	4.08%	66	7	4.04%
All other	75	5	4.64%	89	4	5.45%
Apartments	68	6	4.20%	68	6	4.17%
Warehouse (Storage, Distribution, Transit)	63	9	3.89%	62	9	3.80%
Engineering	64	8	3.96%	62	8	3.80%
Service (Station, Garage, Booth, Convenience)	57	10	3.52%	57	10	3.49%
Loft (Multi Tenant Industrial)	40	11	2.47%	40	11	2.45%
Bank	32	12	1.98%	32	12	1.96%
Auto Dealership	17	13	1.05%	18	13	1.10%
Total commercial/industrial parcels	<u>1,618</u>		<u>100.00%</u>	<u>1,632</u>		<u>100.00%</u>

Source: City Assessor

2017			2018			2019		
Number of Parcels	Rank	Percent of Total Parcels	Number of Parcels	Rank	Percent of Total Parcels	Number of Parcels	Rank	Percent of Total Parcels
644	1	39.03%	635	1	38.96%	637	1	39.08%
257	2	15.58%	254	2	15.58%	260	2	15.95%
155	3	9.39%	154	3	9.45%	154	3	9.45%
84	5	5.09%	85	4	5.21%	85	4	5.21%
71	7	4.30%	72	6	4.42%	76	5	4.66%
96	4	5.82%	75	5	4.60%	72	6	4.42%
71	6	4.30%	67	7	4.11%	70	7	4.29%
66	8	4.00%	63	9	3.87%	68	8	4.17%
64	9	3.88%	66	8	4.05%	67	9	4.11%
52	10	3.15%	53	10	3.25%	50	10	3.07%
40	11	2.42%	40	11	2.45%	40	11	2.45%
32	12	1.94%	33	12	2.02%	33	12	2.02%
18	13	1.09%	18	13	1.10%	18	13	1.10%
<hr/>			<hr/>			<hr/>		
1,650		100.00%	1,615		99.08%	1,630		100.00%
<hr/>			<hr/>			<hr/>		

## CITY OF TROY, MICHIGAN

### Operating Indicators by Function/Program Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014
<b>Building Inspection</b>					
Permits issued	1,185	940	1,699	2,006	2,297
Plans reviewed	719	908	1,842	2,023	2,641
<b>Executive Administration</b>					
City Manager's Office -					
GFOA awards/submittals	3	2	2	3	3
City Attorney's Office -					
District court appearances	6,091	6,492	6,612	7,884	7,871
Community Affairs:					
New resident packets distributed	910	943	912	803	790
Press releases sent	482	487	474	479	482
City Clerk's Office:					
Registered voters	56,572	55,301	57,470	58,318	56,630
Voter turnout% (November)	22%	57%	27%	74%	27%
Human Resources:					
Applications processed	365	110	1,566	778	1,274
Job postings	10	11	30	26	38
Labor contracts settled	1	6	0	0	3
<b>Engineering</b>					
Soil erosion inspections	979	863	772	628	812
Machine traffic counts	125	93	68	52	43
PASER ratings	Not Avail.	Not Avail.	6	6	5.7

Schedule 18  
Unaudited

2015	2016	2017	2018	2019
2,369	2,404	3,197	2,988	2,711
3,051	3,301	3,817	3,750	3,335
3	3	3	3	3
8,289	8,059	8,241	8,357	9,994
801	940	790	801	525
495	500	460	468	475
57,400	57,163	58,333	57,619	59,440
51%	21%	80%	29%	66%
1,120	809	1,261	1,044	1,052
45	51	59	61	67
2	4	0	0	1
1,089	640	744	779	878
25	25	15	18	14
5.7	5.5	5.3	5.2	5.2

continued...

