



Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2017



We believe a strong community embraces diversity, promotes innovation, and encourages collaboration.

We strive to lead by example within the region.

We do this because we want everyone to choose Troy as their community for life.

We believe in doing government the best.

City of Troy,
Michigan



Year Ended
June 30, 2017

Comprehensive
Annual Financial
Report

City Council

Mayor
Mayor Pro Tem
Council Members

Dane Slater
Ellen Hodorek
Dave Henderson
Ed Pennington
Ethan Baker
Edna Abraham
Paul McCown

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 29, 2017

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, 2017 is hereby submitted. The report represents a comprehensive and detailed picture of our financial transactions during fiscal year 2016/17 and the financial condition of the various funds as of fiscal year end. This report was prepared by a team comprised of executive members, financial staff and department leaders of the City. Troy's staff is responsible for the accuracy of data and completeness and fairness of the presentation, including all disclosures.

A *Management's Discussion and Analysis Report* (MD&A), as well as entity-wide, full accrual financial statements have been added to the front of the financial statement section. The fund statements have been altered to provide reporting under the "Major/Nonmajor Fund" concept. Reconciliation between the two presentations is included and the note disclosures have been expanded to provide appropriate information on both the entity-wide and fund financial statements.

The information presented is accurate in all material respects. Financial data presented is designed to provide the reader with information to assist in determining both the long-term fiscal health of the City of Troy and the City of Troy's ability to meet obligations on a short-term basis.

As required by Generally Accepted Accounting Principles (GAAP), these financial statements present the City of Troy and related component units. The individual component units are included in the City of Troy's reporting entity because of the significance of their operational or financial relationships with the City of Troy.

The financial reporting entity includes all of the primary government (the City of Troy as legally defined). The criteria used in determining the reporting entity are consistent with current GAAP guidelines. Based on these criteria, the various funds of the City are shown in the table of contents and are included in this report. We have addressed all component units.

The City of Troy was incorporated in 1955 and has always operated under the Council-Manager form of government. The Mayor and six members of the City Council are elected to staggered four-year terms.

The City Manager is appointed by a majority vote of the City Council and is responsible for all administrative functions. The City provides a full range of municipal services, including police, fire, water distribution, wastewater collection, street maintenance, public improvements, planning, zoning, recreation and general administration.

ECONOMIC CONDITION AND OUTLOOK

The economic condition of the City of Troy 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.

	<u>April 2017</u>
Troy	2.5%
Oakland County	3.0%
Michigan	4.7%
National	4.4%

Source: Bureau of labor and statistics

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 1.7%. The City experienced growth in net taxable value for fiscal 2017 at 1.2% and was comprised of growth in residential properties of 2.9%, and growth in both commercial properties (0.2%) and industrial properties (2.0%). 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:

Oakland Community Health Network

The 141,000 square foot office building located at 5505 Corporate Drive was recently purchased by the Oakland Community Health Network. The agency leads a provider mental health service network that assists approximately 25,000 Oakland County citizens. The facility is expected to house approximately 200 employees.

Roush

Automotive supplier Roush Industries has opened an engineering center at 1960 Ring Road. Approximately 150 jobs will be created by this project. The 44,000-square-foot facility focuses on hybrid and electric vehicle engineering, autonomous vehicle testing and software and data analytics.

LG Electronics

LG Electronics, a manufacturer of electric vehicle components, announced the expansion of its Troy R&D Center at 1835 Technology and 1346 Rankin. The project will add 155 jobs to the facilities. The Michigan Economic Development Corporation is providing a performance-based incentive grant to the project.

Valeo North America

Valeo is a French-based automotive technology supplier that produces clutch and transmission components, electrical components and engine-cooling, wiper lighting and climate control systems. The company will be investing \$540,000 in its Troy North American headquarters, located at 150 Stephenson Highway, and adding 145 high paying jobs over the next three years. The Michigan Economic Development Corporation is providing a performance-based incentive grant to the project.

Detroit Engineered Products

DEP is an engineering solutions and product development company. The company will be investing \$1.8 million in its Troy headquarters, located at 850 East Long Lake Road, and adding 91 high paying jobs over the next three years. The Michigan Economic Development Corporation is providing a performance-based incentive grant to the project.

Gestamp

Gestamp North America, Inc. has announced that it will invest \$158 million in its Michigan facilities including a \$700,000 investment in its Troy headquarters, adding 60 new jobs to the 218 employees currently working at the Troy location. Gestamp is a Spanish-owned manufacturer of structural stampings and assemblies, including chassis, bumpers and other components. The Michigan Economic Development Corporation is providing a performance-based incentive grant to the project.

24G

24G, a creative digital agency, has located its headquarters in the old Thunderbird Lanes building at 400 W. Maple. The company renovated the former bowling alley to house its 65 employees.

Nifco America

This major Japanese plastic fasteners supplier has moved into 7,500 square feet of office space at 800 Tower Drive. Nifco employs about 11,000 people worldwide. About 25 employees will work in the Troy office.

BDO

BDO, a provider of accounting and business services, moved into larger Troy offices at 2600 W. Big Beaver. Approximately 147 employees occupy the 22,000 square foot office.

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 \$54.0 million had a modest increase of \$1.3 million or 2.5% compared to the prior year. Property taxes, the General Fund's largest revenue source, was \$31.0 million representing an increase of \$473 thousand or 1.6%. Taxable values of \$4.5 billion increased \$54.3 million or 1.2%.

State sources totaled \$8.2 million indicating an increase of \$1.6 million or 23.4%. 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 an additional \$1.2 million as a reimbursement from the state for lost manufacturing personal property tax due to exemptions from state legislation.

Charges for services totaled \$8.6 million had a decrease of \$706 thousand or 7.6%. Major sources include Community Center passes of \$1.3 million down \$307 thousand (18.7%), engineering fees charged to capital projects of \$2.2 million down \$734 thousand or 25.3%.

Total General Fund operating expenditures of \$53.3 million increased \$2.4 million or 4.6%. The increase included personal service cost increases of \$1.8 million for wages (increase \$428 thousand or 2.3%), workers compensation insurance (increase \$134 thousand or 62.7%), healthcare (increase \$317 thousand or 10.5%) and retirement benefits (increase \$644 thousand or 12.4%). The remainder was in other service charges increasing \$550 thousand primarily for the civic center study (\$200 thousand), outside legal consulting (increase \$196 thousand), SafeBuilt building inspection services (increase \$128 thousand) and engineering inspection services (increase \$132 thousand).

Other financing sources (transfers in) of \$3.6 million decreased \$130 thousand primarily from major and local street special revenue funds that reimburse the general fund for street maintenance. Other financing uses (transfers out) of \$4.7 million decreased \$2.7 million primarily to the capital projects fund to finance the city's continued major and local road construction program. The \$4.7 million included transfers to the capital projects fund to finance major and local streets (\$2.6 million), fire station #4 (\$1.8 million) and police perimeter security fencing (\$280 thousand).

General Fund Balance

Fund balance of the General Fund decreased by \$445 thousand to a balance of \$32.2 million. Of this amount, \$6.3 million is nonspendable for such items as inventory, prepaid items and advances to other funds; \$1.6 million is restricted for budget stabilization, and \$4.6 million has been assigned for insurance claims, tax appeals and the subsequent years budgeted use of fund balance. The \$19.8 million remaining unassigned amount represents 37.1% 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 \$20.7 million are up \$3.2 million or (18.5%) compared to the prior fiscal year. This is directly due to the combined increase in sale volumes from 460 thousand mcf (thousand cubic feet) to 494 thousand mcf and rate change from \$34.40 to \$38.50 per mcf. The increase in volume is attributable to drier conditions in summer and fall of 2016 as well as the spring of 2017. However, in recent years there has been a general trend in less water consumption annually. Accordingly, water operating expenses of \$19.0 million increased \$503 thousand due to the increased volume purchased from the Great Lakes Water Authority (GLWA), the city's provider of wholesale potable water. It should be noted that water costs include a fixed cost component of approximately 60% of the total direct costs and accordingly, the sales volume has a diminished impact on the direct cost of water. The net effect was an increase in net position of \$3.0 million 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 \$13.5 million in operating revenues as compared to \$12.7 million in the prior year (an increase of \$811 thousand or 6.4%). This increase was due to the increase in volume sales as noted in the Water Fund section above. Operating expenses of \$12.4 million decreased \$170 thousand or 1.3%. 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. The net effect was an increase in net position after non-operating revenues and developer contributions of \$2.5 million. 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.

Aquatic Center - Operating revenues of \$591 thousand decreased \$137 thousand or 18.8% 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 increased by \$22 thousand or 3.2% to \$721 thousand.

Sylvan Glen Golf Course Fund - Operating revenues of \$1.4 million increased by \$72 thousand or 5.6% compared to the prior fiscal year. This increase is attributable to cell tower rental income charges for prior years (\$65,000). Actual rounds of play decreased slightly from 49,988 to 49,044. Operating expenses of \$1.1 million decreased \$27 thousand or 2.4% compared to the prior year. The Course experienced operating income of \$250 thousand and an increase in net position of \$249 thousand for the fiscal year.

Sanctuary Lake Golf Course Fund - Operating revenues of \$1.7 million decreased by \$70 thousand or 3.8% compared to the prior fiscal year. This decrease is attributable to a reduction in rounds of play from 43,416 to 41,459. Operating expenses of \$1.6 million increased \$33 thousand or 2.1% compared to the prior fiscal year. The course had operating income of \$96 thousand before the cost of interest on debt of \$274 thousand. As a result, the golf course had a decrease in net position of \$178 thousand. 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.

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 \$195.8 million compared to the beginning amount of \$187.7 million. As of December 31, 2016, the most recent actuarial valuation, the fund was 108.9% funded.

Pension Trust - Discretionary Fire Incentive Reserve Fund - This fund is used to account for accumulation of resources for incentive payments to qualified volunteer firefighters. The fund reported end-of-year net position held in trust for benefits of \$8.4 million. As of December 31, 2016, the most recent actuarial valuation, the fund was 50.1% funded after taking into consideration new benefit levels.

Retiree Health Care Trust Fund - The Retiree Health Care Trust Fund was established in fiscal year 2006 to account for medical benefits provided to employees during retirement. This fund will accumulate revenue until the reserves are depleted in the employee's retirement fund. This plan and trust is created under the authority of the Public Employee Health Care Fund Investment Act, Public Act 149 of 1999. The fund reported net position held for benefits of \$70.1 million. As of December 31, 2016, the most recent actuarial valuation, the fund was 56.1% funded.

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

Component Units

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

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

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

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

Tax Rate Limitations

The City Charter provides tax rate limitations for general operations. In addition, the City of Troy may levy taxes in excess of the Charter limitation for refuse collection, 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 \$19.8 million or 37.1% 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.

Specific projects identified in the 2017 fiscal year included major and local street improvements of \$2.5 million, funding for the re-building of fire station #4 of \$1.8 million and the purchase of police perimeter security fencing of \$280 thousand. These projects totaled \$4.7 million. Future projects will be identified on an on-going basis as needs are recognized and as part of the budget development process.

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, 2016.

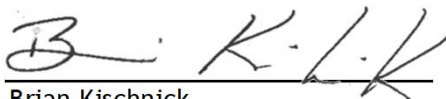
This was the Twentieth consecutive year that the City has achieved this prestigious award. In order to be awarded a certificate of achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable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

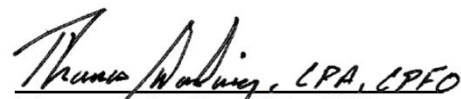
A certificate of achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Acknowledgements

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

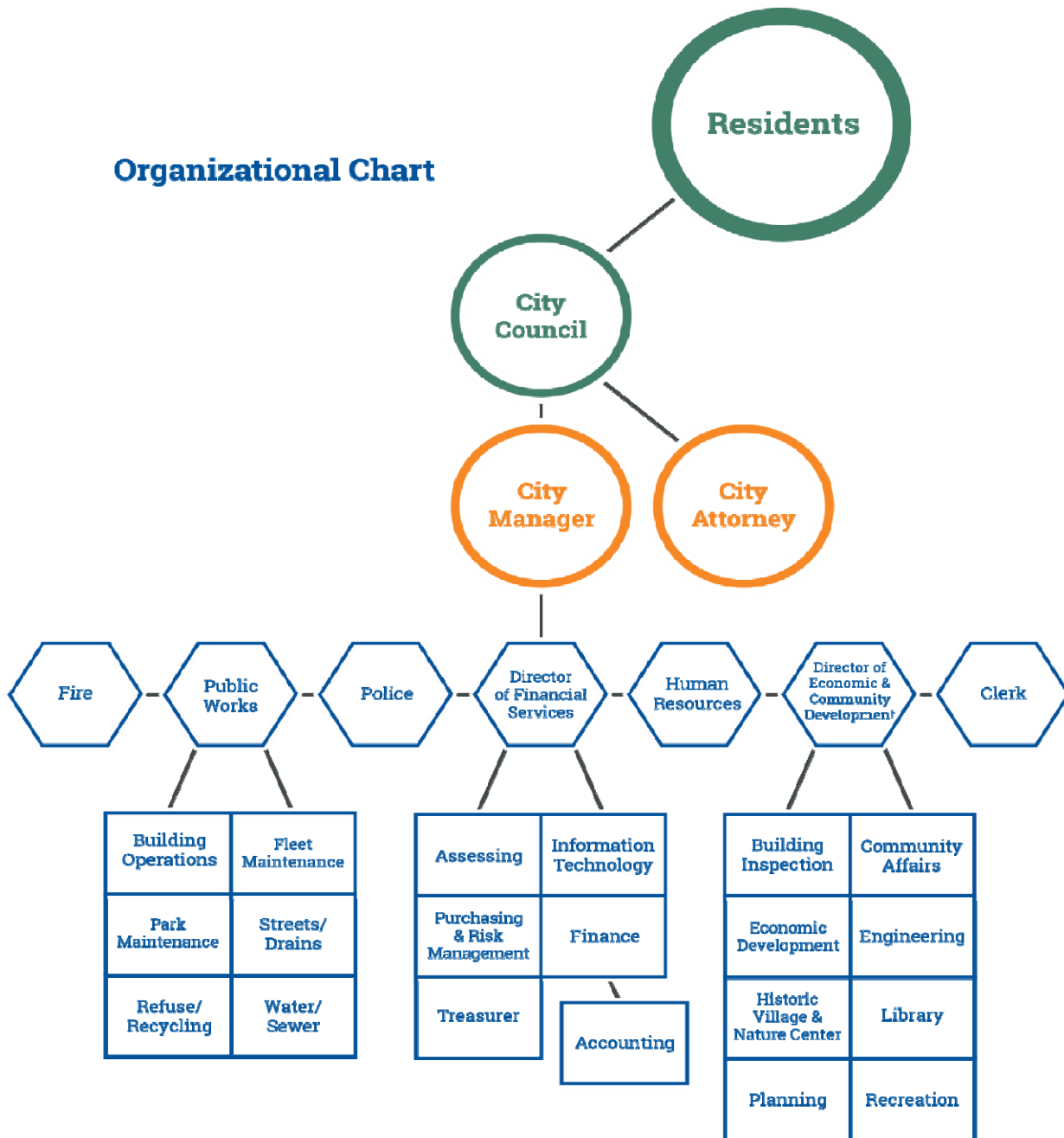

Brian Kischnick
City Manager


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

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CITY OF TROY, MICHIGAN

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, 2016

Executive Director/CEO

CITY OF TROY, MICHIGAN
PRINCIPAL OFFICIALS

City Manager	Brian Kischnick
City Attorney	Lori Grigg Bluhm
Director of Financial Services	Thomas E. Darling, CPA
Director of Economic and Community Development	Mark F. Miller
City Assessor	Leger (Nino) Licari
City Clerk	Aileen Dickson
City Engineer	Steven J. Vandette
City Treasurer	Sandra L. Kasperek
Community Affairs Director	Cynthia Stewart
Director of Building Operation	Steven Pallotta
Accounting Manager	Lisa Burnham
Purchasing Manager	MaryBeth Murz
Fire Chief	Dave Roberts
Human Resources Director	Jeanette Menig
Information Technology Director	Gertrude M. Paraskevin
Library Director	Cathleen A. Russ
Recreation Director	Elaine Bo
Planning Director	Brent Savidant
Police Chief	Gary G. Mayer
Public Works Director	Kurt Bovensiep
Fleet Operations Manager	Brian Varney
Streets and Drains Operations Manager	Mike Pihaylic
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*
- Aquatic Center
- Sylvan Glen Golf Course Fund
- Sanctuary Lake Golf Course Fund*

Internal Service

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

Fiduciary Funds

Pension and OPEB Trust

- Employees' Retirement System
- Firefighters Incentive Trust
- Retiree Health Care Trust

Agency

- Agency

Component Units

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

*Major funds under GASB No. 34

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

November 29, 2017

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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 75

As described in Note 20, the City implemented the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in the current year. Accordingly, beginning net position of governmental activities, business-type activities, the water enterprise fund, and the sanitary sewer enterprise fund were restated. Our opinion is not modified with respect to this matter.

Restatement of Beginning Net Position

As described in Note 20, beginning net position of governmental activities, business-type activities, the water enterprise fund, and the sanitary sewer enterprise fund were restated to modify the allocation of the net pension asset and related deferred amounts to enterprise funds and business-type activities. Our opinion is not modified with respect to this matter.

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 29, 2017, 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 "Lehmann Lobman 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, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found as listed in the table of contents of this report.

Financial Highlights

- The City recognized and implemented the Governmental Accounting Standard's Board Statement No. 74 "*Financial Reporting for Postemployment Benefits Other Than Pension Plans*" and Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". This resulted in the recognition of \$59.6 million in postemployment liabilities for Retiree Healthcare at June 30, 2017.
- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$404.2 million (*net position*). Of this amount \$52.6 million represents unrestricted net position which are economic (not total cash) resources which may be used to meet the City's ongoing obligations to residents and creditors.
- The City's total revenues of \$122.3 million were in excess of total expense of \$109.3 million resulting in an increase of net position in the amount of \$13.0 million.
- The City's governmental activities incurred expenses of \$74.2 million. These expenses were covered by program revenues totaling \$25.4 million and general revenues (including taxes, state shared revenues and other non-restrictive grants and contributions) of \$56.3 million resulting in an increase in net position of approximately \$7.5 million.
- Governmental activities revenue decreased \$1.8 million due to prior year additional capital contributions of \$1.1 million for Tri-Party agreements, Sylvan Glen Drain grants and Dog Park contributions. Interest earnings of \$1.0 million were offset by the recognition of a decrease in fair market value from rising interest rates of \$1.0 million.
- Governmental activities expense decreased by \$1.5 million due primarily to the recognition of reduced Net Retiree Healthcare (OPEB) liability during the fiscal year.
- The City's business-type activities incurred \$35.1 million in expenses. These expenses were paid by program revenues, primarily in the form of user charges and contributions of \$40.6 million. This resulted in an increase in net position of approximately \$5.5 million. This increase is primarily due to higher sales volume in water and sanitary sewer funds.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$52.8 million, a decrease of \$2.3 million in comparison with the prior year. The decrease is primarily due to planned one time expenditures for capital projects including major and local road improvements. Unassigned fund balance was approximately \$19.8 million and is available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$19.8 million, or approximately 37.1% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consists of three components. The first component, *Government-Wide* financial statements, includes two financial statements, the *Statement of Position* and the *Statement of Activities*, these provide information about the activities of the City of Troy as a whole and present a longer-term view of the City's finances.

The second component, Fund financial statements, includes financial statements of governmental funds, proprietary funds, and fiduciary funds which focus on how City services were financed in the short term, as well as what remains for future spending. Fund financial statements report the City of Troy's operations in more detail than the government-wide financial statements.

The third and final component of the City's basic financial statements include notes that explain and provide more detailed data about some of the information found in the *Government-Wide* and *Fund* financial statements. The basic financial statements are followed by a section of supplementary information that further explains and supports the information in the basic financial statements. Information in the supplementary section include combining statements that provide details about our nonmajor governmental, nonmajor enterprise, internal service, and fiduciary funds, each of which are added together and presented in single columns in the basic financial statements.

Government-wide Statements

The government-wide statements report information about the City of Troy as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

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

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

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

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

Fund Financial Statements

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

The City of Troy has three types of funds:

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

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

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

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

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

Government-wide Overall Financial Analysis

Statements of net position

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, net position was \$404.2 million, at the close of the most recent fiscal year.

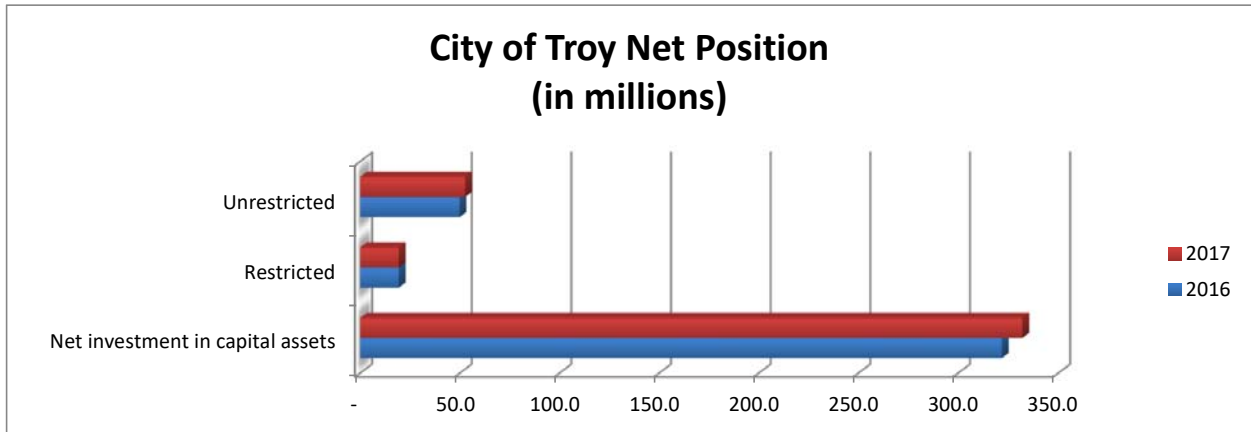
The table below shows the comparison of total assets, deferred outflows, total liabilities, deferred inflows and total net position (in millions of dollars) in a condensed format as of June 30, 2017 to the prior year.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	\$ 116.5	\$ 105.3	\$ 45.8	\$ 43.5	\$ 162.3	\$ 148.8
Capital assets	229.7	224.0	137.1	136.2	366.8	360.2
Total assets	346.2	329.3	182.9	179.7	529.1	509.0
Deferred outflows	10.3	13.8	1.0	1.2	11.3	15.0
Liabilities:						
Long-term debt outstanding	32.2	35.0	8.6	9.3	40.8	44.3
Other liabilities	75.9	76.6	6.3	8.3	82.2	84.9
Total liabilities	108.1	111.6	14.9	17.6	123.0	129.2
Deferred inflows	12.8	3.4	0.4	0.2	13.2	3.6
Net position:						
Net investment in capital assets	202.9	194.3	129.2	127.6	332.1	321.9
Restricted	19.4	19.4	-	-	19.4	19.4
Unrestricted	13.3	14.4	39.4	35.5	52.7	49.9
Total net position (restated)	\$ 235.6	\$ 228.1	\$ 168.6	\$ 163.1	\$ 404.2	\$ 391.2

By far, the largest portion of the City's net position (82.2%) reflects its investment in capital assets of \$332.1 million (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its residents. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position \$19.4 million or (4.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$52.7 million (13.0%) is unrestricted and may be used to meet the City's ongoing obligations to its residents and creditors.

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



The City's overall net position increased \$13.0 million from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Statements of activities

The following table shows the comparison of the change in net position (in millions of dollars) as of June 30, 2017 to the prior year, in a condensed format:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program revenues:						
Charges for services	\$ 15.2	\$ 15.1	\$ 37.9	\$ 33.8	\$ 53.1	\$ 48.9
Operating grants & contributions	0.9	0.8	-	-	0.9	0.8
Capital grants & contributions	9.3	11.5	2.7	1.1	12.0	12.6
General revenues:						
Property taxes	48.2	48.4	-	-	48.2	48.4
State-shared revenues	8.1	6.5	-	-	8.1	6.5
Interest earnings	-	1.1	-	0.7	-	1.8
Other revenue	-	0.1	-	-	-	0.1
Total revenues	81.7	83.5	40.6	35.6	122.3	119.1
Expenses:						
General government	10.9	11.3	-	-	10.9	11.3
Public safety	29.4	31.0	-	-	29.4	31.0
Public works	16.6	16.3	-	-	16.6	16.3
Sanitation	4.9	4.5	-	-	4.9	4.5
Community & economic development	0.8	1.0	-	-	0.8	1.0
Recreation and culture	10.4	10.3	-	-	10.4	10.3
Interest expense	1.2	1.3	-	-	1.2	1.3
Water	-	-	19.00	18.5	19.0	18.5
Sanitary sewer	-	-	12.4	12.6	12.4	12.6
Golf courses	-	-	3.00	3.1	3.0	3.1
Aquatic center	-	-	0.7	0.7	0.7	0.7
Total expenses	74.2	75.7	35.1	34.9	109.3	110.6

Statements of activities (continued)

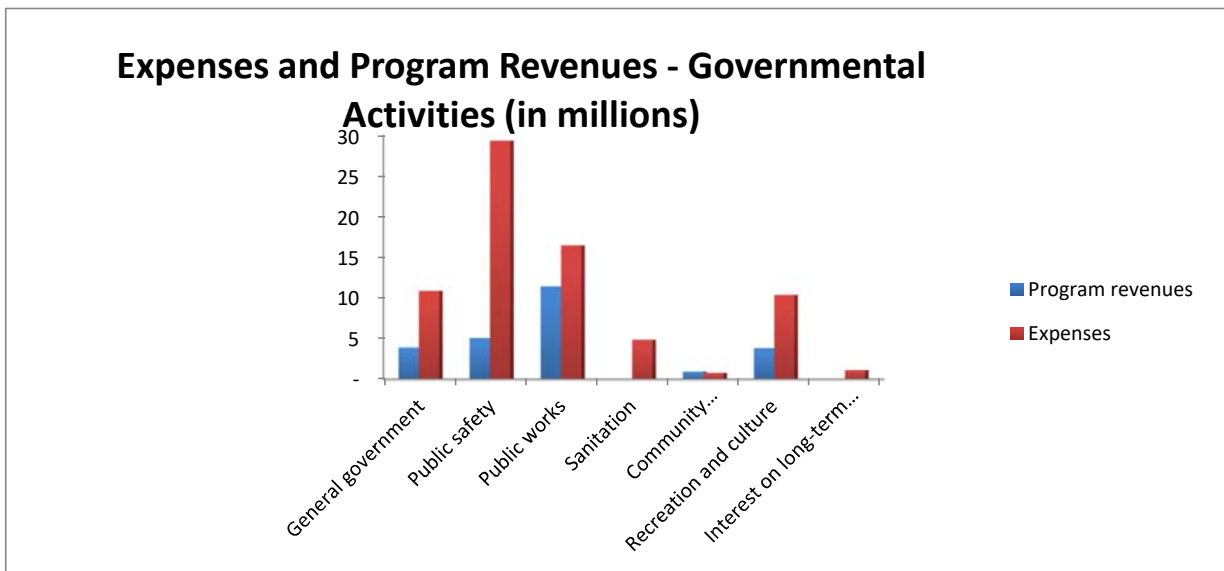
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Change in net position	7.5	7.8	5.5	0.7	13.0	8.5
Net position, beg. of year (restated)	228.1	220.3	163.1	162.4	391.2	382.7
Net position, end of year	\$ 235.6	\$ 228.1	\$ 168.6	\$ 163.1	\$ 404.2	\$ 391.2

Governmental Activities

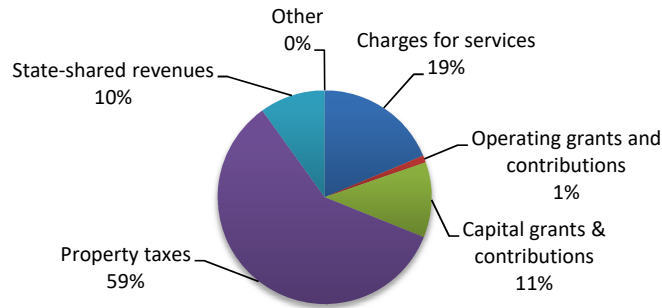
During the current fiscal year, net position for the City's governmental activities increased \$7.5 million from the prior fiscal year.

