



CITY OF TROY | 2017/2018

# Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

City of Troy,  
Michigan



Year Ended  
June 30, 2018

Comprehensive  
Annual Financial  
Report

### City Council

Mayor  
Mayor Pro Tem  
Council Members

Dane Slater  
Edna Abraham  
Dave Henderson  
Ed Pennington  
Ethan Baker  
Ellen Hodorek  
David Hamilton

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 28, 2018

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, 2018 is hereby submitted. The report represents a comprehensive and detailed picture of our financial transactions during fiscal year 2017/18 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>March 2018</u>
Troy	2.8%
Oakland County	3.4%
Michigan	4.6%
National	4.1%

Source: CivicDashboards

The City reached the low point in taxable value in the 2013 fiscal year at \$4.219 billion after Michigan Tax Tribunal and Board of Review adjustments. Since then, the City has experienced modest annual growth in taxable value averaging 2.1%. The City experienced growth in net taxable value for fiscal 2018 at 2.7% and was comprised of growth in residential properties of 3.4%, and growth in both commercial properties (2.7%) and industrial properties (4.1%). For Michigan cities, Troy ranked third for the largest taxable values in the state. However, in this era of competition for business retention and attraction, we need to advance a preferred future in which residents and businesses continue to aspire to locate here.

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

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

### Troy City Center

The transformation of 888 W. Big Beaver Road into a vibrant mixed use development is nearing completion. Façade and interior renovations for the 298,000 square foot office tower have been completed, a new 1472-space parking deck has been built and several new retail and restaurant establishments have opened or are under construction. New retail tenants include Fidelity, Shake Shack, Yardhouse and Season's 52. In addition, a 272-unit luxury apartment building is being developed on the site. The Troy Downtown Development Authority supported the construction of the parking structure through its Quality Development Initiative.

### Health Alliance Plan

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

### Konica Minolta

Konica Minolta has located its IT business solutions regional headquarters at 340 E. Big Beaver. The company is leasing 15,000 square feet of space. Approximately 140 employees will be located at the facility.

### Midland Credit Management

Midland Credit Management has added 31,000 square feet of leased space to its 320 E. Big Beaver Road office. The expansion will add approximately 150 new jobs at the location.

### Midtown Apartments

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

### MSX International

MSX has leased 30,000 square feet of space at 1775 Research Drive. MSX offers retail network and human capital solutions. Approximately 150 employees are expected to be located at the facility.

### Paslin

Paslin has leased the former 139,000 square foot Kamax facility located at 500 W. Long Lake Road. Paslin manufactures automotive welding systems and expects to employ approximately 90 people at the location.

### Trion Solutions

Trion Solutions has opened its new 33,655 square foot office at 888 W Big Beaver. Trion is a leader in human resources administration. The company has approximately 67 employees at the location.

### Zhongli

Zhongli is a Chinese owned company that produces engine mounts. The company has leased the former Valiant facility located at 1511 E. 14 Mile Road. The 35,000 square foot building will house approximately 20 employees.

## 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 \$55.5 million had a modest increase of \$1.6 million or 2.9% compared to the prior year. Property taxes, the General Fund's largest revenue source, was \$31.7 million representing an increase of \$780 thousand or 2.5%. Taxable values of \$4.6 billion increased \$119.3 million or 2.7%.

State sources totaled \$8.5 million indicating an increase of \$286 thousand or 3.5%. 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 \$8.7 million an increase of \$92 thousand or 1.1%. Major sources include Community Center passes of \$1.3 million down \$74.6 thousand (5.6%), engineering fees charged to capital projects of \$2.3 million up \$96 thousand or 4.6%, and Cable TV franchise fees of \$1.4 million down \$71 thousand or 4.9%.

Total General Fund operating expenditures of \$56.4 million increased \$3.0 million or 5.7%. The increase included personal service cost increases of \$663 thousand or 1.9% including wage increases of \$780 thousand or 3.3%, health and life insurance increase of \$317 thousand or 9.5% and offset by reductions in retirement contributions of \$395 thousand or 6.8%. The increase also included other service charges increase of \$2.3 million or 14.1% including an increase to the Volunteer Firefighter Incentive Program of \$600 thousand or 53.9%, contractual services increase of \$781 thousand or 13.3% and utilities increase of \$136 thousand or 7.9%.

Other financing sources (transfers in) of \$4.3 million increased \$727 thousand primarily from major and local street special revenue funds that reimburse the general fund for street maintenance. Other financing uses (transfers out) of \$2.2 million decreased \$2.5 million primarily to the capital projects fund to finance fire station #4 in the previous year. The \$2.2 million included transfers to the capital projects fund to finance major and local streets (\$1.6 million) and for the parking lot pavement of the police/fire training facility (\$600 thousand).

## General Fund Balance

Fund balance of the General Fund increased by \$1.3 million to a balance of \$33.4 million. Of this amount, \$6.9 million is nonspendable for such items as inventory, prepaid items and advances to other funds; \$1.6 million is restricted for budget stabilization, and \$6.3 million has been assigned for insurance claims, tax appeals and the subsequent years budgeted use of fund balance. The \$18.7 million remaining unassigned amount represents 33.1% 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 \$20.2 million are down \$545 thousand or (2.6%) compared to the prior fiscal year. This is directly due to the combined decrease in sale volumes from 494 thousand mcf (thousand cubic feet) to 465 thousand mcf and offset by a rate change from \$38.50 to \$39.30 per mcf. The decrease in volume is attributable to wetter conditions in summer and fall of 2017 as well as the spring of 2018. However, in recent years there has been a general trend in less water consumption annually. However, water operating expenses of \$20.9 million increased \$1.8 million due to the charges 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. Accordingly, the system incurred an operating loss of \$705 thousand. The net effect after consideration of non-operating revenues and developer contributions was a decrease in net position of \$145 thousand 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 \$13.3 million in operating revenues as compared to \$13.5 million in the prior year (a decrease of \$179 thousand or 1.3%). This decrease was due to the decrease in volume sales as noted in the Water Fund section above and offset by the rate increase from \$25.30 to \$26.60 per mcf. Operating expenses of \$14.5 million increased \$2.0 million or 16.4%. Fees for treatment services are 100% fixed and determined by the Oakland County Water Resource Commission (OCWRC) and accordingly are not affected by sales volume. Accordingly, the system incurred an operating loss of \$1.1 million. The net effect was a decrease in net position after non-operating revenues and developer contributions of \$884 thousand. 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 \$578 thousand decreased \$13 thousand or 2.2% from the prior year. This was primarily in the area of daily passes and membership fees which typically sell in the late spring season. Accordingly, early spring weather conditions can have a direct affect on membership sale volumes. Operating expenses of \$658 thousand decreased by \$63 thousand or 8.9%.

*Sylvan Glen Golf Course Fund* - Operating revenues of \$1.3 million decreased \$65 thousand or 4.8% compared to the prior fiscal year. This decrease is attributable a decrease of rounds played due to course conditions during the installation of a dual irrigation system during the year. Actual rounds of play decreased from 49,044 to 45,848. Operating expenses of \$1.1 million decreased \$31 thousand or 2.8% compared to the prior year. The Course experienced an increase in both operating income and net position of \$216 thousand for the fiscal year.

*Sanctuary Lake Golf Course Fund* - Operating revenues of \$1.8 million increased by \$41 thousand or 2.4% compared to the prior fiscal year. This modest increase is attributable to a slight increase in rounds of play from 41,459 to 41,700 along with maximizing price strategies. Operating expenses of \$1.7 million increased \$33 thousand or 2.0% compared to the prior fiscal year. The course had operating income of \$104 thousand before the cost of interest on debt of \$254 thousand. As a result, the golf course had a decrease in net position of \$149 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 \$198.4 million compared to the beginning amount of \$195.8 million. As of December 31, 2017, the most recent actuarial valuation, the fund was 114.7% 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 \$9.9 million. As of December 31, 2017, the most recent actuarial valuation, the fund was 54.2% 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 \$81.3 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 \$18.7 million or 33.1% 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 2018 fiscal year included major and local street improvements of \$1.6 million and paving of the police/fire training center parking lot in the amount of \$600 thousand. These projects totaled \$2.2 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, 2017.


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


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

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

### Acknowledgements

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

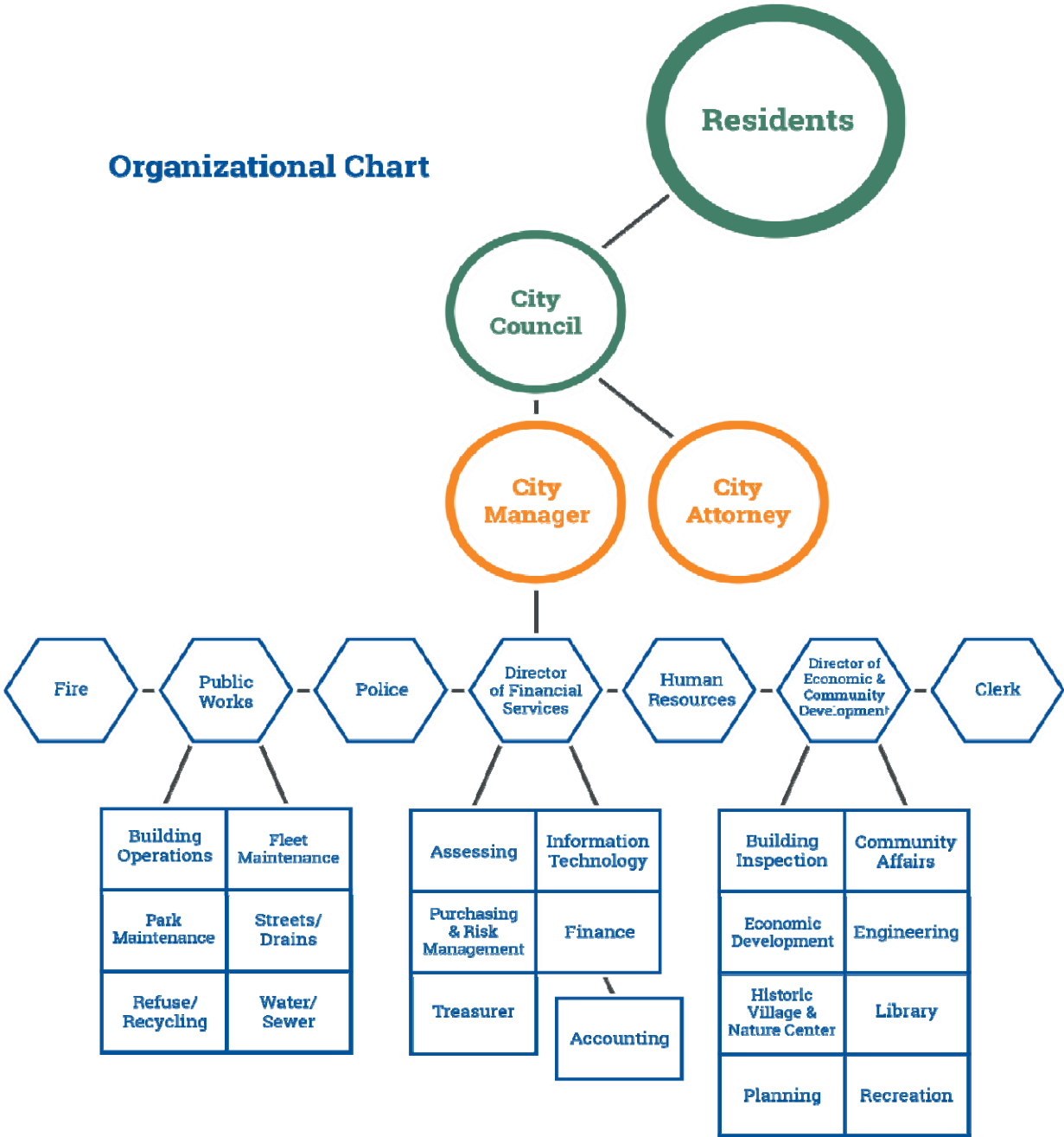
  
\_\_\_\_\_  
Mark F. Miller  
City Manager

  
\_\_\_\_\_  
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, 2017**

*Christopher P. Morill*

Executive Director/CEO

CITY OF TROY, MICHIGAN  
PRINCIPAL OFFICIALS

City Manager	Mark F. Miller
City Attorney	Lori Grigg Bluhm
Director of Financial Services	Thomas E. Darling, CPA
Director of Economic and Community Development	Open Position
City Assessor	Leger (Nino) Licari
City Clerk	Aileen Dickson
City Engineer	Steven J. Vandette
City Treasurer	Sandra L. Kasperek
Community Affairs Director	Cynthia Stewart
Accounting Manager	Lisa Burnham
Purchasing Manager	MaryBeth Murz
Fire Chief	Dave Roberts
Human Resources Director	Jeanette Menig
Information Technology Director	Gertrude 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
Facilities and Grounds	Dennis Trantham
Fleet Operations Manager	Brian Varney
Streets and Drains Operations Manager	Scott Carruthers
Water and Sewer Operations Manager	Paul Troser

# CITY OF TROY, MICHIGAN

## FUND ORGANIZATION CHART

### Governmental Funds

#### ■ General Fund\*

#### Special Revenue Funds

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

#### Debt Service Funds

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

#### ■ Capital Projects Fund\*

#### Permanent Fund

- Cemetery Perpetual Care

### Proprietary Funds

#### Enterprise Funds

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

#### Internal Service

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

### Fiduciary Funds

#### Pension and OPEB Trust

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

#### Agency

- Agency

### Component Units

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

\*Major funds under GASB No. 34

## FINANCIAL SECTION

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**INDEPENDENT AUDITORS' REPORT**

November 28, 2018

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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### *Required Supplementary Information*

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

### *Other Information*

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018, on our consideration of the City of Troy, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rehmann Loborn 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, 2018. 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 invested over \$22.2 million in capital assets and infrastructure including: \$11.7 million in roads, \$3.6 million in land and building improvements, and \$1.9 million in water and sanitary sewer improvements.
- 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 \$412.3 million (*net position*). Of this amount \$56.4 million represents unrestricted net position which are economic (not total cash) resources which may be used to meet the City's ongoing obligations to residents and creditors.
- The City's total revenues of \$123.3 million were in excess of total expense of \$115.2 million resulting in an increase of net position in the amount of \$8.1 million.
- The City's governmental activities incurred expenses of \$76.3 million. These expenses were covered by program revenues totaling \$27.3 million and general revenues (including taxes, state shared revenues and other non-restrictive grants and contributions) of \$58.1 million resulting in an increase in net position of approximately \$9.1 million.
- Governmental activities revenue increased \$3.7 million due to an increase in capital grants and contributions of \$1.2 million, an increase in property tax revenue of \$1.2 million and charges for services of \$400 thousand. Interest earnings of \$700 thousand were offset by the recognition of a decrease in fair market value from rising interest rates of \$600 thousand.
- Governmental activities expense increased by \$2.1 million due primarily to increases in public works of \$1.5 million for snow & ice removal along with the Big Beaver shuttle service, and recreation and culture increased \$900 thousand for increased senior services and community center improvements.
- The City's business-type activities incurred \$38.9 million in expenses. These expenses were paid by program revenues, primarily in the form of user charges and contributions of \$37.9 million. This resulted in a decrease in net position of approximately \$1.0 million. This decrease is primarily due to lower 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 \$51.8 million, a decrease of \$998 thousand 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 \$18.7 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 \$18.7 million, or approximately 33.1% 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 \$412.3 million, at the close of the most recent fiscal year.

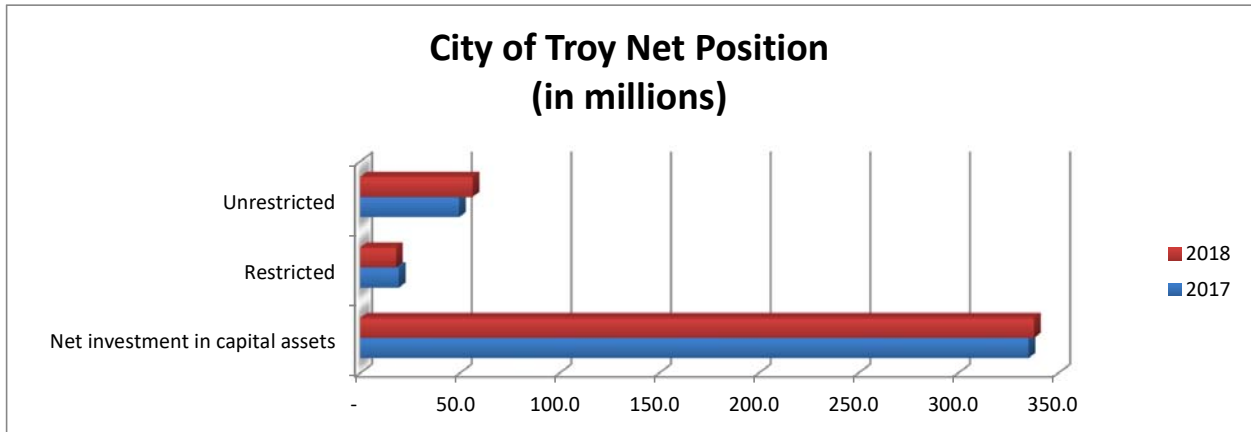
The table below shows the comparison of total assets, deferred outflows, total liabilities, deferred inflows and total net position (in millions of dollars) in a condensed format as of June 30, 2018 to the prior year.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Assets:</b>						
Current and other assets	\$ 123.8	\$ 116.5	\$ 46.4	\$ 45.8	\$ 170.2	\$ 162.3
Capital assets	233.1	229.7	135.8	137.1	368.9	366.8
<b>Total assets</b>	<b>356.9</b>	<b>346.2</b>	<b>182.2</b>	<b>182.9</b>	<b>539.1</b>	<b>529.1</b>
<b>Deferred outflows</b>	<b>6.8</b>	<b>10.3</b>	<b>0.9</b>	<b>1.0</b>	<b>7.7</b>	<b>11.3</b>
<b>Liabilities:</b>						
Long-term debt outstanding	29.4	32.2	7.9	8.6	37.3	40.8
Other liabilities	72.3	75.9	6.9	6.3	79.2	82.2
<b>Total liabilities</b>	<b>101.7</b>	<b>108.1</b>	<b>14.8</b>	<b>14.9</b>	<b>116.5</b>	<b>123.0</b>
<b>Deferred inflows</b>	<b>17.3</b>	<b>12.8</b>	<b>0.7</b>	<b>0.4</b>	<b>18.0</b>	<b>13.2</b>
<b>Net position:</b>						
Net investment in capital assets	209.3	206.0	128.6	129.2	337.9	335.2
Restricted	18.0	19.4	-	-	18.0	19.4
Unrestricted	17.4	10.2	39.0	39.4	56.4	49.6
<b>Total net position (restated)</b>	<b>\$ 244.7</b>	<b>\$ 235.6</b>	<b>\$ 167.6</b>	<b>\$ 168.6</b>	<b>\$ 412.3</b>	<b>\$ 404.2</b>

By far, the largest portion of the City's net position (82.0%) reflects its investment in capital assets of \$337.9 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 \$18.0 million or (4.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$56.4 million (13.7%) 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 \$8.1 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, 2018 to the prior year, in a condensed format:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Program revenues:</b>						
Charges for services	\$ 15.6	\$ 15.2	\$ 37.1	\$ 37.9	\$ 52.7	\$ 53.1
Operating grants & contributions	1.2	0.9	-	-	1.2	0.9
Capital grants & contributions	10.5	9.3	0.7	2.7	11.2	12.0
<b>General revenues:</b>						
Property taxes	49.4	48.2	-	-	49.4	48.2
State-shared revenues	8.4	8.1	-	-	8.4	8.1
Interest earnings	0.1	-	0.1	-	0.2	-
Other revenue	0.2	-	-	-	0.2	-
<b>Total revenues</b>	<b>85.4</b>	<b>81.7</b>	<b>37.9</b>	<b>40.6</b>	<b>123.3</b>	<b>122.3</b>
<b>Expenses:</b>						
General government	10.5	10.9	-	-	10.5	10.9
Public safety	29.4	29.4	-	-	29.4	29.4
Public works	18.1	16.6	-	-	18.1	16.6
Sanitation	5.0	4.9	-	-	5.0	4.9
Community & economic development	0.9	0.8	-	-	0.9	0.8
Recreation and culture	11.3	10.4	-	-	11.3	10.4
Interest expense	1.1	1.2	-	-	1.1	1.2
Water	-	-	20.8	19.0	20.8	19.0
Sanitary sewer	-	-	14.4	12.4	14.4	12.4
Aquatic center	-	-	0.7	0.7	0.7	0.7
Golf courses	-	-	3.0	3.0	3.0	3.0
<b>Total expenses</b>	<b>76.3</b>	<b>74.2</b>	<b>38.9</b>	<b>35.1</b>	<b>115.2</b>	<b>109.3</b>

Statements of activities (continued)

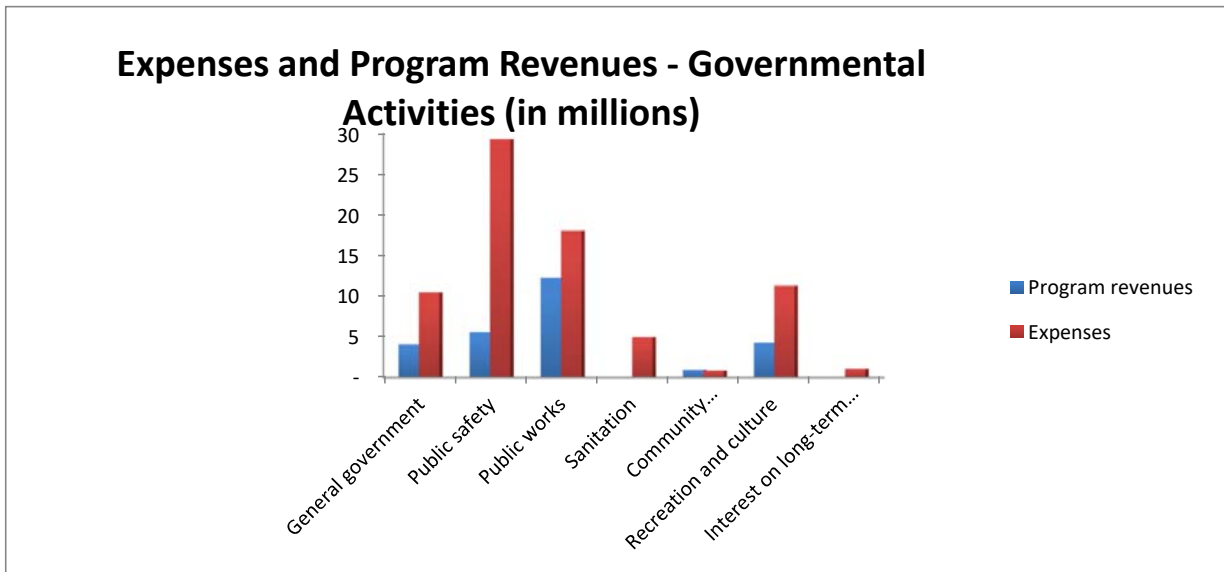
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Change in net position	9.1	7.5	(1.0)	5.5	8.1	13.0
Net position, beg. of year	235.6	228.1	168.6	163.1	404.2	391.2
Net position, end of year	\$ 244.7	\$ 235.6	\$ 167.6	\$ 168.6	\$ 412.3	\$ 404.2

Governmental Activities

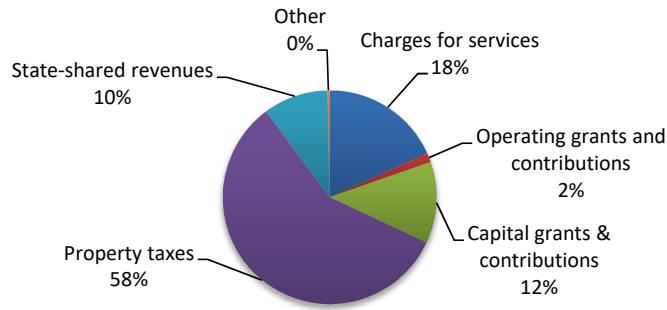
During the current fiscal year, net position for the City's governmental activities increased \$9.1 million from the prior fiscal year.