# CITY OF TROY, MICHIGAN

## Operating Indicators by Function/Program Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014
<b>Finance</b>					
Accounting/Risk Management:					
Payroll checks processed	23,147	22,891	23,091	24,073	24,073
Invoices issued	8,354	9,649	10,027	10,033	10,635
Liability claims processed	85	84	57	53	103
Insurance certificates approved	364	331	328	348	365
Assessing:					
Residential appraisals	863	750	500	642	518
Reinspections	600	500	500	892	892
Purchasing:					
Value of goods/services purchased	\$31.7 mil	\$33.3 mil	\$34.2 mil	\$34.6 mil	\$34.0 mil
% of awards without dispute	100%	100%	100%	100%	100%
City Treasurer's Office:					
Tax bills processed	65,770	65,687	65,900	66,000	66,200
Water bills processed	104,807	99,566	101,055	102,272	102,510
<b>Fire</b>					
Fire Department responses	853	1,022	1,090	1,006	1,165
Inspections performed	2,543	2,347	2,013	3,154	2,988
<b>Other General Government</b>					
Building Operations -					
Requests for service	17,280	16,801	12,500	18,550	18,550
Planning:					
Site plan reviews	14	13	8	9	17
Special use requests	9	8	7	12	3
<b>Parks, Recreation and Culture</b>					
ROW trees trimmed	3,168	2,457	2,262	3,508	3,300
Recreation programs	622	471	468	466	480
Library cards	51,200	50,900	51,000	51,000	46,400
<b>Police</b>					
Part 1 Crimes	1,837	1,842	1,865	1,670	1,512
Operate while impaired	396	464	399	506	473
Hazardous traffic citations	8,214	7,526	7,385	6,811	6,704
Non-hazardous traffic citations	2,888	2,745	3,941	3,681	3,168
Traffic crashes:					
Property damage	2,167	2,427	2,434	1,958	3,342
Personal injury	374	317	386	303	532
Fatal crash	5	3	2	4	4

Schedule 18  
Unaudited

2015	2016	2017	2018	2019
26,497	26,822	27,665	27,692	27,814
10,121	10,119	10,307	10,193	101,157
344	84	41	55	74
385	619	693	730	759
362	390	400	324	375
1,156	1,400	1,000	1,300	1,500
\$34.5 mil	\$37.8 mil	\$43.6 mil	\$45.8 mil	\$48 mil
100%	100%	100%	100%	100%
62,685	62,854	62,345	62,669	62,572
102,807	103,118	104,418	107,054	104,890
1,077	1,174	1,216	1,206	1,175
2,398	2,815	2,348	2,096	1,721
16,280	18,150	18,630	18,240	6,958
17	15	18	17	13
2	6	5	6	15
3,976	2,611	4,323	1,849	3,358
485	485	492	518	520
49,656	56,961	61,362	58,598	52,282
1,419	1,451	1,358	1,288	1,227
419	350	392	352	372
5,283	4,796	4,510	5,094	9,551
4,750	3,736	3,315	3,722	4,946
3,163	1,937	1,949	2,155	2,212
468	275	260	307	275
5	3	4	2	2

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## CITY OF TROY, MICHIGAN

### Operating Indicators by Function/Program Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014
<b>Public Works</b>					
Streets and Drains Division					
Requests for service	1,004	1,188	1,149	1,370	1,774
Water and Sewer Division					
Requests for service	2,902	3,379	3,366	4,217	4,434
Sanitary sewers cleaned in feet	1,785,000	1,307,000	2,100,000	1,300,000	1,630,417
Fleet Maintenance					
Work orders	3,507	3,217	2,839	2,037	2,532
Vehicle tires replaced	608	520	566	464	406
Refuse/Resource Recovery					
Tons of refuse collected	27,412	27,230	29,816	26,655	27,210
Tons of compost collected	12,313	9,690	10,689	8,786	9,743
<b>Information Technology</b>					
Help desk requests	2,392	2,498	2,485	2,333	3,079
<b>Golf Course</b>					
Sylvan Glen rounds of golf	41,719	40,852	47,293	42,655	37,737
Sanctuary Lake rounds of golf	24,757	27,236	33,485	30,301	30,283
<b>Aquatic Center</b>					
Admissions	47,738	51,000	54,260	47,940	49,066

Schedule 18  
Unaudited

2015	2016	2017	2018	2019
1,747	1,509	1,636	1,956	1,594
4,140	2,482	2,776	2,627	2,301
1,250,000	1,151,056	835,683	350,269	398,000
2,165	2,443	2,477	2,380	2,945
487	332	349	458	344
28,462	28,068	28,475	26,957	26,453
9,174	9,104	9,580	8,806	10,033
3,018	2,811	3,136	3,389	3,048
42,887	49,988	49,044	45,848	44,112
31,840	43,416	41,459	41,700	40,315
36,021	42,481	34,741	36,492	41,681
				concluded.