Total governmental revenue is reported at \$81.7 million, a decrease of \$1.8 million from the prior year. The decrease is primarily due to prior year additional capital grants and contributions of \$1.1 million and a reduction in recognized interest income of \$1.1 million. The capital contributions were from the Road Commission of Oakland County, Oakland County and the Michigan Department of Transportation for street improvements (\$1.3 million), federal grants for drain improvements (\$375 thousand), and dog park contributions of \$142 thousand. Although the City did receive approximately \$1.0 million in interest payments during the fiscal year, this amount was offset by the decline in fair market value of U.S. government obligations due to increasing interest rates.

Total governmental expenses are reported at \$74.2 million, a decrease of \$1.5 million from the prior year. The decrease is due primarily to the decrease in actuarially determined Retiree Healthcare (OPEB) obligations during the year.



Sources of Revenues - Governmental Activities



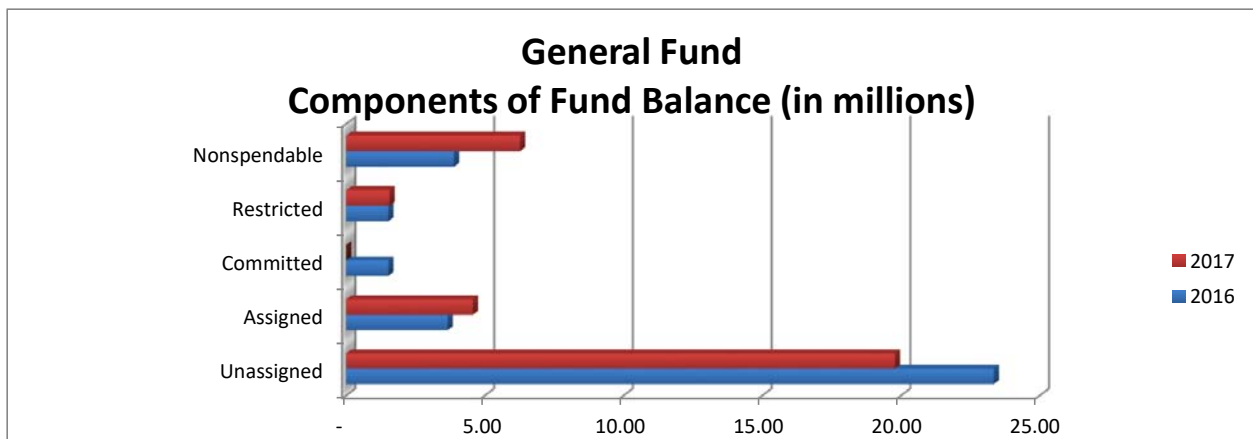
Business-type Activities

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 \$5.5 million. The Water Fund activities increased net position by \$3.0 million while the Sanitary Sewer Fund increased net position by \$2.5 million. These favorable results were primarily due to a significant increase in sale volumes of 7.4% coupled with a water rate increase from \$34.40 per thousand cubic feet (mcf) to \$38.50 per mcf, or 11.9%. There was no rate increase for sanitary sewer. The City's two golf courses recorded combined operating income of \$346 thousand and increased net position by \$71 thousand after deducting debt interest expense of \$274 thousand. The Aquatic Center recorded both an operating loss and a decrease of net position of \$130 thousand. It should be noted that weather conditions can have a significant impact on financial results for all of the City's business-type activities.

Financial Analysis of Governmental Funds

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

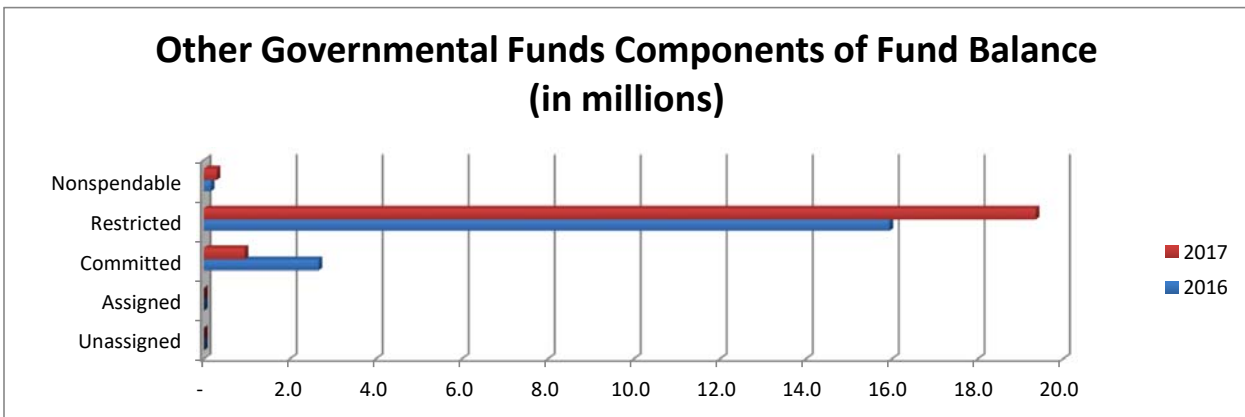
The City's governmental funds reported combined fund balances of \$52.8 million, a decrease of \$2.3 million compared to the prior year. Approximately 37.5% of this amount (\$19.8 million) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is 1) not in spendable form, 2) legally required to be maintained intact, 3) restricted for particular purposes, 4) committed for particular purposes, or 5) assigned for particular purposes.



The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$19.8 million, while total general fund balance decreased \$400 thousand to \$32.2 million. A decrease in general fund balance was budgeted at \$6.2 million however favorable results in revenues of \$1.6 million and in expenditures of \$5.2 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 37.1% of total general fund expenditures, while total general fund balance represents approximately 60.3% of the same amount.

As mentioned, total general fund balance decreased by \$400 thousand in the current fiscal year. Total revenues of \$54.0 million had a modest increase of \$1.3 million or 2.4% compared to the prior year. Property taxes, the General Fund's largest source of revenue, increased \$473 thousand or 1.6%. Taxable values of \$4.5 billion increased \$54.3 million or 1.2%. Residential values represented 65.6% of total taxable value while the combined commercial, industrial and personal property taxable values represented 34.4%.

General fund expenditures (before transfers) of \$53.3 million increased \$2.4 million or 4.6%. The increase was primarily in the area of personal services at \$1.8 million for six additional positions and an annual wage increase of approximately 2%. In addition, other service charges increased \$550 thousand due primarily to professional services for community development (\$220 thousand), outside legal counsel (\$198 thousand) and engineering services \$107 thousand.



The capital projects fund, a major fund, had a decrease in fund balance of \$1.3 million during the current year for a total of \$9.7 million. Major capital projects included major street improvements of \$7.1 million, local street improvements of \$5.1 million, storm drain improvements of \$1.5 million, and fire station #4 of \$2.9 million. It should be noted that the General Fund contributed \$4.7 million towards the street and fire department improvements; Major Streets Fund contributed \$2.5 million and Local Streets Fund contributed \$500 thousand.

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 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 \$13.0 million and the sanitary sewer fund was \$29.7 million at the end of the current fiscal year. The Sanctuary Lake Golf Course had an unrestricted net deficit of \$7.2 million. The Water Fund total net position increased by \$3.0 million while the sanitary sewer fund increased \$2.5 million. This was primarily due to the increase in sale volumes of 7.4% coupled with a water rate increase of 11.9% and no rate increase for sanitary sewer. Sanctuary Lake Golf Course generated \$96 thousand in operating income before incurring \$274 thousand in interest expense.

General Fund Budgetary Highlights

Over the course of the year, City Council amended the budget to take into account events during the year. Transfers out increased by \$3.4 million. City Council recognized General Fund surplus for the June 30, 2016 fiscal year and appropriated these funds to support the City's street improvement program and police perimeter security fencing while utilizing one-time expenditures to address General Fund unassigned fund balance.

Revenues of \$54.0 million were \$1.6 million over amended budget amounts. Contributing factors include additional state shared revenues received as reimbursements for lost property taxes from state exemptions for manufacturing personal property (\$1.1 million) and charges for services over the amended budget by \$457 thousand primarily from engineering fees charged to various projects.

Expenditures of \$53.3 million were \$5.2 million under amended budget amounts. Expenditures by function under the amended budget include general government by \$913 thousand primarily from personal service (\$330 thousand), supplies (\$23 thousand) and other service charges (\$560 thousand). Public safety expenditures were under budget by \$2.1 million from personal service costs (\$1.6 million), supplies (\$14 thousand) and other service charges (\$542 thousand). Public works expenditures were under budget by \$1.4 million from maintenance/snow removal for major, county and local streets including personal service (\$338 thousand), supplies (\$326 thousand) and other service charges (\$782 thousand). Community development was under budget by \$165 thousand including personal services (\$101 thousand) and other service charges (\$56 thousand). Culture and recreation was under budget by \$510 thousand including personal services (\$70 thousand) and other service charges (\$420 thousand).

Capital Asset and Debt Administration

At the end of fiscal 2017, the City of Troy had \$366.8 million invested in a broad range of capital assets including land, buildings, police and fire equipment, water and sewer lines, roads, sidewalks, and other infrastructure. The increase in capital assets of \$6.5 million (net of accumulated depreciation) compared to the prior year was primarily attributable to the acquisition of new infrastructure items such as streets \$11.0 million, land improvements \$765 thousand, vehicles \$941 thousand and water and sanitary sewer transmission and distribution system improvements of \$3.2 million.

The City of Troy's debt rating is excellent. The City maintains a AAA rating on unlimited tax general obligation bonds by Standard and Poor's. The City of Troy's bond indebtedness totaled \$34.5 million at June 30, 2017, a decrease of \$3.6 million from the prior year due to the payment of bond principal.

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

Current Economic Events

The following economic factors currently affect the City and were considered in developing the 2017/2018 through 2019/2020 three year fiscal budget.

- The millage rate for the 2017/2018 fiscal year decreased slightly to 10.3583 mills compared to the 10.3989 mills for the 2016/17 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 10.3583 mills includes general operating millage of 6.5 mills, capital projects of 1.4949 mills, refuse of 1.07 mills, debt service of 0.6 mills and library operations of 0.6934 mills.
- Total General Fund revenues and other sources are expected to generate approximately \$58.9 million. This is a slight increase of \$1.4 million or 2.0% compared to the fiscal 2016/2017 results of \$57.6 million. Property tax revenues which accounts for approximately 53.7% of total General Fund revenues is expected to generate \$31.6 million. This is an increase of \$689 thousand or 2.2%.
- General fund expenditures and other uses are budgeted at \$60.5 million. This is an increase of to increase of \$2.5 million or 4.2% compared to fiscal 2016/17 results. The increase is primarily due to increases in personal services including healthcare of \$3.7 million, increase in supplies of \$530 thousand, increase in other service charges of \$2.9 million less a reduction in transfers out to other funds in the amount of \$4.7 million.

- 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 2017/18 budget recognizes a stabilized sales volume of approximately 470 thousand mcf. This is a leveling of sales volume compared to a steady decrease over the last several years with the exception of the 2016/17 fiscal year that resulted in sales of 494 thousand mcf. Rates for the systems are developed based on estimated sales volume to cover estimated costs and capital requirements. Water rates were established at \$39.30 per mcf. This is an increase of \$0.80 per mcf or 2.1%. Sanitary sewer rates increased to \$26.60 per mcf. This is an increase of \$1.30 per mcf or 5.1%. 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.

Contacting the City of Troy's Management

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

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

BASIC FINANCIAL STATEMENTS

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CITY OF TROY, MICHIGAN

Statement of Net Position

June 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 63,234,639	\$ 40,073,257	\$ 103,307,896	\$ 945,469
Receivables (net)	20,335,810	8,904,334	29,240,144	404,242
Internal balances	4,626,331	(4,626,331)	-	-
Other assets	2,143,781	495,249	2,639,030	-
Net pension asset	26,183,517	911,959	27,095,476	-
Capital assets:				
Assets not being depreciated	47,378,719	9,543,126	56,921,845	-
Assets being depreciated, net	182,292,699	127,537,987	309,830,686	-
Total assets	346,195,496	182,839,581	529,035,077	1,349,711
Deferred outflow of resources				
Deferred pension expenses	10,301,188	321,230	10,622,418	-
Deferred loss on debt refinancing	-	721,977	721,977	-
Total deferred outflow of resources	10,301,188	1,043,207	11,344,395	-
Liabilities				
Accounts payable	6,303,296	2,249,680	8,552,976	91,862
Accrued payroll	1,091,842	-	1,091,842	-
Accrued liabilities	422,972	2,047,291	2,470,263	111,877
Long-term debt:				
Due within one year	5,897,117	700,906	6,598,023	260,000
Due in more than one year	26,351,111	7,882,135	34,233,246	13,905,000
Net VFIP liability	10,466,687	-	10,466,687	-
Net OPEB liability	57,595,791	2,006,034	59,601,825	-
Total liabilities	108,128,816	14,886,046	123,014,862	14,368,739
Deferred inflow of resources				
Deferred pension resources	10,033,766	339,837	10,373,603	-
Deferred OPEB resources	2,700,894	94,071	2,794,965	-
Deferred gain on refunding	-	-	-	400,991
Total deferred inflow of resources	12,734,660	433,908	13,168,568	400,991
Net position				
Net investment in capital assets	202,939,709	129,220,049	332,159,758	-
Restricted for:				
Debt service	756,140	-	756,140	-
Capital projects	8,768,134	-	8,768,134	-
Highways and streets	6,536,046	-	6,536,046	-
Sanitation services	869,321	-	869,321	-
Library services	1,259,817	-	1,259,817	-
Other services	1,017,760	-	1,017,760	-
Perpetual care:				
Nonexpendable	169,854	-	169,854	-
Expendable	52,020	-	52,020	-
Unrestricted (deficit)	13,264,407	39,342,785	52,607,192	(13,420,019)
Total net position (deficit)	\$ 235,633,208	\$ 168,562,834	\$ 404,196,042	\$ (13,420,019)

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, 2017

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
General government	\$ 10,925,546	\$ 3,983,385	\$ -	\$ -	\$ (6,942,161)
Public safety	29,403,916	4,612,475	515,875	-	(24,275,566)
Public works	16,553,537	2,916,921	-	8,547,300	(5,089,316)
Sanitation	4,889,569	8,199	-	-	(4,881,370)
Community and economic development	794,535	-	216,097	755,431	176,993
Recreation and culture	10,442,184	3,683,297	219,303	2,050	(6,537,534)
Interest on long-term debt	1,206,243	-	-	-	(1,206,243)
Total governmental activities	74,215,530	15,204,277	951,275	9,304,781	(48,755,197)
Business-type activities					
Water	18,992,183	20,699,381	-	1,308,988	3,016,186
Sewer	12,401,390	13,513,930	-	1,372,672	2,485,212
Aquatic center	717,905	591,389	-	-	(126,516)
Sylvan Glen golf course	1,114,618	1,363,358	-	-	248,740
Sanctuary Lake golf course	1,917,677	1,739,789	-	-	(177,888)
Total business-type activities	35,143,773	37,907,847	-	2,681,660	5,445,734
Total primary government	\$109,359,303	\$ 53,112,124	\$ 951,275	\$11,986,441	\$(43,309,463)
Component units					
Downtown development authority	\$ 877,151	\$ -	\$ -	\$ -	\$ (877,151)
Local development financing authority	107,063	-	-	-	(107,063)
Brownfield redevelopment authority	9,715	-	-	-	(9,715)
Total component units	\$ 993,929	\$ -	\$ -	\$ -	\$ (993,929)

continued...

CITY OF TROY, MICHIGAN

Statement of Activities (Continued)

For the Year Ended June 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (48,755,197)	\$ 5,445,734	\$ (43,309,463)	\$ (993,929)
General revenues				
Property taxes	30,813,146	-	30,813,146	-
Property taxes for sanitary purposes	4,764,992	-	4,764,992	-
Property taxes for economic development	-	-	-	1,512,663
Property taxes for library	3,110,616	-	3,110,616	-
Property taxes for capital projects	6,815,995	-	6,815,995	-
Property taxes for debt service	2,679,988	-	2,679,988	-
State shared revenue, unrestricted	8,091,385	-	8,091,385	35,181
Grants and contributions not restricted to specific programs	14,619	-	14,619	-
Unrestricted investment earnings	12,506	29,858	42,364	140
Total general revenues	56,303,247	29,858	56,333,105	1,547,984
Change in net position	7,548,050	5,475,592	13,023,642	554,055
Net position, beginning of year (deficit)-Restated	228,085,158	163,087,242	391,172,400	(13,974,074)
Net position, end of year (deficit)	\$ 235,633,208	\$ 168,562,834	\$ 404,196,042	\$ (13,420,019)

concluded.

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

CITY OF TROY, MICHIGAN

Balance Sheet
Governmental Funds

June 30, 2017

	General	Debt Service Series 2013	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 26,228,809	\$ -	\$ 12,345,995	\$ 9,486,214	\$ 48,061,018
Receivables:					
Accounts receivable (net)	1,058,561	-	1,917,677	282,275	3,258,513
Taxes-delinquent (net)	157,401	-	-	-	157,401
Special assessments	-	-	9,068	-	9,068
Interest	13,077	-	-	-	13,077
Due from component units	-	14,276,877	-	-	14,276,877
Due from other governments	1,249,795	-	-	1,256,976	2,506,771
Inventory	391,951	-	-	-	391,951
Prepaid expenditures	1,193,644	-	-	123,826	1,317,470
Advances to other funds	4,675,384	-	-	-	4,675,384
Total assets	\$ 34,968,622	\$ 14,276,877	\$ 14,272,740	\$ 11,149,291	\$ 74,667,530
Liabilities					
Accounts payable	\$ 1,532,021	\$ -	\$ 4,371,865	\$ 270,008	\$ 6,173,894
Accrued payroll	1,091,842	-	-	-	1,091,842
Other liabilities	25,021	-	176,511	1,363	202,895
Total liabilities	2,648,884	-	4,548,376	271,371	7,468,631
Deferred inflows of resources					
Unavailable revenue - property tax and long-term receivables	157,400	14,276,877	10,805	-	14,445,082
Fund balances					
Nonspendable	6,260,979	-	-	293,680	6,554,659
Restricted	1,563,397	-	8,768,134	10,584,240	20,915,771
Committed	-	-	945,425	-	945,425
Assigned	4,561,613	-	-	-	4,561,613
Unassigned	19,776,349	-	-	-	19,776,349
Total fund balances	32,162,338	-	9,713,559	10,877,920	52,753,817
Total liabilities, deferred inflows of resources and fund balances	\$ 34,968,622	\$ 14,276,877	\$ 14,272,740	\$ 11,149,291	\$ 74,667,530

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

CITY OF TROY, MICHIGAN

Reconciliation Fund Balances for Governmental Funds to Net Position of Governmental Activities June 30, 2017

Fund balances - total governmental funds	\$ 52,753,817
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: capital assets not being depreciated	47,368,471
Add: capital assets being depreciated	442,664,717
Deduct: accumulated depreciation	(265,068,272)
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 not included in fund balance.	
Add: deferred inflows from DDA debt reimbursements and personal property tax receivables	14,445,082
The recognition of net pension assets (or liabilities) involves the use actuarial assumptions based over a long-term time period. In addition, differences in actual to assumed results can have a significant impact on financial position and/or results if recognized in a single year and not adjusted (or smoothed) over a period that recognizes normal fluctuations in conditions. Because governmental funds focus on short-term financing, the recognition of net pension assets (or liabilities) and the related deferrals in actual to assumed results are not included in governmental funds. Accordingly, they are not included in fund balance.	
Add: Net Pension assets	26,183,517
Add: deferred outflows from pension expense recognition	10,301,188
Deduct: Net VFIP liability	(10,466,687)
Deduct: Net OPEB liability	(57,595,791)
Deduct: deferred inflows from pension expense recognition	(10,033,766)
Deduct: deferred inflows from OPEB expense recognition	(2,700,894)
Internal service funds are used by management to charge the costs of certain equipment usage, public service department and retiree health care costs to individual governmental funds. A portion of the assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	
Add: net position of governmental activities accounted for in the internal service funds.	15,781,481
Deduct: due to business-type activities for internal service fund activities	(49,053)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct: accrued interest payable	(216,962)
Deduct: bonds payable and related premiums	(26,731,709)
Deduct: claims incurred but not reported	(1,001,931)
Net position of governmental activities	<u>\$ 235,633,208</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 Balances
Governmental Funds**

For the Year Ended June 30, 2017

	General	Debt Service Series 2013	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 30,959,318	\$ -	\$ 6,815,995	\$ 10,555,596	\$ 48,330,909
Licenses and permits	2,755,580	-	-	-	2,755,580
Intergovernmental:					
Federal sources	22,637	-	466,387	75,377	564,401
State sources	8,210,100	-	259,390	6,633,098	15,102,588
Local sources	283,039	-	1,341,705	-	1,624,744
Charges for services	8,607,308	-	485,992	104,724	9,198,024
Fines and forfeitures	992,798	-	-	422,631	1,415,429
Investment earnings	4,545	-	4,587	1,663	10,795
Other	2,154,306	941,788	27,400	43,811	3,167,305
Total revenues	53,989,631	941,788	9,401,456	17,836,900	82,169,775
Expenditures					
Current:					
General government	7,845,622	-	4,923	80,577	7,931,122
Public safety	29,811,913	-	-	48,295	29,860,208
Public works	5,441,176	-	-	-	5,441,176
Sanitation	-	-	-	4,890,106	4,890,106
Community development	3,318,498	-	-	46,364	3,364,862
Recreation and culture	6,927,345	-	-	2,866,410	9,793,755
Debt service:					
Principal	-	260,000	230,066	2,490,000	2,980,066
Interest and fees	-	681,788	43,088	549,388	1,274,264
Capital outlay	-	-	18,916,700	-	18,916,700
Total expenditures	53,344,554	941,788	19,194,777	10,971,140	84,452,259
Revenues (under) over expenditures	645,077	-	(9,793,321)	6,865,760	(2,282,484)
Other financing sources (uses)					
Transfers in	3,578,961	-	8,513,736	3,475,725	15,568,422
Transfers out	(4,668,860)	-	-	(10,899,562)	(15,568,422)
Proceeds from sale of capital assets	-	-	1,299	-	1,299
Total other financing sources (uses)	(1,089,899)	-	8,515,035	(7,423,837)	1,299
Net change in fund balances	(444,822)	-	(1,278,286)	(558,077)	(2,281,185)
Fund balances, beginning of year	32,607,160	-	10,991,845	11,435,997	55,035,002
Fund balances, end of year	\$ 32,162,338	\$ -	\$ 9,713,559	\$ 10,877,920	\$ 52,753,817

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, 2017

Net change in fund balances - total governmental funds \$ (2,281,185)

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

The Capital Projects Fund reports outlays as expenditures. However, in the statement of activities, the cost of some of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add: capitalized outlays	18,875,633
Deduct: depreciation expense	(13,270,265)
Deduct: cost basis of assets sold	(200,808)

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

Add: Difference in net pension asset/liability and related deferred outflows and deferred inflows	1,213,374
Deduct: net difference in deferred inflows for property taxes	(146,172)
Deduct: deferred inflow change for long-term receivable	(261,734)

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

Add: principal payments on long-term liabilities	2,980,066
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Internal service funds are used by management to charge the costs of certain equipment, public service department and employee insurance costs to individual governmental funds. The net expense attributable to those funds are reported with governmental activities.