Total governmental revenue is reported at \$85.4 million, an increase of \$3.7 million from the prior year. The increase is primarily due to capital grants and contributions of \$1.2 million, an increase of property taxes of \$1.2 million and an increase in charges for services of \$400 thousand. The capital contributions are received primarily from the Road Commission of Oakland County, Oakland County, Michigan Department of Transportation and the Federal Department of Transportation for street improvements. Property tax increases are a direct result of an increase in the taxable value of properties (increased \$119.3 million or 2.7%). Charges for services include building permit fees (up \$93 thousand or 4.9%), medical marijuana growing licenses (\$93 thousand, new in fiscal year) and Engineering fees charged to the Capital Projects Fund (up \$99 thousand or 4.6%).

Total governmental expenses are reported at \$76.3 million, an increase of \$2.1 million from the prior year. The increase is primarily in the area of public works for snow and ice removal (up \$1.5 million or 9.0%) due to more snow and ice events in the fiscal year. In addition, recreational activities increased (up \$900 thousand or 8.6%) due to increased senior programming and community center improvements.



## Sources of Revenues - Governmental Activities



### Business-type Activities

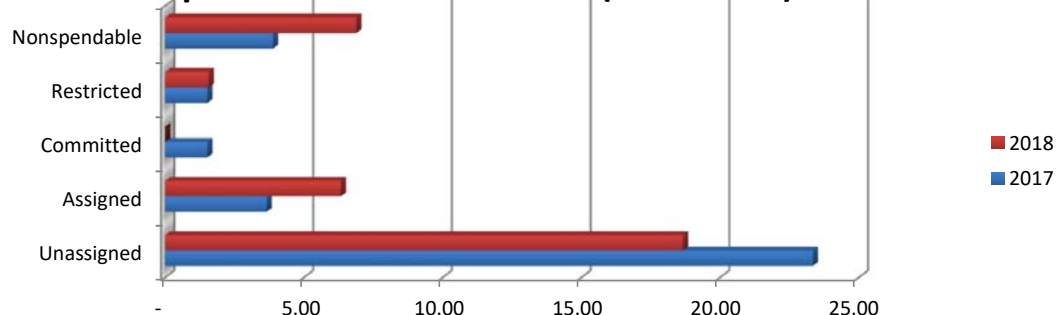
The City of Troy's business-type activities consist of water supply, sanitary sewer, aquatic center, and two municipal golf courses. Water and sanitary sewer services, classified as Major Funds, are provided to City residents through the Great Lakes Water Authority (GLWA) and Oakland County Water Resource Commission (OCWRC), respectively. Change in net position for business-type activities decreased \$1.0 million. The Water Fund activities decreased net position by \$145 thousand and the Sanitary Sewer Fund decreased net position by \$884 thousand. These results were primarily due to a decrease in sale volumes of 5.9% coupled with increases in cost charged by the water and sanitary sewer service providers of approximately 2.8%. The City's two golf courses recorded combined operating income of \$320 thousand and increased net position by \$66 thousand after deducting debt interest expense of \$254 thousand. The Aquatic Center recorded both an operating loss and a decrease of net position of \$79 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 \$51.8 million, a decrease of \$1.0 million compared to the prior year. Approximately 36.1% of this amount (\$18.7 million) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is 1) not in spendable form, 2) legally required to be maintained intact, 3) restricted for particular purposes, 4) committed for particular purposes, or 5) assigned for particular purposes.

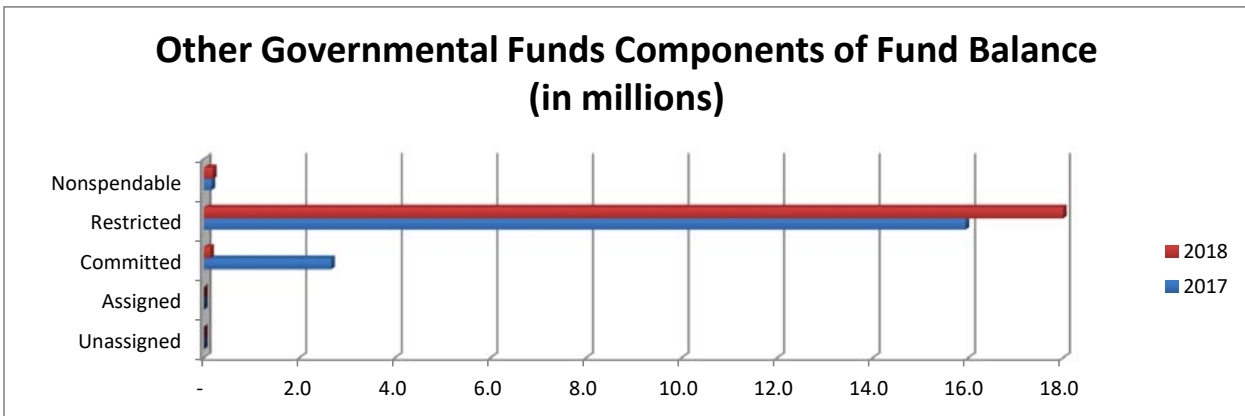
## General Fund Components of Fund Balance (in millions)



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 \$18.7 million, while total general fund balance increased \$1.3 million to \$33.4 million. A decrease in general fund balance was budgeted at \$5.4 million however favorable results in revenues of \$1.6 million along with expenditures of \$4.2 million and transfers net of \$2.3 million offset the budgeted decrease. The general fund unassigned fund balance has a target limits of 20% to 30% of annual expenditures. As a measure of the general funds liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 33.1% of total general fund expenditures, while total general fund balance represents approximately 59.3% of the same amount.

As mentioned, total general fund balance increased by \$1.3 million in the current fiscal year. Total revenues of \$55.5 million had a modest increase of \$1.6 million or 2.9% compared to the prior year. Property taxes, the General Fund's largest source of revenue, increased \$780 thousand or 2.5%. Taxable values of \$4.6 billion increased \$119.3 million or 2.7%. Residential values represented 65.8% of total taxable value while the combined commercial, industrial and personal property taxable values represented 34.2%.

General fund expenditures (before transfers) of \$56.4 million increased \$3.0 million or 5.7%. The increase was primarily in the area of personal services at \$663 thousand or 1.9% and other service charges increase of \$2.3 million or 14.1% including an increase to the Volunteer Firefighter Incentive Program of \$600 thousand, contractual services increase of \$781 thousand and utility increase of \$136 thousand.



The capital projects fund, a major fund, had a decrease in fund balance of \$2.7 million during the current year for a total of \$7.0 million. Major capital projects included major street improvements of \$6.6 million, local street improvements of \$5.6 million, trails and pathways \$704 thousand, completion of Fire Station #4 \$832 thousand and the court building roof \$553 thousand. It should be noted that the General Fund contributed \$2.2 million towards street and parking lot improvements; Major Streets Fund contributed \$2.5 million and Local Streets Fund contributed \$1.0 million.

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

#### Financial Analysis of 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 \$14.5 million and the sanitary sewer fund was \$28.9 million at the end of the current fiscal year. The Sanctuary Lake Golf Course had an unrestricted net deficit of \$7.7 million. The Water Fund total net position decreased by \$145 thousand while the sanitary sewer fund decreased by \$884 thousand. This was primarily due to the decrease in sale volumes by 5.9% coupled with an increase in cost by service providers of approximately 2.8%. The water rate charged by the City to end users increased 2.1% from \$38.50 to 39.30 per mcf. The Sanitary Sewer rate charged by the City to end users increased 5.1% from \$25.30 to \$26.60 per mcf. Sanctuary Lake Golf Course generated \$104 thousand in operating income before incurring \$254 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 \$3.8 million. City Council recognized General Fund surplus for the June 30, 2017 fiscal year and appropriated these funds to support the City's street improvement program, police/fire training center parking lot and firefighter ladder trucks #5 & #6 while utilizing one-time expenditures to address General Fund unassigned fund balance.

Revenues of \$55.5 million were \$1.6 million over amended budget amounts. Contributing factors include additional license and permit fees (\$322 thousand), state shared revenues received (\$547 thousand) and charges for services over the amended budget by \$697.

Expenditures of \$56.4 million were \$4.2 million under amended budget amounts. Expenditures by function under the amended budget include general government by \$994 thousand primarily from personal service (\$486 thousand), supplies (\$29 thousand) and other service charges (\$485 thousand). Public safety expenditures were under budget by \$1.8 million from personal service costs (\$1.8 million). Public works expenditures were under budget by \$1.0 million including personal service (\$464 thousand), supplies (\$219 thousand) and other service charges (\$306 thousand). Culture and recreation was under budget by \$422 thousand including personal services (\$100 thousand) and other service charges (\$297 thousand).

## Capital Asset and Debt Administration

At the end of fiscal 2018, the City of Troy had \$368.9 million invested in a broad range of capital assets including land, buildings, police and fire equipment, water and sewer lines, roads, sidewalks, and other infrastructure. The increase in capital assets of \$2.1 million (net of accumulated depreciation) compared to the prior year was primarily attributable to the acquisition of new infrastructure items such as streets \$11.7 million, land improvements \$1.8 million, building improvements \$1.8 million and water and sanitary sewer transmission and distribution system improvements of \$1.9 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 \$31.0 million at June 30, 2018, a decrease of \$3.5 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 2018/2019 through 2020/2021 three year fiscal budget.

- The millage rate for the 2018/2019 fiscal year decreased slightly to 10.2965 mills compared to the 10.3583 mills for the 2017/18 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 10.2965 mills includes general operating millage of 6.5 mills, capital projects of 1.4381 mills, refuse of 1.07 mills, debt service of 0.6 mills and library operations of 0.6884 mills.
- Total General Fund revenues and other sources are expected to generate approximately \$62.2 million. This is an increase of \$2.3 million or 3.9% compared to the fiscal 2017/2018 results of \$59.9 million. Property tax revenues which accounts for approximately 52.9% of total General Fund revenues is expected to generate \$32.9 million. This is an increase of \$1.1 million or 3.6%.
- General fund expenditures and other uses are budgeted at \$65.5 million. This is an increase of to increase of \$6.9 million or 11.8% compared to fiscal 2017/18 results. The increase is primarily due to increases in personal services including healthcare of \$5.6 million, increase in supplies of \$422 thousand, increase in other service charges of \$1.6 million less a reduction in transfers out to other funds in the amount of \$565 thousand.

- 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 2018/19 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. The 2017/18 fiscal year that resulted in sales of 465 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 no increase from the 2017/18 fiscal year. Sanitary sewer rates increased to \$27.40 per mcf. This is an increase of \$0.80 per mcf or 3.0%. 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](http://www.troymi.gov).

## BASIC FINANCIAL STATEMENTS

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CITY OF TROY, MICHIGAN

Statement of Net Position

June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments	\$ 63,935,950	\$ 40,761,908	\$ 104,697,858	\$ 1,210,942
Receivables (net)	18,629,059	9,006,991	27,636,050	307,011
Internal balances	5,349,213	(5,349,213)	-	-
Other assets	1,895,177	538,973	2,434,150	-
Net pension asset	33,933,836	1,435,270	35,369,106	-
Capital assets:				
Assets not being depreciated	42,438,626	10,962,836	53,401,462	-
Assets being depreciated, net	190,677,798	124,815,921	315,493,719	-
<b>Total assets</b>	<b>356,859,659</b>	<b>182,172,686</b>	<b>539,032,345</b>	<b>1,517,953</b>
<b>Deferred outflow of resources</b>				
Deferred pension expenses	6,841,663	242,519	7,084,182	-
Deferred loss on debt refinancing	-	656,342	656,342	-
<b>Total deferred outflow of resources</b>	<b>6,841,663</b>	<b>898,861</b>	<b>7,740,524</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	5,912,212	3,806,155	9,718,367	10,100
Accrued payroll	1,435,185	-	1,435,185	-
Accrued liabilities	318,593	774,752	1,093,345	110,577
Unearned revenue	500	-	500	-
Long-term debt:				
Due within one year	6,475,355	725,000	7,200,355	260,000
Due in more than one year	22,977,753	7,144,668	30,122,421	13,645,000
Net VFIP liability (due in more than one year)	10,206,113	-	10,206,113	-
Net OPEB liability (due in more than one year)	54,403,590	2,301,062	56,704,652	-
<b>Total liabilities</b>	<b>101,729,301</b>	<b>14,751,637</b>	<b>116,480,938</b>	<b>14,025,677</b>
<b>Deferred inflow of resources</b>				
Deferred pension resources	13,412,448	554,523	13,966,971	-
Deferred OPEB resources	3,882,171	164,201	4,046,372	-
Deferred gain on refunding	-	-	-	377,403
<b>Total deferred inflow of resources</b>	<b>17,294,619</b>	<b>718,724</b>	<b>18,013,343</b>	<b>377,403</b>
<b>Net position</b>				
Net investment in capital assets	209,330,214	128,565,431	337,895,645	-
Restricted for:				
Debt service	680,126	-	680,126	-
Capital projects	6,844,064	-	6,844,064	-
Highways and streets	7,023,124	-	7,023,124	-
Sanitation services	800,106	-	800,106	-
Library services	1,078,468	-	1,078,468	-
Other services	1,345,436	-	1,345,436	-
Perpetual care:				
Nonexpendable	164,000	-	164,000	-
Expendable	60,358	-	60,358	-
Unrestricted (deficit)	17,351,506	39,035,755	56,387,261	(12,885,127)
<b>Total net position (deficit)</b>	<b>\$ 244,677,402</b>	<b>\$ 167,601,186</b>	<b>\$ 412,278,588</b>	<b>\$ (12,885,127)</b>

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

CITY OF TROY, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2018

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	\$ 10,527,094	\$ 3,862,669	\$ 3,000	\$ 231,040	\$ (6,430,385)
Public safety	29,357,164	4,975,806	638,325	-	(23,743,033)
Public works	18,123,198	3,082,359	-	9,215,055	(5,825,784)
Sanitation	5,007,584	25,923	-	-	(4,981,661)
Community and economic development	851,314	-	216,379	729,939	95,004
Recreation and culture	11,320,591	3,698,180	276,936	325,800	(7,019,675)
Interest on long-term debt	1,095,894	-	-	-	(1,095,894)
<b>Total governmental activities</b>	<b>76,282,839</b>	<b>15,644,937</b>	<b>1,134,640</b>	<b>10,501,834</b>	<b>(49,001,428)</b>
Business-type activities					
Water	20,809,872	20,154,112	-	553,024	(102,736)
Sanitary sewer	14,441,047	13,335,048	-	185,228	(920,771)
Aquatic center	655,821	578,108	-	-	(77,713)
Sylvan Glen golf course	1,082,544	1,298,319	-	-	215,775
Sanctuary Lake golf course	1,930,551	1,781,278	-	-	(149,273)
<b>Total business-type activities</b>	<b>38,919,835</b>	<b>37,146,865</b>	<b>-</b>	<b>738,252</b>	<b>(1,034,718)</b>
<b>Total primary government</b>	<b>\$ 115,202,674</b>	<b>\$ 52,791,802</b>	<b>\$ 1,134,640</b>	<b>\$ 11,240,086</b>	<b>\$ (50,036,146)</b>
Component units					
Downtown development authority	\$ 903,680	\$ -	\$ -	\$ -	\$ (903,680)
Local development financing authority	120,947	-	-	-	(120,947)
Brownfield redevelopment authority	10,180	-	-	-	(10,180)
<b>Total component units</b>	<b>\$ 1,034,807</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,034,807)</b>

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CITY OF TROY, MICHIGAN

Statement of Activities (Continued)

For the Year Ended June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (49,001,428)	\$ (1,034,718)	\$ (50,036,146)	\$ (1,034,807)
General revenues				
Property taxes	31,687,325	-	31,687,325	-
Property taxes for sanitary purposes	4,909,101	-	4,909,101	-
Property taxes for economic development	-	-	-	1,539,021
Property taxes for library	3,179,008	-	3,179,008	-
Property taxes for capital projects	6,861,168	-	6,861,168	-
Property taxes for debt service	2,760,034	-	2,760,034	-
State shared revenue, unrestricted	8,378,417	-	8,378,417	28,364
Grants and contributions not restricted to specific programs	20,070	-	20,070	-
Unrestricted investment earnings	93,835	73,070	166,905	2,314
Gain on sale of capital assets	156,664	-	156,664	-
Total general revenues	58,045,622	73,070	58,118,692	1,569,699
Change in net position	9,044,194	(961,648)	8,082,546	534,892
Net position, beginning of year (deficit)	235,633,208	168,562,834	404,196,042	(13,420,019)
Net position, end of year (deficit)	\$ 244,677,402	\$ 167,601,186	\$ 412,278,588	\$ (12,885,127)

concluded.

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

CITY OF TROY, MICHIGAN

**Balance Sheet**  
**Governmental Funds**

June 30, 2018

	General	Debt Service Series 2013	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 26,722,327	\$ -	\$ 10,839,896	\$ 10,016,779	\$ 47,579,002
Receivables:					
Accounts receivable (net)	1,061,528	-	332,606	228,468	1,622,602
Taxes-delinquent (net)	104,983	-	-	-	104,983
Special assessments	-	-	4,111	-	4,111
Interest	63,918	-	-	-	63,918
Due from component units	-	14,015,577	-	-	14,015,577
Due from other governments	1,374,613	-	-	1,337,700	2,712,313
Inventory	361,204	-	-	-	361,204
Prepaid expenditures	1,046,163	-	-	23,299	1,069,462
Advances to other funds	5,478,384	-	-	-	5,478,384
<b>Total assets</b>	<b>\$ 36,213,120</b>	<b>\$ 14,015,577</b>	<b>\$ 11,176,613</b>	<b>\$ 11,606,246</b>	<b>\$ 73,011,556</b>
<b>Liabilities</b>					
Accounts payable	\$ 1,170,872	\$ -	\$ 4,131,016	\$ 266,591	\$ 5,568,479
Accrued payroll	1,435,185	-	-	-	1,435,185
Unearned revenue	500	-	-	-	500
Other liabilities	61,759	-	64,687	197	126,643
<b>Total liabilities</b>	<b>2,668,316</b>	<b>-</b>	<b>4,195,703</b>	<b>266,788</b>	<b>7,130,807</b>
<b>Deferred inflows of resources</b>					
Unavailable revenue - property tax and long-term receivables	104,984	14,015,577	4,583	-	14,125,144
<b>Fund balances</b>					
Nonspendable	6,885,751	-	-	187,299	7,073,050
Restricted	1,565,721	-	6,844,064	11,152,159	19,561,944
Committed	-	-	132,263	-	132,263
Assigned	6,326,870	-	-	-	6,326,870
Unassigned	18,661,478	-	-	-	18,661,478
<b>Total fund balances</b>	<b>33,439,820</b>	<b>-</b>	<b>6,976,327</b>	<b>11,339,458</b>	<b>51,755,605</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 36,213,120</b>	<b>\$ 14,015,577</b>	<b>\$ 11,176,613</b>	<b>\$ 11,606,246</b>	<b>\$ 73,011,556</b>

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, 2018

Fund balances - total governmental funds	\$ 51,755,605
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	42,428,378
Add: capital assets being depreciated	465,372,981
Deduct: accumulated depreciation	(279,221,871)
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	14,125,144
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	33,933,836
Add: deferred outflows from pension expense recognition	6,841,663
Deduct: Net VFIP liability	(10,206,113)
Deduct: Net OPEB liability	(54,403,590)
Deduct: deferred inflows from pension expense recognition	(13,412,448)
Deduct: deferred inflows from OPEB expense recognition	(3,882,171)
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.	16,528,801
Deduct: due to business-type activities for internal service fund activities	(129,171)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct: accrued interest payable	(187,840)
Deduct: bonds payable and related premiums	(23,786,210)
Deduct: claims incurred but not reported	(1,079,592)
Net position of governmental activities	<u>\$ 244,677,402</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, 2018