## CITY OF TROY, MICHIGAN

### Capital Asset Statistics by Function/Program Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014
Fire					
Stations	6	6	6	6	6
Police					
Stations	1	1	1	1	1
Streets					
Miles of improved	443	443	435	406	406
Miles of unimproved	4	4	4	4	4
Sewers					
Miles of combination storm/sanitary	10	10	10	10	10
Miles of sanitary	398	398	391	392	393
Miles of storm	545	545	589	625	631
Street Lights					
Detroit Edison owned poles	580	562	561	562	562
City owned poles	956	997	1,242	539	539
Water					
Annual distribution in million cubic feet	449	485	530	539	450
Miles of watermain	540	540	537	539	537
Number of hydrants	5,854	5,870	5,863	5,897	5,930
Parks and Recreation					
Number of developed parks	14	14	14	15	15
Acres of public parks	1,000	1,000	1,000	1,000	1,000
Number of tennis courts	18	18	18	18	18
Outdoor education center/farm	1	1	1	1	1
18-hole golf course	2	2	2	2	2
Community center	1	1	1	1	1
Aquatic center	1	1	1	1	1

Source: City Departments

Schedule 19  
Unaudited

2015	2016	2017	2018	2019
6	6	6	6	6
1	1	1	1	1
408 4	408 4	409 4	409 4	410 4
6 393 529	6 395 519	6 396 535	6 397 540	6 399 546
562 1,010	562 1,010	562 1,010	562 1,010	564 1,008
420 542 5,962	450 543 5,979	495 544 6,001	489 545 6,025	437 548 6,064
15 1,000 18 1 2 1 1	15 1,000 18 1 2 1 1	15 1,000 18 1 2 1 1	16 1,000 18 1 2 1 1	16 1,000 18 1 2 1 1

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### Building Construction

Last Ten Fiscal Years

2009 - 2010	1,185	permits	56,329,455	estimated value
2010 - 2011	940	permits	81,414,322	estimated value
2011 - 2012	1,699	permits	98,609,054	estimated value
2012 - 2013	2,006	permits	146,556,961	estimated value
2013 - 2014	2,297	permits	165,364,134	estimated value
2014 - 2015	2,369	permits	212,761,431	estimated value
2015 - 2016	2,404	permits	154,161,117	estimated value
2016 - 2017	3,042	permits	166,876,878	estimated value
2017 - 2018	2,988	permits	180,411,536	estimated value
2018 - 2019	2,711	permits	195,324,067	estimated value

Source: SafeBuilt Inc.

# CITY OF TROY, MICHIGAN

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

Function/Program	2010		2011		2012		2013		2014		2015		2016	
	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
Building Inspection														
Building Inspection	17	2	0	0	0	0	0	0	0	0	0	0	0	0
Executive Administration														
City Manager's Office	5	0	4	4	7	6	7	5	7	7	9	6	9	5
City Attorney's Office	8	1	6	1	7	1	7	1	7	0	7	0	6	0
City Clerk's Office	5	2	3	2	4	2	4	2	4	2	4	3	4	3
Human Resources	4	1	2	1	2	1	3	1	4	1	4	0	4	1
Community Affairs	1	6	0	0	0	0	0	0	0	0	0	0	0	0
Engineering														
Engineering	16	5	12	3	10	4	11	3	11	3	11	2	11	2
Finance														
Accounting/Risk Management	10	0	4	1	4	3	6	1	6	2	6	2	6	1
Assessing	8	1	6	1	6	1	6	1	7	1	6	1	7	0
Purchasing	3	1	2	0	0	1	2	1	2	1	2	1	2	1
City Treasurer's Office	4	0	3	0	4	0	3	1	3	1	4	0	4	0
Fire														
Fire	13	2	10	6	11	6	11	6	11	6	12	6	12	4
Library/Museum														
Library	15	93	5	61	6	68	5	71	9	82	9	83	9	75
Museum	2	9	0	0	0	0	0	0	0	0	0	0	0	0
Other General Government														
Real Estate and Development	4	0	0	0	0	0	0	0	0	0	0	0	0	0
Building Operations	11	2	6	0	6	3	7	3	7	4	7	3	7	4
Planning	3	0	4	2	4	2	4	2	4	2	4	2	4	3
Police														
Sworn Police Officers	95	0	94	0	73	0	74	0	69	0	79	0	78	0
Command	27	0	24	0	23	0	22	0	21	0	23	0	23	0
Other	66	18	35	22	44	32	44	35	47	31	47	35	48	29
Parks and Recreation														
Parks	13	17	7	31	6	12	6	11	6	13	6	14	6	15
Recreation	19	164	8	124	6	178	5	171	5	182	6	185	6	183
Public Works														
Streets and Drains Division	29	18	25	2	21	11	21	8	23	9	25	11	24	9
Water and Sewer Division	34	7	31	0	31	6	31	6	33	6	32	6	31	7
Fleet Maintenance	18	2	11	2	11	4	14	3	12	6	14	6	15	2
Refuse/Resource Recovery	2	1	1	0	1	0	1	0	1	0	1	0	0	0
Information Technology														
Information technology	9	2	8	1	8	1	8	1	9	0	10	0	11	0
Golf Course														
Golf course	5	54	0	0	0	0	0	0	0	0	0	0	0	0
Aquatic Center														
Aquatic center	0	88	0	50	0	37	0	45	0	42	0	52	0	66
<b>Total Employees</b>	<b>443</b>	<b>496</b>	<b>310</b>	<b>314</b>	<b>294</b>	<b>379</b>	<b>301</b>	<b>378</b>	<b>307</b>	<b>401</b>	<b>327</b>	<b>418</b>	<b>327</b>	<b>410</b>