Add: net income from governmental activities in the internal service funds	633,948
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: decrease in accrued interest expense and amortization of bond premiums	68,020
Deduct: increase in accrued claims payable	(62,827)

Change in net position of governmental activities	\$ 7,548,050
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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 Balance Budget and Actual General Fund

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 30,913,240	\$ 30,913,240	\$ 30,959,318	\$ 46,078
Licenses and permits	2,613,750	2,613,750	2,755,580	141,830
Intergovernmental				
Federal sources	3,000	3,000	22,637	19,637
State sources	7,138,580	7,138,580	8,210,100	1,071,520
Local sources	256,560	256,560	283,039	26,479
Charges for services	8,150,000	8,150,000	8,607,308	457,308
Fines and forfeitures	992,250	992,250	992,798	548
Investment earnings	252,000	252,000	4,545	(247,455)
Other	2,022,600	2,022,600	2,154,306	131,706
Total revenues	52,341,980	52,341,980	53,989,631	1,647,651
Expenditures				
General government				
Council and executive administration	4,677,040	4,882,040	4,449,694	(432,346)
Finance	2,706,310	2,706,310	2,465,882	(240,428)
Other	1,170,010	1,170,010	930,046	(239,964)
Total general government	8,553,360	8,758,360	7,845,622	(912,738)
Public safety				
Police	24,715,740	24,715,740	22,811,404	(1,904,336)
Fire	4,977,230	4,977,230	4,840,935	(136,295)
Building inspection	2,235,890	2,235,890	2,159,574	(76,316)
Total public safety	31,928,860	31,928,860	29,811,913	(2,116,947)
Public works				
Roads and streets	6,774,810	6,887,310	5,441,176	(1,446,134)
Community Development				
Engineering	2,418,530	2,593,530	2,498,028	(95,502)
Planning	890,290	890,290	820,470	(69,820)
Total community development	3,308,820	3,483,820	3,318,498	(165,322)
Culture and recreation				
Parks	2,894,340	2,894,340	2,493,476	(400,864)
Recreation	4,199,110	4,199,110	4,136,259	(62,851)
Historic village and nature center	344,130	344,130	297,610	(46,520)
Total culture and recreation	7,437,580	7,437,580	6,927,345	(510,235)
Total expenditures	58,003,430	58,495,930	53,344,554	(5,151,376)

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CITY OF TROY, MICHIGAN

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund**

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues over (under) expenditures	\$ (5,661,450)	\$ (6,153,950)	\$ 645,077	\$ 6,799,027
Other financing sources (uses)				
Transfers in	4,641,180	4,641,180	3,578,961	(1,062,219)
Transfers out	(1,225,000)	(4,668,860)	(4,668,860)	-
Total other financing sources (uses)	3,416,180	(27,680)	(1,089,899)	(1,062,219)
Net change in fund balances	(2,245,270)	(6,181,630)	(444,822)	5,736,808
Fund balance, beginning of year	32,607,160	32,607,160	32,607,160	-
Fund balance, end of year	\$ 30,361,890	\$ 26,425,530	\$ 32,162,338	\$ 5,736,808

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, 2017

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sanitary Sewer	Sanctuary Lake Golf Course	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets						
Current assets:						
Cash and investments	\$ 10,312,202	\$ 28,418,233	\$ 778,483	\$ 564,339	\$ 40,073,257	\$ 15,173,621
Interest receivable	487	1,882	-	-	2,369	-
Accounts receivable:						
Billed	3,274,498	83,444	8,971	106,098	3,473,011	114,103
Unbilled	2,983,881	2,019,625	-	-	5,003,506	-
Inventories	311,141	44,747	39,380	31,529	426,797	434,360
Prepaid expenses	-	-	38,624	29,828	68,452	-
Total current assets	16,882,209	30,567,931	865,458	731,794	49,047,392	15,722,084
Noncurrent assets:						
Contracts receivable	43,936	381,512	-	-	425,448	-
Advances to other funds	-	-	-	3,343,230	3,343,230	-
Net pension asset	746,826	165,133	-	-	911,959	-
Capital assets not being depreciated	1,597,854	3,837,257	2,213,463	1,894,552	9,543,126	10,248
Capital assets being depreciated net of accumulated depreciation	85,553,462	34,177,708	6,425,823	1,380,994	127,537,987	4,696,254
Total noncurrent assets	87,942,078	38,561,610	8,639,286	6,618,776	141,761,750	4,706,502
Total assets	104,824,287	69,129,541	9,504,744	7,350,570	190,809,142	20,428,586
Deferred outflow of resources						
Deferred pension expenses	263,063	58,167	-	-	321,230	-
Deferred loss on debt refinancing	-	-	721,977	-	721,977	-
Total deferred outflows of resources	263,063	58,167	721,977	-	1,043,207	-
Liabilities						
Current liabilities:						
Accounts payable	1,281,097	950,745	1,689	17,922	2,251,453	128,039
Accrued liabilities	1,615,133	58,831	197,223	174,331	2,045,518	4,478
Compensated absences	-	-	-	-	-	2,581,608
Current portion of bonds and capital lease payable	-	-	665,453	35,453	700,906	-
Total current liabilities	2,896,230	1,009,576	864,365	227,706	4,997,877	2,714,125
Noncurrent liabilities:						
Compensated absences	-	-	-	-	-	1,932,980
Advances from other funds	-	-	7,838,312	180,302	8,018,614	-
Net OPEB liability	1,642,792	363,242	-	-	2,006,034	-
Bonds and capital lease payable	-	-	7,882,135	-	7,882,135	-
Total noncurrent liabilities	1,642,792	363,242	15,720,447	180,302	17,906,783	1,932,980
Total liabilities	4,539,022	1,372,818	16,584,812	408,008	22,904,660	4,647,105
Deferred inflow of resources						
Deferred pension resources	278,301	61,536	-	-	339,837	-
Deferred OPEB resources	77,037	17,034	-	-	94,071	-
Total deferred inflow of resources	355,338	78,570	-	-	433,908	-
Net position						
Net investment in capital assets	87,151,316	38,014,965	813,675	3,240,093	129,220,049	4,706,502
Unrestricted (deficit)	13,041,674	29,721,355	(7,171,766)	3,702,469	39,293,732	11,074,979
Total net position (deficit)	\$ 100,192,990	\$ 67,736,320	\$ (6,358,091)	\$ 6,942,562	168,513,781	\$ 15,781,481
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					49,053	
Net position of business type activities					\$168,562,834	

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

CITY OF TROY, MICHIGAN

Statement of Revenue, Expenses and Changes in Fund Net Position
Proprietary Funds
 For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds				Total	Governmental Activities
	Water	Sanitary Sewer	Sanctuary Lake Golf Course	Nonmajor Enterprise Funds		Internal Service Funds
Operating revenues						
Charges for services	\$ 19,728,294	\$ 13,507,180	\$ 1,735,411	\$ 1,541,412	\$ 36,512,297	\$ 7,902,794
Rental:						
Golf course	-	-	628	196,028	196,656	-
Restaurant	-	-	-	67,200	67,200	-
Hydrant	2,850	-	-	-	2,850	-
Building	-	-	-	-	-	131,148
Equipment	-	-	-	-	-	3,323,936
Tap and connections fees	517,633	-	-	-	517,633	-
Penalties	415,099	-	-	-	415,099	-
Other services	35,505	6,750	3,750	150,107	196,112	-
Other services to city funds	-	-	-	-	-	208,391
Total operating revenues	20,699,381	13,513,930	1,739,789	1,954,747	37,907,847	11,566,269
Operating expenses						
Cost of sales and services	13,939,815	10,475,041	-	-	24,414,856	7,397,607
General and administrative	609,012	490,159	-	-	1,099,171	593,410
Operations	2,137,702	292,029	1,320,388	1,537,085	5,287,204	2,138,554
Depreciation	2,349,934	1,168,714	323,836	296,870	4,139,354	905,690
Total operating expenses	19,036,463	12,425,943	1,644,224	1,833,955	34,940,585	11,035,261
Operating income	1,662,918	1,087,987	95,565	120,792	2,967,262	531,008
Nonoperating revenues (expenses)						
Investment earnings	3,671	26,182	-	5	29,858	1,711
Interest expense	-	-	(273,648)	(1,787)	(275,435)	-
Gain (loss) on sale of capital assets	-	-	-	-	-	173,476
Total nonoperating revenues (expenses)	3,671	26,182	(273,648)	(1,782)	(245,577)	175,187
Income (loss) before contributions	1,666,589	1,114,169	(178,083)	119,010	2,721,685	706,195
Developer and capital grant contributions	1,308,988	1,372,672	-	-	2,681,660	-
Change in net position	2,975,577	2,486,841	(178,083)	119,010	5,403,345	706,195
Net position (def.), beg. of year (restated)	97,217,413	65,249,479	(6,180,008)	6,823,552		15,075,286
Net position (deficit), end of year	\$ 100,192,990	\$ 67,736,320	\$ (6,358,091)	\$ 6,942,562		\$ 15,781,481
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					72,247	
Change in net position of business-type activities					\$ 5,475,592	

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, 2017

	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	\$ 20,460,784	\$ 13,819,202	\$ 1,731,098	\$ 1,887,126	\$ 37,898,210	\$ -
Cash received from interfund services	-	-	-	-	-	11,512,128
Cash payments to employees	(2,324,507)	(713,396)	(649,206)	(829,644)	(4,516,753)	(7,472,019)
Cash payments to suppliers for goods and services	(15,236,893)	(10,915,047)	(625,389)	(794,689)	(27,572,018)	(2,618,534)
Cash payments for interfund services	(478,501)	(270,927)	(8,965)	(39,601)	(797,994)	-
Net cash provided by operating activities	2,420,883	1,919,832	447,538	223,192	5,011,445	1,421,575
Cash flows from noncapital financing activities						
Advances from other funds	-	-	515,000	-	515,000	-
Cash flows from capital and related financing activities						
Purchase of capital assets	(1,769,310)	(413,918)	(47,734)	(154,131)	(2,385,093)	(1,129,662)
Proceeds from sale of capital assets	-	-	-	4,134	4,134	180,381
Capital lease payments	-	-	(51,913)	(51,913)	(103,826)	-
Bond principal payments	-	-	(635,000)	-	(635,000)	-
Bond note and capital lease interest payments	-	-	(220,480)	(1,787)	(222,267)	-
Net cash (used) by capital and related financing activities	(1,769,310)	(413,918)	(955,127)	(203,697)	(3,342,052)	(949,281)
Cash flows from investing activities						
Investment earnings	3,683	26,487	-	5	30,175	1,711
Net increase in cash and investments	655,256	1,532,401	7,411	19,500	2,214,568	474,005
Cash and investments, beginning of year	9,656,946	26,885,832	771,072	544,839	37,858,689	14,699,616
Cash and cash investments, end of year	\$ 10,312,202	\$ 28,418,233	\$ 778,483	\$ 564,339	\$ 40,073,257	\$ 15,173,621

continued...

CITY OF TROY, MICHIGAN

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities	
	Water	Sanitary Sewer	Sanctuary Lake Golf Course	Nonmajor Enterprise Funds	Internal Service Funds	
Reconciliation of operating income to net cash provided by operating activities						
Operating income	\$ 1,662,918	\$ 1,087,987	\$ 95,565	\$ 120,792	\$ 2,967,262	\$ 531,008
Adjustments to reconcile operating income to net cash provided by operating activities						
Depreciation	2,349,934	1,168,714	323,836	296,870	4,139,354	905,690
Changes in assets and liabilities:						
Accounts receivable	(248,591)	287,838	(8,691)	(67,621)	(37,065)	(54,141)
Inventories	48,680	(15,434)	(4,886)	(1,408)	26,952	(25,359)
Prepaid items	-	-	10,967	3,627	14,594	-
Contracts receivable	9,994	17,434	-	-	27,428	-
Net pension asset	(365,206)	(83,353)	-	-	(448,559)	-
Deferred pension outflows	104,067	20,503	-	-	124,570	-
Accounts payable	(1,538,476)	(8,147)	1,269	(117,585)	(1,662,939)	(73)
Accrued liabilities	1,370,093	58,718	29,478	(11,483)	1,446,806	64,450
Net OPEB liability	(1,170,668)	(637,098)	-	-	(1,807,766)	-
Net pension inflows	278,301	61,536	-	-	339,837	-
Net OPEB inflows	(80,163)	(38,866)	-	-	(119,029)	-
Net cash provided by operating activities	<u>\$ 2,420,883</u>	<u>\$ 1,919,832</u>	<u>\$ 447,538</u>	<u>\$ 223,192</u>	<u>\$ 5,011,445</u>	<u>\$ 1,421,575</u>
Noncash investing, capital, and financing activities						
Contributions of capital assets	<u>\$ 1,308,988</u>	<u>\$ 1,372,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,681,660</u>	<u>\$ -</u>

concluded.

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

CITY OF TROY, MICHIGAN

Statement of Fiduciary Net Position Fiduciary Funds

June 30, 2017

	Pension and OPEB Trusts	Agency
Assets		
Cash	\$ 3,229,844	\$ 4,239,510
Interest receivable	89,638	-
Investments:		
U.S. Government securities and agencies	5,174,328	-
Corporate bonds	11,954,676	-
Corporate equities	109,475,894	-
Mutual funds	94,228,159	-
Exchange traded funds	50,222,979	-
Total assets	274,375,518	\$ 4,239,510
Liabilities		
Accounts payable	31,173	\$ 115,406
Accrued liabilities	141,074	-
Performance deposits	-	4,124,104
Total liabilities	172,247	\$ 4,239,510
Net position		
Restricted for pension benefits	196,808,819	
Restricted for postemployment healthcare benefits	77,394,452	
Total net position	\$ 274,203,271	

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

CITY OF TROY, MICHIGAN

Statement of Changes in Fiduciary Net Position Fiduciary Funds

For the Year Ended June 30, 2017

	Pension and OPEB Trusts
Additions	
Contributions	
Employer contributions	\$ 6,477,102
Employee contributions	163,907
Total contributions	<u>6,641,009</u>
Investment earnings	
Interest	761,302
Dividends	6,319,437
Other income	181,486
Net adjustment in fair value of investments	<u>25,407,169</u>
Total investment earnings	32,669,394
Less investment expense	<u>615,867</u>
Net investment loss	<u>32,053,527</u>
Total additions	<u>38,694,536</u>
Deductions	
Benefits	16,994,222
Administrative expenses	<u>195,441</u>
Total deductions	<u>17,189,663</u>
Net change in net position	<u>21,504,873</u>
Restricted net position, beginning of year for	
Pension benefits	182,920,911
Postemployment healthcare benefits	<u>69,777,487</u>
Total restricted net position, beginning of year	<u>252,698,398</u>
Restricted net position, end of year for	
Pension benefits	196,808,819
Postemployment healthcare benefits	<u>77,394,452</u>
Total restricted net position, end of year	<u><u>\$ 274,203,271</u></u>

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

CITY OF TROY, MICHIGAN

Discretely Presented Component Units Combining Statement of Net Position

June 30, 2017

	Downtown Development Authority	Local Development Financing Authority	Brownfield Redevelopment Authority	Total
Assets				
Cash and investments	\$ 315,208	\$ 188,688	\$ 441,573	\$ 945,469
Receivables:				
Taxes receivable	65,131	-	-	65,131
Revolving loans receivable	-	-	339,111	339,111
Total assets	380,339	188,688	780,684	1,349,711
Liabilities				
Accounts payable	1,094	87,853	2,915	91,862
Interest payable	111,877	-	-	111,877
Long-term debt:				
Due within one year	260,000	-	-	260,000
Due after one year	13,905,000	-	-	13,905,000
Total liabilities	14,277,971	87,853	2,915	14,368,739
Deferred inflows of resources				
Deferred gain on refunding	400,991	-	-	400,991
Net position (deficit)				
Unrestricted	\$ (14,298,623)	\$ 100,835	\$ 777,769	\$ (13,420,019)

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

CITY OF TROY, MICHIGAN

Discretely Presented Component Units Combining Statement of Activities

For the Year Ended June 30, 2017

	Downtown Development Authority	Local Development Financing Authority	Brownfield Redevelopment Authority	Total
Revenues				
General:				
Property taxes	\$ 1,316,317	\$ 181,470	\$ 14,876	\$ 1,512,663
Intergovernmental	35,181	-	-	35,181
Investment earnings	69	17	54	140
Total revenues	<u>1,351,567</u>	<u>181,487</u>	<u>14,930</u>	<u>1,547,984</u>
Expenses				
Economic development	220,685	107,063	9,715	337,463
Interest	656,466	-	-	656,466
Total expenses	<u>877,151</u>	<u>107,063</u>	<u>9,715</u>	<u>993,929</u>
Change in net position	474,416	74,424	5,215	554,055
Net position (deficit), beginning of year	<u>(14,773,039)</u>	<u>26,411</u>	<u>772,554</u>	<u>(13,974,074)</u>
Net position (deficit), end of year	<u><u>\$ (14,298,623)</u></u>	<u><u>\$ 100,835</u></u>	<u><u>\$ 777,769</u></u>	<u><u>\$ (13,420,019)</u></u>

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

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

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

Nonmajor Governmental Funds

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

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

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

CITY OF TROY, MICHIGAN

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

Internal Service Funds

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

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

CITY OF TROY, MICHIGAN

Notes to Financial Statements

Fiduciary Funds

Pension and Other Postemployment Benefits Trust Funds

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

Trust and Agency Fund

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

CITY OF TROY, MICHIGAN

Notes to Financial Statements

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

All proprietary funds, pension and retiree health care trust funds 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.

Budgetary Information

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

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

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

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

1. On or before the third Monday in April, the City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing on the budget is held before its final adoption.
3. As provided for by the City Charter, on or before the third Monday in May, the budget is legally adopted and by resolution designates the sum to be raised by taxation.
4. The City Manager is authorized to transfer budgeted amounts within budgetary functions; however, any revisions that alter the total expenditure of any budgetary function must be approved by the City Council.

CITY OF TROY, MICHIGAN

Notes to Financial Statements

Budget amounts of the revenues and expenditures presented for the governmental funds are a summarization of the budgeted amounts as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original appropriations that were adopted, for the general and special revenue funds. Budget appropriations lapse at year end. During the current year, the budget was amended in a legally permissible manner. Budgets have been prepared on a basis consistent with generally accepted accounting principles (GAAP).

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

Cash and Investments

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

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

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

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

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

Inventories and Prepaid Items

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

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

CITY OF TROY, MICHIGAN

Notes to Financial Statements

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.

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

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

Accrued Vacation and Other Compensated Absences

The City maintains an internal service fund to account for the accumulation of resources for, and the payment of, vacation, compensatory time, holiday and sick pay. 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 material bond premium or discount. Material bond loss from issuance are reported as deferred outflows and amortized over the term of the related debt.

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.

CITY OF TROY, MICHIGAN

Notes to Financial Statements

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 loss on refundings. A deferred refunding loss 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.

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 costs and a deferred gain on refunding. A deferred pension inflow results when there is a change in total pension 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.

CITY OF TROY, MICHIGAN

Notes to Financial Statements

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.

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

State Construction Code Act

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

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

Shortfall at July 1, 2016		\$ (4,795,803)
Current year building permit revenue	<u>\$ 2,739,419</u>	
Related expenses:		
Direct costs	2,159,574	
Estimated indirect costs (8%)	<u>172,766</u>	
Total construction code expenses	<u>2,332,340</u>	
Net surplus for the year ended June 30, 2017		<u>407,079</u>
Cumulative shortfall at June 30, 2017		<u>\$ (4,388,724)</u>

CITY OF TROY, MICHIGAN

Notes to Financial Statements

3. DEPOSITS AND INVESTMENTS

Statutory Authority

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

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

Summary of Deposit and Investment Balances

The following is a reconciliation of deposit and investment balances segregated by cash and cash equivalents and investments as of June 30, 2017.

<u>Cash and Investments</u>	<u>Deposits</u>	<u>Investments</u>	<u>Cash on Hand</u>	<u>Total</u>
Government-wide				
Cash and equivalents	\$ 20,081,241	\$ 3,270,823	\$ 16,825	\$ 23,368,889
Investments	15,637,063	64,301,944	-	79,939,007
Fiduciary funds				
Cash and equivalents	3,362,224	4,107,130	-	7,469,354
Investments	-	271,056,036	-	271,056,036
Component units				
Cash and equivalents	945,469	-	-	945,469
Total	\$ 40,025,997	\$ 342,735,933	\$ 16,825	\$ 382,778,755

CITY OF TROY, MICHIGAN

Notes to Financial Statements

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, \$36,258,398 of the City of Troy's bank deposits (certificates of deposit, checking, and cash) of \$42,491,485 was exposed to custodial credit risk because they were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

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

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

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Government-wide		
US Government or agency bond/note	\$ 61,316,040	3.4 years
Municipal bonds	2,985,904	0.8 years
Investment pools	1,716,872	5.7 years
Fiduciary funds		
US Government or agency bond/note	5,174,328	8.2 years
Corporate bonds	11,954,675	3.9 years
ETF's -fixed income	4,634,746	5.5 years
Mutual Funds - fixed income	46,006,068	6.1 years

CITY OF TROY, MICHIGAN

Notes to Financial Statements

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

	Primary Government	Fiduciary Funds	Total
AAA	\$ 63,032,912	\$ 22,328,352	\$ 85,361,264
AA to AA-	2,985,904	3,558,678	6,544,582
A to A-	-	11,239,979	11,239,979
BBB to BBB-	-	14,311,985	14,311,985
BB to BB-	-	3,992,945	3,992,945
B to B-	-	5,667,550	5,667,550
CCC or below	-	2,678,727	2,678,727
Not rated	-	3,991,601	3,991,601
Total	\$ 66,018,816	\$ 67,769,817	\$ 133,788,633

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.

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. 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, 2017.

CITY OF TROY, MICHIGAN

Notes to Financial Statements

Investments measured at Fair Value

	Level 1	Level 2	Amortized Cost	Total
Cash and money market funds	\$ 3,162,070	\$ -	\$ 4,237,168	\$ 7,399,238
United States government obligations	11,606,737	50,816,384	-	62,423,121
State and municipal bonds	-	2,985,903	-	2,985,903
Asset backed securities	-	4,450,420	-	4,450,420
Corporate bonds and fixed income commingled funds	65,822,534	683,782	-	66,506,316
Common stocks and equity mutual funds	197,436,007	-	-	197,436,007
Real estate mutual funds	1,534,928	-	-	1,534,928
Total	<u>\$ 279,562,276</u>	<u>\$ 58,936,489</u>	<u>\$ 4,237,168</u>	<u>\$ 342,735,933</u>

Fund Investments - Mutual Funds & 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.

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 publically 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 & 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.

CITY OF TROY, MICHIGAN

Notes to Financial Statements

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.

4. RECEIVABLES

Receivables, which include amounts due from other governments at June 30, 2017, are summarized as follows:

Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Delinquent personal property taxes	\$ 213,375	\$ -	\$ 213,375
Allowance for delinquent personal property taxes	(55,974)	-	(55,974)
Billed accounts receivable	3,372,108	2,744,170	6,116,278
Allowance for billed accounts receivable	(31,376)	-	(31,376)
Unbilled accounts receivable	-	5,003,506	5,003,506
Contracts receivable	31,884	425,448	457,332
Special assessments	9,068	728,841	737,909
Due from U.S. Government	19,674	-	19,674
Due from State of Michigan	2,431,637	-	2,431,637
Due from Oakland County	55,460	-	55,460
Due from Downtown Development Authority	14,276,877	-	14,276,877
Interest	13,077	2,369	15,446
Total	\$ 20,335,810	\$ 8,904,334	\$ 29,240,144
Amounts not expected to be collected within one year	\$ 13,905,000	\$ -	\$ 13,905,000

Component Units	Total Component Units
Downtown Development Authority delinquent personal property taxes (net)	\$ 65,131
Brownfield Redevelopment Authority revolving loan fund	339,111
Total	\$ 404,242
Amounts not expected to be collected within one year	\$ 271,161

CITY OF TROY, MICHIGAN

Notes to Financial Statements

5. CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 37,694,582	\$ 26,750	\$ (175,281)	\$ (83,927)	\$ 37,462,124
Museum artifacts	2,084,666	-	(1,821)	-	2,082,845
Construction in progress	10,152,706	5,325,335	(22,751)	(7,621,540)	7,833,750
	<u>49,931,954</u>	<u>5,352,085</u>	<u>(199,853)</u>	<u>(7,705,467)</u>	<u>47,378,719</u>
Capital assets, being depreciated:					
Infrastructure					
Major/county/local roads	227,864,267	11,040,396	(361,537)	5,819,308	244,362,434
Local donated roads	33,551,524	-	-	-	33,551,524
Sidewalks	33,911,378	539,033	1	-	34,450,412
Drains	8,336,430	342,625	-	1,023,493	9,702,548
Land improvements	8,233,851	765,198	(33,101)	229,047	9,194,995
Buildings and improvements	90,356,587	-	(25,680)	534,788	90,865,695
Miscellaneous equipment	6,126,648	304,683	(63,505)	33,982	6,401,808
Office equipment	2,668,723	130,405	(58,784)	64,849	2,805,193
Vehicles	19,975,371	940,733	(1,713,220)	-	19,202,884
Library books/audio visual	10,051,626	590,137	(4,788,187)	-	5,853,576
	<u>441,076,405</u>	<u>14,653,210</u>	<u>(7,044,013)</u>	<u>7,705,467</u>	<u>456,391,069</u>
Less accumulated depreciation for:					
Infrastructure					
Major/county/local roads	(112,647,919)	(7,609,149)	361,537	-	(119,895,531)
Local donated roads	(29,471,688)	(616,719)	(1)	-	(30,088,408)
Sidewalks	(28,754,372)	(374,748)	(1)	-	(29,129,121)
Drains	(765,266)	(179,228)	-	-	(944,494)
Land improvements	(7,114,973)	(304,873)	33,101	-	(7,386,745)
Buildings and improvements	(59,634,890)	(3,095,751)	25,680	-	(62,704,961)
Miscellaneous equipment	(4,138,652)	(325,320)	63,505	-	(4,400,467)
Office equipment	(2,248,601)	(145,844)	58,093	-	(2,336,352)
Vehicles	(13,862,626)	(967,232)	1,706,053	-	(13,123,805)
Library books/audio visual	(8,319,581)	(557,091)	4,788,186	-	(4,088,486)
	<u>(266,958,568)</u>	<u>(14,175,955)</u>	<u>7,036,153</u>	<u>-</u>	<u>(274,098,370)</u>
Total capital assets being depreciated, net	<u>174,117,837</u>	<u>477,255</u>	<u>(7,860)</u>	<u>7,705,467</u>	<u>182,292,699</u>
Governmental activities capital assets, net	<u>\$ 224,049,791</u>	<u>\$ 5,829,340</u>	<u>\$ (207,713)</u>	<u>\$ -</u>	<u>\$ 229,671,418</u>

CITY OF TROY, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type Activities					
Capital assets, not being depreciated:					
Land	\$ 6,738,504	\$ -	\$ -	\$ -	\$ 6,738,504
Construction in progress	20,173,783	1,543,330	-	(18,912,491)	2,804,622
	<u>26,912,287</u>	<u>1,543,330</u>	<u>-</u>	<u>(18,912,491)</u>	<u>9,543,126</u>
Capital assets, being depreciated:					
Water and sewer transmission and distribution system	182,323,480	3,262,651	-	18,912,491	204,498,622
Service connections	750,121	-	-	-	750,121
Land improvements	8,847,570	-	(112,388)	-	8,735,182
Buildings and improvements	7,422,829	58,600	-	-	7,481,429
Miscellaneous equipment	1,857,215	198,038	(30,981)	-	2,024,272
Vehicles	827,892	-	(20,316)	-	807,576
Furniture, fixtures and other	24,500	-	-	-	24,500
	<u>202,053,607</u>	<u>3,519,289</u>	<u>(163,685)</u>	<u>18,912,491</u>	<u>224,321,702</u>
Less accumulated depreciation for:					
Water and sewer transmission and distribution system	(81,504,606)	(3,481,008)	13,251	-	(84,972,363)
Service connections	(750,121)	-	-	-	(750,121)
Land improvements	(3,369,063)	(214,884)	112,387	-	(3,471,560)
Buildings and improvements	(5,532,310)	(281,943)	-	-	(5,814,253)
Miscellaneous equipment	(1,148,687)	(108,145)	17,732	-	(1,239,100)
Vehicles	(478,759)	(53,374)	20,315	-	(511,818)
Furniture, fixtures and other	(24,500)	-	-	-	(24,500)
	<u>(92,808,046)</u>	<u>(4,139,354)</u>	<u>163,685</u>	<u>-</u>	<u>(96,783,715)</u>
Total capital assets being depreciated, net	<u>109,245,561</u>	<u>(620,065)</u>	<u>-</u>	<u>18,912,491</u>	<u>127,537,987</u>
Business-type activities capital assets, net	<u>\$ 136,157,848</u>	<u>\$ 923,265</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,081,113</u>

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

Depreciation of governmental activities by function

General government	\$ 4,138,513
Public safety	346,853
Public works	8,844,986
Community and economic development	39,616
Recreation and culture	805,987
	<u>14,175,955</u>

Total depreciation expense - governmental activities \$ 14,175,955

CITY OF TROY, MICHIGAN

Notes to Financial Statements

Depreciation of business-type activities by function	
Water	\$ 2,349,934
Sanitary Sewer	1,168,714
Aquatic Center	188,125
Sylvan Glen Golf Course	108,745
Sanctuary Lake Golf Course	<u>323,836</u>
Total depreciation expense - business-type activities	<u>\$ 4,139,354</u>

6. INTERFUND ADVANCES AND TRANSFERS

The amounts of interfund advances transfers are as follows as of June 30, 2017:

	Advanced to Other Funds	Advanced from Other Funds
General Fund	\$ 4,675,384	\$ -
Enterprise Funds		
Aquatic Center Fund	-	180,302
Sanctuary Lake Golf Course Fund	-	7,838,312
Sylvan Glen Course Fund	<u>3,343,230</u>	-
Total	<u>\$ 8,018,614</u>	<u>\$ 8,018,614</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, 2017:

Transfers out	Transfers In			Totals
	General Fund	Capital Projects Fund	Nonmajor Governmental	
General	\$ -	\$ 4,668,860	\$ -	\$ 4,668,860
Nonmajor governmental funds	<u>3,578,961</u>	<u>3,844,876</u>	<u>3,475,725</u>	<u>10,899,562</u>
Total	<u>\$ 3,578,961</u>	<u>\$ 8,513,736</u>	<u>\$ 3,475,725</u>	<u>\$ 15,568,422</u>

General Fund

Transfers to the Capital Projects Fund are for enhanced road improvements for major and local streets (\$2,600,000), partial funding for the rebuilding of fire station #4 (\$1,788,860) and perimeter fencing for police security (\$280,000).