	General	Debt Service Series 2013	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 31,739,742	\$ -	\$ 6,861,168	\$ 10,848,143	\$ 49,449,053
Licenses and permits	2,947,987	-	-	-	2,947,987
Intergovernmental:					
Federal sources	58,548	-	301,615	59,726	419,889
State sources	8,495,792	-	231,040	8,540,007	17,266,839
Local sources	271,457	-	956,057	-	1,227,514
Charges for services	8,699,425	-	501,347	127,580	9,328,352
Fines and forfeitures	1,110,197	-	-	507,410	1,617,607
Investment earnings	30,070	-	20,925	19,142	70,137
Other	2,193,837	931,513	9,600	4,282	3,139,232
<b>Total revenues</b>	<b>55,547,055</b>	<b>931,513</b>	<b>8,881,752</b>	<b>20,106,290</b>	<b>85,466,610</b>
<b>Expenditures</b>					
Current:					
General government	7,479,926	-	2,584	74,525	7,557,035
Public safety	31,330,039	-	-	97,514	31,427,553
Public works	6,184,744	-	-	-	6,184,744
Sanitation	-	-	-	5,008,258	5,008,258
Community development	3,567,614	-	-	59,726	3,627,340
Recreation and culture	7,813,654	-	-	2,957,814	10,771,468
Debt service:					
Principal	-	260,000	235,420	2,415,000	2,910,420
Interest and fees	-	671,513	36,983	451,599	1,160,095
Capital outlay	-	-	17,818,579	-	17,818,579
<b>Total expenditures</b>	<b>56,375,977</b>	<b>931,513</b>	<b>18,093,566</b>	<b>11,064,436</b>	<b>86,465,492</b>
Revenues (under) over expenditures	(828,922)	-	(9,211,814)	9,041,854	(998,882)
<b>Other financing sources (uses)</b>					
Transfers in	4,306,404	-	6,473,912	3,803,050	14,583,366
Transfers out	(2,200,000)	-	-	(12,383,366)	(14,583,366)
Proceeds from sale of capital assets	-	-	670	-	670
<b>Total other financing sources (uses)</b>	<b>2,106,404</b>	<b>-</b>	<b>6,474,582</b>	<b>(8,580,316)</b>	<b>670</b>
Net change in fund balances	1,277,482	-	(2,737,232)	461,538	(998,212)
Fund balances, beginning of year	32,162,338	-	9,713,559	10,877,920	52,753,817
<b>Fund balances, end of year</b>	<b>\$ 33,439,820</b>	<b>\$ -</b>	<b>\$ 6,976,327</b>	<b>\$ 11,339,458</b>	<b>\$ 51,755,605</b>

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, 2018

Net change in fund balances - total governmental funds \$ (998,212)

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	17,768,169
Deduct: depreciation expense	(14,153,600)

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	3,183,610
Deduct: net difference in deferred inflows for property taxes	(58,639)
Deduct: deferred inflow change for long-term receivable	(261,300)

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	2,910,420
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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	667,202
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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	64,205
Deduct: increase in accrued claims payable	(77,661)

Change in net position of governmental activities \$ 9,044,194

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 31,648,750	\$ 31,648,750	\$ 31,739,742	\$ 90,992
Licenses and permits	2,626,250	2,626,250	2,947,987	321,737
<b>Intergovernmental</b>				
Federal sources	18,000	18,000	58,548	40,548
State sources	7,948,400	7,948,400	8,495,792	547,392
Local sources	279,440	248,940	271,457	22,517
Charges for services	8,002,550	8,002,550	8,699,425	696,875
Fines and forfeitures	1,011,750	1,011,750	1,110,197	98,447
Investment earnings	352,000	352,000	30,070	(321,930)
Other	2,045,450	2,075,950	2,193,837	117,887
<b>Total revenues</b>	<b>53,932,590</b>	<b>53,932,590</b>	<b>55,547,055</b>	<b>1,614,465</b>
<b>Expenditures</b>				
<b>General government</b>				
Council and executive administration	4,477,690	4,494,200	4,075,363	(418,837)
Finance	2,784,260	2,784,260	2,417,542	(366,718)
Other	1,195,760	1,195,760	987,021	(208,739)
<b>Total general government</b>	<b>8,457,710</b>	<b>8,474,220</b>	<b>7,479,926</b>	<b>(994,294)</b>
<b>Public safety</b>				
Police	25,277,800	25,277,800	23,454,748	(1,823,052)
Fire	5,520,250	5,520,250	5,606,689	86,439
Building inspection	2,289,630	2,289,630	2,268,602	(21,028)
<b>Total public safety</b>	<b>33,087,680</b>	<b>33,087,680</b>	<b>31,330,039</b>	<b>(1,757,641)</b>
<b>Public works</b>				
Roads and streets	7,173,700	7,173,700	6,184,744	(988,956)
<b>Community Development</b>				
Engineering	2,620,770	2,620,770	2,750,468	129,698
Planning	951,145	951,145	817,146	(133,999)
<b>Total community development</b>	<b>3,571,915</b>	<b>3,571,915</b>	<b>3,567,614</b>	<b>(4,301)</b>
<b>Recreation and culture</b>				
Parks	2,928,478	2,978,478	2,705,366	(273,112)
Recreation	4,882,780	4,882,780	4,751,190	(131,590)
Historic village and nature center	374,730	374,730	357,098	(17,632)
<b>Total recreation and culture</b>	<b>8,185,988</b>	<b>8,235,988</b>	<b>7,813,654</b>	<b>(422,334)</b>
<b>Total expenditures</b>	<b>60,476,993</b>	<b>60,543,503</b>	<b>56,375,977</b>	<b>(4,167,526)</b>

continued...

# CITY OF TROY, MICHIGAN

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

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues over (under) expenditures	\$ (6,544,403)	\$ (6,610,913)	\$ (828,922)	\$ 5,781,991
Other financing sources (uses)				
Transfers in	5,014,990	5,014,990	4,306,404	(708,586)
Transfers out	-	(3,835,410)	(2,200,000)	(1,635,410)
Total other financing sources (uses)	5,014,990	1,179,580	2,106,404	(2,343,996)
Net change in fund balances	(1,529,413)	(5,431,333)	1,277,482	6,708,815
Fund balance, beginning of year	32,162,338	32,162,338	32,162,338	-
Fund balance, end of year	\$ 30,632,925	\$ 26,731,005	\$ 33,439,820	\$ 6,708,815

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, 2018

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sanitary Sewer	Sanctuary Lake Golf Course	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Assets</b>						
Current assets:						
Cash and investments	\$ 11,827,188	\$ 27,875,364	\$ 839,299	\$ 220,057	\$ 40,761,908	\$ 16,356,948
Accounts receivable:						
Billed	3,498,656	7,564	2,085	136,589	3,644,894	105,555
Unbilled	2,912,644	2,030,698	-	-	4,943,342	-
Inventories	355,421	20,853	40,315	34,907	451,496	464,511
Prepaid expenses	-	-	39,322	48,155	87,477	-
Total current assets	<u>18,593,909</u>	<u>29,934,479</u>	<u>921,021</u>	<u>439,708</u>	<u>49,889,117</u>	<u>16,927,014</u>
Noncurrent assets:						
Contracts receivable	40,096	378,659	-	-	418,755	-
Advances to other funds	-	-	-	3,099,230	3,099,230	-
Net pension asset	1,193,110	242,160	-	-	1,435,270	-
Capital assets not being depreciated	2,083,909	3,906,279	2,213,463	2,759,185	10,962,836	10,248
Capital assets being depreciated net of accumulated depreciation	83,454,535	34,013,240	6,164,277	1,183,869	124,815,921	4,526,688
Total noncurrent assets	<u>86,771,650</u>	<u>38,540,338</u>	<u>8,377,740</u>	<u>7,042,284</u>	<u>140,732,012</u>	<u>4,536,936</u>
Total assets	<u>105,365,559</u>	<u>68,474,817</u>	<u>9,298,761</u>	<u>7,481,992</u>	<u>190,621,129</u>	<u>21,463,950</u>
Deferred outflow of resources						
Deferred pension expenses	201,601	40,918	-	-	242,519	-
Deferred loss on debt refinancing	-	-	656,342	-	656,342	-
Total deferred outflows of resources	<u>201,601</u>	<u>40,918</u>	<u>656,342</u>	<u>-</u>	<u>898,861</u>	<u>-</u>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	2,665,558	1,094,572	589	45,436	3,806,155	343,536
Accrued liabilities	343,029	59,495	195,028	177,200	774,752	4,307
Compensated absences	-	-	-	-	-	2,614,400
Current portion of bonds and capital lease payable	-	-	725,000	-	725,000	-
Total current liabilities	<u>3,008,587</u>	<u>1,154,067</u>	<u>920,617</u>	<u>222,636</u>	<u>5,305,907</u>	<u>2,962,243</u>
Noncurrent liabilities:						
Compensated absences	-	-	-	-	-	1,972,906
Advances from other funds	-	-	8,397,312	180,302	8,577,614	-
Net OPEB liability	1,912,825	388,237	-	-	2,301,062	-
Bonds and capital lease payable	-	-	7,144,668	-	7,144,668	-
Total noncurrent liabilities	<u>1,912,825</u>	<u>388,237</u>	<u>15,541,980</u>	<u>180,302</u>	<u>18,023,344</u>	<u>1,972,906</u>
Total liabilities	<u>4,921,412</u>	<u>1,542,304</u>	<u>16,462,597</u>	<u>402,938</u>	<u>23,329,251</u>	<u>4,935,149</u>
Deferred inflow of resources						
Deferred pension resources	460,963	93,560	-	-	554,523	-
Deferred OPEB resources	136,497	27,704	-	-	164,201	-
Total deferred inflow of resources	<u>597,460</u>	<u>121,264</u>	<u>-</u>	<u>-</u>	<u>718,724</u>	<u>-</u>
<b>Net position</b>						
Net investment in capital assets	85,538,444	37,919,519	1,164,414	3,943,054	128,565,431	4,536,936
Unrestricted (deficit)	14,509,844	28,932,648	(7,671,908)	3,136,000	38,906,584	11,991,865
Total net position (deficit)	<u>\$ 100,048,288</u>	<u>\$ 66,852,167</u>	<u>\$ (6,507,494)</u>	<u>\$ 7,079,054</u>	<u>167,472,015</u>	<u>\$ 16,528,801</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					129,171	
Net position of business type activities					<u>\$167,601,186</u>	

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, 2018

	Business-type Activities - Enterprise Funds				Governmental	
	Water	Sanitary Sewer	Sanctuary Lake Golf Course	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenues						
Charges for services	\$ 18,917,513	\$ 13,335,048	\$ 1,780,768	\$ 1,499,597	\$ 35,532,926	\$ 7,836,244
Rental:						
Golf course	-	-	510	198,130	198,640	-
Restaurant	-	-	-	67,200	67,200	-
Hydrant	5,350	-	-	-	5,350	-
Building	-	-	-	-	-	190,017
Equipment	-	-	-	-	-	3,653,223
Tap and connections fees	681,990	-	-	-	681,990	-
Penalties	440,929	-	-	-	440,929	-
Other services	108,330	-	-	111,500	219,830	-
Other services to city funds	-	-	-	-	-	413,432
<b>Total operating revenues</b>	<b>20,154,112</b>	<b>13,335,048</b>	<b>1,781,278</b>	<b>1,876,427</b>	<b>37,146,865</b>	<b>12,092,916</b>
Operating expenses						
Cost of sales and services	13,842,135	11,241,710	-	-	25,083,845	7,461,961
General and administrative	1,019,818	823,078	-	-	1,842,896	629,244
Operations	3,070,122	935,809	1,351,085	1,498,587	6,855,603	2,477,080
Depreciation	2,927,074	1,469,320	326,051	241,275	4,963,720	957,673
<b>Total operating expenses</b>	<b>20,859,149</b>	<b>14,469,917</b>	<b>1,677,136</b>	<b>1,739,862</b>	<b>38,746,064</b>	<b>11,525,958</b>
Operating income (loss)	(705,037)	(1,134,869)	104,142	136,565	(1,599,199)	566,958
Nonoperating revenues (expenses)						
Investment earnings	7,311	65,488	-	271	73,070	23,698
Interest expense	-	-	(253,545)	(344)	(253,889)	-
Gain on sale of capital assets	-	-	-	-	-	156,664
<b>Total nonoperating revenues (expenses)</b>	<b>7,311</b>	<b>65,488</b>	<b>(253,545)</b>	<b>(73)</b>	<b>(180,819)</b>	<b>180,362</b>
Income (loss) before contributions	(697,726)	(1,069,381)	(149,403)	136,492	(1,780,018)	747,320
Developer and capital grant contributions	553,024	185,228	-	-	738,252	-
Change in net position	(144,702)	(884,153)	(149,403)	136,492	(1,041,766)	747,320
Net position (deficit), beginning of year	100,192,990	67,736,320	(6,358,091)	6,942,562		15,781,481
Net position (deficit), end of year	\$ 100,048,288	\$ 66,852,167	\$ (6,507,494)	\$ 7,079,054		\$ 16,528,801
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					80,118	
Change in net position of business-type activities					\$ (961,648)	

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, 2018

	Business-type Activities - Enterprise Funds				Governmental	
	Water	Sanitary Sewer	Sanctuary Lake Golf Course	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Cash flows from operating activities</b>						
Cash received from customers and others	\$ 20,005,031	\$ 13,402,708	\$ 1,788,164	\$ 1,845,936	\$ 37,041,839	\$ -
Cash received from interfund services	-	-	-	-	-	12,101,464
Cash payments to employees	(2,341,997)	(898,806)	(675,164)	(784,748)	(4,700,715)	(7,398,427)
Cash payments to suppliers for goods and services	(14,904,255)	(11,586,466)	(671,750)	(666,047)	(27,828,518)	(2,911,965)
Cash payments for interfund services	(490,413)	(339,029)	(9,099)	(39,114)	(877,655)	-
<b>Net cash provided by operating activities</b>	<b>2,268,366</b>	<b>578,407</b>	<b>432,151</b>	<b>356,027</b>	<b>3,634,951</b>	<b>1,791,072</b>
<b>Cash flows from noncapital financing activities</b>						
Advances redeemed from other funds	-	-	-	244,000	244,000	-
Advances from other funds	-	-	559,000	-	559,000	-
<b>Net cash provided by noncapital financing activities</b>	<b>-</b>	<b>-</b>	<b>559,000</b>	<b>244,000</b>	<b>803,000</b>	<b>-</b>
<b>Cash flows from capital and related financing activities</b>						
Purchase of capital assets	(761,178)	(1,188,646)	(64,505)	(908,783)	(2,923,112)	(805,970)
Proceeds from sale of capital assets	-	-	-	-	-	174,527
Capital lease payments	-	-	(35,453)	(35,453)	(70,906)	-
Bond principal payments	-	-	(630,000)	-	(630,000)	-
Bond note and capital lease interest payments	-	-	(200,377)	(344)	(200,721)	-
<b>Net cash used in capital and related financing activities</b>	<b>(761,178)</b>	<b>(1,188,646)</b>	<b>(930,335)</b>	<b>(944,580)</b>	<b>(3,824,739)</b>	<b>(631,443)</b>
<b>Cash flows from investing activities</b>						
Investment earnings	7,798	67,370	-	271	75,439	23,698
<b>Net increase (decrease) in cash and investments</b>	<b>1,514,986</b>	<b>(542,869)</b>	<b>60,816</b>	<b>(344,282)</b>	<b>688,651</b>	<b>1,183,327</b>
Cash and investments, beginning of year	10,312,202	28,418,233	778,483	564,339	40,073,257	15,173,621
<b>Cash and cash investments, end of year</b>	<b>\$ 11,827,188</b>	<b>\$ 27,875,364</b>	<b>\$ 839,299</b>	<b>\$ 220,057</b>	<b>\$ 40,761,908</b>	<b>\$16,356,948</b>

continued...

CITY OF TROY, MICHIGAN

**Statement of Cash Flows**  
**Proprietary Funds**  
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sanitary Sewer	Sanctuary Lake Golf Course	Nonmajor Enterprise Funds	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities						
Operating income (loss)	\$ (705,037)	\$ (1,134,869)	\$ 104,142	\$ 136,565	\$ (1,599,199)	\$ 566,958
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation	2,927,074	1,469,320	326,051	241,275	4,963,720	957,673
Changes in assets and liabilities:						
Accounts receivable	(152,921)	64,807	6,886	(30,491)	(111,719)	8,548
Inventories	(44,280)	23,894	(935)	(3,378)	(24,699)	(30,151)
Prepaid items	-	-	(698)	(18,327)	(19,025)	-
Contracts receivable	3,840	2,853	-	-	6,693	-
Net pension asset	(446,284)	(77,027)	-	-	(523,311)	-
Deferred pension outflows	61,462	17,249	-	-	78,711	-
Accounts payable	1,384,461	143,827	(1,100)	27,514	1,554,702	23,850
Accrued liabilities	(1,272,104)	664	(2,195)	2,869	(1,270,766)	264,194
Net OPEB liability	270,033	24,995	-	-	295,028	-
Deferred pension inflows	182,662	32,024	-	-	214,686	-
Deferred OPEB inflows	59,460	10,670	-	-	70,130	-
<b>Net cash provided by operating activities</b>	<b>\$ 2,268,366</b>	<b>\$ 578,407</b>	<b>\$ 432,151</b>	<b>\$ 356,027</b>	<b>\$ 3,634,951</b>	<b>\$ 1,791,072</b>
Noncash investing, capital, and financing activities						
Contributions of capital assets	\$ 553,024	\$ 185,228	\$ -	\$ -	\$ 738,252	\$ -

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, 2018

	Pension and OPEB Trusts	Agency
<b>Assets</b>		
Cash	\$ 7,061,252	\$ 4,972,720
Interest receivable	125,819	-
Investments:		
U.S. Government securities and agencies	4,646,179	-
Corporate bonds	17,469,455	-
Corporate equities	111,111,438	-
Mutual funds	95,782,071	-
Exchange traded funds	53,612,992	-
<b>Total assets</b>	<b>289,809,206</b>	<b>\$ 4,972,720</b>
<b>Liabilities</b>		
Accounts payable	-	\$ 51,100
Accrued liabilities	161,291	-
Performance deposits	-	4,921,620
<b>Total liabilities</b>	<b>161,291</b>	<b>\$ 4,972,720</b>
<b>Net position</b>		
Restricted for pension benefits	206,498,832	
Restricted for postemployment healthcare benefits	83,149,083	
<b>Total net position</b>	<b>\$ 289,647,915</b>	

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, 2018

	Pension and OPEB Trusts
<b>Additions</b>	
Contributions	
Employer contributions	\$ 6,524,875
Employee contributions	159,830
On-behalf contributions	149,655
Total contributions	<u>6,834,360</u>
Investment earnings	
Interest	862,769
Dividends	7,769,572
Other income	144,974
Net adjustment in fair value of investments	18,506,849
Total investment earnings	27,284,164
Less investment expense	756,716
Net investment loss	<u>26,527,448</u>
Total additions	<u>33,361,808</u>
<b>Deductions</b>	
Benefits	17,727,365
Administrative expenses	189,799
Total deductions	<u>17,917,164</u>
Net change in net position	<u>15,444,644</u>
Restricted net position, beginning of year for	
Pension benefits	196,808,819
Postemployment healthcare benefits	77,394,452
Total restricted net position, beginning of year	<u>274,203,271</u>
Restricted net position, end of year for	
Pension benefits	206,498,832
Postemployment healthcare benefits	83,149,083
Total restricted net position, end of year	<u>\$ 289,647,915</u>

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

# CITY OF TROY, MICHIGAN

## Combining Statement of Net Position Discretely Presented Component Units

June 30, 2018

	Downtown Development Authority	Local Development Financing Authority	Brownfield Redevelopment Authority	Total
<b>Assets</b>				
Cash and investments	\$ 556,761	\$ 140,883	\$ 513,298	\$ 1,210,942
Receivables:				
Taxes receivable	35,426	-	-	35,426
Revolving loans receivable	-	-	271,585	271,585
<b>Total assets</b>	<b>592,187</b>	<b>140,883</b>	<b>784,883</b>	<b>1,517,953</b>
<b>Liabilities</b>				
Accounts payable	10,100	-	-	10,100
Interest payable	110,577	-	-	110,577
Long-term debt:				
Due within one year	260,000	-	-	260,000
Due after one year	13,645,000	-	-	13,645,000
<b>Total liabilities</b>	<b>14,025,677</b>	<b>-</b>	<b>-</b>	<b>14,025,677</b>
Deferred inflows of resources				
Deferred gain on refunding	377,403	-	-	377,403
<b>Net position (deficit)</b>				
Unrestricted	<b>\$ (13,810,893)</b>	<b>\$ 140,883</b>	<b>\$ 784,883</b>	<b>\$ (12,885,127)</b>

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

# CITY OF TROY, MICHIGAN

## Combining Statement of Activities Discretely Presented Component Units For the Year Ended June 30, 2018

	Downtown Development Authority	Local Development Financing Authority	Brownfield Redevelopment Authority	Total
Revenues				
General:				
Property taxes	\$ 1,361,745	\$ 160,746	\$ 16,530	\$ 1,539,021
Intergovernmental	28,364	-	-	28,364
Investment earnings	1,301	249	764	2,314
Total revenues	<u>1,391,410</u>	<u>160,995</u>	<u>17,294</u>	<u>1,569,699</u>
Expenses				
Economic development	257,056	120,947	10,180	388,183
Interest	646,624	-	-	646,624
Total expenses	<u>903,680</u>	<u>120,947</u>	<u>10,180</u>	<u>1,034,807</u>
Change in net position	487,730	40,048	7,114	534,892
Net position (deficit), beginning of year	<u>(14,298,623)</u>	<u>100,835</u>	<u>777,769</u>	<u>(13,420,019)</u>
Net position (deficit), end of year	<u><u>\$ (13,810,893)</u></u>	<u><u>\$ 140,883</u></u>	<u><u>\$ 784,883</u></u>	<u><u>\$ (12,885,127)</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 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing on the budget is held before its final adoption.
3. As provided for by the City Charter, on or before the third Monday in May, the budget is legally adopted and by resolution designates the sum to be raised by taxation.
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, 2017		\$ (4,388,724)
Current year building permit revenue	<u>\$ 2,915,884</u>	
Related expenses:		
Direct costs	2,268,602	
Estimated indirect costs (8%)	<u>181,488</u>	
Total construction code expenses	<u>2,450,090</u>	
Net surplus for the year ended June 30, 2018		<u>465,794</u>
Cumulative shortfall at June 30, 2018		<u>\$ (3,922,930)</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, 2018.