Source: City Department of Human Resources

Schedule 21  
Unaudited

2017		2018		2019	
Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
0	0	0	0	0	0
9	4	7	5	7	3
7	0	7	1	7	0
5	1	5	1	4	2
4	1	3	0	4	1
0	0	1	0	1	0
13	2	12	1	11	1
6	2	6	2	5	3
6	0	6	0	7	0
2	1	3	0	2	1
4	0	4	1	4	0
12	5	11	3	13	5
11	75	11	78	12	73
0	0	0	0	0	0
0	0	0	0	0	0
8	2	9	2	11	1
4	4	5	2	6	2
79	0	82	0	90	0
22	0	24	0	24	0
48	24	49	27	51	30
6	16	6	15	6	20
5	181	7	166	7	214
25	10	24	6	24	7
34	6	31	7	33	6
16	0	16	2	15	1
0	0	0	0	0	0
11	0	10	0	10	0
0	0	0	0	0	0
0	60	0	66	0	33
337	394	339	385	354	403

**State Shared Revenues**  
Last Ten Fiscal Years

Fiscal Year Ended June 30	State Shared Revenue
2010	\$ 5,615,666
2011	5,615,666
2012	6,136,066
2013	6,279,381
2014	6,435,145
2015	6,541,560
2016	6,535,632
2017	8,091,385 *
2018	8,378,417
2019	8,535,476

\*Beginning in fiscal year 2017 the State of Michigan began a reimbursement program for lost manufacturing personal property that was exempted through state legislation.

**Gas and Weight Taxes**  
Last Ten Fiscal Years

Fiscal Year Ended June 30	Type of Street		Total Gas and Weight Tax (Act 51) Receipts
	Major Road	Local Road	
2010	\$ 3,337,309	\$ 1,321,874	\$ 4,659,183
2011	3,386,023	1,341,582	4,727,605
2012	3,572,892	1,402,776	4,975,668
2013	3,623,451	1,420,210	5,043,661
2014	3,963,956	1,555,266	5,519,222
2015	4,278,155	1,499,530	5,777,685
2016	4,855,713	1,581,594	6,437,307
2017	4,618,597	1,822,201	6,440,798
2018	6,098,323	2,184,860	8,283,183
2019	6,871,404	2,331,116	9,202,520

Source: City of Troy

**Labor Agreements**

Name	Expiration Date	Number of Employees Covered
American Federation of State, County, and Municipal Employees, AFSCME - Public Works Employees	6/30/2021	61
Michigan Association of Police - Clerical, Police Services Aides	6/30/2023	41
Troy Command Officers Association - Command Police Officers	6/30/2019	24
Troy Police Officers Association - Police Officers	6/30/2020	82
Troy Firestaff Officers Association - Fire Career Professionals	6/30/2019	9
Troy Communication Supervisors Association - Civilian Communications Supervisors	6/30/2021	8

Source: City Department of Human Resources

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## INTERNAL CONTROL AND COMPLIANCE

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

November 22, 2019

The Honorable Mayor and  
City Council  
City of Troy, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Troy, Michigan* (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 22, 2019.

#### Internal Control Over Financial Reporting

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

A handwritten signature in black ink that reads "Rehmann Loborn LLC". The signature is written in a cursive, flowing style.