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 Major and Local Street Fund transfers to the General Fund in the amount of \$1,797,666 and \$1,781,295 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 and Local Street Fund transfers to the Capital Projects Fund in the amount of \$2,500,000 and \$500,000, respectively, representing partial funding for capital street improvements. In addition, the Library Fund transferred \$806,363 to the Capital Projects Fund for Library capital purchases including collections. The CDBG Fund transferred to the Capital Projects Fund \$29,013 for federal qualified expenditures for Barrier improvements. The Drug Forfeiture Fund transferred \$9,500 to the Capital Projects Fund for a K-9 purchase. Major Street Fund transfer to the Local Streets fund of \$500,000 represents allowable redirection of state funding. General Debt Service Fund transfers to Proposal A, B, and C debt service funds in the amount of \$2,975,725 are for principal and interest payments on outstanding debt.

7. LEASE OBLIGATIONS

A. Operating Lease

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

Year Ended June 30,	Amount
2018	\$ 44,612
2019	33,476
2020	8,740
2021	2,277

Lease costs for the year ended June 30, 2017, were \$47,014.

B. Capital Lease

The City entered into a lease agreement as lessee for financing the acquisition of golf carts for both Sylvan Glenn and Sanctuary Lake Golf Courses in March 2013. The equipment was valued at \$499,876 with a ten (10) year useful life. This year, \$49,988 was included in depreciation expense and total accumulated depreciation was \$204,116. 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

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

	Year Ended June 30,	Amount
	2018	\$ 71,766
Total minimum lease payments		71,766
Less: amount representing interest		(860)
Present value of minimum lease payments		<u>\$ 70,906</u>

8. LONG-TERM LIABILITIES

Primary Government

The following is a summary of long-term liability transactions of the City for the year ended June 30, 2017:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Primary Government					
Governmental Activities					
General obligation bonds					
Proposal A - streets	\$ 4,110,000	\$ -	\$ (745,000)	\$ 3,365,000	\$ 760,000
Proposal B - public safety	5,670,000	-	(1,150,000)	4,520,000	1,060,000
Proposal C - community ctr.	3,110,000	-	(595,000)	2,515,000	595,000
City Refunding - Series 2013 DDA	14,425,000	-	(260,000)	14,165,000	260,000
Public drains	1,803,892	-	(233,520)	1,570,372	235,420
Total debt obligations	29,118,892	-	(2,983,520)	26,135,372	2,910,420
Unamortized premiums/(discounts)	631,416	-	(35,079)	596,337	-
Accrued compensated absences	4,339,850	4,212,839	(4,038,101)	4,514,588	2,581,608
Estimated self-insurance claims	939,104	8,590,656	(8,527,829)	1,001,931	405,089
Total governmental activities	\$ 35,029,262	\$ 12,803,495	\$ (15,584,529)	\$ 32,248,228	\$ 5,897,117
Business-type Activities					
General obligation bonds					
Golf course series 2012	\$ 9,010,000	\$ -	\$ (635,000)	\$ 8,375,000	\$ 630,000
Capital lease					
Golf cart lease-Sanctuary Lake	87,366	-	(51,913)	35,453	35,453
Golf cart lease-Sylvan Glen	87,366	-	(51,913)	35,453	35,453
Unamortized premiums/(discounts)	149,602	-	(12,467)	137,135	-
Total business-type activities	\$ 9,334,334	\$ -	\$ (751,293)	\$ 8,583,041	\$ 700,906
Total primary government	\$ 44,363,596	\$ 12,803,495	\$ (16,335,822)	\$ 40,831,269	\$ 6,598,023

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:

	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
Primary Government				
Governmental Activities				
General obligation bonds				
Proposal A - streets/streetscape				
2008 Refunding of series 2000	2021	\$ 3,505,000	3.0-4.0%	\$ 1,300,000
2010 Refunding of series 2001	2021	4,515,000	2.0-5.0%	2,065,000
Proposal B - public safety/city hall				
2010 Refunding of series 2001	2021	835,000	2.0-5.0%	390,000
2010 Refunding of series 2003	2021	9,110,000	2.0-5.0%	4,130,000
Proposal C - community center				
2010 Refunding of series 2001	2021	5,910,000	2.0-5.0%	2,515,000
Series 2013 - DDA Refunding	2034	14,945,000	2.0-5.25%	14,165,000
County drain bond contracts				
GWK Series 2000A	2022	457,372	2.50%	136,342
GWK Series 2001C	2024	2,102,682	2.50%	856,292
GWK Series 2001D	2024	81,089	2.50%	22,578
GWK Series 2005	2026	41,440	1.63%	19,077
GWK Series 2007G	2028	46,242	1.63%	26,744
GWK Series 2008H	2029	196,953	2.50%	128,611
GWK Series 2008H	2024	190,572	2.33%	164,480
North Arm Series 1998	2021	926,972	2.25%	216,248
Total governmental activities		<u>\$ 42,863,322</u>		<u>\$ 26,135,372</u>
Business-type Activities				
General obligation bonds				
Golf course series 2012	2028	9,655,000	1.5-3.0%	8,375,000
Total business-type activities		<u>\$ 9,655,000</u>		<u>\$ 8,375,000</u>
Total primary government		<u>\$ 52,518,322</u>		<u>\$ 34,510,372</u>

CITY OF TROY, MICHIGAN

Notes to Financial Statements

The annual debt requirements to maturity for all long-term debts outstanding as of June 30, 2017, exclusive of earned but unpaid sick pay, insurance claims, capital leases and premiums are as follows:

Year Ending June 30,	Primary Government					Total
	Governmental Activities		Business-type Activities			
	Principal	Interest	Principal	Interest		
2018	\$ 2,910,420	\$ 1,094,881	\$ 630,000	\$ 201,050	\$ 4,836,351	
2019	3,095,470	975,257	725,000	184,350	4,980,077	
2020	3,136,159	843,637	715,000	169,950	4,864,746	
2021	3,385,338	710,475	700,000	155,800	4,951,613	
2022	640,145	632,193	685,000	140,238	2,097,576	
2023	662,036	603,870	770,000	122,050	2,157,956	
2024	764,407	572,433	755,000	102,988	2,194,828	
2025	761,111	538,533	840,000	83,050	2,222,694	
2026	916,477	500,773	820,000	62,300	2,299,550	
2027	989,551	453,529	850,000	39,300	2,332,380	
2028	1,264,531	403,813	885,000	13,275	2,566,619	
2029	1,259,727	352,781	-	-	1,612,508	
2030	1,250,000	294,188	-	-	1,544,188	
2031	1,275,000	227,906	-	-	1,502,906	
2032	1,275,000	160,969	-	-	1,435,969	
2033	1,275,000	94,031	-	-	1,369,031	
2034	1,275,000	30,273	-	-	1,305,273	
Total	\$ 26,135,372	\$ 8,489,542	\$ 8,375,000	\$ 1,274,351	\$ 44,274,265	

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

Component Units

The following is a summary of long-term liability transactions of the City's component units for the year ended June 30, 2017:

Component Units	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Downtown Development Auth.					
Obligated tax captures					
City G.O. bonds - Series 2013	14,425,000	-	(260,000)	14,165,000	260,000
Total component units	\$ 14,425,000	\$ -	\$ (260,000)	\$ 14,165,000	\$ 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.

CITY OF TROY, MICHIGAN

Notes to Financial Statements

Component unit debt issues outstanding are as follows:

Component Units	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%	\$ 14,165,000

The annual debt requirements to maturity for all component unit long-term obligations as of June 30, 2017 are as follows:

Year Ending June 30,	Component Units Downtown Development Authority		
	Principal	Interest	Total
2018	\$ 260,000	\$ 671,263	\$ 931,263
2019	260,000	663,463	923,463
2020	260,000	654,363	914,363
2021	375,000	638,488	1,013,488
2022	440,000	618,113	1,058,113
2023	500,000	594,613	1,094,613
2024	600,000	567,113	1,167,113
2025	745,000	537,213	1,282,213
2026	900,000	499,813	1,399,813
2027	975,000	452,939	1,427,939
2028	1,250,000	403,563	1,653,563
2029	1,250,000	352,781	1,602,781
2030	1,250,000	294,188	1,544,188
2031	1,275,000	227,906	1,502,906
2032	1,275,000	160,969	1,435,969
2033	1,275,000	94,031	1,369,031
2034	1,275,000	30,273	1,305,273
	<u>\$ 14,165,000</u>	<u>\$ 7,461,092</u>	<u>\$ 21,626,092</u>

Advance Refunding/Defeased Debt

The City had no advance refundings during the 2017 fiscal year. Prior years refundings have exercised the callable components of the respective original issuance. Accordingly, there are no amounts defeased at the end of the 2017 fiscal year.

9. NET POSITION/FUND BALANCE CLASSIFICATIONS

Net Position

Net position has been restricted for (a) debt service, based upon bond indenture agreements and the City's understanding that bond proceeds generated by these funds are only to be spent on specified construction or the retirement of related debt, (b) replacements and extensions based upon bond indenture agreements or the limited purpose for which a fund was established, and (c) capital assets net of any outstanding debt.

CITY OF TROY, MICHIGAN

Notes to Financial Statements

Restricted for Pension and Other Employee Benefits

The related amount restricted in the Fiduciary Fund reserve is largely comprised of equity recorded in the pension trust fund. In addition, equity is set aside to pay for sick pay and vacation pay in the internal service funds.

Fund Balance

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

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

	General Fund	Capital Projects Fund	Nonmajor Funds	Total
Nonspendable				
Inventory & prepaids	\$ 1,585,595	\$ -	\$ 123,826	\$ 1,709,421
Permanent fund corpus	-	-	169,854	169,854
Advance to Sanctuary Lake golf course	4,495,082	-	-	4,495,082
Advance to Aquatic Center	180,302	-	-	180,302
Total nonspendable	6,260,979	-	293,680	6,554,659
Restricted				
Special revenue funding source restrictions				
Highways and streets	-	-	6,536,046	6,536,046
Sanitation	-	-	869,321	869,321
Library	-	-	1,135,991	1,135,991
Other	-	-	1,069,780	1,069,780
Debt funding source restrictions	-	-	973,102	973,102
Budget stabilization	1,563,397	-	-	1,563,397
Capital improvements	-	8,301,193	-	8,301,193
Dog park development	-	169,000	-	169,000
Federal transportation	-	297,941	-	297,941
Total restricted	1,563,397	8,768,134	10,584,240	20,915,771
Committed				
Construction projects	-	945,425	-	945,425
Assigned				
Insurance claims	3,000,000	-	-	3,000,000
Tax appeals	20,200	-	-	20,200
Subsequent years budget	1,541,413	-	-	1,541,413
Total assigned	4,561,613	-	-	4,561,613
Unassigned	19,776,349	-	-	19,776,349
Total fund balances	\$ 32,162,338	\$ 9,713,559	\$ 10,877,920	\$ 52,753,817

CITY OF TROY, MICHIGAN

Notes to Financial Statements

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, 2017.

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

Year Ending June 30,	Beginning Balance	Additions	Deductions	Ending Balance
2015	\$ 1,012,275	\$ 8,240,546	\$ (8,618,049)	\$ 634,772
2016	634,772	8,271,522	(7,967,190)	939,104
2017	939,104	8,590,656	(8,527,829)	1,001,931

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

11. LITIGATION AND CONTINGENT LIABILITIES

Litigation

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

Tax Appeals to the Michigan Tax Tribunal

The City has a minimal amount of outstanding property tax assessment appeals totaling approximately \$3,763,080 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, 2017.

CITY OF TROY, MICHIGAN

Notes to Financial Statements

12. PROPERTY TAXES

Property taxes are recorded on the modified accrual basis of accounting and are levied, and become a lien on July 1st on the taxable valuation of the property located within its boundaries as of the preceding December 31st. Taxable value is determined by the prior year's taxable value plus 5% or the Consumer Price Index whichever is less, starting with the 1994 state equalized value as the base taxable value. Assessed values are equalized by the State, to closely approximate fifty percent of estimated current market value. The final taxable value of real and personal property subject to property tax within the City for the fiscal 2016-2017 levy was \$4,460,605,595. 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, 0.6989 for library operations, 0.6 for debt service, and 1.53 for capital preservation and improvements.

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

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

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

13. TAX ABATEMENT

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

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.

CITY OF TROY, MICHIGAN

Notes to Financial Statements

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.

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated During Fiscal Year</u>	
Industrial Facility Tax - Full Rate	\$ (3,500)	(Capture due to decline in taxable value base)
Industrial Facility Tax - Half Rate	49,212	
Payment in Lieu of Taxes (PILOT)	98,819	
Brownfield Redevelopment	88,275	
Total Tax Abatement	<u>\$ 232,806</u>	

14 EMPLOYEE RETIREMENT SYSTEM AND PLAN

Summary of Significant Accounting Policies

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

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

CITY OF TROY, MICHIGAN

Notes to Financial Statements

Plan Description

Plan Administration. The City of Troy Employee Retirement System (TERS), under the authorization of the City Code chapter 10, administers the city's employee pension plan covering all full-time general and public safety employees of the city. The single-employer defined benefit plan provides retirement benefits based on credited service time and average compensation with death and disability benefits, and under some circumstances, payments to dependents.

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

Plan Membership. At December 31, 2016 pension plan membership consisted of the following:

<u>Group</u>	<u>Members</u>
Retirees and beneficiaries currently receiving benefits	327
Vested terminated employees	8
Active employees	51
Total members	<u>386</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.

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.

CITY OF TROY, MICHIGAN

Notes to Financial Statements

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, 2017, the average active member contribution rate was 3.8% of eligible wages, and the City's average contribution rate was 15.3% of annual eligible wages.

Investments

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

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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return	Inflation Expectations	Long-Term Real Rate of Return
Global equities (Domestic 40% and International 19%)	59%	6.4%	2.0%	8.4%
Fixed income	29%	1.1%	2.0%	3.1%
Real estate	7%	6.3%	2.0%	8.3%
Cash	5%	-1.0%	2.0%	1.0%
Total/Weighted Average	100%	4.5%	2.0%	6.5%

CITY OF TROY, MICHIGAN

Notes to Financial Statements

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 13.79%. 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%.

Net Pension Liability - Employee Retirement System

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)
Balance at June 30, 2016	\$ 161,696,179	\$ 175,324,875	\$ (13,628,696)
Service costs	951,388	-	951,388
Interest on total pension liability	10,180,968	-	10,180,968
Changes in benefit terms	-	-	-
Difference between expected and actual experience of total liability	(238,774)	-	(238,774)
Changes of assumptions	-	-	-
Contributions - employer	-	658,557	(658,557)
Contributions - employee	-	163,907	(163,907)
Net investment income (loss)	-	23,674,177	(23,674,177)
Benefit payments including refunds	(11,245,246)	(11,245,246)	-
Administrative expense	-	(136,279)	136,279
Other expense	-	-	-
Net changes	(351,664)	13,115,116	(13,466,780)
Balance at June 30, 2017	<u>\$ 161,344,515</u>	<u>\$ 188,439,991</u>	<u>\$ (27,095,476)</u>

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2016 with a measurement and reporting date of June 30, 2017. The following actuarial assumptions were applied to all periods included in the measurement:

Actuarial cost method	Entry-age
Inflation	3.0%
Salary increases (including inflation)	3.5% to 7.5%
Investment rate of return	6.5%
Mortality rates	RP-2014 combined health mortality tables
Actuarial experience study	2001-2006

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

	1% Decrease 5.5%	Current Discount Rate 6.5%	1% Increase 7.5%
City net pension liability (asset)	\$ (9,951,645)	\$ (27,095,476)	\$ (41,611,300)

VOLUNTEER FIREFIGHTER INCENTIVE PLAN (VFIP)

Summary of Significant Accounting Policies

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

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

Plan Description

The City of Troy has a noncontributory 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, 2017 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.

Plan Membership. At December 31, 2016 volunteer firefighter incentive plan membership consisted of the following:

<u>Group</u>	<u>Members</u>
Volunteers and beneficiaries currently receiving benefits	86
Inactive, nonretired members	28
Members on leave of absence	8
Active volunteers	155
Total members	<u>277</u>

Benefits provided. At July 1, 2016, the benefit payment was \$724 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.

CITY OF TROY, MICHIGAN

Notes to Financial Statements

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

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

Contributions. The City makes contributions to the plan through actuarially determined and recommended amounts by an independent actuary. Funding is established through City Council resolution during the budget process. The City's contribution to the plan for the year ended June 30, 2016 was \$1,113,496 and the actuarially determined required contribution was \$1,113,496. The volunteer firefighters are not paid any remuneration for their service.

Investments

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 Rate of Return	Inflation Expectations	Long-Term Real Rate of Return
Global equities <i>(Domestic 40% and International 19%)</i>	59%	5.4%	3.0%	8.4%
Fixed income	29%	0.1%	3.0%	3.1%
Real estate	7%	5.3%	3.0%	8.3%
Cash	5%	-2.0%	3.0%	1.0%
Total	100%	4.5%	3.0%	6.5%

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on volunteer firefighter incentive plan investments, net of investment expenses was 4.14%. 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

Net Volunteer Firefighter Incentive Plan Liability

Changes in Net Plan Liability	Increase (Decrease)		
	Total Plan Liability	Plan Net Position	Net Plan Liability
Balance at June 30, 2016	\$ 17,996,003	\$ 7,596,036	\$ 10,399,967
Service costs	512,549	-	512,549
Interest on total pension liability	1,124,731	-	1,124,731
Difference between expected and actual experience of total liability	126,281	-	126,281
Changes of assumptions	(238,964)	-	(238,964)
Contributions - employer	-	1,113,496	(1,113,496)
Net investment income	-	399,329	(399,329)
Benefit payments including refunds	(685,085)	(685,085)	-
Other expense	-	(54,948)	54,948
Net changes	839,512	772,792	66,720
Balance at June 30, 2017	<u>\$ 18,835,515</u>	<u>\$ 8,368,828</u>	<u>\$ 10,466,687</u>

Actuarial assumptions. The total plan liability was determined by an actuarial valuation as of December 31, 2016 with a measurement and reporting date of June 30, 2017. 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 combined health mortality tables

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 3.56%. 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 2070. As a result, the long-term expected rate of return on plan investments was applied to projected benefit payments through the year 2070, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability, calculated using a single discount rate of 6.28%, 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 net VFIP plan liability	\$ 13,398,757	\$ 10,466,687	\$ 8,092,507

CITY OF TROY, MICHIGAN

Notes to Financial Statements

Statements of Fiduciary Net Position

	Employees' Retirement System				Total
	Pension	Healthcare	Total Employees' Retirement	Volunteer Firefighter Incentive Plan	
Assets					
Cash	\$ 1,973,260	\$ -	\$ 1,973,260	\$ 703,050	\$ 2,676,310
Interest receivable	9,708	-	9,708	-	9,708
Investments, at fair value:					
U.S. Government securities	3,090,764	-	3,090,764	2,083,564	5,174,328
Corporate bonds	1,718,680	-	1,718,680	-	1,718,680
Corporate equities	95,203,936	-	95,203,936	3,366,323	98,570,259
Mutual funds	53,365,601	7,337,010	60,702,611	-	60,702,611
Exchange traded funds	33,157,686	-	33,157,686	2,253,110	35,410,796
Total assets	188,519,635	7,337,010	195,856,645	8,406,047	204,262,692
Liabilities					
Accounts payable	1,049	-	1,049	30,124	31,173
Accrued liabilities	78,595	-	78,595	7,095	85,690
Total liabilities	79,644	-	79,644	37,219	116,863
Net position					
Restricted for:					
Pension benefits	188,439,991	-	188,439,991	8,368,828	196,808,819
Postemployment healthcare	-	7,337,010	7,337,010	-	7,337,010
Total net position	\$ 188,439,991	\$ 7,337,010	\$ 195,777,001	\$ 8,368,828	\$ 204,145,829

CITY OF TROY, MICHIGAN

Notes to Financial Statements

Statements of Changes in Fiduciary Net Position

	Employees' Retirement System				Total
	Pension	Healthcare	Total Employees' Retirement	Volunteer Firefighter Incentive Plan	
Additions					
Contributions:					
Employer	\$ 658,557	\$ -	\$ 658,557	\$ 1,113,496	\$ 1,772,053
Plan members	163,907	-	163,907	-	163,907
Total contributions	822,464	-	822,464	1,113,496	1,935,960
Investment income:					
Interest	234,351	49,100	283,451	115,883	399,334
Dividends	5,082,613	-	5,082,613	56,893	5,139,506
Other income	181,486	-	181,486	-	181,486
Net adjustment in fair value	18,516,987	-	18,516,987	226,553	18,743,540
Total investment earnings	24,015,437	49,100	24,064,537	399,329	24,463,866
Less investment expense	341,260	-	341,260	-	341,260
Net investment earnings	23,674,177	49,100	23,723,277	399,329	24,122,606
Total additions	24,496,641	49,100	24,545,741	1,512,825	26,058,566
Deductions					
Benefit payments	11,245,246	5,063,891	16,309,137	685,085	16,994,222
Administrative expenses	136,279	-	136,279	54,948	191,227
Total deductions	11,381,525	5,063,891	16,445,416	740,033	17,185,449
Change in net position	13,115,116	(5,014,791)	8,100,325	772,792	8,873,117
Restricted net position, beginning					
Pension benefits	175,324,875	-	175,324,875	7,596,036	182,920,911
Retiree healthcare benefits	-	12,351,801	12,351,801	-	12,351,801
Total restricted, beginning	175,324,875	12,351,801	187,676,676	7,596,036	195,272,712
Restricted net position, ending					
Pension benefits	188,439,991	-	188,439,991	8,368,828	196,808,819
Retiree healthcare benefits	-	7,337,010	7,337,010	-	7,337,010
Total restricted, ending	\$ 188,439,991	\$ 7,337,010	195,777,001	\$ 8,368,828	\$ 204,145,829

CITY OF TROY, MICHIGAN

Notes to Financial Statements

COMBINED CHANGES IN NET PENSION/VFIP PLAN LIABILITY AND DEFERRED OUTFLOWS

Combined Net Liability

Changes in Net Pension/VFIP Liability	Increase (Decrease)		
	Employee Retirement System Net Pension Liability (asset)	Volunteer Firefighter Incentive Plan Net Plan Liability	Total Net Liability (asset)
Balance at June 30, 2016	\$ (13,628,696)	\$ 10,399,967	\$ (3,228,729)
Service costs	951,388	512,549	1,463,937
Interest on total pension liability	10,180,968	1,124,731	11,305,699
Benefit changes	-	-	-
Difference between expected and actual experience of total liability	(238,774)	126,281	(112,493)
Changes of assumptions	-	(238,964)	(238,964)
Contributions - employer	(658,557)	(1,113,496)	(1,772,053)
Contributions - employee	(163,907)	-	(163,907)
Net investment income	(23,674,177)	(399,329)	(24,073,506)
Benefit payments including refunds	-	-	-
Administrative expense	136,279	-	136,279
Other expense	-	54,948	54,948
Net changes	(13,466,780)	66,720	(13,400,060)
Balance at June 30, 2017	\$ (27,095,476)	\$ 10,466,687	\$ (16,628,789)

Combined Pension/VFIP Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2017, the City recognized total employee retirement system pension expense of \$911,439 and total volunteer firefighter incentive plan expense of \$1,409,492. The City deferred outflows/inflows of resources related to these systems from the following sources:

	Deferred Outflow of Resources		
	Employee Retirement System	Volunteer Firefighter Incentive Plan	Total Deferred Outflows
Difference between expected and actual experience	\$ -	\$ 272,057	\$ 272,057
Changes in assumptions	-	384,520	384,520
Net difference between projected and actual earnings on investments	9,544,154	421,687	9,965,841
Total deferred outflows	\$ 9,544,154	\$ 1,078,264	\$ 10,622,418

CITY OF TROY, MICHIGAN

Notes to Financial Statements

	Deferred Inflow of Resources		
	Employee Retirement System	Volunteer Firefighter Incentive Plan	Total Deferred Inflows
	Difference between expected and actual experience	10,096,985	68,617
Changes in assumptions	-	208,001	208,001
Total deferred inflows	<u>\$ 10,096,985</u>	<u>\$ 276,618</u>	<u>\$ 10,373,603</u>

Amounts reported as deferred outflows/inflows of resources related to the Employee Retirement System and the Volunteer Firefighter Incentive Plan will be recognized in expense as follows:

Fiscal Year Ending June 30,	Net Deferred Outflow/Inflow Recognition		
	Employee Retirement System	Volunteer Firefighter Incentive Plan	Total Deferred Outflow/Inflow
	2018	\$ 1,043,548	\$ 235,332
2019	1,043,546	235,334	1,278,880
2020	(115,678)	172,403	56,725
2021	(2,524,247)	105,670	(2,418,577)
2022	-	54,792	54,792
Thereafter	-	(1,885)	(1,885)
	<u>\$ (552,831)</u>	<u>\$ 801,646</u>	<u>\$ 248,815</u>

15 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, 2017 was 298.

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.

CITY OF TROY, MICHIGAN

Notes to Financial Statements

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, 2017, was \$18,221,730. The required contributions, which matched those actually made, were \$948,362 by employees and \$2,098,227 by the City, representing 5.2 percent and 11.5 percent of covered payroll, respectively.