<u>Cash and Investments</u>	<u>Deposits</u>	<u>Investments</u>	<u>Cash on Hand</u>	<u>Total</u>
<b>Government-wide</b>				
Cash and equivalents	\$ 22,085,889	\$ 3,527,393	\$ 16,670	\$ 25,629,952
Investments	14,849,520	64,218,386	-	79,067,906
<b>Fiduciary funds</b>				
Cash and equivalents	5,430,135	6,603,837	-	12,033,972
Investments	-	282,622,135	-	282,622,135
<b>Component units</b>				
Cash and equivalents	1,210,942	-	-	1,210,942
<b>Total</b>	<b>\$ 43,576,486</b>	<b>\$ 356,971,751</b>	<b>\$ 16,670</b>	<b>\$ 400,564,907</b>

# 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, \$38,749,885 of the City of Troy's bank deposits (certificates of deposit, checking, and cash) of \$44,756,076 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	\$ 61,873,731	3.2 years
Municipal bonds	2,344,655	0.5 years
Fiduciary funds		
US Government or agency bond/note	4,646,179	6.3 years
Corporate bonds	17,469,455	4.6 years
ETF's -fixed income	5,163,387	5.7 years
Mutual Funds - fixed income	47,856,876	5.5 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	\$ 61,873,732	\$ 15,726,882	\$ 77,600,614
AA to AA-	2,344,654	6,463,955	8,808,609
A to A-	-	12,571,354	12,571,354
BBB to BBB-	-	30,160,706	30,160,706
BB to BB-	-	-	-
B to B-	-	4,269,881	4,269,881
CCC or below	-	711,468	711,468
Not rated	-	5,231,651	5,231,651
<b>Total</b>	<b>\$ 64,218,386</b>	<b>\$ 75,135,897</b>	<b>\$ 139,354,283</b>

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

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

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

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

### Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs - other than quoted prices - included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: a) quoted prices for similar assets or liabilities in active markets; b) quoted prices for identical or similar assets or liabilities in markets that are not active; and c) inputs other than quoted prices that are observable for the asset or liability, such as: (1) interest rates and yield curves observable at commonly quoted intervals; (2) implied volatilities and (3) credit spreads. Finally, Level 3 inputs are unobservable and are based on estimates and assumptions. These levels are determined by the City's investment managers. These are determined at the fund level based on a review of the investment's class, structure, and what kind of securities are held in funds. The investment managers will request the information from the fund manager if necessary. The City had the following recurring fair value measurements as of June 30, 2018.

Investments measured at Fair Value

	Level 1	Level 2	Amortized Cost	Total
Cash and money market funds	\$ 8,314,399	\$ 166,950	\$ 1,649,881	\$ 10,131,230
United States government obligations	16,809,512	49,710,398	-	66,519,910
State and municipal bonds	-	2,344,655	-	2,344,655
Corporate bonds and fixed income commingled funds	67,690,042	2,799,670	-	70,489,712
Common stocks and equity mutual funds	205,984,143	-	-	205,984,143
Real estate mutual funds	1,502,101	-	-	1,502,101
Total	<u>\$ 300,300,197</u>	<u>\$ 55,021,673</u>	<u>\$ 1,649,881</u>	<u>\$ 356,971,751</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.

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

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

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

### 4. RECEIVABLES

Receivables, which include amounts due from other governments at June 30, 2018, are summarized as follows:

Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Delinquent personal property taxes	\$ 150,614	\$ -	\$ 150,614
Allowance for delinquent personal property taxes	(45,631)	-	(45,631)
Billed accounts receivable	1,734,246	2,826,738	4,560,984
Allowance for billed accounts receivable	(31,376)	-	(31,376)
Unbilled accounts receivable	-	4,943,342	4,943,342
Contracts receivable	25,287	418,755	444,042
Special assessments	4,111	818,156	822,267
Due from U.S. Government	25,540	-	25,540
Due from State of Michigan	2,568,894	-	2,568,894
Due from Oakland County	117,879	-	117,879
Due from Downtown Development Authority	14,015,577	-	14,015,577
Interest	63,918	-	63,918
<b>Total</b>	<b>\$ 18,629,059</b>	<b>\$ 9,006,991</b>	<b>\$ 27,636,050</b>
Amounts not expected to be collected within one year	\$ 13,645,000	\$ 418,755	\$ 14,063,755

Component Units	Total Component Units
Downtown Development Authority delinquent personal property taxes (net)	\$ 35,426
Brownfield Redevelopment Authority revolving loan fund	271,585
<b>Total</b>	<b>\$ 307,011</b>
Amounts not expected to be collected within one year	\$ 203,019

# 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
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 37,462,124	\$ -	\$ -	\$ -	\$ 37,462,124
Museum artifacts	2,082,845	-	-	-	2,082,845
Construction in progress	7,833,750	588,882	(16,788)	(5,512,187)	2,893,657
	<u>47,378,719</u>	<u>588,882</u>	<u>(16,788)</u>	<u>(5,512,187)</u>	<u>42,438,626</u>
Capital assets, being depreciated:					
Infrastructure					
Major/county/local roads	244,362,434	11,725,897	-	427,045	256,515,376
Local donated roads	33,551,524	-	-	-	33,551,524
Sidewalks	34,450,412	477,195	-	-	34,927,607
Drains	9,702,548	37,292	-	1,470,645	11,210,485
Land improvements	9,194,995	1,783,331	-	138,502	11,116,828
Buildings and improvements	90,865,695	1,798,077	-	3,307,558	95,971,330
Miscellaneous equipment	6,401,808	676,299	-	104,500	7,182,607
Office equipment	2,805,193	217,394	-	63,937	3,086,524
Vehicles	19,202,884	668,035	(747,052)	-	19,123,867
Library books/audio visual	5,853,576	601,737	-	-	6,455,313
	<u>456,391,069</u>	<u>17,985,257</u>	<u>(747,052)</u>	<u>5,512,187</u>	<u>479,141,461</u>
Less accumulated depreciation for:					
Infrastructure					
Major/county/local roads	(119,895,531)	(8,384,161)	-	-	(128,279,692)
Local donated roads	(30,088,408)	(546,060)	-	-	(30,634,468)
Sidewalks	(29,129,121)	(401,700)	-	-	(29,530,821)
Drains	(944,494)	(206,946)	-	-	(1,151,440)
Land improvements	(7,386,745)	(271,521)	-	-	(7,658,266)
Buildings and improvements	(62,704,961)	(3,181,178)	-	-	(65,886,139)
Miscellaneous equipment	(4,400,467)	(358,735)	-	-	(4,759,202)
Office equipment	(2,336,352)	(169,251)	-	-	(2,505,603)
Vehicles	(13,123,805)	(1,003,005)	745,980	-	(13,380,830)
Library books/audio visual	(4,088,486)	(588,716)	-	-	(4,677,202)
	<u>(274,098,370)</u>	<u>(15,111,273)</u>	<u>745,980</u>	<u>-</u>	<u>(288,463,663)</u>
Total capital assets being depreciated, net	<u>182,292,699</u>	<u>2,873,984</u>	<u>(1,072)</u>	<u>5,512,187</u>	<u>190,677,798</u>
Governmental activities capital assets, net	<u>\$ 229,671,418</u>	<u>\$ 3,462,866</u>	<u>\$ (17,860)</u>	<u>\$ -</u>	<u>\$ 233,116,424</u>

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Business-type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 6,738,504	\$ -	\$ -	\$ -	\$ 6,738,504
Construction in progress	2,804,622	1,419,710	-	-	4,224,332
	<u>9,543,126</u>	<u>1,419,710</u>	<u>-</u>	<u>-</u>	<u>10,962,836</u>
Capital assets, being depreciated:					
Water and sewer transmission and distribution system	204,498,622	1,901,331	-	-	206,399,953
Service connections	750,121	-	-	-	750,121
Land improvements	8,735,182	-	-	-	8,735,182
Buildings and improvements	7,481,429	96,069	-	-	7,577,498
Miscellaneous equipment	2,024,272	244,254	-	-	2,268,526
Vehicles	807,576	-	-	-	807,576
Furniture, fixtures and other	24,500	-	-	-	24,500
	<u>224,321,702</u>	<u>2,241,654</u>	<u>-</u>	<u>-</u>	<u>226,563,356</u>
Less accumulated depreciation for:					
Water and sewer transmission and distribution system	(84,972,363)	(4,359,573)	-	(13,251)	(89,345,187)
Service connections	(750,121)	-	-	-	(750,121)
Land improvements	(3,471,560)	(170,557)	-	-	(3,642,117)
Buildings and improvements	(5,814,253)	(280,442)	-	-	(6,094,695)
Miscellaneous equipment	(1,239,100)	(103,163)	-	13,251	(1,329,012)
Vehicles	(511,818)	(49,985)	-	-	(561,803)
Furniture, fixtures and other	(24,500)	-	-	-	(24,500)
	<u>(96,783,715)</u>	<u>(4,963,720)</u>	<u>-</u>	<u>-</u>	<u>(101,747,435)</u>
Total capital assets being depreciated, net	<u>127,537,987</u>	<u>(2,722,066)</u>	<u>-</u>	<u>-</u>	<u>124,815,921</u>
Business-type activities capital assets, net	<u>\$ 137,081,113</u>	<u>\$ (1,302,356)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,778,757</u>

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

### Depreciation of governmental activities by function

General government	\$ 4,254,452
Public safety	374,023
Public works	9,608,388
Community and economic development	115,396
Recreation and culture	759,014
	<u>15,111,273</u>

Total depreciation expense - governmental activities \$ 15,111,273

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

Depreciation of business-type activities by function	
Water	\$ 2,927,074
Sanitary Sewer	1,469,320
Aquatic Center	188,526
Sylvan Glen Golf Course	52,749
Sanctuary Lake Golf Course	<u>326,051</u>
Total depreciation expense - business-type activities	<u>\$ 4,963,720</u>

### 6. INTERFUND ADVANCES AND TRANSFERS

The amounts of interfund advances transfers are as follows as of June 30, 2018:

	Advanced to Other Funds	Advanced from Other Funds
General Fund	\$ 5,478,384	\$ -
Enterprise Funds		
Aquatic Center Fund	-	180,302
Sanctuary Lake Golf Course Fund	-	8,397,312
Sylvan Glen Course Fund	<u>3,099,230</u>	-
Total	<u>\$ 8,577,614</u>	<u>\$ 8,577,614</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, 2018:

Transfers out	Transfers In			Totals
	General Fund	Capital Projects Fund	Nonmajor Governmental	
General	\$ -	\$ 2,200,000	\$ -	\$ 2,200,000
Nonmajor governmental funds	<u>4,306,404</u>	<u>4,273,912</u>	<u>3,803,050</u>	<u>12,383,366</u>
Total	<u>\$ 4,306,404</u>	<u>\$ 6,473,912</u>	<u>\$ 3,803,050</u>	<u>\$ 14,583,366</u>

#### General Fund

Transfers to the Capital Projects Fund are for enhanced road improvements for major and local streets (\$1,600,000), and for the reconstruction of the Police/Fire Training Center Parking Lot (\$600,000).

# 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 \$2,327,137 and \$1,977,267 respectively. The General Fund also incurs the cost of cemetery maintenance, the Cemetery Fund reimbursed the General Fund in the amount of \$2,000. 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 \$1,000,000, respectively, representing partial funding for capital street improvements. In addition, the Library Fund transferred \$773,912 to the Capital Projects Fund for Library capital purchases including collections. Major Street Fund transfer to the Local Streets fund of \$1,000,000 represents allowable redirection of state funding. General Debt Service Fund transfers to Proposal A, B, and C debt service funds in the amount of \$2,803,050 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
2019	\$ 38,242
2020	13,506
2021	7,043
2022	7,043

Lease costs for the year ended June 30, 2018, were \$47,992.

#### 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 \$254,104. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018, were zero.

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

### 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, 2018:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Primary Government</b>					
<b>Governmental Activities</b>					
<b>General obligation bonds</b>					
Proposal A - streets	\$ 3,365,000	\$ -	\$ (760,000)	\$ 2,605,000	\$ 825,000
Proposal B - public safety	4,520,000	-	(1,060,000)	3,460,000	1,155,000
Proposal C - community ctr.	2,515,000	-	(595,000)	1,920,000	615,000
City Refunding - Series 2013 DDA	14,165,000	-	(260,000)	13,905,000	260,000
Public drains	1,570,372	-	(235,420)	1,334,952	240,470
<b>Total debt obligations</b>	<b>26,135,372</b>	<b>-</b>	<b>(2,910,420)</b>	<b>23,224,952</b>	<b>3,095,470</b>
Unamortized premiums/(discounts)	596,337	-	(35,079)	561,258	-
Accrued compensated absences	4,514,588	4,195,745	(4,123,027)	4,587,306	2,614,400
Estimated self-insurance claims	1,001,931	9,616,604	(9,538,943)	1,079,592	765,485
<b>Total governmental activities</b>	<b>\$ 32,248,228</b>	<b>\$ 13,812,349</b>	<b>\$ (16,607,469)</b>	<b>\$ 29,453,108</b>	<b>\$ 6,475,355</b>
<b>Business-type Activities</b>					
<b>General obligation bonds</b>					
Golf course series 2012	\$ 8,375,000	\$ -	\$ (630,000)	\$ 7,745,000	\$ 725,000
<b>Capital lease</b>					
Golf cart lease-Sanctuary Lake	35,453	-	(35,453)	-	-
Golf cart lease-Sylvan Glen	35,453	-	(35,453)	-	-
Unamortized premiums/(discounts)	137,135	-	(12,467)	124,668	-
<b>Total business-type activities</b>	<b>\$ 8,583,041</b>	<b>\$ -</b>	<b>\$ (713,373)</b>	<b>\$ 7,869,668</b>	<b>\$ 725,000</b>
<b>Total primary government</b>	<b>\$ 40,831,269</b>	<b>\$ 13,812,349</b>	<b>\$ (17,320,842)</b>	<b>\$ 37,322,776</b>	<b>\$ 7,200,355</b>

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

Debt issues outstanding are as follows:

	Maturity Date	Original Issue	Interest Rate	Amount Outstanding
<b>Primary Government</b>				
<b>Governmental Activities</b>				
<b>General obligation bonds</b>				
Proposal A - streets/streetscape				
2008 Refunding of series 2000	2021	\$ 3,505,000	3.0-4.0%	\$ 1,015,000
2010 Refunding of series 2001	2021	4,515,000	2.0-5.0%	1,590,000
Proposal B - public safety/city hall				
2010 Refunding of series 2001	2021	835,000	2.0-5.0%	295,000
2010 Refunding of series 2003	2021	9,110,000	2.0-5.0%	3,165,000
Proposal C - community center				
2010 Refunding of series 2001	2021	5,910,000	2.0-5.0%	1,920,000
Series 2013 - DDA Refunding	2034	14,945,000	2.0-5.25%	13,905,000

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

Debt issues outstanding (continued)				Amount
Primary Government (continued)	Maturity Date	Original Issue	Interest Rate	Outstanding
County drain bond contracts				
GWK Series 2000A	2022	457,372	2.50%	110,378
GWK Series 2001C	2024	2,102,682	2.50%	742,844
GWK Series 2001D	2024	81,089	2.50%	19,636
GWK Series 2005	2026	41,440	1.63%	17,128
GWK Series 2007G	2028	46,242	1.63%	24,535
GWK Series 2008H	2029	196,953	2.50%	119,126
GWK Series 2016	2024	190,572	2.33%	137,493
North Arm Series 1998	2021	926,972	2.25%	163,812
Total governmental activities		<u>\$ 42,863,322</u>		<u>\$ 23,224,952</u>
Business-type Activities				
General obligation bonds				
Golf course series 2012	2028	9,655,000	1.5-3.0%	7,745,000
Total business-type activities		<u>\$ 9,655,000</u>		<u>\$ 7,745,000</u>
Total primary government		<u><u>\$ 52,518,322</u></u>		<u><u>\$ 30,969,952</u></u>

The annual debt requirements to maturity for all long-term debts outstanding as of June 30, 2018, 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	
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	<u>\$ 23,224,952</u>	<u>\$ 7,394,661</u>	<u>\$ 7,745,000</u>	<u>\$ 1,073,301</u>	<u>\$ 39,437,914</u>

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

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

### Component Units

The following is a summary of long-term liability transactions of the City's component units for the year ended June 30, 2018:

Component Units Downtown Development Auth.	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Obligated tax captures					
City G.O. bonds - Series 2013	14,165,000	-	(260,000)	13,905,000	260,000
<b>Total component units</b>	<b>\$ 14,165,000</b>	<b>\$ -</b>	<b>\$ (260,000)</b>	<b>\$ 13,905,000</b>	<b>\$ 260,000</b>

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

Component unit debt issues outstanding are as follows:

Component Units Downtown Development Authority	Maturity Date	Original Issue	Interest Rate	Amount Outstanding
Obligated tax capture:				
City issued Series 2013 DDA refinancing debt	2034	\$ 14,945,000	2.0-5.25%	\$ 13,905,000

The annual debt requirements to maturity for all component unit long-term obligations as of June 30, 2018 are as follows:

### Component Units Downtown Development Authority

Year Ending June 30,	Principal	Interest	Total
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
	<b>\$ 13,905,000</b>	<b>\$ 6,789,829</b>	<b>\$ 20,694,829</b>

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

### Advance Refunding/Defeased Debt

The City had no advance refundings during the 2018 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 2018 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 and, (b) replacements and extensions based upon bond indenture agreements or the limited purpose for which a fund was established.

#### 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.

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

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

	Capital Projects			Total
	General Fund	Fund	Nonmajor Funds	
<b>Nonspendable</b>				
Inventory & prepaids	\$ 1,407,367	\$ -	\$ 23,299	\$ 1,430,666
Permanent fund corpus	-	-	164,000	164,000
Advance to Sanctuary Lake golf course	5,298,082	-	-	5,298,082
Advance to Aquatic Center	180,302	-	-	180,302
<b>Total nonspendable</b>	<b>6,885,751</b>	<b>-</b>	<b>187,299</b>	<b>7,073,050</b>
<b>Restricted</b>				
Special revenue funding source restrictions				
Highways and streets	-	-	7,023,124	7,023,124
Sanitation	-	-	800,106	800,106
Library	-	-	1,055,169	1,055,169
Other	-	-	1,405,794	1,405,794
Debt funding source restrictions	-	-	867,966	867,966
Budget stabilization	1,565,721	-	-	1,565,721
Capital improvements	-	6,426,012	-	6,426,012
Dog park development	-	120,111	-	120,111
Federal transportation	-	297,941	-	297,941
<b>Total restricted</b>	<b>1,565,721</b>	<b>6,844,064</b>	<b>11,152,159</b>	<b>19,561,944</b>
<b>Committed</b>				
Construction projects	-	132,263	-	132,263
<b>Assigned</b>				
Insurance claims	3,000,000	-	-	3,000,000
Tax appeals	6,440	-	-	6,440
Subsequent years budget	3,320,430	-	-	3,320,430
<b>Total assigned</b>	<b>6,326,870</b>	<b>-</b>	<b>-</b>	<b>6,326,870</b>
<b>Unassigned</b>	<b>18,661,478</b>	<b>-</b>	<b>-</b>	<b>18,661,478</b>
<b>Total fund balances</b>	<b>\$ 33,439,820</b>	<b>\$ 6,976,327</b>	<b>\$ 11,339,458</b>	<b>\$ 51,755,605</b>

# 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, 2018.

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

Year Ending June 30,	Beginning Balance	Additions	Deductions	Ending Balance
2016	\$ 634,772	\$ 8,271,522	\$ (7,967,190)	\$ 939,104
2017	939,104	8,590,656	(8,527,829)	1,001,931
2018	1,001,931	9,616,604	(9,538,943)	1,079,592

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 \$1,703,810 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, 2018.

# 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 1<sup>st</sup> on the taxable valuation of the property located within its boundaries as of the preceding December 31<sup>st</sup>. Taxable value is determined by the prior year's taxable value plus 5% or the Consumer Price Index whichever is less, starting with the 1994 state equalized value as the base taxable value. Assessed values are equalized by the State, to closely approximate fifty percent of estimated current market value. The final taxable value of real and personal property subject to property tax within the City for the fiscal 2017-2018 levy was \$4,579,883,393. 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, 0.6933 for library operations, 0.6 for debt service, and 1.4949 for capital preservation and improvements.

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

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

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

### 13. TAX ABATEMENT

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

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	84,056	
Total Tax Abatement	<u>\$ 228,587</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, 2017 pension plan membership consisted of the following:

<u>Group</u>	<u>Members</u>
Retirees and beneficiaries currently receiving benefits	328
Vested terminated employees	7
Active employees	48
Total members	<u>383</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, 2018, the average active member contribution rate was 4.6% of eligible wages, and the City's average contribution rate was 0.0% 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, 2018 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 <i>(Domestic 40% and International 19%)</i>	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, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 10.56%. 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, 2017	\$ 161,344,515	\$ 188,439,991	\$ (27,095,476)
Service costs	915,316	-	915,316
Interest on total pension liability	10,153,512	-	10,153,512
Difference between expected and actual experience of total liability	176,027	-	176,027
Changes of assumptions	-	-	-
Contributions - employer	-	-	-
Contributions - employee	-	159,830	(159,830)
Net investment income (loss)	-	19,495,709	(19,495,709)
Benefit payments including refunds	(11,352,909)	(11,352,909)	-
Administrative expense	-	(137,054)	137,054
Net changes	(108,054)	8,165,576	(8,273,630)
Balance at June 30, 2018	<u>\$ 161,236,461</u>	<u>\$ 196,605,567</u>	<u>\$ (35,369,106)</u>

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of December 31, 2017 with a measurement and reporting date of June 30, 2018. The following actuarial assumptions were applied to all periods included in the measurement:

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

*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)	\$ (18,607,196)	\$ (35,369,106)	\$ (49,674,619)

### 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, 2018 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, 2017 volunteer firefighter incentive plan membership consisted of the following:

Group	Members
Volunteers and beneficiaries currently receiving benefits	96
Inactive, nonretired members	26
Members on leave of absence	5
Active volunteers	154
Total members	<u>281</u>

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

# 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
2015	\$681
2016	724
2017	769
2018	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, 2018 was \$1,712,500 and the actuarially determined contribution was \$1,112,471. 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, 2018, the annual money-weighted rate of return on volunteer firefighter incentive plan investments, net of investment expenses was 6.42%. 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, 2017	\$ 18,835,515	\$ 8,368,828	\$ 10,466,687
Service costs	549,611	-	549,611
Interest on total pension liability	1,191,740	-	1,191,740
Difference between expected and actual experience of total liability	353,853	-	353,853
Changes of assumptions	(27,953)	-	(27,953)
Contributions - employer	-	1,712,500	(1,712,500)
Net investment income	-	628,552	(628,552)
Benefit payments including refunds	(803,388)	(803,388)	-
Administrative expense	-	(13,227)	13,227
Net changes	1,263,863	1,524,437	(260,574)
Balance at June 30, 2018	<u>\$ 20,099,378</u>	<u>\$ 9,893,265</u>	<u>\$ 10,206,113</u>

*Actuarial assumptions.* The total plan liability was determined by an actuarial valuation as of December 31, 2017 with a measurement and reporting date of June 30, 2018. The following actuarial assumptions were applied to all periods included in the measurement.

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

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

*Single discount rate.* A single discount rate of 6.38% 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 3.62%. 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 2073. As a result, the long-term expected rate of return on plan investments was applied to projected benefit payments through the year 2073, and the municipal bond rate was applied to all benefit payments after that date.

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability, calculated using a single discount rate of 6.38%, 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 5.38%	Current Discount Rate 6.38%	1% Increase 7.38%
City net VFIP plan liability	\$ 13,327,113	\$ 10,206,113	\$ 7,682,540

### Statements of Fiduciary Net Position

	Employees' Retirement System				Total
	Pension	Healthcare	Total Employees' Retirement	Volunteer Firefighter Incentive Plan	
<b>Assets</b>					
Cash	\$ 5,660,640	\$ -	\$ 5,660,640	\$ 655,731	\$ 6,316,371
Interest receivable	9,578	-	9,578	-	9,578
Investments, at fair value:					
U.S. Government securities	2,732,715	-	2,732,715	1,913,464	4,646,179
Corporate bonds	3,382,784	-	3,382,784	-	3,382,784
Corporate equities	91,726,258	-	91,726,258	3,730,767	95,457,025
Mutual funds	58,165,921	1,811,457	59,977,378	945,371	60,922,749
Exchange traded funds	35,010,940	-	35,010,940	2,656,488	37,667,428
<b>Total assets</b>	<b>196,688,836</b>	<b>1,811,457</b>	<b>198,500,293</b>	<b>9,901,821</b>	<b>208,402,114</b>
<b>Liabilities</b>					
Accrued liabilities	83,269	-	83,269	8,556	91,825
<b>Net position</b>					
Restricted for:					
Pension benefits	196,605,567	-	196,605,567	9,893,265	206,498,832
Postemployment healthcare	-	1,811,457	1,811,457	-	1,811,457
<b>Total net position</b>	<b>\$ 196,605,567</b>	<b>\$ 1,811,457</b>	<b>\$ 198,417,024</b>	<b>\$ 9,893,265</b>	<b>\$ 208,310,289</b>

# 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	
<b>Additions</b>					
Contributions:					
Employer	\$ -	\$ -	\$ -	\$ 1,712,500	\$ 1,712,500
Plan members	159,830	-	159,830	-	159,830
Total contributions	159,830	-	159,830	1,712,500	1,872,330
Investment income:					
Interest	164,348	45,515	209,863	72,391	282,254
Dividends	5,287,242	-	5,287,242	133,533	5,420,775
Other income	144,974	-	144,974	-	144,974
Net adjustment in fair value	14,360,454	-	14,360,454	453,941	14,814,395
Total investment earnings	19,957,018	45,515	20,002,533	659,865	20,662,398
Less investment expense	461,309	-	461,309	31,313	492,622
Net investment earnings	19,495,709	45,515	19,541,224	628,552	20,169,776
Total additions	19,655,539	45,515	19,701,054	2,341,052	22,042,106
<b>Deductions</b>					
Benefit payments	11,352,909	5,571,068	16,923,977	803,388	17,727,365
Administrative expenses	137,054	-	137,054	13,227	150,281
Total deductions	11,489,963	5,571,068	17,061,031	816,615	17,877,646
Change in net position	8,165,576	(5,525,553)	2,640,023	1,524,437	4,164,460
<b>Restricted net position, beginning</b>					
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, beginning	188,439,991	7,337,010	195,777,001	8,368,828	204,145,829
<b>Restricted net position, ending</b>					
Pension benefits	196,605,567	-	196,605,567	9,893,265	206,498,832
Retiree healthcare benefits	-	1,811,457	1,811,457	-	1,811,457
Total restricted, ending	\$ 196,605,567	\$ 1,811,457	198,417,024	\$ 9,893,265	\$ 208,310,289

# 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, 2017	\$ (27,095,476)	\$ 10,466,687	\$ (16,628,789)
Service costs	915,316	549,611	1,464,927
Interest on total pension liability	10,153,512	1,191,740	11,345,252
Benefit changes	-	-	-
Difference between expected and actual experience of total liability	176,027	353,853	529,880
Changes of assumptions	-	(27,953)	(27,953)
Contributions - employer	-	(1,712,500)	(1,712,500)
Contributions - employee	(159,830)	-	(159,830)
Net investment income	(19,495,709)	(628,552)	(20,124,261)
Benefit payments including refunds	-	-	-
Administrative expense	137,054	13,227	150,281
Net changes	(8,273,630)	(260,574)	(8,534,204)
Balance at June 30, 2018	\$ (35,369,106)	\$ 10,206,113	\$ (25,162,993)

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

For the year ended June 30, 2018, the City recognized total employee retirement system pension expense of \$(1,137,811) and total volunteer firefighter incentive plan expense of \$1,447,711. 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	\$ -	\$ 527,808	\$ 527,808
Changes in assumptions	-	311,896	311,896
Net difference between projected and actual earnings on investments	5,976,360	268,118	6,244,478
Total deferred outflows	\$ 5,976,360	\$ 1,107,822	\$ 7,084,182

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

	Deferred Inflow of Resources		
	Employee	Volunteer	Total Deferred
	Retirement	Firefighter	
System	Incentive Plan	Inflows	
Difference between expected and actual experience	-	56,201	56,201
Changes in assumptions	-	201,390	201,390
Net difference between projected and actual earnings on investments	13,665,010	44,370	13,709,380
Total deferred inflows	<u>\$ 13,665,010</u>	<u>\$ 301,961</u>	<u>\$ 13,966,971</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:

	Net Deferred Outflow/Inflow Recognition		
	Employee	Volunteer	Total Deferred
	Retirement	Firefighter	
System	Incentive Plan	Outflow/Inflow	
Fiscal Year Ending June 30,			
2019	\$ (479,522)	\$ 266,225	\$ (213,297)
2020	(1,638,746)	203,294	(1,435,452)
2021	(4,047,315)	136,561	(3,910,754)
2022	(1,523,067)	85,681	(1,437,386)
2023	-	50,574	50,574
Thereafter	-	63,526	63,526
	<u>\$ (7,688,650)</u>	<u>\$ 805,861</u>	<u>\$ (6,882,789)</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, 2018 was 287.

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, 2018, was \$18,755,249. The required contributions, which matched those actually made, were \$1,011,094 by employees and \$2,212,418 by the City, representing 5.4 percent and 11.8 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, 2018, the City's average contribution rate was 28.08% 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, 2018 are summarized in the following table:

Asset Class	Target	Long-Term	Inflation	Long-Term
Global equities <i>(Domestic 40% and International 19%)</i>	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, 2018, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expenses, was 8.53%. 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, 2017	\$ 136,996,277	\$ 77,394,452	\$ 59,601,825
Service costs	1,166,226	-	1,166,226
Interest on total OPEB liability	8,761,601	-	8,761,601
Changes in benefit terms	-	-	-
Difference between expected and actual experience of total liability	(1,499,301)	-	(1,499,301)
Changes of assumptions	-	-	-
Contributions - employer	-	4,812,375	(4,812,375)
Contributions - on-behalf	-	149,655	(149,655)
Net investment income (loss)	-	6,403,187	(6,403,187)
Benefit payments including refunds	(5,571,068)	(5,571,068)	-
Administrative expense	-	-	-
Other expense	-	(39,518)	39,518
Net changes	2,857,458	5,754,631	(2,897,173)
Balance at June 30, 2018	\$ 139,853,735	\$ 83,149,083	\$ 56,704,652

# 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, 2018. The following actuarial assumptions were applied to all periods included in the measurement.

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

*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	\$ 75,404,428	\$ 56,704,652	\$ 41,271,019

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	\$ 40,850,351	\$ 56,704,652	\$ 75,898,656

# CITY OF TROY, MICHIGAN

## Notes to Financial Statements

### OPEB Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2018, the City recognized total Retiree Healthcare (OPEB) expense of \$3,166,609. 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	\$ -	\$ 835,247
Changes in assumptions	-	-
Net difference between projected and actual earnings on investments	-	3,211,125
Total deferred outflows	<u>\$ -</u>	<u>\$ 4,046,372</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,	
2019	\$ (1,641,520)
2020	(1,148,659)
2021	(977,467)
2022	(278,726)
2023	-
Thereafter	-
	<u>\$ (4,046,372)</u>

### Statement of Net Position

	Retiree Health Care Trust Fund	Retiree Health Care Held in Pension System	Total Retiree Health Care Trust Fund
<b>Assets</b>			
Cash	\$ 744,881	\$ -	\$ 744,881
Interest receivable	116,241	-	116,241
Investments, at fair value:			
Corporate bonds	14,086,671	-	14,086,671
Corporate equities	15,654,413	-	15,654,413
Mutual funds	34,859,322	1,811,457	36,670,779
Exchange traded funds	15,945,564	-	15,945,564
<b>Total assets</b>	<u>81,407,092</u>	<u>1,811,457</u>	<u>83,218,549</u>
<b>Liabilities</b>			
Accrued liabilities	69,466	-	69,466
<b>Net position</b>			
Restricted for postemployment healthcare benefits	<u>\$ 81,337,626</u>	<u>\$ 1,811,457</u>	<u>\$ 83,149,083</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
<b>Additions</b>			
Contributions:			
Employer	\$ 4,812,375	\$ -	\$ 4,812,375
On-behalf	149,655	-	149,655
Total contributions	<u>4,962,030</u>	<u>-</u>	<u>4,962,030</u>
Investment earnings:			
Interest	580,515	45,515	626,030
Dividends	2,348,797	-	2,348,797
Net adjustment in fair value of investments	3,692,454	-	3,692,454
Total investment earnings	<u>6,621,766</u>	<u>45,515</u>	<u>6,667,281</u>
Less investment expense	264,094	-	264,094
Net investment earnings	<u>6,357,672</u>	<u>45,515</u>	<u>6,403,187</u>
<b>Total additions</b>	<u>11,319,702</u>	<u>45,515</u>	<u>11,365,217</u>
<b>Deductions</b>			
Benefit payments	-	5,571,068	5,571,068
Other expense	39,518	-	39,518
<b>Total deductions</b>	<u>39,518</u>	<u>5,571,068</u>	<u>5,610,586</u>
<b>Change in net position</b>	11,280,184	(5,525,553)	5,754,631
<b>Restricted net position, beginning of year for:</b>			
Postemployment healthcare benefits	<u>70,057,442</u>	<u>7,337,010</u>	<u>77,394,452</u>
<b>Restricted net position, end of year for:</b>			
Postemployment healthcare benefits	<u>\$ 81,337,626</u>	<u>\$ 1,811,457</u>	<u>\$ 83,149,083</u>

### 17. DEFICIT NET POSITION

The Sanctuary Lake golf course fund has a net position deficit of \$6,507,494 at June 30, 2018.

The Sanctuary Lake golf course completed its thirteenth year of operations with operating income of \$104,142 including depreciation expense of \$326,051. Nonoperating activity included interest expense of \$253,545 resulting in a decrease change in net position of \$149,403. This compares to a decrease change in net position of \$178,083 last fiscal year. Cash flows from operations were positive in the amount of \$432,151. As such, the deficit is a result of operating income insufficient to meet the debt funding requirements. The fund has incurred advances from primarily the general fund and Sylvan Glen golf course fund to meet its cash debt financing requirements.

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

The Downtown Development Authority (component unit) reported a net position deficit of \$13,810,893 compared to \$14,298,623 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, 2018, the City had \$1,084,729 in construction commitments outstanding for various projects including street improvements, water system improvements and sanitary sewer improvements. The commitments will be satisfied using grant funding, millage proceeds and fund balance.



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## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TROY, MICHIGAN

**Required Supplementary Information**  
**Employee Retirement System**  
 (Schedule 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	2018
<b>Total Pension Liability</b>					
Service cost	\$ 985,140	\$ 966,066	\$ 993,515	\$ 951,388	\$ 915,316
Interest on total pension liability	9,635,941	9,626,620	10,251,205	10,180,968	10,153,512
Benefit changes	-	-	(10,477)	-	-
Difference between expected and actual returns	286,868	1,874,178	(1,118,247)	(238,774)	176,027
Assumption changes	-	8,167,150	-	-	-
Benefit payments	(10,955,507)	(11,128,133)	(11,108,572)	(11,245,246)	(11,352,909)
Refunds	-	-	-	-	-
<b>Net change in total pension liability</b>	<b>(47,558)</b>	<b>9,505,881</b>	<b>(992,576)</b>	<b>(351,664)</b>	<b>(108,054)</b>
Beginning total pension liability	153,230,433	153,182,874	162,688,755	161,696,179	161,344,515
<b>Ending total pension liability (a)</b>	<b>\$ 153,182,875</b>	<b>\$ 162,688,755</b>	<b>\$ 161,696,179</b>	<b>\$ 161,344,515</b>	<b>\$ 161,236,461</b>
<b>Plan Fiduciary Net Position</b>					
Employer contributions	\$ 1,867,473	\$ 1,451,198	\$ 314,025	\$ 658,557	\$ -
Employee contributions	174,214	165,624	166,434	163,907	159,830
Pension plan net investment income	35,667,991	6,229,392	(330,035)	23,674,177	19,495,709
Benefit payments	(10,955,507)	(11,128,133)	(11,108,572)	(11,245,246)	(11,352,909)
Administrative expense	(242,023)	(129,870)	(133,867)	(136,279)	(137,054)
<b>Net change in plan fiduciary net position</b>	<b>26,512,148</b>	<b>(3,411,789)</b>	<b>(11,092,015)</b>	<b>13,115,116</b>	<b>8,165,576</b>
Beginning plan fiduciary net position	163,316,531	189,828,679	186,416,890	175,324,875	188,439,991
<b>Ending plan fiduciary net position (b)</b>	<b>\$ 189,828,679</b>	<b>\$ 186,416,890</b>	<b>\$ 175,324,875</b>	<b>\$ 188,439,991</b>	<b>\$ 196,605,567</b>
<b>Net pension liability (asset) (a)-(b)</b>	<b>\$ (36,645,804)</b>	<b>\$ (23,728,135)</b>	<b>\$ (13,628,696)</b>	<b>\$ (27,095,476)</b>	<b>\$ (35,369,106)</b>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	<b>123.92%</b>	<b>114.58%</b>	<b>108.43%</b>	<b>116.79%</b>	<b>121.94%</b>
<b>Covered payroll</b>	<b>\$ 4,768,908</b>	<b>\$ 4,902,224</b>	<b>\$ 4,910,089</b>	<b>\$ 4,532,372</b>	<b>\$ 4,428,407</b>
<b>Net pension liability (asset) as a percentage of covered payroll</b>	<b>-768.43%</b>	<b>-484.03%</b>	<b>-277.57%</b>	<b>-597.82%</b>	<b>-798.69%</b>

**Schedule of Net Pension Liability (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	3980.5%
2015	162,688,755	186,416,890	(23,728,135)	114.6%	4,902,224	-484.0%
2016	161,696,179	175,324,875	(13,628,696)	108.4%	4,910,089	-277.6%
2017	161,344,515	188,439,991	(27,095,476)	116.8%	4,532,372	-597.8%
2018	161,236,461	196,605,567	(35,369,106)	121.9%	4,428,407	-798.7%

CITY OF TROY, MICHIGAN

Required Supplementary Information  
Employee Retirement System

Schedule of Contributions (*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%
2018	-	-	-	4,428,407	0.0%

Notes to Schedule of Contributions

Valuation Date: December 31, 2015

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

Methods and Assumptions Used to Determine Contribution Rates:

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

Schedule of Investment Returns (*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%
2018	10.56%

CITY OF TROY, MICHIGAN

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

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

Fiscal Year Ending June 30	2014	2015	2016	2017	2018
<b>Total Pension Liability</b>					
Service cost	\$ 447,479	\$ 463,508	\$ 464,863	\$ 512,549	\$ 549,611
Interest on total pension liability	819,211	1,033,632	1,077,246	1,124,731	1,191,740
Benefit changes	1,727,859	-	-	-	-
Difference between expected and actual returns	-	270,606	(93,449)	126,281	353,853
Assumption changes	1,703,002	120,951	424,977	(238,964)	(27,953)
Benefit payments	(1,379,391)	(987,639)	(1,166,059)	(685,085)	(803,388)
<b>Net change in total pension liability</b>	<b>3,318,160</b>	<b>901,058</b>	<b>707,578</b>	<b>839,512</b>	<b>1,263,863</b>
Beginning total pension liability	13,069,207	16,387,367	17,288,425	17,996,003	18,835,515
<b>Ending total pension liability (a)</b>	<b>\$ 16,387,367</b>	<b>\$ 17,288,425</b>	<b>\$ 17,996,003</b>	<b>\$ 18,835,515</b>	<b>\$ 20,099,378</b>
<b>Plan Fiduciary Net Position</b>					
Employer contributions	\$ 1,078,500	\$ 3,078,500	\$ 1,100,632	\$ 1,113,496	\$ 1,712,500
Pension plan net investment income	286,663	100,516	152,770	399,329	628,552
Benefit payments	(1,379,391)	(987,639)	(1,166,059)	(685,085)	(803,388)
Administrative expense	(12,420)	(19,748)	(14,428)	(54,948)	(13,227)
<b>Net change in plan fiduciary net position</b>	<b>(26,648)</b>	<b>2,171,629</b>	<b>72,915</b>	<b>772,792</b>	<b>1,524,437</b>
Beginning plan fiduciary net position	5,378,140	5,351,492	7,523,121	7,596,036	8,368,828
<b>Ending plan fiduciary net position (b)</b>	<b>\$ 5,351,492</b>	<b>\$ 7,523,121</b>	<b>\$ 7,596,036</b>	<b>\$ 8,368,828</b>	<b>\$ 9,893,265</b>
<b>Net pension liability (a)-(b)</b>	<b>\$ 11,035,875</b>	<b>\$ 9,765,304</b>	<b>\$ 10,399,967</b>	<b>\$ 10,466,687</b>	<b>\$ 10,206,113</b>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	<b>32.66%</b>	<b>43.52%</b>	<b>42.21%</b>	<b>44.43%</b>	<b>49.22%</b>
<b>Covered payroll</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Net pension liability as a percentage of covered payroll</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

Schedule of the Net Pension Liability (*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
2018	20,099,378	9,893,265	10,206,113	49.2%	N/A	N/A

CITY OF TROY, MICHIGAN

**Required Supplementary Information**  
**Volunteer Firefighter Incentive Plan**

*Schedule of Contributions (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
2018	1,112,471	1,712,500	(600,029)	N/A	N/A

**Notes to Schedule of Contributions**

Valuation Date: December 31, 2015

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

**Methods and Assumptions Used to Determine Contribution Rates:**

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

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

*Schedule of Investment Returns (Prospective Ten Years)*

Fiscal Year Ending June 30	Annual Return
2014	4.79%
2015	1.04%
2016	1.79%
2017	4.14%
2018	6.42%

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	2018
<b>Total OPEB Liability</b>		
Service cost	\$ 1,285,223	\$ 1,166,226
Interest on total OPEB liability	8,476,587	8,761,601
Difference between expected and actual experience	-	(1,499,301)
Benefit payments	(5,063,891)	(5,571,068)
Net change in total OPEB liability	4,697,919	2,857,458
Beginning total OPEB liability	132,298,358	136,996,277
Ending total OPEB liability (a)	<u>\$ 136,996,277</u>	<u>\$ 139,853,735</u>
<b>Plan Fiduciary Net Position</b>		
Employer contributions	\$ 4,668,805	\$ 4,812,375
On-behalf contributions	36,244	149,655
OPEB plan net investment income (loss)	7,980,021	6,403,187
Benefit payments	(5,063,891)	(5,571,068)
Administrative and other expense	(4,214)	(39,518)
Net change in plan fiduciary net position	7,616,965	5,754,631
Beginning plan fiduciary net position	69,777,487	77,394,452
Ending plan fiduciary net position (b)	<u>\$ 77,394,452</u>	<u>\$ 83,149,083</u>
Net OPEB liability (asset) (a)-(b)	\$ 59,601,825	\$ 56,704,652
Plan fiduciary net position as a percentage of total OPEB liability (asset)	56.49%	59.45%
Covered payroll	\$ 17,101,107	\$ 17,101,107
Net OPEB liability (asset) as a percentage of covered payroll	348.53%	331.58%

Schedule of Net OPEB Liability (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%
2018	139,853,735	83,149,083	56,704,652	59.45%	17,101,107	331.58%

CITY OF TROY, MICHIGAN

Required Supplementary Information  
Other Postemployment Benefits

Schedule of Contributions (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	4,668,805	-	17,101,107	27.30%
2018	4,654,492	4,812,375	(157,883)	17,101,107	28.14%

Notes to Schedule of Contributions

Valuation Date: December 31, 2016

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

Methods and Assumptions Used to Determine Contribution Rates:

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

Schedule of Investment Returns (Prospective Ten Years)

Fiscal Year Ending June 30	Annual Return
2017	11.53%
2018	8.53%

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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.