16 RETIREE HEALTH CARE TRUST (OPEB) FUND

Summary of Significant Accounting Policies

The retiree health care trust (OPEB) financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits are recognized when due and payable in accordance with terms of the plan. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan.

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

Plan Description

Plan Administration. The City of Troy 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 health care plan covering all full-time general and public safety employees of the city. The single-employer defined benefit OPEB plan provides retirement health care 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, 2016 pension plan membership consisted of the following:

<u>Group</u>	<u>Members</u>
Retirees and beneficiaries currently receiving benefits	337
Active employees	211
Total members	<u>548</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 health care 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 health care 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 health care 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 health care 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 health care coverage through the City. Only the spouse named at the time of retirement is eligible. Surviving spouses of deceased retirees are eligible for retiree health care 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 health care 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, 2017, the City's average contribution rate was 27.01% 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, 2017 are summarized in the following table:

Asset Class	Target	Long-Term	Inflation	Long-Term
Global equities (Domestic 40% and International 19%)	59%	6.4%	2.0%	8.4%
Fixed income	29%	1.1%	2.0%	3.1%
Real estate	7%	6.3%	2.0%	8.3%
Cash	5%	-1.0%	2.0%	1.0%
Total/Weighted Average	100%	4.5%	2.0%	6.5%

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expenses, was 11.53%. 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%.

Net OPEB Liability

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	OPEB Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2016	\$ 132,298,358	\$ 69,777,487	\$ 62,520,871
Service costs	1,285,223	-	1,285,223
Interest on total pension liability	8,476,587	-	8,476,587
Changes in benefit terms	-	-	-
Difference between expected and actual experience of total liability	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	4,705,049	(4,705,049)
Net investment income (loss)	-	7,980,021	(7,980,021)
Benefit payments including refunds	(5,063,891)	(5,063,891)	-
Administrative expense	-	-	-
Other expense	-	(4,214)	4,214
Net changes	4,697,919	7,616,965	(2,919,046)
Balance at June 30, 2017	\$ 136,996,277	\$ 77,394,452	\$ 59,601,825

CITY OF TROY, MICHIGAN

Notes to Financial Statements

Actuarial assumptions. The total OPEB plan liability was determined by an actuarial valuation as of December 31, 2016 with a measurement and reporting date of June 30, 2017. 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 combined health mortality tables

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.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.

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	Current Discount Rate	1% Increase
	5.5%	6.5%	7.5%
City net OPEB liability	\$ 77,919,532	\$ 59,601,825	\$ 44,483,528

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 healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
City net OPEB liability	\$ 44,071,455	\$ 59,601,825	\$ 78,403,662

CITY OF TROY, MICHIGAN

Notes to Financial Statements

OPEB Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2017, the City recognized total Retiree Healthcare (OPEB) expense of \$4,544,724. The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on investments	-	2,794,965
Total deferred outflows	<u>\$ -</u>	<u>\$ 2,794,965</u>

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

Fiscal Year Ending June 30,	
2018	\$ (698,741)
2019	(698,741)
2020	(698,741)
2021	(698,742)
2022	-
Thereafter	-
	<u>\$ (2,794,965)</u>

Statement of Net Position

	Retiree Health Care Trust Fund	Retiree Health Care Held in Pension System	Total Retiree Health Care Trust Fund
Assets			
Cash	\$ 553,534	\$ -	\$ 553,534
Interest receivable	79,930	-	79,930
Investments, at fair value:			
Corporate bonds	10,235,996	-	10,235,996
Corporate equities	10,905,635	-	10,905,635
Mutual funds	33,525,548	7,337,010	40,862,558
Exchange traded funds	14,812,183	-	14,812,183
Total assets	<u>70,112,826</u>	<u>7,337,010</u>	<u>77,449,836</u>
Liabilities			
Accrued liabilities	55,384	-	55,384
Net position			
Restricted for postemployment healthcare benefits	<u>\$ 70,057,442</u>	<u>\$ 7,337,010</u>	<u>\$ 77,394,452</u>

CITY OF TROY, MICHIGAN

Notes to Financial Statements

Statement of Changes in Fund Net Position

	Retiree Health Care Trust Fund	Retiree Health Care Held in Pension System	Total Retiree Health Care Trust Fund
Additions			
Contributions:			
Employer	\$ 4,705,049	\$ -	\$ 4,705,049
Investment earnings:			
Interest	361,968	49,100	411,068
Dividends	1,179,931	-	1,179,931
Net adjustment in fair value of investments	6,663,629	-	6,663,629
Total investment earnings	8,205,528	49,100	8,254,628
Less investment expense	274,607	-	274,607
Net investment earnings	7,930,921	49,100	7,980,021
Total additions	12,635,970	49,100	12,685,070
Deductions			
Benefit payments	-	5,063,891	5,063,891
Other expense	4,214	-	4,214
Total deductions	4,214	5,063,891	5,068,105
Change in net position	12,631,756	(5,014,791)	7,616,965
Restricted net position, beginning of year for:			
Postemployment healthcare benefits	57,425,686	12,351,801	69,777,487
Restricted net position, end of year for:			
Postemployment healthcare benefits	<u>\$ 70,057,442</u>	<u>\$ 7,337,010</u>	<u>\$ 77,394,452</u>

17 DEFICIT NET POSITION

The Sanctuary Lake golf course fund has a net position deficit of \$6,358,091 at June 30, 2017.

The Sanctuary Lake golf course completed its twelfth year of operations with operating income of \$95,565 including depreciation expense of \$323,836. Nonoperating activity included interest expense of \$273,648 resulting in a decrease change in net position of \$178,083. This compares to a decrease change in net position of \$87,201 last fiscal year. Cash flows from operations were positive in the amount of \$447,538. As such, the deficit is a result of operating income insufficient to meet the debt funding requirements. The fund has incurred advances from primarily the general fund and Sylvan Glen golf course fund to meet its cash debt financing requirements.

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

The Downtown Development Authority (component unit) reported a net position deficit of \$14,298,623 compared to \$14,773,039 last fiscal year. This deficit is attributable to recognizing outstanding long-term debt to be financed with future tax increment revenues from the district.

CITY OF TROY, MICHIGAN

Notes to Financial Statements

18 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.

19. SIGNIFICANT COMMITMENTS

As of June 30, 2017, the City had \$1,578,608 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.

CITY OF TROY, MICHIGAN

Notes to Financial Statements

20. RESTATEMENT OF PRIOR YEAR NET POSITION

The City adopted the provisions of Governmental Accounting Standard's Board (GASB) Statement No. 74 "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plan" and Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" during the current fiscal year.

The implementation of these new standards includes the recognition of beginning net OPEB liabilities, and if applicable, any deferred outflow of resources and/or deferred inflow of resources. In addition, the City revisited its allocation policy of net pension assets and the associated deferred outflow of resources and deferred inflow of resources between Governmental and Business-Type activities. The adjustment to beginning net position of these activities and/or funds is as follows:

	Governmental Activities	Business-Type Activities			Total Business- Type Activities
		Water Fund	Sanitary Sewer Fund	Other Proprietary Funds	
Ending net position as stated June 30, 2016	\$293,625,345	\$ 99,439,323	\$ 66,145,269	\$ 620,350	\$ 166,204,942
Deduct prior year OPEB pension asset as recognized under GASB Statement No. 45	(2,643,580)	-	-	-	-
Deduct beginning net OPEB liability	(58,707,071)	(2,813,460)	(1,000,340)	-	(3,813,800)
Deduct beginning OPEB deferred inflows	(3,280,336)	(157,200)	(55,900)	-	(213,100)
Add/(Deduct) Allocation for net pension assets	(463,400)	381,620	81,780	-	463,400
Add/(Deduct) Allocation for pension deferred outflows	(445,800)	367,130	78,670	-	445,800
Beginning net position as restated June 30, 2017	\$228,085,158	\$ 97,217,413	\$ 65,249,479	\$ 620,350	\$ 163,087,242



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TROY, MICHIGAN

Required Supplementary Information
Employee Retirement System
(Schedule built prospectively upon implementation of GASB Statement No. 67)

Schedule of Change in Net Pension Liability and Related Ratios

Fiscal Year Ending June 30	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 985,140	\$ 966,066	\$ 993,515	\$ 951,388
Interest on total pension liability	9,635,941	9,626,620	10,251,205	10,180,968
Benefit changes	-	-	(10,477)	-
Difference between expected and actual returns	286,868	1,874,178	(1,118,247)	(238,774)
Assumption changes	-	8,167,150	-	-
Benefit payments	(10,955,507)	(11,128,133)	(11,108,572)	(11,245,246)
Refunds	-	-	-	-
Net change in total pension liability	(47,558)	9,505,881	(992,576)	(351,664)
Beginning total pension liability	153,230,433	153,182,874	162,688,755	161,696,179
Ending total pension liability (a)	\$ 153,182,875	\$ 162,688,755	\$ 161,696,179	\$ 161,344,515
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
Pension plan net investment income	35,667,991	6,229,392	(330,035)	23,674,177
Benefit payments	(10,955,507)	(11,128,133)	(11,108,572)	(11,245,246)
Administrative expense	(242,023)	(129,870)	(133,867)	(136,279)
Net change in plan fiduciary net position	26,512,148	(3,411,789)	(11,092,015)	13,115,116
Beginning plan fiduciary net position	163,316,531	189,828,679	186,416,890	175,324,875
Ending plan fiduciary net position (b)	\$ 189,828,679	\$ 186,416,890	\$ 175,324,875	\$ 188,439,991
Net pension liability (asset) (a)-(b)	\$ (36,645,804)	\$ (23,728,135)	\$ (13,628,696)	\$ (27,095,476)
Plan fiduciary net position as a percentage of total pension liability (asset)	123.92%	114.58%	108.43%	116.79%
Covered payroll	\$ 4,768,908	\$ 4,902,224	\$ 4,910,089	\$ 4,532,372
Net pension liability (asset) as a percentage of covered payroll	-768.43%	-484.03%	-277.57%	-597.82%

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

Fiscal Year Ending June 30	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
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%

CITY OF TROY, MICHIGAN

Required Supplementary Information
Employee Retirement System

Schedule of Contributions Multiyear (*Prospective Ten Years*)

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

Notes to Schedule of Contributions

Valuation Date: December 31, 2014

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Aggregate
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	5-year smoothed market
Inflation	3.5%; No explicit price inflation assumption is used in this valuation
Salary increases	3.7% to 6.0% 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

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

Fiscal Year Ending June 30	Annual Return
2012	-1.10%
2013	18.20%
2014	22.20%
2015	3.29%
2016	-0.23%
2017	13.79%

CITY OF TROY, MICHIGAN

Required Supplementary Information
Volunteer Firefighter Incentive Plan
 (Schedule built prospectively upon implementation of GASB Statement No. 67)

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

Fiscal Year Ending June 30	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 447,479	\$ 463,508	\$ 464,863	\$ 512,549
Interest on total pension liability	819,211	1,033,632	1,077,246	1,124,731
Benefit changes	1,727,859	-	-	-
Difference between expected and actual returns	-	270,606	(93,449)	126,281
Assumption changes	1,703,002	120,951	424,977	(238,964)
Benefit payments	(1,379,391)	(987,639)	(1,166,059)	(685,085)
Net change in total pension liability	3,318,160	901,058	707,578	839,512
Beginning total pension liability	13,069,207	16,387,367	17,288,425	17,996,003
Ending total pension liability (a)	\$ 16,387,367	\$ 17,288,425	\$ 17,996,003	\$ 18,835,515
Plan Fiduciary Net Position				
Employer contributions	\$ 1,078,500	\$ 3,078,500	\$ 1,100,632	\$ 1,113,496
Pension plan net investment income	286,663	100,516	152,770	399,329
Benefit payments	(1,379,391)	(987,639)	(1,166,059)	(685,085)
Administrative expense	(12,420)	(19,748)	(14,428)	(54,948)
Net change in plan fiduciary net position	(26,648)	2,171,629	72,915	772,792
Beginning plan fiduciary net position	5,378,140	5,351,492	7,523,121	7,596,036
Ending plan fiduciary net position (b)	\$ 5,351,492	\$ 7,523,121	\$ 7,596,036	\$ 8,368,828
Net pension liability (a)-(b)	\$ 11,035,875	\$ 9,765,304	\$ 10,399,967	\$ 10,466,687
Plan fiduciary net position as a percentage of total pension liability	32.66%	43.52%	42.21%	44.43%
Covered payroll	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A

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

Fiscal Year Ending June 30	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
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

Schedule of Contributions Multiyear (Prospective Ten Years)

Fiscal Year Ending June 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
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

CITY OF TROY, MICHIGAN

Required Supplementary Information
Volunteer Firefighter Incentive Plan

Notes to Schedule of Contributions

Valuation Date: December 31, 2014

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	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 Mortality Table projected to 2019 using scale BB.

Benefit changes	<u>Effective July 1,</u>	<u>Amount Per</u>
		<u>of Service</u>
	2014	\$642
	2015	681
	2016	724
	2017	769
	thereafter	1% per year

Schedule of Investment Returns Multiyear (Prospective Ten Years)

Fiscal Year	Annual
Ending	Return
June 30	
<u>2014</u>	<u>4.79%</u>
2015	1.04%
2016	1.79%
2017	4.14%

CITY OF TROY, MICHIGAN

Required Supplementary Information
Other Postemployment Benefits

Schedule of Change in Net Retiree Healthcare (OPEB) Liability and Related Ratios

Fiscal Year Ending June 30	2017
Total OPEB Liability	
Service cost	\$ 1,285,223
Interest on total pension liability	8,476,587
Benefit payments	(5,063,891)
Net change in total pension liability	4,697,919
Beginning total pension liability	132,298,358
Ending total pension liability (a)	<u>\$ 136,996,277</u>
Plan Fiduciary Net Position	
Employer contributions	\$ 4,705,049
Pension plan net investment income (loss)	7,980,021
Benefit payments	(5,063,891)
Administrative and other expense	(4,214)
Net change in plan fiduciary net position	7,616,965
Beginning plan fiduciary net position	69,777,487
Ending plan fiduciary net position (b)	<u>\$ 77,394,452</u>
Net pension liability (asset) (a)-(b)	\$ 59,601,825
Plan fiduciary net position as a percentage of total pension liability (asset)	56.49%
Covered payroll	\$ 17,101,107
Net pension liability (asset) as a percentage of covered payroll	348.53%

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

Fiscal Year Ending June 30	Total OPEB Liability	Plan Net Position	Net OPEB Liability	Plan Net Position as a % of Total OPEB Liability	Covered Payroll	Net OPEB Liability as a % 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%

CITY OF TROY, MICHIGAN

Required Supplementary Information
Other Postemployment Benefits

Schedule of Contributions Multiyear (Prospective Ten Years)

Fiscal Year Ending June 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2016	\$ 4,793,327	\$ 4,793,327	\$ -	\$ 19,614,000	24.44%
2017	4,668,805	4,705,049	(36,244)	17,101,107	27.51%

Notes to Schedule of Contributions

Valuation Date: December 31, 2014

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Closed
Remaining amortization period	23 years for FY beginning July 1, 2016
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 prc
Other information	None

Schedule of Investment Returns Multiyear (Prospective Ten Years)

Fiscal Year Ending June 30	Annual Return
2017	11.53%

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

PERMANENT FUND

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

DEBT SERVICE FUNDS

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

NONMAJOR ENTERPRISE FUNDS

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

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

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES (concluded)

INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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CITY OF TROY, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2017

	Special Revenue							Total Special Revenue
	Major Streets	Local Streets	Refuse	Transit Center	Drug Forfeiture	Library	Community Development Block Grant	
Assets								
Cash and investments	\$ 2,840,130	\$ 2,450,013	\$ 1,093,096	\$ (83,560)	\$ 1,011,920	\$ 988,765	\$ (9,126)	\$ 8,291,238
Accounts receivable	-	-	776	101,560	-	179,939	-	282,275
Due from other governments	893,416	352,487	-	-	-	-	11,073	1,256,976
Prepaid expenditures	-	-	-	-	-	123,826	-	123,826
Total assets	\$ 3,733,546	\$ 2,802,500	\$ 1,093,872	\$ 18,000	\$ 1,011,920	\$ 1,292,530	\$ 1,947	\$ 9,954,315
Liabilities								
Accounts payable	\$ -	\$ -	\$ 224,551	\$ 6,464	\$ 5,696	\$ 32,347	\$ 950	\$ 270,008
Other liabilities	-	-	-	-	-	366	997	1,363
Total liabilities	-	-	224,551	6,464	5,696	32,713	1,947	271,371
Fund balance								
Nonspendable	-	-	-	-	-	123,826	-	123,826
Restricted	3,733,546	2,802,500	869,321	11,536	1,006,224	1,135,991	-	9,559,118
Total fund balances	3,733,546	2,802,500	869,321	11,536	1,006,224	1,259,817	-	9,682,944
Total liabilities and fund balance	\$ 3,733,546	\$ 2,802,500	\$ 1,093,872	\$ 18,000	\$ 1,011,920	\$ 1,292,530	\$ 1,947	\$ 9,954,315

CITY OF TROY, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds (Concluded)
 June 30, 2017

	Debt Service				Total Debt Service	Permanent Fund	Total Nonmajor Governmental Funds
	General Debt Service	Proposal A Debt Service	Proposal B Debt Service	Proposal C Debt Service		Cemetery Perpetual Care	
Assets							
Cash and investments	\$ 973,102	\$ -	\$ -	\$ -	\$ 973,102	\$ 221,874	\$ 9,486,214
Accounts receivable	-	-	-	-	-	-	282,275
Due from other governments	-	-	-	-	-	-	1,256,976
Prepaid expenditures	-	-	-	-	-	-	123,826
Total assets	<u>\$ 973,102</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 973,102</u>	<u>\$ 221,874</u>	<u>\$ 11,149,291</u>
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 270,008
Other liabilities	-	-	-	-	-	-	1,363
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>271,371</u>
Fund balance							
Nonspendable	-	-	-	-	-	169,854	293,680
Restricted	973,102	-	-	-	973,102	52,020	10,584,240
Total fund balances	<u>973,102</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>973,102</u>	<u>221,874</u>	<u>10,877,920</u>
Total liabilities and fund balance	<u>\$ 973,102</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 973,102</u>	<u>\$ 221,874</u>	<u>\$ 11,149,291</u>

CITY OF TROY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2017

	Special Revenue							Total Special Revenue
	Major Streets	Local Streets	Refuse	Transit Center	Drug Forfeiture	Library	Community Development Block Grant	
Revenues								
Property taxes	\$ -	\$ -	\$ 4,764,992	\$ -	\$ -	\$ 3,110,616	\$ -	\$ 7,875,608
Federal grants	-	-	-	-	-	-	75,377	75,377
State grants	4,618,597	1,822,201	-	-	-	192,300	-	6,633,098
Charges for services	-	-	8,199	68,456	-	22,144	-	98,799
Fines and forfeitures	-	-	-	-	325,333	97,298	-	422,631
Investment earnings	495	352	277	-	117	265	-	1,506
Other	-	-	-	-	-	43,811	-	43,811
Total revenues	4,619,092	1,822,553	4,773,468	68,456	325,450	3,466,434	75,377	15,150,830
Expenditures								
Current:								
General government	-	-	-	80,577	-	-	-	80,577
Public safety	-	-	-	-	48,295	-	-	48,295
Sanitation	-	-	4,890,106	-	-	-	-	4,890,106
Community development	-	-	-	-	-	-	46,364	46,364
Recreation and culture	-	-	-	-	-	2,866,410	-	2,866,410
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total expenditures	-	-	4,890,106	80,577	48,295	2,866,410	46,364	7,931,752
Revenues over (under) expenditures	4,619,092	1,822,553	(116,638)	(12,121)	277,155	600,024	29,013	7,219,078
Other financing sources (uses)								
Transfers in	-	500,000	-	-	-	-	-	500,000
Transfers out	(4,797,666)	(2,281,295)	-	-	(9,500)	(806,363)	(29,013)	(7,923,837)
Total other financing (uses) sources	(4,797,666)	(1,781,295)	-	-	(9,500)	(806,363)	(29,013)	(7,423,837)
Net change in fund balances	(178,574)	41,258	(116,638)	(12,121)	267,655	(206,339)	-	(204,759)
Fund balances, beginning of year	3,912,120	2,761,242	985,959	23,657	738,569	1,466,156	-	9,887,703
Fund balances, end of year	\$ 3,733,546	\$ 2,802,500	\$ 869,321	\$ 11,536	\$ 1,006,224	\$ 1,259,817	\$ -	\$ 9,682,944

CITY OF TROY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds (Concluded)
 For the Year Ended June 30, 2017

	Debt Service				Total Debt Service	Permanent Fund	Total Nonmajor Governmental Funds
	General Debt Service	Proposal A Debt Service	Proposal B Debt Service	Proposal C Debt Service		Cemetery Perpetual Care	
Revenues							
Property taxes	\$ 2,679,988	\$ -	\$ -	\$ -	\$ 2,679,988	\$ -	\$ 10,555,596
Federal grants	-	-	-	-	-	-	75,377
State grants	-	-	-	-	-	-	6,633,098
Charges for services	-	-	-	-	-	5,925	104,724
Fines and forfeitures	-	-	-	-	-	-	422,631
Investment earnings	130	-	-	-	130	27	1,663
Other	-	-	-	-	-	-	43,811
Total revenues	2,680,118	-	-	-	2,680,118	5,952	17,836,900
Expenditures							
Current:							
General government	-	-	-	-	-	-	80,577
Public safety	-	-	-	-	-	-	48,295
Sanitation	-	-	-	-	-	-	4,890,106
Community development	-	-	-	-	-	-	46,364
Recreation and culture	-	-	-	-	-	-	2,866,410
Debt service:							
Principal	-	745,000	1,150,000	595,000	2,490,000	-	2,490,000
Interest	63,663	158,100	205,550	122,075	549,388	-	549,388
Total expenditures	63,663	903,100	1,355,550	717,075	3,039,388	-	10,971,140
Revenues over (under) expenditures	2,616,455	(903,100)	(1,355,550)	(717,075)	(359,270)	5,952	6,865,760
Other financing sources (uses)							
Transfers in	-	903,100	1,355,550	717,075	2,975,725	-	3,475,725
Transfers out	(2,975,725)	-	-	-	(2,975,725)	-	(10,899,562)
Total other financing (uses) sources	(2,975,725)	903,100	1,355,550	717,075	-	-	(7,423,837)
Net change in fund balances	(359,270)	-	-	-	(359,270)	5,952	(558,077)
Fund balances, beginning of year	1,332,372	-	-	-	1,332,372	215,922	11,435,997
Fund balances, end of year	\$ 973,102	\$ -	\$ -	\$ -	\$ 973,102	\$ 221,874	\$ 10,877,920

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State grants and reimbursements	\$ 4,872,980	\$ 4,872,980	\$ 4,618,597	\$ (254,383)
Investment earnings	25,000	25,000	495	(24,505)
Total revenues	4,897,980	4,897,980	4,619,092	(278,888)
Other financing (uses)				
Transfers out	(5,357,240)	(5,357,240)	(4,797,666)	(559,574)
Net change in fund balance	(459,260)	(459,260)	(178,574)	280,686
Fund balance, beginning of year	3,912,120	3,912,120	3,912,120	-
Fund balance, end of year	\$ 3,452,860	\$ 3,452,860	\$ 3,733,546	\$ 280,686

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State grants and reimbursements	\$ 1,918,900	\$ 1,918,900	\$ 1,822,201	\$ (96,699)
Investment earnings	24,700	24,700	352	(24,348)
Total revenues	<u>1,943,600</u>	<u>1,943,600</u>	<u>1,822,553</u>	<u>(121,047)</u>
Other financing sources (uses)				
Transfers in	500,000	500,000	500,000	-
Transfers out	<u>(2,781,840)</u>	<u>(2,781,840)</u>	<u>(2,281,295)</u>	<u>(500,545)</u>
Total other financing (uses)	<u>(2,281,840)</u>	<u>(2,281,840)</u>	<u>(1,781,295)</u>	<u>(500,545)</u>
Net change in fund balance	(338,240)	(338,240)	41,258	379,498
Fund balance, beginning of year	<u>2,761,242</u>	<u>2,761,242</u>	<u>2,761,242</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,423,002</u>	<u>\$ 2,423,002</u>	<u>\$ 2,802,500</u>	<u>\$ 379,498</u>

CITY OF TROY, MICHIGAN

Schedule of Revenues, Expenditures and Change in Fund Balance Budget and Actual - Refuse Fund For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 4,775,540	\$ 4,775,540	\$ 4,764,992	\$ (10,548)
Charges for services	8,000	8,000	8,199	199
Investment earnings	14,000	14,000	277	(13,723)
Total revenues	4,797,540	4,797,540	4,773,468	(24,072)
Expenditures				
Sanitation	4,979,650	4,979,650	4,890,106	(89,544)
Net change in fund balance	(182,110)	(182,110)	(116,638)	65,472
Fund balance, beginning of year	985,959	985,959	985,959	-
Fund balance, end of year	\$ 803,849	\$ 803,849	\$ 869,321	\$ 65,472

CITY OF TROY, MICHIGAN

Schedule of Revenues, Expenditures and Change in Fund Balance Budget and Actual - Transit Center

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 82,480	\$ 82,480	\$ 68,456	\$ (14,024)
Expenditures				
General government	82,480	82,480	80,577	(1,903)
Net change in fund balance	-	-	(12,121)	(12,121)
Fund balance, beginning of year	23,657	23,657	23,657	-
Fund balance, end of year	<u>\$ 23,657</u>	<u>\$ 23,657</u>	<u>\$ 11,536</u>	<u>\$ (12,121)</u>

CITY OF TROY, MICHIGAN

Schedule of Revenues, Expenditures and Change in Fund Balance Budget and Actual - Drug Forfeiture

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Fines and forfeitures	\$ 101,000	\$ 101,000	\$ 325,333	\$ 224,333
Investment earnings	-	-	117	117
Total revenues	101,000	101,000	325,450	224,450
Expenditures				
Public safety	102,000	102,000	48,295	(53,705)
Revenues over expenditures	(1,000)	(1,000)	277,155	278,155
Other financing (uses)				
Transfers out	(202,500)	(202,500)	(9,500)	193,000
Net change in fund balance	(203,500)	(203,500)	267,655	471,155
Fund balance, beginning of year	738,569	738,569	738,569	-
Fund balance, end of year	\$ 535,069	\$ 535,069	\$ 1,006,224	\$ 471,155