### DEBT SERVICE FUNDS

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

### PERMANENT FUND

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

### 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.

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

### INTERNAL SERVICE FUNDS

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

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

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

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

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

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

CITY OF TROY, MICHIGAN

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2018

	Special Revenue							Total Special Revenue
	Major Streets	Local Streets	Refuse	Transit Center	Drug Forfeiture	Library	Community Development Block Grant	
<b>Assets</b>								
Cash and investments	\$ 3,062,341	\$ 2,640,400	\$ 1,011,618	\$ (11,455)	\$ 1,333,901	\$ 903,086	\$ (15,436)	\$ 8,924,455
Accounts receivable	-	-	1,129	26,409	-	200,930	-	228,468
Due from other governments	946,712	373,671	-	-	-	-	17,317	1,337,700
Prepaid expenditures	-	-	-	-	-	23,299	-	23,299
<b>Total assets</b>	<b>\$ 4,009,053</b>	<b>\$ 3,014,071</b>	<b>\$ 1,012,747</b>	<b>\$ 14,954</b>	<b>\$ 1,333,901</b>	<b>\$ 1,127,315</b>	<b>\$ 1,881</b>	<b>\$ 10,513,922</b>
<b>Liabilities</b>								
Accounts payable	\$ -	\$ -	\$ 212,641	\$ 3,222	\$ -	\$ 48,847	\$ 1,881	\$ 266,591
Other liabilities	-	-	-	197	-	-	-	197
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>212,641</b>	<b>3,419</b>	<b>-</b>	<b>48,847</b>	<b>1,881</b>	<b>266,788</b>
<b>Fund balance</b>								
Nonspendable	-	-	-	-	-	23,299	-	23,299
Restricted	4,009,053	3,014,071	800,106	11,535	1,333,901	1,055,169	-	10,223,835
<b>Total fund balances</b>	<b>4,009,053</b>	<b>3,014,071</b>	<b>800,106</b>	<b>11,535</b>	<b>1,333,901</b>	<b>1,078,468</b>	<b>-</b>	<b>10,247,134</b>
<b>Total liabilities and fund balance</b>	<b>\$ 4,009,053</b>	<b>\$ 3,014,071</b>	<b>\$ 1,012,747</b>	<b>\$ 14,954</b>	<b>\$ 1,333,901</b>	<b>\$ 1,127,315</b>	<b>\$ 1,881</b>	<b>\$ 10,513,922</b>

CITY OF TROY, MICHIGAN

Combining Balance Sheet  
 Nonmajor Governmental Funds (Concluded)  
 June 30, 2018

	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	
<b>Assets</b>							
Cash and investments	\$ 867,966	\$ -	\$ -	\$ -	\$ 867,966	\$ 224,358	\$ 10,016,779
Accounts receivable	-	-	-	-	-	-	228,468
Due from other governments	-	-	-	-	-	-	1,337,700
Prepaid expenditures	-	-	-	-	-	-	23,299
<b>Total assets</b>	<u>\$ 867,966</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 867,966</u>	<u>\$ 224,358</u>	<u>\$ 11,606,246</u>
<b>Liabilities</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 266,591
Other liabilities	-	-	-	-	-	-	197
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>266,788</u>
<b>Fund balance</b>							
Nonspendable	-	-	-	-	-	164,000	187,299
Restricted	867,966	-	-	-	867,966	60,358	11,152,159
<b>Total fund balances</b>	<u>867,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>867,966</u>	<u>224,358</u>	<u>11,339,458</u>
<b>Total liabilities and fund balance</b>	<u>\$ 867,966</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 867,966</u>	<u>\$ 224,358</u>	<u>\$ 11,606,246</u>

CITY OF TROY, MICHIGAN

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
 For the Year Ended June 30, 2018

	Special Revenue							Total Special Revenue
	Major Streets	Local Streets	Refuse	Transit Center	Drug Forfeiture	Library	Community Development Block Grant	
<b>Revenues</b>								
Property taxes	\$ -	\$ -	\$ 4,909,101	\$ -	\$ -	\$ 3,179,008	\$ -	\$ 8,088,109
Federal grants	-	-	-	-	-	-	59,726	59,726
State grants	6,098,323	2,184,860	-	-	-	256,824	-	8,540,007
Charges for services	-	-	25,923	74,524	-	22,983	-	123,430
Fines and forfeitures	-	-	-	-	423,423	83,987	-	507,410
Investment earnings	4,321	3,978	4,019	-	1,768	3,293	-	17,379
Other	-	-	-	-	-	4,282	-	4,282
<b>Total revenues</b>	<b>6,102,644</b>	<b>2,188,838</b>	<b>4,939,043</b>	<b>74,524</b>	<b>425,191</b>	<b>3,550,377</b>	<b>59,726</b>	<b>17,340,343</b>
<b>Expenditures</b>								
Current:								
General government	-	-	-	74,525	-	-	-	74,525
Public safety	-	-	-	-	97,514	-	-	97,514
Sanitation	-	-	5,008,258	-	-	-	-	5,008,258
Community development	-	-	-	-	-	-	59,726	59,726
Recreation and culture	-	-	-	-	-	2,957,814	-	2,957,814
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>5,008,258</b>	<b>74,525</b>	<b>97,514</b>	<b>2,957,814</b>	<b>59,726</b>	<b>8,197,837</b>
<b>Revenues over (under) expenditures</b>	<b>6,102,644</b>	<b>2,188,838</b>	<b>(69,215)</b>	<b>(1)</b>	<b>327,677</b>	<b>592,563</b>	<b>-</b>	<b>9,142,506</b>
<b>Other financing sources (uses)</b>								
Transfers in	-	1,000,000	-	-	-	-	-	1,000,000
Transfers out	(5,827,137)	(2,977,267)	-	-	-	(773,912)	-	(9,578,316)
<b>Total other financing (uses) sources</b>	<b>(5,827,137)</b>	<b>(1,977,267)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(773,912)</b>	<b>-</b>	<b>(8,578,316)</b>
<b>Net change in fund balances</b>	<b>275,507</b>	<b>211,571</b>	<b>(69,215)</b>	<b>(1)</b>	<b>327,677</b>	<b>(181,349)</b>	<b>-</b>	<b>564,190</b>
<b>Fund balances, beginning of year</b>	<b>3,733,546</b>	<b>2,802,500</b>	<b>869,321</b>	<b>11,536</b>	<b>1,006,224</b>	<b>1,259,817</b>	<b>-</b>	<b>9,682,944</b>
<b>Fund balances, end of year</b>	<b>\$ 4,009,053</b>	<b>\$ 3,014,071</b>	<b>\$ 800,106</b>	<b>\$ 11,535</b>	<b>\$ 1,333,901</b>	<b>\$ 1,078,468</b>	<b>\$ -</b>	<b>\$ 10,247,134</b>

CITY OF TROY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds (Concluded)  
 For the Year Ended June 30, 2018

	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	
<b>Revenues</b>							
Property taxes	\$ 2,760,034	\$ -	\$ -	\$ -	\$ 2,760,034	\$ -	\$ 10,848,143
Federal grants	-	-	-	-	-	-	59,726
State grants	-	-	-	-	-	-	8,540,007
Charges for services	-	-	-	-	-	4,150	127,580
Fines and forfeitures	-	-	-	-	-	-	507,410
Investment earnings	1,429	-	-	-	1,429	334	19,142
Other	-	-	-	-	-	-	4,282
<b>Total revenues</b>	<b>2,761,463</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,761,463</b>	<b>4,484</b>	<b>20,106,290</b>
<b>Expenditures</b>							
Current:							
General government	-	-	-	-	-	-	74,525
Public safety	-	-	-	-	-	-	97,514
Sanitation	-	-	-	-	-	-	5,008,258
Community development	-	-	-	-	-	-	59,726
Recreation and culture	-	-	-	-	-	-	2,957,814
Debt service:							
Principal	-	760,000	1,060,000	595,000	2,415,000	-	2,415,000
Interest	63,549	130,300	156,500	101,250	451,599	-	451,599
<b>Total expenditures</b>	<b>63,549</b>	<b>890,300</b>	<b>1,216,500</b>	<b>696,250</b>	<b>2,866,599</b>	<b>-</b>	<b>11,064,436</b>
<b>Revenues over (under) expenditures</b>	<b>2,697,914</b>	<b>(890,300)</b>	<b>(1,216,500)</b>	<b>(696,250)</b>	<b>(105,136)</b>	<b>4,484</b>	<b>9,041,854</b>
<b>Other financing sources (uses)</b>							
Transfers in	-	890,300	1,216,500	696,250	2,803,050	-	3,803,050
Transfers out	(2,803,050)	-	-	-	(2,803,050)	(2,000)	(12,383,366)
<b>Total other financing (uses) sources</b>	<b>(2,803,050)</b>	<b>890,300</b>	<b>1,216,500</b>	<b>696,250</b>	<b>-</b>	<b>(2,000)</b>	<b>(8,580,316)</b>
<b>Net change in fund balances</b>	<b>(105,136)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(105,136)</b>	<b>2,484</b>	<b>461,538</b>
<b>Fund balances, beginning of year</b>	<b>973,102</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>973,102</b>	<b>221,874</b>	<b>10,877,920</b>
<b>Fund balances, end of year</b>	<b>\$ 867,966</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 867,966</b>	<b>\$ 224,358</b>	<b>\$ 11,339,458</b>

# 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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State grants	\$ 5,366,100	\$ 5,366,100	\$ 6,098,323	\$ 732,223
Investment earnings	25,000	25,000	4,321	(20,679)
Total revenues	5,391,100	5,391,100	6,102,644	711,544
Other financing (uses)				
Transfers out	(5,935,180)	(5,935,180)	(5,827,137)	(108,043)
Net change in fund balance	(544,080)	(544,080)	275,507	819,587
Fund balance, beginning of year	3,733,546	3,733,546	3,733,546	-
Fund balance, end of year	<u>\$ 3,189,466</u>	<u>\$ 3,189,466</u>	<u>\$ 4,009,053</u>	<u>\$ 819,587</u>

# CITY OF TROY, MICHIGAN

## Schedule of Revenues, Expenditures and Change in Fund Balance Budget and Actual - Local Streets Fund

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State grants	\$ 2,113,500	\$ 2,113,500	\$ 2,184,860	\$ 71,360
Investment earnings	24,700	24,700	3,978	(20,722)
Total revenues	<u>2,138,200</u>	<u>2,138,200</u>	<u>2,188,838</u>	<u>50,638</u>
Other financing sources (uses)				
Transfers in	1,000,000	1,000,000	1,000,000	-
Transfers out	<u>(3,577,710)</u>	<u>(3,577,710)</u>	<u>(2,977,267)</u>	<u>(600,443)</u>
Total other financing (uses)	<u>(2,577,710)</u>	<u>(2,577,710)</u>	<u>(1,977,267)</u>	<u>(600,443)</u>
Net change in fund balance	(439,510)	(439,510)	211,571	651,081
Fund balance, beginning of year	<u>2,802,500</u>	<u>2,802,500</u>	<u>2,802,500</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,362,990</u>	<u>\$ 2,362,990</u>	<u>\$ 3,014,071</u>	<u>\$ 651,081</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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 4,918,360	\$ 4,918,360	\$ 4,909,101	\$ (9,259)
Charges for services	-	-	25,923	25,923
Investment earnings	14,000	14,000	4,019	(9,981)
Total revenues	4,932,360	4,932,360	4,939,043	6,683
Expenditures				
Sanitation	5,132,400	5,132,400	5,008,258	(124,142)
Net change in fund balance	(200,040)	(200,040)	(69,215)	130,825
Fund balance, beginning of year	869,321	869,321	869,321	-
Fund balance, end of year	\$ 669,281	\$ 669,281	\$ 800,106	\$ 130,825

# CITY OF TROY, MICHIGAN

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

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 82,550	\$ 82,550	\$ 74,524	\$ (8,026)
Expenditures				
General government	82,550	82,550	74,525	(8,025)
Net change in fund balance	-	-	(1)	(1)
Fund balance, beginning of year	11,536	11,536	11,536	-
Fund balance, end of year	<u>\$ 11,536</u>	<u>\$ 11,536</u>	<u>\$ 11,535</u>	<u>\$ (1)</u>

# CITY OF TROY, MICHIGAN

## Schedule of Revenues, Expenditures and Change in Fund Balance Budget and Actual - Drug Forfeiture Fund For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Fines and forfeitures	\$ 175,000	\$ 175,000	\$ 423,423	\$ 248,423
Investment earnings	4,000	4,000	1,768	(2,232)
Total revenues	179,000	179,000	425,191	246,191
Expenditures				
Public safety	102,000	102,000	97,514	(4,486)
Revenues over expenditures	77,000	77,000	327,677	250,677
Other financing (uses)				
Transfers out	(172,500)	(329,090)	-	329,090
Net change in fund balance	(95,500)	(252,090)	327,677	579,767
Fund balance, beginning of year	1,006,224	1,006,224	1,006,224	-
Fund balance, end of year	\$ 910,724	\$ 754,134	\$ 1,333,901	\$ 579,767

# CITY OF TROY, MICHIGAN

## Schedule of Revenues, Expenditures and Change in Fund Balance Budget and Actual - Library Fund

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 3,210,790	\$ 3,210,790	\$ 3,179,008	\$ (31,782)
State grants	197,000	197,000	256,824	59,824
Charges for services	28,060	28,060	22,983	(5,077)
Fines and forfeitures	110,000	110,000	83,987	(26,013)
Investment earnings	7,000	7,000	3,293	(3,707)
Other	8,500	8,500	4,282	(4,218)
<b>Total revenues</b>	<b>3,561,350</b>	<b>3,561,350</b>	<b>3,550,377</b>	<b>(10,973)</b>
<b>Expenditures</b>				
Recreation and culture	3,117,165	3,117,165	2,957,814	(159,351)
<b>Revenues over expenditures</b>	<b>444,185</b>	<b>444,185</b>	<b>592,563</b>	<b>148,378</b>
<b>Other financing (uses)</b>				
Transfers out	(745,000)	(766,100)	(773,912)	7,812
<b>Net change in fund balance</b>	<b>(300,815)</b>	<b>(321,915)</b>	<b>(181,349)</b>	<b>140,566</b>
<b>Fund balance, beginning of year</b>	<b>1,259,817</b>	<b>1,259,817</b>	<b>1,259,817</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 959,002</b>	<b>\$ 937,902</b>	<b>\$ 1,078,468</b>	<b>\$ 140,566</b>

# 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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal grants and reimbursements	\$ 193,000	\$ 193,000	\$ 59,726	\$ (133,274)
Expenditures				
Community development	43,000	43,000	59,726	16,726
Revenues over expenditures	150,000	150,000	-	(150,000)
Other financing (uses)				
Transfers out for Capital Purchases	150,000	150,000	-	(150,000)
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, 2018

	Sylvan Glen Golf Course	Aquatic Center	Total
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 22,228	\$ 197,829	\$ 220,057
Accounts receivable	98,797	37,792	136,589
Inventories	34,907	-	34,907
Prepaid expenses	48,155	-	48,155
Total current assets	<u>204,087</u>	<u>235,621</u>	<u>439,708</u>
Noncurrent assets:			
Advances to other funds	3,099,230	-	3,099,230
Capital assets not being depreciated	2,759,185	-	2,759,185
Capital assets being depreciated (net)	330,285	853,584	1,183,869
Total noncurrent assets	<u>6,188,700</u>	<u>853,584</u>	<u>7,042,284</u>
Total assets	<u>6,392,787</u>	<u>1,089,205</u>	<u>7,481,992</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	26,371	19,065	45,436
Other liabilities	176,381	819	177,200
Total current liabilities	<u>202,752</u>	<u>19,884</u>	<u>222,636</u>
Noncurrent liabilities:			
Advances from other funds	-	180,302	180,302
Total liabilities	<u>202,752</u>	<u>200,186</u>	<u>402,938</u>
<b>Net position</b>			
Net investment in capital assets	3,089,470	853,584	3,943,054
Unrestricted (deficit)	3,100,565	35,435	3,136,000
Total net position	<u>\$ 6,190,035</u>	<u>\$ 889,019</u>	<u>\$ 7,079,054</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, 2018

	Sylvan Glen Golf Course	Aquatic Center	Total
Operating revenues			
Charges for services	\$ 929,789	\$ 569,808	\$ 1,499,597
Rental:			
Golf course	198,130	-	198,130
Restaurant	67,200	-	67,200
Other services	103,200	8,300	111,500
Total operating revenues	<u>1,298,319</u>	<u>578,108</u>	<u>1,876,427</u>
Operating expenses			
Operations	1,029,461	469,126	1,498,587
Depreciation	52,749	188,526	241,275
Total operating expenses	<u>1,082,210</u>	<u>657,652</u>	<u>1,739,862</u>
Operating income (loss)	<u>216,109</u>	<u>(79,544)</u>	<u>136,565</u>
Nonoperating revenues (expenses)			
Investment earnings	7	264	271
Interest expense	(344)	-	(344)
Total nonoperating revenues (expenses)	<u>(337)</u>	<u>264</u>	<u>(73)</u>
Change in net position	215,772	(79,280)	136,492
Net position, beginning of year	<u>5,974,263</u>	<u>968,299</u>	<u>6,942,562</u>
Net position, end of year	<u>\$ 6,190,035</u>	<u>\$ 889,019</u>	<u>\$ 7,079,054</u>

# CITY OF TROY, MICHIGAN

## Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended June 30, 2018

	Sylvan Glen Golf Course	Aquatic Center	Total
Cash flows from operating activities			
Cash received from customers	\$ 1,301,799	\$ 544,137	\$ 1,845,936
Cash payments to employees	(519,687)	(265,061)	(784,748)
Cash payments to suppliers for goods and services	(493,313)	(172,734)	(666,047)
Cash payments for interfund services	(10,373)	(28,741)	(39,114)
Net cash provided by operating activities	<u>278,426</u>	<u>77,601</u>	<u>356,027</u>
Cash flows provided by noncapital financing activities			
Advances redeemed by other funds	<u>244,000</u>	<u>-</u>	<u>244,000</u>
Cash flows used in capital and related financing activities			
Purchase of capital assets	(864,632)	(44,151)	(908,783)
Principal on capital lease	(35,453)	-	(35,453)
Interest on capital lease	(344)	-	(344)
Net cash used in capital and related financing activities	<u>(900,429)</u>	<u>(44,151)</u>	<u>(944,580)</u>
Cash flows from investing activities			
Investment income	<u>7</u>	<u>264</u>	<u>271</u>
Net increase (decrease) in cash and investments	(377,996)	33,714	(344,282)
Cash and investments, beginning of year	<u>400,224</u>	<u>164,115</u>	<u>564,339</u>
Cash and investments, end of year	<u>\$ 22,228</u>	<u>\$ 197,829</u>	<u>\$ 220,057</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	<u>\$ 216,109</u>	<u>\$ (79,544)</u>	<u>\$ 136,565</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	52,749	188,526	241,275
Changes in assets and liabilities:			
Accounts receivable	3,480	(33,971)	(30,491)
Inventories	(3,378)	-	(3,378)
Prepaid expenses	(18,327)	-	(18,327)
Accounts payable	25,774	1,740	27,514
Other liabilities	2,019	850	2,869
Total adjustments	<u>62,317</u>	<u>157,145</u>	<u>219,462</u>
Net cash provided by operating activities	<u>\$ 278,426</u>	<u>\$ 77,601</u>	<u>\$ 356,027</u>

CITY OF TROY, MICHIGAN

**Combining Statement of Net Position**  
**Internal Service Funds**  
 June 30, 2018

	Compensated Absences	Unemployment Compensation	Custodial Services
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 5,587,306	\$ 40,429	\$ 768,437
Accounts receivable	-	-	-
Inventories	-	-	-
<b>Total current assets</b>	<b>5,587,306</b>	<b>40,429</b>	<b>768,437</b>
Noncurrent assets:			
Capital assets not being depreciated	-	-	-
Capital assets being depreciated net of accumulated depreciation	-	-	-
<b>Total capital assets, net of accumulated depreciation</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>5,587,306</b>	<b>40,429</b>	<b>768,437</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	-	429	26,593
Accrued expenses	-	-	-
Compensated absences	2,614,400	-	-
<b>Total current liabilities</b>	<b>2,614,400</b>	<b>429</b>	<b>26,593</b>
Noncurrent liabilities:			
Compensated absences	1,972,906	-	-
<b>Total liabilities</b>	<b>4,587,306</b>	<b>429</b>	<b>26,593</b>
<b>Net position</b>			
Investment in capital assets	-	-	-
Unrestricted	1,000,000	40,000	741,844
<b>Total net position</b>	<b>\$ 1,000,000</b>	<b>\$ 40,000</b>	<b>\$ 741,844</b>

CITY OF TROY, MICHIGAN

Combining Statement of Net Position  
Internal Service Funds  
June 30, 2018

	Information Technology	Motor Equipment	Workers' Compensation	Total
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 1,099,360	\$ 6,861,416	\$ 2,000,000	\$ 16,356,948
Accounts receivable	10,764	94,791	-	105,555
Inventories	-	464,511	-	464,511
<b>Total current assets</b>	<b>1,110,124</b>	<b>7,420,718</b>	<b>2,000,000</b>	<b>16,927,014</b>
Noncurrent assets:				
Capital assets not being depreciated	-	10,248	-	10,248
Capital assets being depreciated net of accumulated depreciation	378,388	4,148,300	-	4,526,688
<b>Total capital assets, net of accumulated depreciation</b>	<b>378,388</b>	<b>4,158,548</b>	<b>-</b>	<b>4,536,936</b>
<b>Total assets</b>	<b>1,488,512</b>	<b>11,579,266</b>	<b>2,000,000</b>	<b>21,463,950</b>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	100,005	216,509	-	343,536
Accrued expenses	1,020	3,287	-	4,307
Compensated absences	-	-	-	2,614,400
<b>Total current liabilities</b>	<b>101,025</b>	<b>219,796</b>	<b>-</b>	<b>2,962,243</b>
Noncurrent liabilities:				
Compensated absences	-	-	-	1,972,906
<b>Total liabilities</b>	<b>101,025</b>	<b>219,796</b>	<b>-</b>	<b>4,935,149</b>
<b>Net position</b>				
Investment in capital assets	378,388	4,158,548	-	4,536,936
Unrestricted	1,009,099	7,200,922	2,000,000	11,991,865
<b>Total net position</b>	<b>\$ 1,387,487</b>	<b>\$ 11,359,470</b>	<b>\$ 2,000,000</b>	<b>\$ 16,528,801</b>

CITY OF TROY, MICHIGAN

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

For the Year Ended June 30, 2018

	Compensated Absences	Unemployment Compensation	Custodial Services
Operating revenues			
Charges for services	\$ 4,187,587	\$ -	\$ 1,144,929
Building rental	-	-	-
Equipment rental	-	-	-
Other	-	3,289	-
<b>Total operating revenues</b>	<b>4,187,587</b>	<b>3,289</b>	<b>1,144,929</b>
Operating expenses			
Cost of services	4,195,745	3,349	1,004,102
Motor vehicle and garage expenses			
Administration	-	-	-
Operations	-	-	-
Depreciation	-	-	-
<b>Total operating expenses</b>	<b>4,195,745</b>	<b>3,349</b>	<b>1,004,102</b>
Operating income (loss)	(8,158)	(60)	140,827
Nonoperating revenues			
Investment earnings	8,158	60	1,017
Gain on sale of capital assets	-	-	-
<b>Total nonoperating revenues</b>	<b>8,158</b>	<b>60</b>	<b>1,017</b>
Change in net position	-	-	141,844
Net position, beginning of year	1,000,000	40,000	600,000
<b>Net position, end of year</b>	<b>\$ 1,000,000</b>	<b>\$ 40,000</b>	<b>\$ 741,844</b>

CITY OF TROY, MICHIGAN

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

For the Year Ended June 30, 2018

	Information Technology	Motor Equipment	Workers' Compensation	Total
Operating revenues				
Charges for services	\$ 2,057,212	\$ 97,227	\$ 349,289	\$ 7,836,244
Building rental	-	190,017	-	190,017
Equipment rental	-	3,653,223	-	3,653,223
Other	-	389,248	20,895	413,432
<b>Total operating revenues</b>	<b>2,057,212</b>	<b>4,329,715</b>	<b>370,184</b>	<b>12,092,916</b>
Operating expenses				
Cost of services	1,885,387	-	373,378	7,461,961
Motor vehicle and garage expenses				
Administration	-	629,244	-	629,244
Operations	-	2,477,080	-	2,477,080
Depreciation	142,621	815,052	-	957,673
<b>Total operating expenses</b>	<b>2,028,008</b>	<b>3,921,376</b>	<b>373,378</b>	<b>11,525,958</b>
Operating income (loss)	29,204	408,339	(3,194)	566,958
Nonoperating revenues				
Investment earnings	1,525	9,744	3,194	23,698
Gain on sale of capital assets	-	156,664	-	156,664
<b>Total nonoperating revenues</b>	<b>1,525</b>	<b>166,408</b>	<b>3,194</b>	<b>180,362</b>
Change in net position	30,729	574,747	-	747,320
Net position, beginning of year	1,356,758	10,784,723	2,000,000	15,781,481
<b>Net position, end of year</b>	<b>\$ 1,387,487</b>	<b>\$ 11,359,470</b>	<b>\$ 2,000,000</b>	<b>\$ 16,528,801</b>

# CITY OF TROY, MICHIGAN

## Combining Statement of Cash Flows Internal Service Funds

For the Year Ended June 30, 2018

	Compensated Absences	Unemployment Compensation	Custodial Services
Cash flows from operating activities			
Cash received from interfund services	\$ 4,187,587	\$ 3,289	\$ 1,145,252
Cash payments to employees	(4,123,027)	-	(696,688)
Cash payments to suppliers for goods and services	-	(3,367)	(283,546)
Net cash provided by (used in) by operating activities	<u>64,560</u>	<u>(78)</u>	<u>165,018</u>
Cash flows from capital and related financing activities			
Purchase of capital assets	-	-	-
Proceeds from sale of capital assets	-	-	-
Net cash used in capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities			
Investment income	<u>8,158</u>	<u>60</u>	<u>1,017</u>
Net increase (decrease) in cash and investments	72,718	(18)	166,035
Cash and investments, beginning of year	<u>5,514,588</u>	<u>40,447</u>	<u>602,402</u>
Cash and investments, end of year	<u>\$ 5,587,306</u>	<u>\$ 40,429</u>	<u>\$ 768,437</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ (8,158)	\$ (60)	\$ 140,827
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	-	-	-
Changes in assets and liabilities:			
Accounts receivable	-	-	323
Inventories	-	-	-
Accounts payable	-	(18)	23,868
Accrued liabilities	<u>72,718</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 64,560</u>	<u>\$ (78)</u>	<u>\$ 165,018</u>

CITY OF TROY, MICHIGAN

Combining Statement of Cash Flows  
Internal Service Funds

For the Year Ended June 30, 2018

	Information Technology	Motor Equipment	Workers' Compensation	Total
Cash flows from operating activities				
Cash received from interfund services	\$ 2,065,356	\$ 4,329,796	\$ 370,184	\$ 12,101,464
Cash payments to employees	(1,111,371)	(1,467,341)	-	(7,398,427)
Cash payments to suppliers for goods and services	(691,334)	(1,560,340)	(373,378)	(2,911,965)
Net cash provided by (used in) by operating activities	<u>262,651</u>	<u>1,302,115</u>	<u>(3,194)</u>	<u>1,791,072</u>
Cash flows from capital and related financing activities				
Purchase of capital assets	(85,856)	(720,114)	-	(805,970)
Proceeds from sale of capital assets	-	174,527	-	174,527
Net cash used in capital and related financing activities	<u>(85,856)</u>	<u>(545,587)</u>	<u>-</u>	<u>(631,443)</u>
Cash flows from investing activities				
Investment income	<u>1,525</u>	<u>9,744</u>	<u>3,194</u>	<u>23,698</u>
Net increase (decrease) in cash and investments	178,320	766,272	-	1,183,327
Cash and investments, beginning of year	<u>921,040</u>	<u>6,095,144</u>	<u>2,000,000</u>	<u>15,173,621</u>
Cash and investments, end of year	<u>\$ 1,099,360</u>	<u>\$ 6,861,416</u>	<u>\$ 2,000,000</u>	<u>\$ 16,356,948</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 29,204	\$ 408,339	\$ (3,194)	\$ 566,958
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	142,621	815,052	-	957,673
Changes in assets and liabilities:				
Accounts receivable	8,144	81	-	8,548
Inventories	-	(30,151)	-	(30,151)
Accounts payable	-	-	-	23,850
Accrued liabilities	82,682	108,794	-	264,194
Net cash provided by (used in) operating activities	<u>\$ 262,651</u>	<u>\$ 1,302,115</u>	<u>\$ (3,194)</u>	<u>\$ 1,791,072</u>

# CITY OF TROY, MICHIGAN

## Combining Statement of Net Position Fiduciary Funds

June 30, 2018

	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			
<b>Assets</b>						
Cash	\$ 5,660,640	\$ -	\$ 5,660,640	\$ 655,731	\$ 744,881	\$ 7,061,252
Interest receivable	9,578	-	9,578	-	116,241	125,819
<b>Investments</b>						
U.S. government securities	2,732,715	-	2,732,715	1,913,464	-	4,646,179
Corporate bonds	3,382,784	-	3,382,784	-	14,086,671	17,469,455
Corporate equities	91,726,258	-	91,726,258	3,730,767	15,654,413	111,111,438
Mutual funds	58,165,921	1,811,457	59,977,378	945,371	34,859,322	95,782,071
Exchange traded funds	35,010,940	-	35,010,940	2,656,488	15,945,564	53,612,992
<b>Total assets</b>	<b>196,688,836</b>	<b>1,811,457</b>	<b>198,500,293</b>	<b>9,901,821</b>	<b>81,407,092</b>	<b>289,809,206</b>
<b>Liabilities</b>						
Accrued liabilities	83,269	-	83,269	8,556	69,466	161,291
<b>Net position</b>						
Restricted for pension benefits	196,605,567	-	196,605,567	9,893,265	-	206,498,832
Restricted for postemployment healthcare benefits	-	1,811,457	1,811,457	-	81,337,626	83,149,083
<b>Total net position</b>	<b>\$196,605,567</b>	<b>\$ 1,811,457</b>	<b>\$198,417,024</b>	<b>\$ 9,893,265</b>	<b>\$81,337,626</b>	<b>\$289,647,915</b>

# CITY OF TROY, MICHIGAN

## Combining Statement of Changes in Net Position Fiduciary Funds

For the Year Ended June 30, 2018

	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			
<b>Additions</b>						
Contributions						
Employer contributions	\$ -	\$ -	\$ -	\$ 1,712,500	\$ 4,812,375	\$ 6,524,875
Employee contributions	159,830	-	159,830	-	-	159,830
On-behalf contributions	-	-	-	-	149,655	149,655
<b>Total contributions</b>	<b>159,830</b>	<b>-</b>	<b>159,830</b>	<b>1,712,500</b>	<b>4,962,030</b>	<b>6,834,360</b>
Investment earnings						
Interest	164,348	45,515	209,863	72,391	580,515	862,769
Dividends	5,287,242	-	5,287,242	133,533	2,348,797	7,769,572
Other income	144,974	-	144,974	-	-	144,974
Net adjustment in fair value	14,360,454	-	14,360,454	453,941	3,692,454	18,506,849
<b>Total investment earnings</b>	<b>19,957,018</b>	<b>45,515</b>	<b>20,002,533</b>	<b>659,865</b>	<b>6,621,766</b>	<b>27,284,164</b>
Less investment expense	461,309	-	461,309	31,313	264,094	756,716
<b>Net investment earnings</b>	<b>19,495,709</b>	<b>45,515</b>	<b>19,541,224</b>	<b>628,552</b>	<b>6,357,672</b>	<b>26,527,448</b>
<b>Total additions</b>	<b>19,655,539</b>	<b>45,515</b>	<b>19,701,054</b>	<b>2,341,052</b>	<b>11,319,702</b>	<b>33,361,808</b>
<b>Deductions</b>						
Benefits	11,352,909	5,571,068	16,923,977	803,388	-	17,727,365
Administrative expenses	137,054	-	137,054	13,227	39,518	189,799
<b>Total deductions</b>	<b>11,489,963</b>	<b>5,571,068</b>	<b>17,061,031</b>	<b>816,615</b>	<b>39,518</b>	<b>17,917,164</b>
<b>Change in net position</b>	<b>8,165,576</b>	<b>(5,525,553)</b>	<b>2,640,023</b>	<b>1,524,437</b>	<b>11,280,184</b>	<b>15,444,644</b>
<b>Restricted net position, beg. of year for</b>						
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
<b>Total restricted net position, beginning of year</b>	<b>188,439,991</b>	<b>7,337,010</b>	<b>195,777,001</b>	<b>8,368,828</b>	<b>70,057,442</b>	<b>274,203,271</b>
<b>Restricted net position, end of year for</b>						
Pension benefits	196,605,567	-	196,605,567	9,893,265	-	206,498,832
Postemployment healthcare benefits	-	1,811,457	1,811,457	-	81,337,626	83,149,083
<b>Total restricted net position, end of year</b>	<b>\$196,605,567</b>	<b>\$ 1,811,457</b>	<b>\$198,417,024</b>	<b>\$ 9,893,265</b>	<b>\$81,337,626</b>	<b>\$289,647,915</b>

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# CITY OF TROY, MICHIGAN

## Statement of Changes in Fiduciary Assets and Liabilities Agency Fund

For the Year Ended June 30, 2018

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and investments	\$ 4,239,510	\$ 198,127,443	\$ (197,394,233)	\$ 4,972,720
Taxes receivable	-	197,521,435	(197,521,435)	-
<b>Total assets</b>	<b>\$ 4,239,510</b>	<b>\$ 395,648,878</b>	<b>\$ (394,915,668)</b>	<b>\$ 4,972,720</b>
<b>Liabilities</b>				
Accounts payable	\$ 115,406	\$ 195,659,236	\$ (195,723,542)	\$ 51,100
Performance deposits	4,124,104	1,551,491	(753,975)	4,921,620
<b>Total liabilities</b>	<b>\$ 4,239,510</b>	<b>\$ 197,210,727</b>	<b>\$ (196,477,517)</b>	<b>\$ 4,972,720</b>

# CITY OF TROY, MICHIGAN

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

June 30, 2018

	Operating	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash and investments	\$ 556,761	\$ -	\$ 556,761
Receivables			
Taxes receivable	35,426	-	35,426
<b>Total assets</b>	<b>\$ 592,187</b>	<b>-</b>	<b>592,187</b>
<b>Liabilities</b>			
Accounts payable	\$ 10,100	-	10,100
Interest payable	-	110,577	110,577
Long-term debt:			
Due within one year	-	260,000	260,000
Due after one year	-	13,645,000	13,645,000
<b>Total liabilities</b>	<b>10,100</b>	<b>14,015,577</b>	<b>14,025,677</b>
<b>Deferred inflows of resources</b>			
Unavailable property taxes	35,426	(35,426)	-
Deferred gain on refunding	-	377,403	377,403
<b>Total deferred inflows of resources</b>	<b>35,426</b>	<b>341,977</b>	<b>377,403</b>
<b>Fund balance</b>			
Unassigned	546,661	(546,661)	-
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 592,187</b>		
<b>Net position (deficit)</b>			
Unrestricted		(13,810,893)	(13,810,893)
<b>Total net position (deficit)</b>		<b>\$ (13,810,893)</b>	<b>\$ (13,810,893)</b>

# CITY OF TROY, MICHIGAN

## Reconciliation Fund Balances for Governmental Funds to Net Position of Governmental Activities Downtown Development Authority June 30, 2018

Fund balances - total governmental funds \$ 546,661

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 35,426

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 (110,577)  
Deduct: deferred gain on refunding (377,403)  
Deduct: debt reimbursement payable - current portion (260,000)  
Deduct: debt reimbursement payable - long-term portion (13,645,000)

Net position of governmental activities \$ (13,810,893)

# 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, 2018

	Operating	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 1,391,451	\$ (29,706)	\$ 1,361,745
Intergovernmental			
State Sources - MPPE/LCSA	28,364	-	28,364
Investment earnings	1,301	-	1,301
<b>Total revenues</b>	<b>1,421,116</b>	<b>(29,706)</b>	<b>1,391,410</b>
Expenditures/expenses			
Economic development	257,056	-	257,056
Debt service:			
Principal	260,000	(260,000)	-
Interest	671,513	(24,889)	646,624
<b>Total expenditures/expenses</b>	<b>1,188,569</b>	<b>(284,889)</b>	<b>903,680</b>
Net change in fund balances/ net position	232,547	255,183	487,730
Fund balance/net position (deficit), beginning of year	314,114	(14,612,737)	(14,298,623)
Fund balance/net position (deficit), end of year	<u>\$ 546,661</u>	<u>\$ (14,357,554)</u>	<u>\$ (13,810,893)</u>

# 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, 2018

Net change in fund balances - total governmental funds \$ 232,547

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

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

Deduct: net difference in deferred inflows (29,706)

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 24,889

Change in net position of governmental activities \$ 487,730

# CITY OF TROY, MICHIGAN

## Statement of Net Position and Governmental Funds Balance Sheet Local Development Financing Authority

June 30, 2018

	Operating	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash and investments	\$ 140,883	\$ -	\$ 140,883
<b>Fund balance</b>			
Unassigned	140,883	(140,883)	-
<b>Total liabilities and fund balance</b>	\$ 140,883		
<b>Net position</b>			
Unrestricted		140,883	140,883
<b>Total net position</b>		\$ 140,883	\$ 140,883

# 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, 2018

	Operating	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 160,746	\$ -	\$ 160,746
Investment earnings	249	-	249
Total revenues	160,995	-	160,995
Expenditures/expenses			
Economic development	120,947	-	120,947
Net change in fund balance/net position	40,048	-	40,048
Fund balance/net position, beginning of year	100,835	-	100,835
Fund balance/net position, end of year	\$ 140,883	\$ -	\$ 140,883

# CITY OF TROY, MICHIGAN

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

June 30, 2018

	Operating	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash and investments	\$ 513,298	\$ -	\$ 513,298
Revolving loans receivable	271,585	-	271,585
<b>Total assets</b>	<u>\$ 784,883</u>	<u>-</u>	<u>784,883</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue - loans receivable	271,585	(271,585)	-
<b>Fund balance</b>			
Unassigned	513,298	(513,298)	-
<b>Total liabilities, deferred inflows and fund balance</b>	<u>\$ 784,883</u>		
<b>Net Position</b>			
Unrestricted		784,883	784,883
<b>Total net position</b>		<u>\$ 784,883</u>	<u>\$ 784,883</u>
<b>Reconciliation:</b>			
<b>Fund Balance for Governmental Fund to Net Position of Governmental Activities</b>			
Fund balance - governmental fund			\$ 513,298
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.			271,585
<b>Net position of government activities</b>			<u>\$ 784,883</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, 2018

	Operating	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 84,056	\$ (67,526)	\$ 16,530
Investment earnings	764	-	764
Total revenues	84,820	(67,526)	17,294
Expenditures/expenses			
Community and economic development	10,180	-	10,180
Net change in fund balance/net position	74,640	(67,526)	7,114
Fund balance/net position, beginning of year	438,658	339,111	777,769
Fund balance/net position, end of year	\$ 513,298	\$ 271,585	\$ 784,883

### 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	\$ 74,640
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.	(67,526)
Change in net position of governmental activities	\$ 7,114

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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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental activities</b>										
Net investment in capital assets	\$ 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	\$ 209,330,214
Restricted	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	17,995,682
Unrestricted	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	17,351,506
Total governmental activities net position	\$ 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	\$ 244,677,402
<b>Business-type activities</b>										
Net investment in capital assets	\$ 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	\$ 128,565,431
Unrestricted	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	39,035,755
Total business-type activities net position	\$ 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	\$ 167,601,186
<b>Primary government</b>										
Net investment in capital assets	\$ 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	\$ 337,895,645
Restricted	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	17,995,682
Unrestricted	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	56,387,261
Total primary government net position	\$ 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	\$ 412,278,588

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

Changes in Net Position  
(Accrual Basis of Accounting)

Unaudited

	Fiscal Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
Governmental activities:										
General government	\$ 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	\$ 10,527,094
Public safety	31,597,944	31,300,208	30,776,101	27,228,933	26,878,737	28,860,117	35,744,673	31,023,545	29,403,916	29,357,164
Public works	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	18,123,198
Sanitation	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	5,007,584
Community and economic development	1,838,697	1,460,081	1,030,929	854,593	1,366,075	16,303,702	1,018,643	955,880	794,535	851,314
Recreation and culture	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	11,320,591
Interest on long-term debt	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	1,095,894
Total governmental activities expenses	\$ 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	\$ 76,282,839
Business-type activities:										
Water	\$ 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	\$ 20,809,872
Sanitary Sewer	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	14,441,047
Aquatic center	597,942	561,343	565,873	566,978	543,834	531,369	583,709	700,430	717,905	655,821
Sylvan Glen golf course	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	1,082,544
Sanctuary Lake golf course	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	1,930,551
Total business-type activities expenses	\$ 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	\$ 38,919,835
Total primary government expenses	\$ 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	\$ 115,202,674
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 3,862,669
Public safety	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	4,975,806
Public works	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	3,082,359
Sanitation	6,993	4,796	4,860	5,700	6,012	6,358	6,590	8,630	8,199	25,923
Recreation and culture	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	3,698,180
Operating grants and contributions	967,159	1,057,307	1,474,950	912,173	1,196,458	835,352	1,097,166	760,549	951,275	1,134,640
Capital grants and contributions	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	10,501,834
Total governmental activities program revenues	\$ 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	\$ 27,281,411

continued...