CITY OF TROY, MICHIGAN

Schedule of Revenues, Expenditures and Change in Fund Balance Budget and Actual - Library Fund For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 3,122,410	\$ 3,122,410	\$ 3,110,616	\$ (11,794)
State grants and reimbursements	197,000	197,000	192,300	(4,700)
Charges for services	30,000	30,000	22,144	(7,856)
Fines and forfeitures	120,000	120,000	97,298	(22,702)
Investment earnings	6,500	6,500	265	(6,235)
Other	15,000	15,000	43,811	28,811
Total revenues	3,490,910	3,490,910	3,466,434	(24,476)
Expenditures				
Recreation and culture	2,938,620	2,938,620	2,866,410	(72,210)
Revenues over expenditures	552,290	552,290	600,024	47,734
Other financing (uses)				
Transfers out	(780,290)	(799,290)	(806,363)	7,073
Net change in fund balance	(228,000)	(247,000)	(206,339)	40,661
Fund balance, beginning of year	1,466,156	1,466,156	1,466,156	-
Fund balance, end of year	\$ 1,238,156	\$ 1,219,156	\$ 1,259,817	\$ 40,661

CITY OF TROY, MICHIGAN

Schedule of Revenues, Expenditures and Change in Fund Balance Budget and Actual - Community Development Block Grant For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal grants and reimbursements	\$ 247,500	\$ 287,500	\$ 75,377	\$ (212,123)
Expenditures				
Community development	64,500	64,500	46,364	(18,136)
Revenues over expenditures	183,000	223,000	29,013	(193,987)
Other financing (uses)				
Transfers out for Capital Purchases	183,000	223,000	29,013	(193,987)
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, 2017

	Sylvan Glen Golf Course	Aquatic Center	Total
Assets			
Current assets:			
Cash and investments	\$ 400,224	\$ 164,115	\$ 564,339
Accounts receivable	102,277	3,821	106,098
Inventories	31,529	-	31,529
Prepaid expenses	29,828	-	29,828
Total current assets	<u>563,858</u>	<u>167,936</u>	<u>731,794</u>
Noncurrent assets:			
Advances to other funds	3,343,230	-	3,343,230
Capital assets not being depreciated	1,894,552	-	1,894,552
Capital assets being depreciated (net)	383,035	997,959	1,380,994
Total noncurrent assets	<u>5,620,817</u>	<u>997,959</u>	<u>6,618,776</u>
Total assets	<u>6,184,675</u>	<u>1,165,895</u>	<u>7,350,570</u>
Liabilities			
Current liabilities:			
Accounts payable	597	17,325	17,922
Other liabilities	174,362	(31)	174,331
Current portion of capital lease	35,453	-	35,453
Total current liabilities	<u>210,412</u>	<u>17,294</u>	<u>227,706</u>
Noncurrent liabilities:			
Advances from other funds	-	180,302	180,302
Total liabilities	<u>210,412</u>	<u>197,596</u>	<u>408,008</u>
Net position			
Net investment in capital assets	2,242,134	997,959	3,240,093
Unrestricted (deficit)	3,732,129	(29,660)	3,702,469
Total net position	<u>\$ 5,974,263</u>	<u>\$ 968,299</u>	<u>\$ 6,942,562</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, 2017

	Sylvan Glen Golf Course	Aquatic Center	Total
Operating revenues			
Charges for services	\$ 953,480	\$ 587,932	\$ 1,541,412
Rental:			
Golf course	196,028	-	196,028
Restaurant	67,200	-	67,200
Other services	146,650	3,457	150,107
Total operating revenues	<u>1,363,358</u>	<u>591,389</u>	<u>1,954,747</u>
Operating expenses			
Operations	1,004,187	532,898	1,537,085
Depreciation	108,745	188,125	296,870
Total operating expenses	<u>1,112,932</u>	<u>721,023</u>	<u>1,833,955</u>
Operating income	<u>250,426</u>	<u>(129,634)</u>	<u>120,792</u>
Nonoperating revenues (expenses)			
Investment earnings	5	-	5
Interest expense	(1,787)	-	(1,787)
Total nonoperating revenues (expenses)	<u>(1,782)</u>	<u>-</u>	<u>(1,782)</u>
Change in net position	248,644	(129,634)	119,010
Net position, beginning of year	<u>5,725,619</u>	<u>1,097,933</u>	<u>6,823,552</u>
Net position, end of year	<u>\$ 5,974,263</u>	<u>\$ 968,299</u>	<u>\$ 6,942,562</u>

CITY OF TROY, MICHIGAN

Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended June 30, 2017

	Sylvan Glen Golf Course	Aquatic Center	Total
Cash flows from operating activities			
Cash received from customers	\$ 1,285,639	\$ 601,487	\$ 1,887,126
Cash payments to employees	(504,450)	(325,194)	(829,644)
Cash payments to suppliers for goods and services	(482,662)	(312,027)	(794,689)
Cash payments for interfund services	(9,758)	(29,843)	(39,601)
Net cash provided by (used in) operating activities	288,769	(65,577)	223,192
Cash flows (used) by capital and related financing activities			
Purchase of capital assets	(91,398)	(62,733)	(154,131)
Proceeds from sale of capital assets	-	4,134	4,134
Principal on capital lease	(51,913)	-	(51,913)
Interest on capital lease	(1,787)	-	(1,787)
Net cash (used) by capital and related financing activities	(145,098)	(58,599)	(203,697)
Cash flows from investing activities			
Investment income	5	-	5
Net increase in cash and investments	143,676	(124,176)	19,500
Cash and investments, beginning of year	256,548	288,291	544,839
Cash and investments, end of year	\$ 400,224	\$ 164,115	\$ 564,339
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 250,426	\$ (129,634)	\$ 120,792
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	108,745	188,125	296,870
Changes in assets and liabilities:			
Accounts receivable	(77,719)	10,098	(67,621)
Inventories	(1,408)	-	(1,408)
Prepaid expenses	3,627	-	3,627
Accounts payable	(41)	(117,544)	(117,585)
Other liabilities	5,139	(16,622)	(11,483)
Total adjustments	38,343	64,057	102,400
Net cash provided by (used in) operating activities	\$ 288,769	\$ (65,577)	\$ 223,192

CITY OF TROY, MICHIGAN

Combining Statement of Net Position
Internal Service Funds
June 30, 2017

	Compensated Absences	Unemployment Compensation	Custodial Services
Assets			
Current assets:			
Cash and investments	\$ 5,514,588	\$ 40,447	\$ 602,402
Accounts receivable	-	-	323
Inventories	-	-	-
Total current assets	5,514,588	40,447	602,725
Noncurrent assets:			
Capital assets not being depreciated	-	-	-
Capital assets being depreciated net of accumulated depreciation	-	-	-
Total capital assets, net of accumulated depreciation	-	-	-
Total assets	5,514,588	40,447	602,725
Liabilities			
Current liabilities:			
Accounts payable	-	447	2,725
Accrued expenses	-	-	-
Compensated absences	2,581,608	-	-
Total current liabilities	2,581,608	447	2,725
Noncurrent liabilities:			
Compensated absences	1,932,980	-	-
Total liabilities	4,514,588	447	2,725
Net position			
Investment in capital assets	-	-	-
Unrestricted	1,000,000	40,000	600,000
Total net position	\$ 1,000,000	\$ 40,000	\$ 600,000

CITY OF TROY, MICHIGAN

Combining Statement of Net Position
Internal Service Funds
June 30, 2017

	Information Technology	Motor Equipment	Workers' Compensation	Total
Assets				
Current assets:				
Cash and investments	\$ 921,040	\$ 6,095,144	\$ 2,000,000	\$ 15,173,621
Accounts receivable	18,908	94,872	-	114,103
Inventories	-	434,360	-	434,360
Total current assets	939,948	6,624,376	2,000,000	15,722,084
Noncurrent assets:				
Capital assets not being depreciated	-	10,248	-	10,248
Capital assets being depreciated net of accumulated depreciation	435,153	4,261,101	-	4,696,254
Total capital assets, net of accumulated depreciation	435,153	4,271,349	-	4,706,502
Total assets	1,375,101	10,895,725	2,000,000	20,428,586
Liabilities				
Current liabilities:				
Accounts payable	18,343	106,524	-	128,039
Accrued expenses	-	4,478	-	4,478
Compensated absences	-	-	-	2,581,608
Total current liabilities	18,343	111,002	-	2,714,125
Noncurrent liabilities:				
Compensated absences	-	-	-	1,932,980
Total liabilities	18,343	111,002	-	4,647,105
Net position				
Investment in capital assets	435,153	4,271,349	-	4,706,502
Unrestricted	921,605	6,513,374	2,000,000	11,074,979
Total net position	\$ 1,356,758	\$ 10,784,723	\$ 2,000,000	\$ 15,781,481

CITY OF TROY, MICHIGAN

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

For the Year Ended June 30, 2017

	Compensated Absences	Unemployment Compensation	Custodial Services
Operating revenues			
Charges for services	\$ 4,299,563	\$ -	\$ 1,011,623
Building rental	-	-	-
Equipment rental	-	-	-
Other	-	3,758	323
Total operating revenues	4,299,563	3,758	1,011,946
Operating expenses			
Cost of services	4,212,839	3,763	1,012,011
Motor vehicle and garage expenses			
Administration	-	-	-
Operations	-	-	-
Depreciation	-	-	-
Total operating expenses	4,212,839	3,763	1,012,011
Operating income (loss)	86,724	(5)	(65)
Nonoperating revenues			
Investment earnings	582	5	65
Gain on sale of capital assets	-	-	-
Total nonoperating revenues	582	5	65
Change in net position	87,306	-	-
Net position, beginning of year	912,694	40,000	600,000
Net position, end of year	\$ 1,000,000	\$ 40,000	\$ 600,000

CITY OF TROY, MICHIGAN

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

For the Year Ended June 30, 2017

	Information Technology	Motor Equipment	Workers' Compensation	Total
Operating revenues				
Charges for services	\$ 1,963,408	\$ 146,843	\$ 481,357	\$ 7,902,794
Building rental	-	131,148	-	131,148
Equipment rental	-	3,323,936	-	3,323,936
Other	-	204,310	-	208,391
Total operating revenues	1,963,408	3,806,237	481,357	11,566,269
Operating expenses				
Cost of services	1,687,390	-	481,604	7,397,607
Motor vehicle and garage expenses				
Administration	-	593,410	-	593,410
Operations	-	2,138,554	-	2,138,554
Depreciation	133,762	771,928	-	905,690
Total operating expenses	1,821,152	3,503,892	481,604	11,035,261
Operating income (loss)	142,256	302,345	(247)	531,008
Nonoperating revenues				
Investment earnings	81	731	247	1,711
Gain on sale of capital assets	-	173,476	-	173,476
Total nonoperating revenues	81	174,207	247	175,187
Change in net position	142,337	476,552	-	706,195
Net position, beginning of year	1,214,421	10,308,171	2,000,000	15,075,286
Net position, end of year	\$ 1,356,758	\$ 10,784,723	\$ 2,000,000	\$ 15,781,481

CITY OF TROY, MICHIGAN

Combining Statement of Cash Flows Internal Service Funds

For the Year Ended June 30, 2017

	Compensated Absences	Unemployment Compensation	Custodial Services
Cash flows from operating activities			
Cash received from interfund services	\$ 4,299,563	\$ 3,758	\$ 1,011,623
Cash payments to employees	(4,038,101)	-	(880,346)
Cash payments to suppliers for goods and services	-	(3,316)	(132,185)
Net cash provided (used) by operating activities	<u>261,462</u>	<u>442</u>	<u>(908)</u>
Cash flows from capital and related financing activities			
Purchase of capital assets	-	-	-
Proceeds from sale of capital assets	-	-	-
Net cash (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities			
Investment income	<u>582</u>	<u>5</u>	<u>65</u>
Net increase (decrease) in cash and investments	262,044	447	(843)
Cash and investments, beginning of year	<u>5,252,544</u>	<u>40,000</u>	<u>603,245</u>
Cash and investments, end of year	<u>\$ 5,514,588</u>	<u>\$ 40,447</u>	<u>\$ 602,402</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 86,724	\$ (5)	\$ (65)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	-	-
Changes in assets and liabilities:			
Accounts receivable	-	-	(323)
Inventories	-	-	-
Accounts payable	-	447	(520)
Accrued liabilities	<u>174,738</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ 261,462</u>	<u>\$ 442</u>	<u>\$ (908)</u>

CITY OF TROY, MICHIGAN

Combining Statement of Cash Flows
Internal Service Funds

For the Year Ended June 30, 2017

	Information Technology	Motor Equipment	Workers' Compensation	Total
Cash flows from operating activities				
Cash received from interfund services	\$ 1,944,500	\$ 3,771,327	\$ 481,357	\$ 11,512,128
Cash payments to employees	(1,197,817)	(1,355,755)	-	(7,472,019)
Cash payments to suppliers for goods and services	(497,327)	(1,504,102)	(481,604)	(2,618,534)
Net cash provided (used) by operating activities	<u>249,356</u>	<u>911,470</u>	<u>(247)</u>	<u>1,421,575</u>
Cash flows from capital and related financing activities				
Purchase of capital assets	(130,404)	(999,258)	-	(1,129,662)
Proceeds from sale of capital assets	-	180,381	-	180,381
Net cash (used) by capital and related financing activities	<u>(130,404)</u>	<u>(818,877)</u>	<u>-</u>	<u>(949,281)</u>
Cash flows from investing activities				
Investment income	81	731	247	1,711
Net increase (decrease) in cash and investments	<u>119,033</u>	<u>93,324</u>	<u>-</u>	<u>474,005</u>
Cash and investments, beginning of year	<u>802,007</u>	<u>6,001,820</u>	<u>2,000,000</u>	<u>14,699,616</u>
Cash and investments, end of year	<u>\$ 921,040</u>	<u>\$ 6,095,144</u>	<u>\$ 2,000,000</u>	<u>\$ 15,173,621</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 142,256	\$ 302,345	\$ (247)	\$ 531,008
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	133,762	771,928	-	905,690
Changes in assets and liabilities:				
Accounts receivable	(18,908)	(34,910)	-	(54,141)
Inventories	-	(25,359)	-	(25,359)
Accounts payable	-	-	-	(73)
Accrued liabilities	(7,754)	(102,534)	-	64,450
Net cash provided (used) by operating activities	<u>\$ 249,356</u>	<u>\$ 911,470</u>	<u>\$ (247)</u>	<u>\$ 1,421,575</u>

CITY OF TROY, MICHIGAN

Combining Statement of Net Position Fiduciary Funds June 30, 2017

	Pension and Other Employee Benefit Trust Funds					
	Employees' Retirement System			Volunteer Firefighter Incentive Trust	Retiree Health Care Trust Fund	Total Pension and OPEB Trust Funds
	Pension	Health Care	Total			
Assets						
Cash	\$ 1,973,260	\$ -	\$ 1,973,260	\$ 703,050	\$ 553,534	\$ 3,229,844
Interest receivable	9,708	-	9,708	-	79,930	89,638
Investments						
U.S. government securities	3,090,764	-	3,090,764	2,083,564	-	5,174,328
Corporate bonds	1,718,680	-	1,718,680	-	10,235,996	11,954,676
Corporate equities	95,203,936	-	95,203,936	3,366,323	10,905,635	109,475,894
Mutual funds	53,365,601	7,337,010	60,702,611	-	33,525,548	94,228,159
Exchange traded funds	33,157,686	-	33,157,686	2,253,110	14,812,183	50,222,979
Total assets	188,519,635	7,337,010	195,856,645	8,406,047	70,112,826	274,375,518
Liabilities						
Accounts payable	1,049	-	1,049	30,124	-	31,173
Accrued liabilities	78,595	-	78,595	7,095	55,384	141,074
Total liabilities	79,644	-	79,644	37,219	55,384	172,247
Net position						
Restricted for pension benefits	188,439,991	-	188,439,991	8,368,828	-	196,808,819
Restricted for postemployment healthcare benefits	-	7,337,010	7,337,010	-	70,057,442	77,394,452
Total net position	\$188,439,991	\$ 7,337,010	\$195,777,001	\$ 8,368,828	\$70,057,442	\$274,203,271

CITY OF TROY, MICHIGAN

Combining Statement of Changes in Net Position Fiduciary Funds

For the Year Ended June 30, 2017

	Pension and Other Employee Benefit Trust Funds					
	Employees' Retirement System			Volunteer Firefighter Incentive Trust	Retiree Health Care Trust Fund	Total Pension and OPEB Trust Funds
	Pension	Health Care	Total			
Additions						
Contributions						
Employer contributions	\$ 658,557	\$ -	\$ 658,557	\$ 1,113,496	\$ 4,705,049	\$ 6,477,102
Employee contributions	163,907	-	163,907	-	-	163,907
Total contributions	822,464	-	822,464	1,113,496	4,705,049	6,641,009
Investment earnings						
Interest	234,351	49,100	283,451	115,883	361,968	761,302
Dividends	5,082,613	-	5,082,613	56,893	1,179,931	6,319,437
Other income	181,486	-	181,486	-	-	181,486
Net adjustment in fair value	18,516,987	-	18,516,987	226,553	6,663,629	25,407,169
Total investment earnings	24,015,437	49,100	24,064,537	399,329	8,205,528	32,669,394
Less investment expense	341,260	-	341,260	-	274,607	615,867
Net investment earnings	23,674,177	49,100	23,723,277	399,329	7,930,921	32,053,527
Total additions	24,496,641	49,100	24,545,741	1,512,825	12,635,970	38,694,536
Deductions						
Benefits	11,245,246	5,063,891	16,309,137	685,085	-	16,994,222
Administrative expenses	136,279	-	136,279	54,948	4,214	195,441
Total deductions	11,381,525	5,063,891	16,445,416	740,033	4,214	17,189,663
Change in net position	13,115,116	(5,014,791)	8,100,325	772,792	12,631,756	21,504,873
Restricted net position, beg. of year for						
Pension benefits	175,324,875	-	175,324,875	7,596,036	-	182,920,911
Postemployment healthcare benefits	-	12,351,801	12,351,801	-	57,425,686	69,777,487
Total restricted net position, beginning of year	175,324,875	12,351,801	187,676,676	7,596,036	57,425,686	252,698,398
Restricted net position, end of year for						
Pension benefits	188,439,991	-	188,439,991	8,368,828	-	196,808,819
Postemployment healthcare benefits	-	7,337,010	7,337,010	-	70,057,442	77,394,452
Total restricted net position, end of year	\$188,439,991	\$ 7,337,010	\$195,777,001	\$ 8,368,828	\$70,057,442	\$274,203,271

CITY OF TROY, MICHIGAN

Statement of Changes in Fiduciary Assets and Liabilities Agency Fund

For the Year Ended June 30, 2017

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and investments	\$ 4,354,920	\$ 193,545,393	\$ (193,660,803)	\$ 4,239,510
Taxes receivable	-	192,417,361	(192,417,361)	-
Total assets	\$ 4,354,920	\$ 385,962,754	\$ (386,078,164)	\$ 4,239,510
Liabilities				
Accounts payable	\$ 36,100	\$ 193,877,192	\$ (193,797,886)	\$ 115,406
Performance deposits	4,318,820	2,212,132	(2,406,848)	4,124,104
Total liabilities	\$ 4,354,920	\$ 196,089,324	\$ (196,204,734)	\$ 4,239,510

CITY OF TROY, MICHIGAN

Statement of Net Position and Governmental Funds Balance Sheet Downtown Development Authority

June 30, 2017

	Operating	Adjustments	Statement of Net Position
Assets			
Cash and investments	\$ 315,208	\$ -	\$ 315,208
Receivables			
Taxes receivable	65,131	-	65,131
Total assets	\$ 380,339	-	380,339
Liabilities			
Accounts payable	\$ 1,094	-	1,094
Interest payable	-	111,877	111,877
Noncurrent liabilities			
Due within one year	-	260,000	260,000
Due after one year	-	13,905,000	13,905,000
Total liabilities	1,094	14,276,877	14,277,971
Deferred inflows of resources			
Unavailable property taxes	65,131	(65,131)	-
Deferred gain on refunding	-	400,991	400,991
Total deferred inflows of resources	65,131	335,860	400,991
Fund balance			
Unassigned	314,114	(314,114)	-
Total liabilities, deferred inflows of resources and fund balances	\$ 380,339		
Net position (deficit)			
Unrestricted		(14,298,623)	(14,298,623)
Total net position (deficit)		\$ (14,298,623)	\$ (14,298,623)

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CITY OF TROY, MICHIGAN

Reconciliation Fund Balances for Governmental Funds to Net Position of Governmental Activities Downtown Development Authority June 30, 2017

Fund balances - total governmental funds \$ 314,114

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

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

Add: deferred inflows 65,131

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

Deduct: accrued interest payable (111,877)
Deduct: deferred gain on refunding (400,991)
Deduct: debt reimbursement payable - current portion (260,000)
Deduct: debt reimbursement payable - long-term portion (13,905,000)

Net position of governmental activities \$ (14,298,623)

CITY OF TROY, MICHIGAN

Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances Downtown Development Authority For the Year Ended June 30, 2017

	Operating	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 1,294,097	\$ 22,220	\$ 1,316,317
Intergovernmental			
State Sources - MPPE/LCSA	35,181	-	35,181
Investment earnings	69	-	69
Total revenues	1,329,347	22,220	1,351,567
Expenditures/expenses			
Economic development	220,685	-	220,685
Debt service:			
Principal	260,000	(260,000)	-
Interest	681,788	(25,322)	656,466
Total expenditures/expenses	1,162,473	(285,322)	877,151
Net change in fund balances/ net position	166,874	307,542	474,416
Fund balance/net position (deficit), beginning of year	147,240	(14,920,279)	(14,773,039)
Fund balance/net position (deficit), end of year	\$ 314,114	\$ (14,612,737)	\$ (14,298,623)

CITY OF TROY, MICHIGAN

Reconciliation Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities Downtown Development Authority For the Year Ended June 30, 2017

Net change in fund balances - total governmental funds \$ 166,874

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.
Add: net difference in deferred inflows 22,220

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.
Add: principal payments on long-term liabilities 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.
Add: decrease in accrued interest expense 25,322

Change in net position of governmental activities \$ 474,416

CITY OF TROY, MICHIGAN

Statement of Net Position and Governmental Funds Balance Sheet Local Development Financing Authority June 30, 2017

	Operating	Adjustments	Statement of Net Position
Assets			
Cash and investments	\$ 188,688	\$ -	\$ 188,688
Liabilities			
Accounts payable	\$ 87,853	-	87,853
Fund balance			
Unassigned	100,835	(100,835)	-
Total liabilities and fund balance	<u>\$ 188,688</u>		
Net position			
Unrestricted		100,835	100,835
Total net position		<u>\$ 100,835</u>	<u>\$ 100,835</u>

CITY OF TROY, MICHIGAN

Statement of Activities and Governmental Fund Revenues, Expenditures and Change in Fund Balance Local Development Financing Authority For the Year Ended June 30, 2017

	Operating	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 181,470	\$ -	\$ 181,470
Investment earnings	17	-	17
Total revenues	181,487	-	181,487
Expenditures/expenses			
Economic development	107,063	-	107,063
Net change in fund balance/net position	74,424	-	74,424
Fund balance/net position, beginning of year	26,411	-	26,411
Fund balance/net position, end of year	\$ 100,835	\$ -	\$ 100,835

CITY OF TROY, MICHIGAN

Statement of Net Position and Governmental Funds Balance Sheet Brownfield Redevelopment Authority

June 30, 2017

	Operating	Adjustments	Statement of Net Position
Assets			
Cash and investments	\$ 441,573	\$ -	\$ 441,573
Revolving loans receivable	339,111	-	339,111
Total assets	<u>\$ 780,684</u>	<u>-</u>	<u>780,684</u>
Liabilities			
Accounts payable	\$ 2,915	\$ -	2,915
Deferred inflows of resources			
Unavailable revenue - loans receivable	339,111	(339,111)	-
Fund balance			
Unassigned	438,658	(438,658)	-
Total liabilities, deferred inflows and fund balance	<u>\$ 780,684</u>		
Net Position			
Unrestricted		777,769	777,769
Total net position		<u>\$ 777,769</u>	<u>\$ 777,769</u>
Reconciliation:			
Fund Balance for Governmental Fund to Net Position of Governmental Activities			
Fund balance - governmental fund			\$ 438,658
Amounts reported for governmental activities in statement of net position are different because:			
The focus of governmental funds is on short-term financing. Some assets will not be available to pay for current period expenditures. Those assets (such as certain receivables) are offset by deferred inflows in the governmental funds, and thus are not included in fund balance.			
			<u>339,111</u>
Net position of government activities			<u>\$ 777,769</u>

CITY OF TROY, MICHIGAN

Statement of Activities and Governmental Fund Revenues, Expenditures and Change in Fund Balance Brownfield Redevelopment Authority For the Year Ended June 30, 2017

	Operating	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 88,275	\$ (73,399)	\$ 14,876
Investment earnings	54	-	54
Total revenues	88,329	(73,399)	14,930
Expenditures/expenses			
Community and economic development	9,715	-	9,715
Net change in fund balance/net position	78,614	(73,399)	5,215
Fund balance/net position, beginning of year	360,044	412,510	772,554
Fund balance/net position, end of year	\$ 438,658	\$ 339,111	\$ 777,769

Reconciliation:

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

Net change in fund balance - governmental activities	\$ 78,614
Amount reported for governmental activities in statement of activities are different because:	
Additional tax capture for interest and administrative fees is not recognized until available in governmental funds, but recognized when earned for the purpose of net position in the statement of activities.	(73,399)
Change in net position of governmental activities	\$ 5,215

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STATISTICAL SECTION

CITY OF TROY, MICHIGAN

Statistical Section Table of Contents

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

Contents		Page
Financial Trends	These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	143
Revenue Capacity	These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	149
Debt Capacity	These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	153
Demographic and Economic Information	These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	159
Operating Information	These schedules contain serve and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	161
Continuing Disclosure	Information contained herein complies with Rule 15c2-12, a federal regulation promulgated by the Securities and Exchange Commission, designed to improve disclosure practices in the municipal bond market.	169

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

CITY OF TROY, MICHIGAN

Net Position by Component
(Accrual Basis of Accounting)

Unaudited

	Fiscal Year Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 157,447,608	\$ 164,045,115	\$ 170,829,690	\$ 174,656,911	\$ 175,292,324	\$ 179,616,224	\$ 168,722,287	\$ 178,865,098	\$ 194,299,483	\$ 202,939,709
Restricted	34,552,624	31,704,901	26,293,289	19,293,248	16,096,939	18,414,931	25,024,969	24,785,605	19,460,570	19,429,092
Unrestricted	31,970,878	30,192,218	33,877,687	38,429,041	48,526,117	54,304,874	65,673,197	82,121,441	79,865,292	13,264,407
Total governmental activities net position	\$ 223,971,110	\$ 225,942,234	\$ 231,000,666	\$ 232,379,200	\$ 239,915,380	\$ 252,336,029	\$ 259,420,453	\$ 285,772,144	\$ 293,625,345	\$ 235,633,208
Business-type activities										
Net investment in capital assets	\$ 107,889,998	\$ 111,070,571	\$ 116,929,920	\$ 117,612,994	\$ 118,170,260	\$ 117,311,016	\$ 118,730,653	\$ 119,825,109	\$ 127,611,126	\$ 129,220,049
Unrestricted	46,259,322	44,948,474	43,046,756	45,052,579	47,550,528	51,044,950	48,878,034	45,659,008	38,593,816	39,342,785
Total business-type activities net position	\$ 154,149,320	\$ 156,019,045	\$ 159,976,676	\$ 162,665,573	\$ 165,720,788	\$ 168,355,966	\$ 167,608,687	\$ 165,484,117	\$ 166,204,942	\$ 168,562,834
Primary government										
Net investment in capital assets	\$ 265,337,606	\$ 275,115,686	\$ 287,759,610	\$ 292,269,905	\$ 293,462,584	\$ 296,927,240	\$ 287,452,940	\$ 298,690,207	\$ 321,910,609	\$ 332,159,758
Restricted	34,552,624	31,704,901	26,293,289	19,293,248	16,096,939	18,414,931	25,024,969	24,785,605	19,460,570	19,429,092
Unrestricted	78,230,200	75,140,692	76,924,443	83,481,620	96,076,645	105,349,824	114,551,231	127,780,449	118,459,108	52,607,192
Total primary government net position	\$ 378,120,430	\$ 381,961,279	\$ 390,977,342	\$ 395,044,773	\$ 405,636,168	\$ 420,691,995	\$ 427,029,140	\$ 451,256,261	\$ 459,830,287	\$ 404,196,042

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.

CITY OF TROY, MICHIGAN

Unaudited

Changes in Net Position
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
Expenses												
Governmental activities:												
General government	\$ 9,719,442	\$ 10,093,396	\$ 10,480,528	\$ 10,057,545	\$ 9,677,191	\$ 8,459,810	\$ 9,875,913	\$ 10,449,379	\$ 11,305,100	\$ 10,925,546		
Public safety	31,450,783	31,597,944	31,300,207	30,776,101	27,228,933	26,878,737	28,860,117	35,744,673	31,023,545	29,403,916		
Public works	16,064,613	15,869,334	15,000,517	14,812,707	13,703,006	13,626,846	15,478,239	17,224,145	16,269,932	16,553,537		
Sanitation	3,893,842	3,961,658	3,994,706	4,110,330	4,216,260	4,331,500	4,267,388	4,606,627	4,517,499	4,889,569		
Community and economic development	2,013,127	1,838,697	1,460,081	1,030,929	854,593	1,366,075	16,303,702	1,018,643	955,880	794,535		
Recreation and culture	14,209,839	14,872,286	12,573,922	9,865,320	8,812,144	9,145,272	9,432,683	10,091,847	10,248,458	10,442,184		
Interest on long-term debt	1,572,470	1,440,456	650,484	665,356	1,101,675	1,019,021	1,065,510	1,444,384	1,344,219	1,206,243		
Total governmental activities expenses	\$ 78,924,116	\$ 79,673,771	\$ 75,460,446	\$ 71,318,288	\$ 65,593,802	\$ 64,827,261	\$ 85,283,552	\$ 80,579,698	\$ 75,664,633	\$ 74,215,530		
Business-type activities:												
Water	\$ 13,808,288	\$ 12,704,768	\$ 12,474,578	\$ 12,439,089	\$ 13,904,820	\$ 14,434,204	\$ 15,479,500	\$ 15,767,708	\$ 18,508,493	\$ 18,992,183		
Sanitary Sewer	9,576,883	9,046,402	9,145,016	10,400,332	11,767,038	12,215,434	12,864,584	12,807,380	12,584,209	12,401,390		
Aquatic center	592,653	597,942	561,343	565,873	566,978	543,834	531,369	583,709	700,430	717,905		
Sylvan Glen golf course	1,110,038	1,098,361	1,087,120	1,021,420	1,061,139	1,052,043	1,096,974	1,130,082	1,143,351	1,114,618		
Sanctuary Lake golf course	1,624,625	1,634,836	1,632,244	1,523,616	1,821,384	1,676,239	1,735,921	1,733,846	1,900,990	1,917,677		
Total business-type activities expenses	\$ 26,712,487	\$ 25,082,309	\$ 24,900,301	\$ 25,950,330	\$ 29,121,359	\$ 29,921,754	\$ 31,708,348	\$ 32,022,725	\$ 34,837,473	\$ 35,143,773		
Total primary government expenses	\$105,636,603	\$104,756,080	\$100,360,747	\$ 97,268,618	\$ 94,715,161	\$ 94,749,015	\$116,991,900	\$112,602,423	\$110,502,106	\$109,359,303		
Program revenues												
Governmental activities:												
Charges for services:												
General government	\$ 2,391,745	\$ 2,277,395	\$ 2,792,387	\$ 3,017,126	\$ 3,039,578	\$ 3,114,515	\$ 3,241,183	\$ 3,783,480	\$ 3,766,949	\$ 3,983,385		
Public safety	3,132,235	2,579,487	2,606,050	2,912,838	3,219,618	3,545,823	4,076,054	4,691,450	4,451,076	4,612,475		
Public works	1,613,717	1,579,964	1,912,056	1,696,240	2,357,325	2,223,031	2,634,542	3,364,953	3,335,490	2,916,921		
Sanitation	3,510	6,993	4,796	4,860	5,700	6,012	6,358	6,590	8,630	8,199		
Recreation and culture	4,617,520	4,398,056	4,484,145	3,850,470	3,444,462	3,651,142	3,536,383	3,589,925	3,587,481	3,683,297		
Operating grants and contributions	979,113	967,159	1,057,307	1,474,950	912,173	1,196,458	835,352	1,097,166	760,549	951,275		
Capital grants and contributions	6,870,969	9,963,345	8,590,800	6,895,652	6,723,177	10,435,694	23,832,070	10,447,244	11,466,690	9,304,781		
Total governmental activities program revenues	\$ 19,608,809	\$ 21,772,399	\$ 21,447,541	\$ 19,852,136	\$ 19,702,033	\$ 24,172,675	\$ 38,161,942	\$ 26,980,808	\$ 27,376,865	\$ 25,460,333		

continued...

(Continued)

	Fiscal Year Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-type activities:										
Charges for services:										
Water	\$ 15,684,590	\$ 13,227,113	\$ 13,968,516	\$ 14,139,274	\$ 15,923,727	\$ 15,965,202	\$ 15,078,684	\$ 14,626,110	\$ 17,465,511	\$ 20,699,381
Sanitary Sewer	11,612,763	9,750,202	10,372,640	11,917,175	13,177,412	12,978,863	12,451,888	11,900,157	12,470,724	13,513,930
Aquatic center	438,432	486,671	451,670	503,685	577,757	481,424	532,293	431,141	728,589	591,389
Sylvan Glen golf course	1,137,679	1,178,497	1,128,192	1,024,216	1,290,051	1,173,838	984,908	1,128,968	1,291,367	1,363,358
Sanctuary Lake golf course	985,503	923,692	968,687	940,775	1,442,755	1,295,277	1,335,433	1,375,137	1,809,386	1,739,789
Operating grants and contributions	643,394	1,025,250	299,239	221,561	150,603	528,416	262,237	285,963	1,104,132	2,681,660
Capital grants and contributions	\$ 30,502,361	\$ 26,591,425	\$ 27,188,944	\$ 28,746,686	\$ 32,562,305	\$ 32,423,020	\$ 30,645,443	\$ 29,766,629	\$ 34,869,709	\$ 40,589,507
Total business-type activities program revenues	\$ 50,111,170	\$ 48,363,824	\$ 48,636,485	\$ 48,598,822	\$ 52,264,338	\$ 56,595,695	\$ 68,807,385	\$ 56,747,437	\$ 62,246,574	\$ 66,049,840
Total primary government program revenues										
Net (Expense)/Revenue	\$ (59,315,307)	\$ (57,901,372)	\$ (54,012,905)	\$ (51,466,152)	\$ (45,891,769)	\$ (40,654,586)	\$ (47,121,610)	\$ (53,598,890)	\$ (48,287,768)	\$ (48,755,197)
Governmental activities	3,789,874	1,509,116	2,288,643	2,796,356	3,440,946	2,501,266	(1,062,905)	(2,256,096)	32,236	5,445,734
Business-type activities	\$ (55,525,433)	\$ (56,392,256)	\$ (51,724,262)	\$ (48,669,796)	\$ (42,450,823)	\$ (38,153,320)	\$ (48,184,515)	\$ (55,854,986)	\$ (48,255,532)	\$ (43,309,463)
Total primary government net expense										
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 51,002,080	\$ 51,041,101	\$ 50,673,061	\$ 46,067,375	\$ 46,295,903	\$ 46,419,615	\$ 46,759,393	\$ 46,993,478	\$ 48,369,185	\$ 48,184,737
State-shared revenues	6,633,938	6,313,999	5,615,666	5,615,666	6,136,066	6,279,381	6,435,145	6,541,560	6,535,632	8,091,385
Grants & contrib. not restricted	37,398	103,151	1,207,291	8,652	33,400	50,485	54,535	22,848	24,472	14,619
Interest and investment earnings	3,425,379	1,861,698	785,025	537,935	245,077	185,302	424,286	258,208	1,079,714	12,506
Miscellaneous	179,109	131,037	163,134	123,038	121,187	140,452	532,674	523,636	131,968	-
Transfers	682,140	704,200	627,160	492,020	596,316	-	-	-	-	-
Total governmental activities	\$ 61,960,044	\$ 60,155,186	\$ 59,071,337	\$ 52,844,686	\$ 53,427,949	\$ 53,075,235	\$ 54,206,033	\$ 54,339,730	\$ 56,140,971	\$ 56,303,247
Business-type activities:										
Grants & contrib. not restricted	\$ 14,882	\$ 616	\$ 301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	1,963,881	1,064,193	487,698	384,561	210,585	133,912	305,126	131,526	681,643	29,858
Miscellaneous	-	-	4,800	-	-	-	10,500	-	6,946	-
Transfers	(682,140)	(704,200)	(627,160)	(492,020)	(596,316)	-	-	-	-	-
Total business-type activities	\$ 1,296,623	\$ 360,609	\$ (134,361)	\$ (107,459)	\$ (385,731)	\$ 133,912	\$ 315,626	\$ 131,526	\$ 688,589	\$ 29,858
Total primary government	\$ 63,256,667	\$ 60,515,795	\$ 58,936,976	\$ 52,737,227	\$ 53,042,218	\$ 53,209,147	\$ 54,521,659	\$ 54,471,256	\$ 56,829,560	\$ 56,333,105
Change in Net Position										
Governmental activities	\$ 2,644,737	\$ 2,253,814	\$ 5,058,432	\$ 1,378,534	\$ 7,536,180	\$ 12,420,649	\$ 7,084,423	\$ 740,840	\$ 7,853,203	\$ 7,548,050
Business-type activities	5,086,497	1,869,725	2,154,282	2,688,897	3,055,215	2,635,178	(747,279)	(2,124,570)	720,825	5,475,592
Total primary government	\$ 7,731,234	\$ 4,123,539	\$ 7,212,714	\$ 4,067,431	\$ 10,591,395	\$ 15,055,827	\$ 6,337,144	\$ (1,383,730)	\$ 8,574,028	\$ 13,023,642

CITY OF TROY, MICHIGAN

Fund Balances, Governmental Funds Unaudited

Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	For Fiscal Year Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Nonspendable	\$ 617,505	\$ 623,544	\$ 447,720	\$ 4,034,119	\$ 3,884,686	\$ 4,369,038	\$ 4,417,528	\$ 5,287,206	\$ 5,669,290	\$ 6,260,979
Restricted	-	-	-	1,508,257	1,514,118	1,525,598	1,534,139	1,538,879	1,563,203	1,563,397
Committed	-	-	3,400,000	3,610,131	1,517,000	2,771,300	6,622,968	-	-	-
Assigned	-	-	9,171,895	5,953,000	3,655,000	3,148,000	3,162,000	8,075,520	5,312,270	4,561,613
Unassigned	23,015,257	20,690,932	10,722,271	12,359,648	23,340,380	24,946,170	21,856,139	19,716,862	20,062,397	19,776,349
Total general fund	\$ 23,632,762	\$ 21,314,476	\$ 23,741,886	\$ 27,465,155	\$ 33,911,184	\$ 36,760,106	\$ 37,592,774	\$ 34,618,467	\$ 32,607,160	\$ 32,162,338
All other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 158,200	\$ 160,579	\$ 224,977	\$ 200,512	\$ 196,900	\$ 293,680
Restricted	34,552,624	31,704,901	8,294,105	12,047,688	15,938,739	18,472,876	21,023,992	23,781,735	19,510,120	19,352,374
Committed	-	-	89,400	7,245,560	2,662,187	3,099,166	3,776,000	803,358	2,720,822	945,425
Assigned	-	-	17,909,784	-	-	-	-	-	-	-
Total all other governmental funds	\$ 34,552,624	\$ 31,704,901	\$ 26,293,289	\$ 19,293,248	\$ 18,759,126	\$ 21,732,621	\$ 25,024,969	\$ 24,785,605	\$ 22,427,842	\$ 20,591,479

CITY OF TROY, MICHIGAN

Changes in Fund Balances, Governmental Funds

Unaudited

Last Ten Years

(Modified Accrual Basis of Accounting)

	For Fiscal Year Ended June 30										2017	
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
Revenues												
Property taxes	\$ 51,270,756	\$ 51,092,129	\$ 50,828,551	\$ 46,082,673	\$ 46,450,199	\$ 46,470,104	\$ 46,739,163	\$ 47,032,046	\$ 48,181,711	\$ 48,330,909		
Licenses and permits	1,393,635	1,237,191	1,113,809	1,259,748	1,686,633	2,254,775	2,429,459	2,896,533	2,519,342	2,755,580		
Intergovernmental - federal	1,279,824	4,884,314	3,185,364	2,171,633	1,040,037	5,119,153	3,189,800	1,909,795	2,492,626	564,401		
Intergovernmental - state	11,990,426	11,345,811	10,494,294	10,504,385	11,384,502	11,673,045	12,238,420	14,532,201	14,016,525	15,102,588		
Intergovernmental - local	758,058	465,212	908,398	1,039,709	614,530	786,068	31,209	587,902	1,401,455	1,624,744		
Charges for services	8,109,915	7,782,945	8,151,713	7,335,759	7,660,204	7,760,295	8,378,616	9,375,710	9,636,700	9,198,024		
Fines and forfeits	1,483,784	1,054,161	1,226,729	1,277,705	1,154,999	902,183	1,396,241	1,418,354	1,183,571	1,415,429		
Investment earnings	2,782,486	1,592,062	643,073	430,899	186,897	154,351	348,625	224,322	865,229	10,795		
Other	1,924,977	1,999,943	3,347,701	1,967,075	2,330,595	2,007,022	2,042,877	3,086,024	2,948,266	3,167,305		
Total revenues	80,993,861	81,453,768	79,899,632	72,069,586	72,508,596	77,126,996	76,794,410	81,062,887	83,245,425	82,169,775		
Expenditures												
Current:												
General government	9,181,757	9,167,749	8,562,924	8,232,791	7,499,219	7,409,887	6,621,292	6,992,997	7,338,404	7,931,122		
Public safety	30,764,667	31,042,277	30,902,648	29,899,440	26,644,367	27,371,783	28,082,145	31,108,472	28,611,021	29,860,208		
Public works	5,600,748	5,687,378	4,844,712	4,799,035	4,159,761	4,257,865	5,675,847	5,638,918	5,372,214	5,441,176		
Other public works	2,676,845	2,525,114	2,043,464	1,756,490	1,680,731	1,779,928	-	-	-	-		
Sanitation	3,892,487	3,961,794	3,996,065	4,109,985	4,216,324	4,331,560	4,267,898	4,606,610	4,517,910	4,890,106		
Community & economic Dev.	115,981	195,216	127,522	148,800	133,712	621,439	18,327,123	3,207,237	3,186,003	3,364,862		
Recreation and culture	14,431,267	13,830,413	12,231,424	9,067,491	8,060,815	8,243,322	8,556,099	9,186,959	9,457,699	9,793,755		
Debt service:												
Principal	1,968,296	2,225,309	2,304,692	2,496,586	2,536,167	2,626,776	2,691,746	2,832,182	2,922,716	2,980,066		
Interest and other charges	1,471,759	1,461,569	1,375,693	1,248,479	1,119,964	1,042,839	1,126,667	1,505,715	1,407,944	1,274,264		
Capital outlay	12,322,730	17,176,377	17,062,105	14,244,384	11,130,331	13,670,400	13,725,931	19,554,175	24,973,022	18,916,700		
Total expenditures	82,426,537	87,273,196	83,451,249	76,003,481	67,181,391	71,355,799	89,074,748	84,633,265	87,786,933	84,452,259		
Excess of revenues over (under) expenditures	(1,432,676)	(5,819,428)	(3,551,617)	(3,933,895)	5,327,205	5,771,197	(12,280,338)	(3,570,378)	(4,541,508)	(2,282,484)		
Other financing sources (uses)												
Transfers in	12,260,233	11,066,116	10,441,542	9,229,240	8,803,101	8,648,930	13,742,158	15,247,847	18,223,266	15,568,422		
Transfers out	(11,578,093)	(10,442,591)	(9,934,593)	(8,772,125)	(8,218,400)	(8,648,930)	(13,292,158)	(15,306,857)	(18,223,266)	(15,568,422)		
Issuance of debt	3,505,000	181,379	11,321,816	9,110,000	-	-	14,945,000	-	-	-		
Premium on debt issuance	-	-	-	947,639	-	-	-	-	-	-		
Payments to escrow agents	(3,601,840)	-	(11,261,350)	(9,919,004)	-	-	-	-	-	-		
Proceeds from sale of capital assets	47,902	131,205	-	61,373	-	51,220	273,700	415,717	172,438	1,299		
Total other financing sources (uses)	633,202	936,109	567,415	657,123	584,701	51,220	15,668,700	356,707	172,438	1,299		
Net change in fund balances	\$ (799,474)	\$ (4,883,319)	\$ (2,984,202)	\$ (3,276,772)	\$ 5,911,906	\$ 5,822,417	\$ 3,388,362	\$ (3,213,671)	\$ (4,369,070)	\$ (2,281,185)		
Debt service as a percentage of noncapital expenditures	4.9%	5.3%	5.5%	6.1%	6.5%	6.4%	5.1%	6.7%	6.9%	6.5%		

CITY OF TROY, MICHIGAN

General Governmental Tax Revenue by Source Last Ten Fiscal Years

Unaudited

Fiscal Year Ended June 30	Governmental Activities							Total All Property Taxes
	General	Refuse	Library	Capital	General Debt Service	Capital	General Debt Service	
2008	\$ 36,667,821	\$ 3,563,759	\$ -	\$ 8,385,316	\$ 2,653,860	\$ -	\$ 2,653,860	\$ 51,270,756
2009	36,487,455	3,564,456	-	8,386,956	2,653,262	-	2,653,262	51,092,129
2010	36,362,516	3,900,932	-	7,957,902	2,607,201	-	2,607,201	50,828,551
2011	32,550,858	4,057,573	-	7,137,343	2,321,601	-	2,321,601	46,067,375
2012	30,424,031	4,168,478	3,037,539	6,645,570	2,020,285	3,037,539	2,020,285	46,295,903
2013	29,612,174	4,446,398	2,962,459	6,481,465	2,917,119	2,962,459	2,917,119	46,419,615
2014	29,591,708	4,647,626	2,982,973	6,526,304	3,010,782	2,982,973	3,010,782	46,759,393
2015	29,844,976	4,595,925	3,004,907	6,574,245	2,973,425	3,004,907	2,973,425	46,993,478
2016	30,673,539	4,733,992	3,083,735	6,771,668	3,106,251	3,083,735	3,106,251	48,369,185
2017	30,959,318	4,764,992	3,110,616	6,815,995	2,679,988	3,110,616	2,679,988	48,330,909

CITY OF TROY, MICHIGAN

Property Tax Levies and Collections Last Ten Fiscal Years

Unaudited

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections	Percentage of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections To Date	Percentage of Total Tax Collections To Total Tax Levy	Outstanding Delinquent Taxes	Percentage of Delinquent Taxes To Total Tax Levy
2008	\$ 48,667,887	\$ 47,589,455	97.78%	\$ 1,037,838	\$ 48,627,293	99.92%	\$ 107,492	0.22%
2009	48,676,220	47,420,544	97.42%	771,027	48,191,571	99.00%	120,221	0.25%
2010	48,273,658	47,388,992	98.17%	766,850	48,155,842	99.76%	116,780	0.24%
2011	43,852,179	42,664,592	97.29%	1,095,386	43,759,978	99.79%	92,200	0.21%
2012	44,257,157	43,064,206	97.30%	1,108,768	44,172,974	99.81%	84,183	0.19%
2013	44,391,807	43,575,998	98.16%	729,657	44,305,655	99.81%	86,153	0.19%
2014	45,071,690	44,160,748	97.98%	609,614	44,770,362	99.33%	101,328	0.22%
2015	45,097,245	44,545,996	98.78%	483,614	45,029,610	99.85%	57,632	0.13%
2016	46,462,301	45,764,152	98.50%	615,231	46,379,383	99.82%	82,964	0.18%
2017	46,326,577	45,802,258	98.87%	476,191	46,278,449	99.90%	48,127	0.10%

CITY OF TROY, MICHIGAN

Unaudited

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

Fiscal Year Ended June 30	City of Troy										Overlapping Governments							Total
	General	Capital	Refuse	Debt	Library	Total	Troy School District	Oakland County	Oakland County Community College	Intermediate School District	SMART	State Education	Zoo	Art				
2008 H	6.50	1.60	0.68	0.50	-	9.28	9.42	4.65	1.58	3.37	0.59	6.00	-	-	34.89			
2008 NH	6.50	1.60	0.68	0.50	-	9.28	22.13	4.65	1.58	3.37	0.59	6.00	-	-	47.60			
2009 H	6.50	1.60	0.68	0.50	-	9.28	8.72	4.65	1.58	3.37	0.59	6.00	0.10	-	34.29			
2009 NH	6.50	1.60	0.68	0.50	-	9.28	22.10	4.65	1.58	3.37	0.59	6.00	0.10	-	47.67			
2010 H	6.50	1.53	0.75	0.50	-	9.28	8.77	4.65	1.58	3.37	0.59	6.00	0.10	-	34.34			
2010 NH	6.50	1.53	0.75	0.50	-	9.28	22.10	4.65	1.58	3.37	0.59	6.00	0.10	-	47.67			
2011 H	6.50	1.53	0.87	0.50	-	9.40	9.74	4.65	1.58	3.37	0.59	6.00	0.10	-	35.43			
2011 NH	6.50	1.53	0.87	0.50	-	9.40	22.73	4.65	1.58	3.37	0.59	6.00	0.10	-	48.42			
2012 H	6.50	1.53	0.96	0.50	0.70	10.19	10.16	4.65	1.58	3.37	0.59	6.00	0.10	-	36.64			
2012 NH	6.50	1.53	0.96	0.50	0.70	10.19	22.73	4.65	1.58	3.37	0.59	6.00	0.10	-	49.21			
2013 H	6.50	1.53	1.05	0.70	0.70	10.48	10.51	4.65	1.58	3.37	0.59	6.00	0.10	0.20	37.48			
2013 NH	6.50	1.53	1.05	0.70	0.70	10.48	22.95	4.65	1.58	3.37	0.59	6.00	0.10	0.20	49.92			
2014 H	6.50	1.53	1.09	0.70	0.70	10.52	10.07	4.65	1.58	3.37	0.59	6.00	0.10	0.20	37.08			
2014 NH	6.50	1.53	1.09	0.70	0.70	10.52	22.95	4.65	1.58	3.37	0.59	6.00	0.10	0.20	49.96			
2015 H	6.50	1.53	1.07	0.70	0.70	10.50	9.96	4.65	1.58	3.37	1.00	6.00	0.10	0.20	37.36			
2015 NH	6.50	1.53	1.07	0.70	0.70	10.50	22.59	4.65	1.58	3.37	1.00	6.00	0.10	0.20	49.99			
2016 H	6.50	1.53	1.07	0.70	0.70	10.50	9.69	4.55	1.58	3.36	1.00	6.00	0.10	0.20	36.98			
2016 NH	6.50	1.53	1.07	0.70	0.70	10.50	22.58	4.55	1.58	3.36	1.00	6.00	0.10	0.20	49.87			
2017 H	6.50	1.53	1.07	0.60	0.70	10.40	10.33	4.49	1.57	3.34	0.99	6.00	0.10	0.20	37.42			
2017 NH	6.50	1.53	1.07	0.60	0.70	10.40	22.70	4.49	1.57	3.34	0.99	6.00	0.10	0.20	49.80			

H - Homestead
NH - Non-Homestead

CITY OF TROY, MICHIGAN

Unaudited

Assessed Value and Taxable Value of Property
Last Ten Fiscal Years

Assessment Date	Levy Date	Fiscal Year Ended	Residential Property	Commercial Property	Industrial Property	Personal Property	Total Gross Taxable Value	Michigan Tax Tribunals, Board of Reviews and TIFs	Net Taxable Value	Total Direct Tax Rate	Assessed Value	Taxable Value as a Percentage of Assessed Value
12/31/2006	7/01/2007	6/30/2008	\$ 3,187,596,017	\$ 1,388,201,850	\$ 510,504,920	\$ 464,213,650	\$ 5,550,516,437	\$ (13,406,312)	\$ 5,537,110,125	9.28	\$ 6,422,659,810	86.42%
12/31/2007	7/01/2008	6/30/2009	3,196,824,810	1,399,118,520	509,100,180	457,552,500	5,562,596,010	(32,906,185)	5,529,689,825	9.28	6,227,094,050	89.33%
12/31/2008	7/01/2009	6/30/2010	3,134,086,995	1,370,377,371	507,215,340	448,100,230	5,459,779,936	(45,949,620)	5,413,830,316	9.28	5,838,889,239	93.51%
12/31/2009	7/01/2010	6/30/2011	2,788,952,055	1,207,199,537	439,470,690	407,990,730	4,843,613,012	(187,025,599)	4,656,587,413	9.40	4,988,518,313	97.10%
12/31/2010	7/01/2011	6/30/2012	2,631,131,230	1,192,065,320	241,468,720	384,084,890	4,448,750,160	(115,608,486)	4,333,141,674	10.19	4,540,412,680	97.98%
12/31/2011	7/01/2012	6/30/2013	2,643,043,570	973,996,760	300,554,800	395,096,920	4,312,692,050	(93,614,668)	4,219,077,382	10.48	4,410,108,900	97.79%
12/31/2012	7/01/2013	6/30/2014	2,704,214,970	908,560,198	283,393,700	414,094,580	4,310,263,448	(63,630,562)	4,246,632,886	10.52	4,491,432,340	95.97%
12/31/2013	7/01/2014	6/30/2015	2,790,011,280	878,242,440	277,484,950	425,887,200	4,371,625,870	(93,053,718)	4,278,572,152	10.50	4,827,541,740	90.56%
12/31/2014	7/01/2015	6/30/2016	2,894,875,560	891,581,610	281,097,400	437,230,620	4,504,785,190	(98,475,692)	4,406,309,498	10.50	5,313,611,700	84.78%
12/31/2015	7/01/2016	6/30/2017	2,977,938,320	893,540,330	286,584,670	381,971,050	4,540,034,370	(79,428,775)	4,460,605,595	10.40	5,626,878,870	80.68%
12/31/2016	7/01/2017	6/30/2018	3,079,437,250	917,513,840	298,329,510	384,517,840	4,679,798,440	(91,567,450)	4,588,230,990	10.36	5,894,241,720	79.40%

Source: City of Troy Assessing records

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

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

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

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

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

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

CITY OF TROY, MICHIGAN

Top Ten Principal Taxpayers Current Year and Nine Years Ago

Unaudited

Taxpayer	Fiscal Year Ended 6/30/2008			Fiscal Year Ended 6/30/2017		
	Taxable Value	Rank	Percentage of Total City Taxable Value	Taxable Value	Rank	Percentage of Total City Taxable Value
<u>Frankel Forbes Cohen</u>	\$ 66,908,700	1	1.21%	\$ 53,059,670	1	1.13%
Liberty Property L.P.	43,202,080	2	0.78%	39,808,670	2	0.85%
<u>Nykel Management</u>	40,726,630	3	0.73%	28,910,220	3	0.62%
888 W Big Beaver Associates	33,826,600	4	0.61%	23,506,650	4	0.50%
Detroit Edison	33,584,420	5	0.61%	20,526,020	5	0.44%
Osprey Troy Office Centre	32,578,810	6	0.59%	20,422,610	6	0.44%
<u>Kelly Services</u>	31,360,640	7	0.57%	18,783,740	7	0.40%
Riggs & Company (Columbia Centers)	30,719,090	8	0.55%	16,190,910	8	0.35%
Macy's	29,435,560	9	0.53%	14,485,860	9	0.31%
Oakland Mall LLC	28,992,980	10	0.52%	14,442,660	10	0.31%
Total Top Ten	\$ 371,335,510			\$ 250,137,010		
Total % of City T/V			6.69%			5.35%
Total City T/V	\$ 5,550,516,437			\$ 4,679,798,440		

*Underlined & Italic appear in both years.

CITY OF TROY, MICHIGAN

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Unaudited

Fiscal Year Ended June 30,	Governmental Activities		Business-Type Activities		Total Outstanding Debt	Percentage of Personal Income	Debt Per Capita	Debt Per Taxable Value
	General Obligation & County Issued Bonds		Business Type Activities GO Bonds and Leases					
2008	\$ 35,333,976	\$	11,300,000	\$	46,633,976	1.47%	\$ 530	0.84%
2009	33,290,046		11,000,000		44,290,046	1.29%	544	0.80%
2010	30,670,062		10,700,000		41,370,062	1.21%	509	0.76%
2011	27,783,479		10,300,000		38,083,479	1.14%	470	0.79%
2012	25,247,312		9,900,000		35,147,312	1.04%	428	0.79%
2013	22,620,536		11,160,759		33,781,295	0.99%	408	0.78%
2014	35,575,364		10,653,108		46,228,472	1.35%	555	1.07%
2015	32,708,103		10,092,661		42,800,764	1.25%	514	0.98%
2016	29,750,308		9,334,334		39,084,642	1.14%	470	0.87%
2017	26,731,709		8,583,041		35,314,750	1.03%	425	0.78%

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

CITY OF TROY, MICHIGAN

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

Fiscal Year Ended June 30	Principal	Interest and Fiscal Charges	Total Debt Service	Total General Governmental Expenditures	Percentage of Debt Service to General Government Expenditures
2008	\$ 1,790,000	\$ 1,388,255	\$ 3,178,255	\$ 69,842,007	4.55%
2009	2,045,000	1,377,508	3,422,508	69,832,449	4.90%
2010	2,065,000	1,292,143	3,357,143	66,065,902	5.08%
2011	2,300,000	1,245,789	3,545,789	61,499,991	5.77%
2012	2,335,000	1,045,189	3,380,189	55,627,231	6.08%
2013	2,420,000	973,354	3,393,354	57,288,668	5.92%
2014	2,480,000	1,090,225	3,570,225	75,062,875	4.76%
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%

Includes General, Special Revenue and Debt Service Funds.

CITY OF TROY, MICHIGAN

Computation of Direct and Overlapping Debt

Unaudited

June 30, 2017

Jurisdiction	Net General Bonded Debt Outstanding	Percentage Applicable to Troy	Amount Applicable to Troy
City of Troy - Direct debt	\$ 33,536,337	100.00%	\$ 33,536,337
City of Troy - Indirect Debt Public Drains	1,570,372	100.00%	1,570,372
City of Troy - Overlapping Debt			
Avondale School District	86,261,948	20.55%	17,726,830
Birmingham School District	199,020,000	3.66%	7,284,132
Bloomfield Hills School District	53,570,000	2.26%	1,210,682
Lamphere School District	2,375,000	15.08%	358,150
Royal Oak School District	26,260,000	2.32%	609,232
Troy School District	140,615,000	100.00%	140,615,000
Warren School District	176,780,000	7.82%	13,824,196
Oakland County	372,198,081	8.60%	32,009,035
Oakland Intermediate School District	45,495,000	8.12%	3,694,194
Oakland County Community College	<u>820,000</u>	8.66%	<u>71,012</u>
Total overlapping debt	<u>1,103,395,029</u>		<u>217,402,463</u>
Total direct, indirect and overlapping debt	<u>\$ 1,138,501,738</u>		<u>\$ 250,938,800</u>

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

CITY OF TROY, MICHIGAN

Computation of Legal Debt Margin

Unaudited

June 30, 2017

Assessed Valuation at December 31, 2015 \$ 5,626,878,870

	Annual Net Debt	Percentage of State Equalized Valuation	Legal Margin	
			Amount	Legal Debt Margin
General obligation debt	\$ 32,940,000	10.0%	\$ 562,687,887	\$ 529,747,887
Emergency bonds	-	37.5%	2,110,079,576	2,110,079,576
Special assessment bonds	-	12.0%	675,225,464	675,225,464
Total debt	<u><u>\$ 32,940,000</u></u>		<u><u>\$ 3,347,992,928</u></u>	<u><u>\$ 3,315,052,928</u></u>

The statutory debt limits of net bonded indebtedness incurred for all public purposes shall not at any one time exceed 10% of the assessed valuation of taxable property in the City (\$5,626,878,870), 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

Unaudited

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

	Fiscal Year				
	2013	2014	2015	2016	2017
Debt Limit	\$ 441,010,890	\$ 449,143,234	\$ 482,754,174	\$ 531,361,170	\$ 562,687,887
Total net debt applicable to limit	<u>(30,420,000)</u>	<u>(42,735,000)</u>	<u>(39,670,000)</u>	<u>(36,325,000)</u>	<u>(32,940,000)</u>
Legal debt margin	<u>\$ 410,590,890</u>	<u>\$ 406,408,234</u>	<u>\$ 443,084,174</u>	<u>\$ 495,036,170</u>	<u>\$ 529,747,887</u>
Total net debt applicable to the limit as a percentage of debt limit	6.90%	9.51%	8.22%	6.84%	5.85%

CITY OF TROY, MICHIGAN

Pledged Revenue Coverage Unaudited
Last Ten Fiscal Years

Golf Course Bonds					
Fiscal Year Ended	Debt Service				Coverage (1)
	Collections	Principal	Interest	Total	
2008	\$ 985,813	\$ 300,000	\$ 539,038	\$ 839,038	117%
2009	923,908	300,000	526,950	826,950	112%
2010	974,051	300,000	515,200	815,200	119%
2011	940,775	400,000	501,945	901,945	104%
2012	1,442,755	400,000	485,446	885,446	163%
2013	1,295,277	400,000	419,657	819,657	158%
2014	1,335,433	400,000	328,254	728,254	183%
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%

Michigan Transportation Fund Bonds					
Fiscal Year Ended	Debt Service				Coverage
	Collections (1)	Principal	Interest	Total	
2008	\$ 2,461,676	\$ 175,000	\$ 72,588	\$ 247,588	994%
2009	2,371,142	175,000	63,838	238,838	993%
2010	2,329,592	175,000	54,913	229,913	1013%
2011	2,363,803	175,000	45,900	220,900	1070%
2012	2,487,834	200,000	36,713	236,713	1051%
2013	2,521,831	225,000	26,013	251,013	1005%
2014	2,759,611	250,000	13,750	263,750	1046%
2015	-	-	-	-	N/A
2016	-	-	-	-	N/A
2017	-	-	-	-	N/A

Special Assessment Bonds					
Fiscal Year Ended	Debt Service				Coverage (2)
	Collections	Principal	Interest	Total	
2008	\$ -	\$ -	\$ -	\$ -	N/A
2009	-	-	-	-	N/A
2010	-	-	-	-	N/A
2011	-	-	-	-	N/A
2012	-	-	-	-	N/A
2013	-	-	-	-	N/A
2014	-	-	-	-	N/A
2015	-	-	-	-	N/A
2016	-	-	-	-	N/A
2016	-	-	-	-	N/A

- (1) Fifty percent of state gas and weight taxes can be used for debt payments.
- (2) Customers may choose to make special assessment payments up-front to avoid paying interest to the City, which creates uneven payment streams over the life of the assessment.

CITY OF TROY, MICHIGAN

Demographic Statistics Last Ten Fiscal Years

Unaudited

Fiscal Year Ended June 30,	Population (3)	Median Age (3)	Number of Households(3)	Average Household Size (3)	Income Per Capita (3)	Median Income Per Household (1)	Personal Income (millions)	Unemployment Rate (%) (2)	Education Age 25 or Older		
									High School(3)	Bachelor Degree(3)	Graduate or Professional Degree (3)
2008	87,956	38.1	32,802	2.69	\$36,000	\$ 79,000	\$ 3,166	5.6	67	50	22
2009	81,490	38.1	33,368	2.69	42,000	83,135	3,423	9.4	67	50	22
2010	81,235	38.1	30,723	2.69	42,000	87,269	3,412	11.9	67	50	22
2011	80,980	41.8	32,907	2.63	41,200	85,946	3,336	9.5	73	57	27
2012	82,071	41.8	32,998	2.61	41,200	86,465	3,381	7.7	73	57	27
2013	82,853	41.8	33,063	2.61	41,200	85,685	3,414	7.4	73	57	27
2014	83,270	41.8	33,182	2.60	41,209	84,325	3,431	5.9	95	57	27
2015	83,319	41.8	33,233	2.60	41,209	85,797	3,433	4.4	95	57	27
2016	83,181	41.8	32,002	2.59	41,209	87,269	3,428	3.5	95	57	27
2017	83,181	41.8	32,002	2.59	41,209	87,269	3,428	2.5	95	57	27

Source:

- (1) U.S. Census - American Fact Finder
- (2) Bureau of Labor and Statistics
- (3) Southeast Michigan Council of Governments (SEMCOG)

CITY OF TROY, MICHIGAN

Principal Employers by Industry
Current and Previous Four Years Unaudited

Industry	2013		2014		2015		2016		2017	
	Number of Parcels	Percent of Total Parcels	Number of Parcels	Percent of Total Parcels	Number of Parcels	Percent of Total Parcels	Number of Parcels	Percent of Total Parcels	Number of Parcels	Percent of Total Parcels
Industrial, Light Manufacturing	643	39.62%	638	39.12%	637	39.37%	639	39.15%	644	39.03%
Office	261	16.08%	262	16.06%	259	16.01%	259	15.87%	257	15.58%
Retail Store (Mall, Plaza, Market, Whse, Discount)	150	9.24%	154	9.44%	155	9.58%	155	9.50%	155	9.39%
Medical Office	85	5.24%	84	5.15%	85	5.25%	85	5.21%	84	5.09%
All other	82	5.05%	88	5.40%	75	4.64%	89	5.45%	96	5.82%
Apartments	67	4.13%	67	4.11%	68	4.20%	68	4.17%	71	4.30%
Engineering	66	4.07%	66	4.05%	64	3.96%	62	3.80%	64	3.88%
Restaurant & Fast Food	66	4.07%	66	4.05%	66	4.08%	66	4.04%	71	4.30%
Service (Station, Garage, Booth, Convenience)	58	3.57%	58	3.56%	57	3.52%	57	3.49%	52	3.15%
Warehouse (Storage, Distribution, Transit)	57	3.51%	59	3.62%	63	3.89%	62	3.80%	66	4.00%
Loft (Multi Tenant Industrial)	41	2.53%	40	2.45%	40	2.47%	40	2.45%	40	2.42%
Bank	30	1.85%	32	1.96%	32	1.98%	32	1.96%	32	1.94%
Auto Dealership	17	1.05%	17	1.04%	17	1.05%	18	1.10%	18	1.09%
Total commercial/industrial parcels	1,623	100.00%	1,631	100.00%	1,618	100.00%	1,632	100.00%	1,650	100.00%

Source: City Assessor

CITY OF TROY, MICHIGAN

Operating Indicators by Function/Program

Last Ten Fiscal Years

Unaudited

	Fiscal Year Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>Building Inspection</u>										
Permits issued	1,588	1,251	1,185	940	1,699	2,006	2,297	2,369	2,404	3,197
Plans reviewed	920	685	719	908	1,842	2,023	2,641	3,051	3,301	3,817
<u>Executive Administration</u>										
City Manager's Office										
GFOA awards/submittals	3	3	3	2	2	3	3	3	3	3
City Attorney's Office										
District court appearances	6,706	6,840	6,091	6,492	6,612	7,884	7,871	8,289	8,059	8,241
Community Affairs										
New resident packets distributed	830	855	910	943	912	803	790	801	940	790
Press releases sent	465	475	482	487	474	479	482	495	500	460
City Clerk's Office										
Registered voters	56,774	55,989	56,572	55,301	57,470	58,318	56,630	57,400	57,163	58,333
Voter turnout% (November)	24%	79%	22%	57%	27%	74%	27%	51%	21%	80%
Human Resources										
Applications processed	1,762	1,015	365	110	1,566	778	1,274	1,120	809	1,261
Job postings	39	37	10	11	30	26	38	45	51	59
Labor contracts settled	1	1	1	6	0	0	3	2	4	0
<u>Engineering</u>										
Engineering										
Soil erosion inspections	1,422	1,626	979	863	772	628	812	1,089	640	744
Machine traffic counts	136	146	125	93	68	52	43	25	25	15
PASER ratings	Not Avail.	Not Avail.	Not Avail.	Not Avail.	6	5.8	5.7	5.7	5.5	5.3

CITY OF TROY, MICHIGAN

Operating Indicators by Function/Program

Last Ten Fiscal Years

Unaudited

	Fiscal Year Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>Finance</u>										
Accounting/Risk Management										
Payroll checks processed	27,717	27,346	23,147	22,891	23,091	24,073	24,073	26,497	26,822	27,665
Invoices issued	2,000	3,597	8,354	9,649	10,027	10,033	10,635	10,121	10,119	10,307
Liability claims processed	143	140	85	84	57	53	103	344	84	41
Insurance certificates approved	379	370	364	331	328	348	365	385	619	693
Assessing										
Residential appraisals	1,273	1,439	863	750	500	642	518	362	390	400
Reinspections	800	1,000	600	500	500	892	892	1,156	1,400	1,000
Purchasing										
Value of goods/services purchased	\$29.6 mil	\$33.8 mil	\$31.7 mil	\$33.3 mil	\$34.2 mil	\$34.6 mil	\$34.0 mil	\$34.5 mil	\$37.8 mil	\$43.6 mil
% of awards without dispute	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
City Treasurer's Office										
Tax bills processed	66,907	65,798	65,770	65,687	65,900	66,000	66,200	62,685	62,854	62,345
Water bills processed	104,784	104,777	104,807	99,566	101,055	102,272	102,510	102,807	103,118	104,418
<u>Fire</u>										
Fire Department responses	1,154	889	853	1,022	1,090	1,006	1,165	1,077	1,174	1,216
Inspections performed	2,440	2,768	2,543	2,347	2,013	3,154	2,988	2,398	2,815	2,348
<u>Other General Government</u>										
Building Operations										
Requests for service	19,200	18,922	17,280	16,801	12,500	18,550	18,550	16,280	18,150	18,630
Planning										
Site plan reviews	21	9	14	13	8	9	17	17	15	18
Special use requests	13	15	9	8	7	12	3	2	6	5

CITY OF TROY, MICHIGAN

Operating Indicators by Function/Program Last Ten Fiscal Years

Unaudited

	Fiscal Year Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>Parks, Recreation and Culture</u>										
ROW trees trimmed	1,968	2,894	3,168	2,457	2,262	3,508	3,300	3,976	2,611	4,323
Recreation programs	573	587	622	471	468	466	480	485	485	492
Library cards	Not avail.	Not avail.	51,200	50,900	51,000	51,000	46,400	49,656	56,961	61,362
<u>Police</u>										
Part 1 Crimes	2,021	1,944	1,837	1,842	1,865	1,670	1,512	1,419	1,451	1,358
Operate while impaired	503	477	396	464	399	506	473	419	350	392
Hazardous traffic citations	9,127	8,178	8,214	7,526	7,385	6,811	6,704	5,283	4,796	4,510
Non-hazardous traffic citations	3,002	3,415	2,888	2,745	3,941	3,681	3,168	4,750	3,736	3,315
<u>Traffic crashes:</u>										
Property damage	2,670	2,336	2,167	2,427	2,434	1,958	3,342	3,163	1,937	1,949
Personal injury	614	564	374	317	386	303	532	468	275	260
Fatal crash	6	5	5	3	2	4	4	5	3	4
<u>Public Works</u>										
<u>Streets & Drains Division</u>										
Requests for service	1,602	1,258	1,004	1,188	1,149	1,370	1,774	1,747	1,509	1,636
<u>Water & Sewer Division</u>										
Requests for service	2,147	2,844	2,902	3,379	3,366	4,217	4,434	4,140	2,482	2,776
Sanitary sewers cleaned in feet	2,100,000	2,100,000	1,785,000	1,307,000	2,100,000	1,300,000	1,630,417	1,250,000	1,151,056	835,683
<u>Fleet Maintenance</u>										
Work orders	4,000	3,848	3,507	3,217	2,839	2,037	2,532	2,165	2,443	2,477
Vehicle tires replaced	594	604	608	520	566	464	406	487	332	349
<u>Refuse/Resource Recovery</u>										
Tons of refuse collected	35,313	32,951	27,412	27,230	29,816	26,655	27,210	28,462	28,068	28,475
Tons of compost collected	10,753	10,620	12,313	9,690	10,689	8,786	9,743	9,174	9,104	9,580

CITY OF TROY, MICHIGAN

Operating Indicators by Function/Program
Last Ten Fiscal Years

Unaudited

	Fiscal Year Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>Information Technology</u>										
Help desk requests	2,136	2,075	2,392	2,498	2,485	2,333	3,079	3,018	2,811	3,136
<u>Golf Course</u>										
Sylvan Glen rounds of golf	42,451	43,892	41,719	40,852	47,293	42,655	37,737	42,887	49,988	49,044
Sanctuary Lake rounds of golf	23,664	24,710	24,757	27,236	33,485	30,301	30,283	31,840	43,416	41,459
<u>Aquatic Center</u>										
Admissions	53,521	48,146	47,738	51,000	54,260	47,940	49,066	36,021	42,481	34,741

CITY OF TROY, MICHIGAN

Capital Asset Statistics by Function/Program Last Ten Fiscal Years

Unaudited

Function/Program	Fiscal Year Ended June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>Fire</u>										
Stations	6	6	6	6	6	6	6	6	6	6
<u>Police</u>										
Stations	1	1	1	1	1	1	1	1	1	1
<u>Streets</u>										
Miles of improved	443	443	443	443	435	406	406	408	408	409
Miles of unimproved	4	4	4	4	4	4	4	4	4	4
<u>Sewers</u>										
Miles of combination storm/sanitary	10	10	10	10	10	10	10	6	6	6
Miles of sanitary	395	397	398	398	391	392	393	393	395	396
Miles of storm	543	545	545	545	589	625	631	529	519	535
<u>Street Lights</u>										
Detroit Edison owned poles	582	582	580	562	561	562	562	562	562	562
City owned poles	956	956	956	997	1,242	539	539	1,010	1,010	1,010
<u>Water</u>										
Annual distribution in million cubic feet	561	494	449	485	530	539	450	420	450	495
Miles of watermains	539	540	540	540	537	539	537	542	543	544
Number of hydrants	5,830	5,850	5,854	5,870	5,863	5,897	5,930	5,962	5,979	6,001
<u>Parks and Recreation</u>										
Number of developed parks	14	14	14	14	14	15	15	15	15	15
Acres of public parks	880	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Number of tennis courts	18	18	18	18	18	18	18	18	18	18
Outdoor education center/farm	1	1	1	1	1	1	1	1	1	1
18-hole golf course	2	2	2	2	2	2	2	2	2	2
Community center	1	1	1	1	1	1	1	1	1	1
Aquatic center	1	1	1	1	1	1	1	1	1	1

Source: City Departments

CITY OF TROY, MICHIGAN

Building Construction

Unaudited

Last Ten Fiscal Years

2007 - 2008	1,588	permits	103,420,413	estimated value
2008 - 2009	1,251	permits	99,128,945	estimated value
2009 - 2010	1,185	permits	56,329,455	estimated value
2010 - 2011	940	permits	81,414,322	estimated value
2011 - 2012	1,699	permits	98,609,054	estimated value
2012 - 2013	2,006	permits	146,556,961	estimated value
2013 - 2014	2,297	permits	165,364,134	estimated value
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

Source: SafeBuilt Inc.

CITY OF TROY, MICHIGAN

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

Unaudited

Function/Program	2008		2009		2010		2011		2012		2013		2014		2015		2016		2017		
	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	
<u>Building Inspection</u>																					
Building Inspection	21	2	21	2	17	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<u>Executive Administration</u>																					
City Manager's Office	4.5	0	4.5	0	4.5	0	4	4	7	6	7	5	7	7	9	6	9	5	9	4	4
City Attorney's Office	8	1	8	1	8	1	6	1	7	1	7	1	7	0	7	0	6	0	7	0	0
City Clerk's Office	6	2	6	2	5	2	3	2	4	2	4	2	4	2	4	3	4	3	5	1	1
Human Resources	4	1	4	1	4	1	2	1	2	1	3	1	4	1	4	0	4	1	4	1	1
Community Affairs	3	6	3	6	1	6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<u>Engineering</u>																					
Engineering	22	6	21	6	16	5	12	3	10	4	11	3	11	3	11	2	11	2	13	2	2
<u>Finance</u>																					
Accounting/Risk Management	10.5	0	10.5	0	9.5	0	4	1	4	3	6	1	6	2	6	2	6	1	6	2	2
Assessing	8	2	8	2	8	1	6	1	6	1	6	1	7	1	6	1	7	0	6	0	0
Purchasing	3	1	3	1	3	1	2	0	0	1	2	1	2	1	2	1	2	1	2	1	1
City Treasurer's Office	4.5	0	3.5	0	3.5	0	3	0	4	0	3	1	3	1	4	0	4	0	4	0	0
<u>Fire</u>																					
Fire	14	2	13	2	13	2	10	6	11	6	11	6	11	6	12	6	12	4	12	4	5
<u>Library/Museum</u>																					
Library	16	98	16	96	15	93	5	61	6	68	5	71	9	82	9	83	9	75	11	75	75
Museum	2	9	2	9	2	9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Continued.....

CITY OF TROY, MICHIGAN

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

Last Ten Fiscal Years

Unaudited

	2008		2009		2010		2011		2012		2013		2014		2015		2016		2017	
	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
Concluded....																				
<u>Other General Government</u>																				
Real Estate & Development	3.5	0	3.5	0	3.5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Building Operations	12	2	12	2	11	2	6	0	6	3	7	3	7	4	7	3	7	4	8	2
Planning	5	0	5	0	3	0	4	2	4	2	4	2	4	2	4	2	4	3	4	4
<u>Police</u>																				
Sworn Police Officers	94	0	95	0	95	0	94	0	73	0	74	0	69	0	79	0	78	0	79	0
Command	36	0	29	0	27	0	24	0	23	0	22	0	21	0	23	0	23	0	22	0
Other	62	18	68	18	66	18	35	22	44	32	44	35	47	31	47	35	48	29	48	24
<u>Parks & Recreation</u>																				
Parks & Recreation	34	206	32	206	32	181	15	155	12	190	11	182	11	195	12	199	12	198	11	197
<u>Public Works</u>																				
Streets & Drains Division	31.5	18	31.5	18	28.5	18	24.5	2	20.5	11	20.5	8	22.5	9	24.5	11	24	9	25	10
Water & Sewer Division	34	7	34	7	34	7	31	0	31	6	31	6	33	6	32	6	31	7	34	6
Fleet Maintenance	18	2	18	2	18	2	11	2	11	4	14	3	12	6	14	6	15	2	16	0
Refuse/Resource Recovery	1.5	1	1.5	1	1.5	1	0.5	0	0.5	0	0.5	0	0.5	0	0.5	0	0	0	0	0
<u>Information Technology</u>																				
Information technology	9	0	9	2	9	2	8	1	8	1	8	1	9	0	10	0	11	0	11	0
<u>Golf Course</u>																				
Golf course	5	71	5	71	5	54	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<u>Aquatic Center</u>																				
Aquatic center	0	74	0	88	0	88	0	50	0	37	0	45	0	42	0	52	0	66	0	60
Total Employees	472	529	467	543	443	496	310	314	294	379	301	378	307	401	327	418	327	410	337	394

Source: City Department of Human Resources

CITY OF TROY, MICHIGAN

State Shared Revenues Last Ten Fiscal Years

Unaudited

Fiscal Year Ended June 30	State Shared Revenue
2008	\$ 6,633,938
2009	6,313,999
2010	5,615,666
2011	5,615,666
2012	6,136,066
2013	6,279,381
2014	6,435,145
2015	6,541,560
2016	6,535,632
2017	8,091,385 *

* - 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	
2008	\$ 3,529,518	\$ 1,393,834	\$ 4,923,352
2009	3,396,979	1,345,306	4,742,285
2010	3,337,309	1,321,874	4,659,183
2011	3,386,023	1,341,582	4,727,605
2012	3,572,892	1,402,776	4,975,668
2013	3,623,451	1,420,210	5,043,661
2014	3,963,956	1,555,266	5,519,222
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

Source: City of Troy

CITY OF TROY, MICHIGAN

Labor Agreements		Unaudited
Name	Expiration Date	Number of Employees Covered
American Federation of State, County, and Municipal Employees, AFSCME - Public Works Employees	6/30/2021	66
Michigan Association of Police - Clerical, Police Services Aides	6/30/2018	41
Troy Command Officers Association - Command Police Officers	6/30/2019	24
Troy Police Officers Association - Police Officers	6/30/2020	80
Troy Firestaff Officers Association - Fire Career Professionals	6/30/2019	10
Troy Communication Supervisors Association - Civilian Communications Supervisors	6/30/2021	8

Source: City Department of Human Resources

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 29, 2017

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Troy, Michigan* (the "City"), as of and for the year ended June 30, 2017, 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 29, 2017.

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.

Rehmann Lobson LLC