CITY OF TROY, MICHIGAN

Changes in Net Position  
(Accrual Basis of Accounting)

Unaudited

(Continued)

	Fiscal Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business-type activities:										
Charges for services:										
Water	\$ 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	\$ 20,154,112
Sanitary Sewer	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	13,335,048
Aquatic center	486,671	451,670	503,685	577,757	481,424	532,293	431,141	728,589	591,389	578,108
Sylvan Glen golf course	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	1,298,319
Sanctuary Lake golf course	923,692	968,687	940,775	1,442,755	1,295,277	1,335,433	1,375,137	1,809,386	1,739,789	1,781,278
Operating grants and contributions	-	-	-	-	-	-	19,153	-	-	-
Capital grants and contributions	1,025,250	299,239	221,561	150,603	528,416	262,237	285,963	1,104,132	2,681,660	738,252
Total business-type activities program revenues	\$ 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	\$ 37,885,117
Total primary government program revenues	\$ 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	\$ 65,166,528
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (49,001,428)
Business-type activities	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	(1,034,718)
Total primary government net expense	\$ (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)	\$ (50,036,146)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 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	\$ 49,396,636
State-shared revenues	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	8,378,417
Grants & contrib. not restricted	103,151	1,207,291	8,652	33,400	50,485	54,535	22,848	24,472	14,619	20,070
Interest and investment earnings	1,861,698	785,025	537,935	245,077	185,302	424,286	258,208	1,079,714	12,506	93,835
Miscellaneous	131,037	163,134	123,038	121,187	140,452	532,674	523,636	131,968	-	156,664
Transfers	704,200	627,160	492,020	596,316	-	-	-	-	-	-
Total governmental activities	\$ 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	\$ 58,045,622
Business-type activities:										
Grants & contrib. not restricted	\$ 616	\$ 301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment earnings	1,064,193	487,698	384,561	210,585	133,912	305,126	131,526	681,643	29,858	73,070
Miscellaneous	-	4,800	-	-	-	10,500	-	6,946	-	-
Transfers	(704,200)	(627,160)	(492,020)	(596,316)	-	-	-	-	-	-
Total business-type activities	\$ 360,609	\$ (134,361)	\$ (107,459)	\$ (385,731)	\$ 133,912	\$ 315,626	\$ 131,526	\$ 688,589	\$ 29,858	\$ 73,070
Total primary government	\$ 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	\$ 58,118,692
Change in Net Position										
Governmental activities	\$ 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	\$ 9,044,194
Business-type activities	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	(961,648)
Total primary government	\$ 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	\$ 8,082,546

CITY OF TROY, MICHIGAN

**Fund Balances, Governmental Funds** Unaudited

Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

	For Fiscal Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Fund</b>										
Nonspendable	\$ 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	\$ 6,885,751
Restricted	-	-	1,508,257	1,514,118	1,525,598	1,534,139	1,538,879	1,563,203	1,563,397	1,565,721
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	6,326,870
Unassigned	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	18,661,478
<b>Total general fund</b>	<b>\$ 21,314,476</b>	<b>\$ 23,741,886</b>	<b>\$ 27,465,155</b>	<b>\$ 33,911,184</b>	<b>\$ 36,760,106</b>	<b>\$ 37,592,774</b>	<b>\$ 34,618,467</b>	<b>\$ 32,607,160</b>	<b>\$ 32,162,338</b>	<b>\$ 33,439,820</b>
<b>All other Governmental Funds</b>										
Nonspendable	\$ -	\$ -	\$ -	\$ 158,200	\$ 160,579	\$ 224,977	\$ 200,512	\$ 196,900	\$ 293,680	\$ 187,299
Restricted	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	17,996,223
Committed	-	89,400	7,245,560	2,662,187	3,099,166	3,776,000	803,358	2,720,822	945,425	132,263
Assigned	-	17,909,784	-	-	-	-	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 31,704,901</b>	<b>\$ 26,293,289</b>	<b>\$ 19,293,248</b>	<b>\$ 18,759,126</b>	<b>\$ 21,732,621</b>	<b>\$ 25,024,969</b>	<b>\$ 24,785,605</b>	<b>\$ 22,427,842</b>	<b>\$ 20,591,479</b>	<b>\$ 18,315,785</b>

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										2018	
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018		
<b>Revenues</b>												
Property taxes	\$ 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	\$ 49,449,053	\$ 49,449,053	
Licenses and permits	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	2,947,987	2,947,987	
Intergovernmental - federal	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	419,889	419,889	
Intergovernmental - state	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	17,266,839	17,266,839	
Intergovernmental - local	465,212	908,398	1,039,709	614,530	786,068	31,209	587,902	1,401,455	1,624,744	1,227,514	1,227,514	
Charges for services	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	9,328,352	9,328,352	
Fines and forfeits	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	1,617,607	1,617,607	
Investment earnings	1,592,062	643,073	430,899	186,897	154,351	348,625	224,322	865,229	10,795	70,137	70,137	
Other	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	3,139,232	3,139,232	
<b>Total revenues</b>	<b>81,453,768</b>	<b>79,899,632</b>	<b>72,069,586</b>	<b>72,508,596</b>	<b>77,126,996</b>	<b>76,794,410</b>	<b>81,062,887</b>	<b>83,245,425</b>	<b>82,169,775</b>	<b>85,466,610</b>	<b>85,466,610</b>	
<b>Expenditures</b>												
Current:												
General government	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	7,557,035	7,557,035	
Public safety	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	31,427,553	31,427,553	
Public works	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	6,184,744	6,184,744	
Other public works	2,525,114	2,043,464	1,756,490	1,680,731	1,779,928	-	-	-	-	-	-	
Sanitation	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	5,008,258	5,008,258	
Community & economic Dev.	195,216	172,522	148,800	133,712	621,439	18,327,123	3,207,237	3,186,003	3,364,862	3,627,340	3,627,340	
Recreation and culture	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	10,771,468	10,771,468	
Debt service:												
Principal	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	2,910,420	2,910,420	
Interest and other charges	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	1,160,095	1,160,095	
Capital outlay	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	17,818,579	17,818,579	
<b>Total expenditures</b>	<b>87,273,196</b>	<b>83,451,249</b>	<b>76,003,481</b>	<b>67,181,391</b>	<b>71,355,799</b>	<b>89,074,748</b>	<b>84,633,265</b>	<b>87,786,933</b>	<b>84,452,259</b>	<b>86,465,492</b>	<b>86,465,492</b>	
<b>Excess of revenues over (under) expenditures</b>	<b>(5,819,428)</b>	<b>(3,551,617)</b>	<b>(3,933,895)</b>	<b>5,327,205</b>	<b>5,771,197</b>	<b>(12,280,338)</b>	<b>(3,570,378)</b>	<b>(4,541,508)</b>	<b>(2,282,484)</b>	<b>(998,882)</b>	<b>(998,882)</b>	
<b>Other financing sources (uses)</b>												
Transfers in	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	14,583,366	14,583,366	
Transfers out	(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)	(14,583,366)	(14,583,366)	
Issuance of debt	181,379	11,321,816	9,110,000	-	-	14,945,000	-	-	-	-	-	
Premium on debt issuance	-	-	947,639	-	-	-	-	-	-	-	-	
Payments to escrow agents	-	(11,261,350)	(9,919,004)	-	-	-	-	-	-	-	-	
Proceeds from sale of capital assets	131,205	-	61,373	51,220	51,220	273,700	415,717	172,438	1,299	670	670	
<b>Total other financing sources (uses)</b>	<b>936,109</b>	<b>567,415</b>	<b>657,123</b>	<b>584,701</b>	<b>51,220</b>	<b>15,668,700</b>	<b>356,707</b>	<b>172,438</b>	<b>1,299</b>	<b>670</b>	<b>670</b>	
<b>Net change in fund balances</b>	<b>(4,883,319)</b>	<b>(2,984,202)</b>	<b>(3,276,772)</b>	<b>5,911,906</b>	<b>5,822,417</b>	<b>(3,388,362)</b>	<b>(3,213,671)</b>	<b>(4,369,070)</b>	<b>(2,281,185)</b>	<b>(998,212)</b>	<b>(998,212)</b>	
<b>Debt service as a percentage of noncapital expenditures</b>	<b>5.3%</b>	<b>5.5%</b>	<b>6.1%</b>	<b>6.5%</b>	<b>6.4%</b>	<b>5.1%</b>	<b>6.7%</b>	<b>6.9%</b>	<b>6.5%</b>	<b>5.9%</b>	<b>5.9%</b>	

# 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		
2009	\$ 36,487,455	\$ 3,564,456	\$ -	\$ 8,386,956	\$ 2,653,262	\$	\$ 51,092,129
2010	36,362,516	3,900,932	-	7,957,902	2,607,201		50,828,551
2011	32,550,858	4,057,573	-	7,137,343	2,321,601		46,067,375
2012	30,424,031	4,168,478	3,037,539	6,645,570	2,020,285		46,295,903
2013	29,612,174	4,446,398	2,962,459	6,481,465	2,917,119		46,419,615
2014	29,591,708	4,647,626	2,982,973	6,526,304	3,010,782		46,759,393
2015	29,844,976	4,595,925	3,004,907	6,574,245	2,973,425		46,993,478
2016	30,673,539	4,733,992	3,083,735	6,771,668	3,106,251		48,369,185
2017	30,813,146	4,764,992	3,110,616	6,815,995	2,679,988		48,184,737
2018	31,687,325	4,909,101	3,179,008	6,861,168	2,760,034		49,396,636

# 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
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%
2018	47,541,259	47,004,145	98.87%	481,373	47,485,518	99.88%	55,740	0.12%

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 Community College	Intermediate School District	SMART	State Education	Zoo	Art				
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			
2018 H	6.50	1.49	1.07	0.60	0.69	10.36	10.33	4.49	1.56	3.11	0.99	6.00	0.10	0.20	37.13			
2018 NH	6.50	1.49	1.07	0.60	0.69	10.36	22.70	4.49	1.56	3.11	0.99	6.00	0.10	0.20	49.50			

H - Homestead  
NH - Non-Homestead

CITY OF TROY, MICHIGAN

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

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
12/31/2007	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	9.4	4,988,518,313	97.10%
12/31/2010	7/01/2011	6/30/2012	2,631,131,230	1,192,065,320	241,468,720	384,084,890	4,448,750,160	(115,608,486)	4,333,141,674	10.19	4,540,412,680	97.98%
12/31/2011	7/01/2012	6/30/2013	2,643,043,570	973,996,760	300,554,800	395,096,920	4,312,692,050	(93,614,668)	4,219,077,382	10.48	4,410,108,900	97.79%
12/31/2012	7/01/2013	6/30/2014	2,704,214,970	908,560,198	283,393,700	414,094,580	4,310,263,448	(63,630,562)	4,246,632,886	10.52	4,491,432,340	95.97%
12/31/2013	7/01/2014	6/30/2015	2,790,011,280	878,242,440	277,484,950	425,887,200	4,371,625,870	(93,053,718)	4,278,572,152	10.5	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	(99,915,047)	4,579,883,393	10.36	5,894,241,720	79.40%
12/31/2017	7/01/2018	6/30/2019	3,226,541,500	956,053,740	308,328,990	382,154,210	4,873,078,440	(109,210,295)	4,763,868,145	10.30	6,146,885,474	79.28%

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

Unaudited

Taxpayer	Fiscal Year Ended 6/30/2009			Fiscal Year Ended 6/30/2018		
	Taxable Value	Rank	Percentage of Total City Taxable Value	Taxable Value	Rank	Percentage of Total City Taxable Value
Frankel Forbes Cohen	\$ 69,981,710	1	1.28%	\$ 53,059,670	1	1.13%
Kojaian	57,000,830	2	1.04%	39,808,670	2	0.85%
Emmes Asset Management	43,586,970	3	0.80%	28,910,220	3	0.62%
Nykel Management	32,993,920	4	0.60%	23,506,650	4	0.50%
Delphi	31,556,620	5	0.58%	20,526,020	5	0.44%
Troy Industrial	31,304,140	6	0.57%	20,422,610	6	0.44%
888 W. Big Beaver	30,329,290	7	0.56%	18,783,740	7	0.40%
Detroit Edison	29,560,570	8	0.54%	16,190,910	8	0.35%
Nemer Troy Place	28,094,280	9	0.51%	14,485,860	9	0.31%
Osprey - Troy Place	27,463,660	10	0.50%	14,442,660	10	0.31%
Total Top Ten	\$ 381,871,990			\$ 250,137,010		
Total % of City T/V			6.99%			5.35%
Total City T/V	\$ 5,459,779,936			\$ 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					
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%
2018	23,786,210		7,869,668		31,655,878	0.92%	363	0.68%

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
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%
2018	2,675,000	1,123,112	3,798,112	68,371,926	5.56%

Includes General, Special Revenue and Debt Service Funds.

# CITY OF TROY, MICHIGAN

## Computation of Direct and Overlapping Debt

Unaudited

June 30, 2018

Jurisdiction	Net General Bonded Debt Outstanding	Percentage Applicable to Troy	Amount Applicable to Troy
City of Troy - Direct debt	\$ 31,655,878	100.00%	\$ 31,655,878
City of Troy - Overlapping Debt			
Avondale School District	93,304,423	20.40%	19,034,102
Birmingham School District	199,180,000	3.69%	7,349,742
Bloomfield Hills School District	52,610,000	2.34%	1,231,074
Royal Oak School District	42,230,000	2.18%	920,614
Troy School District	134,635,000	100.00%	134,635,000
Warren School District	184,830,000	7.83%	14,472,189
Oakland County	340,795,795	8.55%	29,138,040
Oakland Intermediate School District	44,695,000	8.08%	3,611,356
Total overlapping debt	<u>1,092,280,218</u>		<u>210,392,118</u>
Total direct, indirect and overlapping debt	<u>\$ 1,123,936,096</u>		<u>\$ 242,047,996</u>

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

# CITY OF TROY, MICHIGAN

## Computation of Legal Debt Margin

Unaudited

June 30, 2018

Assessed Valuation at December 31, 2016 \$ 5,894,241,720

	Annual Net Debt	Percentage of State Equalized Valuation	Legal Margin	
			Amount	Legal Debt Margin
General obligation debt	\$ 29,635,000	10.0%	\$ 589,424,172	\$ 559,789,172
Emergency bonds	-	37.5%	2,210,340,645	2,210,340,645
Special assessment bonds	-	12.0%	707,309,006	707,309,006
Total debt	<u><u>\$ 29,635,000</u></u>		<u><u>\$ 3,507,073,823</u></u>	<u><u>\$ 3,477,438,823</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 (\$5,894,241,720), 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				
	2009	2010	2011	2012	2013
Debt Limit	\$ 622,709,405	\$ 583,886,924	\$ 498,851,831	\$ 454,041,268	\$ 441,010,890
Total net debt applicable to limit	<u>(40,050,000)</u>	<u>(37,460,000)</u>	<u>(34,545,000)</u>	<u>(32,010,000)</u>	<u>(30,420,000)</u>
Legal debt margin	<u>\$ 582,659,405</u>	<u>\$ 546,426,924</u>	<u>\$ 464,306,831</u>	<u>\$ 422,031,268</u>	<u>\$ 410,590,890</u>
Total net debt applicable to the limit as a percentage of debt limit	6.43%	6.42%	6.92%	7.05%	6.90%

	Fiscal Year				
	2014	2015	2016	2017	2018
Debt Limit	\$ 449,143,234	\$ 482,754,174	\$ 531,361,170	\$ 562,687,887	\$ 589,424,172
Total net debt applicable to limit	<u>(42,735,000)</u>	<u>(39,670,000)</u>	<u>(36,325,000)</u>	<u>(32,940,000)</u>	<u>(29,635,000)</u>
Legal debt margin	<u>\$ 406,408,234</u>	<u>\$ 443,084,174</u>	<u>\$ 495,036,170</u>	<u>\$ 529,747,887</u>	<u>\$ 559,789,172</u>
Total net debt applicable to the limit as a percentage of debt limit	9.51%	8.22%	6.84%	5.85%	5.03%

CITY OF TROY, MICHIGAN

**Pledged Revenue Coverage**  
Last Ten Fiscal Years

Unaudited

Golf Course Bonds					
Fiscal Year Ended	Collections	Debt Service			Coverage (1)
		Principal	Interest	Total	
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%
2018	1,781,278	630,000	253,545	883,545	202%

Michigan Transportation Fund Bonds					
Fiscal Year Ended	Collections (1)	Debt Service			Coverage
		Principal	Interest	Total	
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
2018	-	-	-	-	N/A

Special Assessment Bonds					
Fiscal Year Ended	Collections	Debt Service			Coverage (2)
		Principal	Interest	Total	
2009	\$ -	\$ -	\$ -	\$ -	N/A
2010	-	-	-	-	N/A
2011	-	-	-	-	N/A
2012	-	-	-	-	N/A
2013	-	-	-	-	N/A
2014	-	-	-	-	N/A
2015	-	-	-	-	N/A
2016	-	-	-	-	N/A
2017	-	-	-	-	N/A
2018	-	-	-	-	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)
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
2018	87,177	41.5	30,812	2.71	39,545	85,027	3,447	2.8	95	58	28

Source:

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

CITY OF TROY, MICHIGAN

Unaudited

Principal Employers by Industry  
Current and Previous Four Years

Industry	2014			2015			2016			2017			2018		
	Number of Parcels	Rank	Percent of Total Parcels	Number of Parcels	Rank	Percent of Total Parcels	Number of Parcels	Rank	Percent of Total Parcels	Number of Parcels	Rank	Percent of Total Parcels	Number of Parcels	Rank	Percent of Total Parcels
Industrial, Light Manufacturing	638	1	39.12%	637	1	39.37%	639	1	39.15%	644	1	39.03%	635	1	39.32%
Office	262	2	16.06%	259	2	16.01%	259	2	15.87%	257	2	15.58%	254	2	15.73%
Retail Store (Mall, Plaza, Market, Whse, Discount)	154	3	9.44%	155	3	9.58%	155	3	9.50%	155	3	9.39%	154	3	9.54%
All other	88	4	5.40%	75	5	4.64%	89	4	5.45%	96	4	5.82%	75	5	4.64%
Medical Office	84	5	5.15%	85	4	5.25%	85	5	5.21%	84	5	5.09%	85	4	5.26%
Apartments	67	6	4.11%	68	6	4.20%	68	6	4.17%	71	6	4.30%	67	7	4.15%
Engineering	66	7	4.05%	64	8	3.96%	62	8	3.80%	64	9	3.88%	66	8	4.09%
Restaurant & Fast Food	66	8	4.05%	66	7	4.08%	66	7	4.04%	71	7	4.30%	72	6	4.46%
Warehouse (Storage, Distribution, Transit)	59	9	3.62%	63	9	3.89%	62	9	3.80%	66	8	4.00%	63	9	3.90%
Service (Station, Garage, Booth, Convenience)	58	10	3.56%	57	10	3.52%	57	10	3.49%	52	10	3.15%	53	10	3.28%
Loft (Multi Tenant Industrial)	40	11	2.45%	40	11	2.47%	40	11	2.45%	40	11	2.42%	40	11	2.48%
Bank	32	12	1.96%	32	12	1.98%	32	12	1.96%	32	12	1.94%	33	12	2.04%
Auto Dealership	17	13	1.04%	17	13	1.05%	18	13	1.10%	18	13	1.09%	18	13	1.11%
<b>Total commercial/industrial parcels</b>	<b>1,631</b>		<b>100.00%</b>	<b>1,618</b>		<b>100.00%</b>	<b>1,632</b>		<b>100.00%</b>	<b>1,650</b>		<b>100.00%</b>	<b>1,615</b>		<b>100.00%</b>

Source: City Assessor

# CITY OF TROY, MICHIGAN

## Operating Indicators by Function/Program

Last Ten Fiscal Years

Unaudited

	Fiscal Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>Building Inspection</u>										
Permits issued	1,251	1,185	940	1,699	2,006	2,297	2,369	2,404	3,197	2,988
Plans reviewed	685	719	908	1,842	2,023	2,641	3,051	3,301	3,817	3,750
<u>Executive Administration</u>										
City Manager's Office										
GFOA awards/submittals	3	3	2	2	3	3	3	3	3	3
City Attorney's Office										
District court appearances	6,840	6,091	6,492	6,612	7,884	7,871	8,289	8,059	8,241	8,357
Community Affairs										
New resident packets distributed	855	910	943	912	803	790	801	940	790	801
Press releases sent	475	482	487	474	479	482	495	500	460	468
City Clerk's Office										
Registered voters	55,989	56,572	55,301	57,470	58,318	56,630	57,400	57,163	58,333	57,619
Voter turnout% (November)	79%	22%	57%	27%	74%	27%	51%	21%	80%	29%
Human Resources										
Applications processed	1,015	365	110	1,566	778	1,274	1,120	809	1,261	1,044
Job postings	37	10	11	30	26	38	45	51	59	61
Labor contracts settled	1	1	6	0	0	3	2	4	0	0
<u>Engineering</u>										
Engineering										
Soil erosion inspections	1,626	979	863	772	628	812	1,089	640	744	779
Machine traffic counts	146	125	93	68	52	43	25	25	15	18
PASER ratings	Not Avail.	Not Avail.	Not Avail.	6	6	5.7	5.7	5.5	5.3	5.2

# CITY OF TROY, MICHIGAN

## Operating Indicators by Function/Program

Last Ten Fiscal Years

Unaudited

	Fiscal Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>Finance</u>										
Accounting/Risk Management										
Payroll checks processed	27,346	23,147	22,891	23,091	24,073	24,073	26,497	26,822	27,665	27,692
Invoices issued	3,597	8,354	9,649	10,027	10,033	10,635	10,121	10,119	10,307	10,193
Liability claims processed	140	85	84	57	53	103	344	84	41	55
Insurance certificates approved	370	364	331	328	348	365	385	619	693	730
Assessing										
Residential appraisals	1,439	863	750	500	642	518	362	390	400	324
Reinspections	1,000	600	500	500	892	892	1,156	1,400	1,000	1,300
Purchasing										
Value of goods/services purchased	\$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	\$45.8 mil
% of awards without dispute	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
City Treasurer's Office										
Tax bills processed	65,798	65,770	65,687	65,900	66,000	66,200	62,685	62,854	62,345	62,669
Water bills processed	104,777	104,807	99,566	101,055	102,272	102,510	102,807	103,118	104,418	107,054
<u>Fire</u>										
Fire Department responses	889	853	1,022	1,090	1,006	1,165	1,077	1,174	1,216	1,206
Inspections performed	2,768	2,543	2,347	2,013	3,154	2,988	2,398	2,815	2,348	2,096
<u>Other General Government</u>										
Building Operations										
Requests for service	18,922	17,280	16,801	12,500	18,550	18,550	16,280	18,150	18,630	18,240
Planning										
Site plan reviews	9	14	13	8	9	17	17	15	18	17
Special use requests	15	9	8	7	12	3	2	6	5	6

# CITY OF TROY, MICHIGAN

## Operating Indicators by Function/Program

Last Ten Fiscal Years

Unaudited

	Fiscal Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>Parks, Recreation and Culture</u>										
ROW trees trimmed	2,894	3,168	2,457	2,262	3,508	3,300	3,976	2,611	4,323	1,849
Recreation programs	587	622	471	468	466	480	485	485	492	518
Library cards	Not avail.	51,200	50,900	51,000	51,000	46,400	49,656	56,961	61,362	58,598
<u>Police</u>										
Part 1 Crimes	1,944	1,837	1,842	1,865	1,670	1,512	1,419	1,451	1,358	1,288
Operate while impaired	477	396	464	399	506	473	419	350	392	352
Hazardous traffic citations	8,178	8,214	7,526	7,385	6,811	6,704	5,283	4,796	4,510	5,094
Non-hazardous traffic citations	3,415	2,888	2,745	3,941	3,681	3,168	4,750	3,736	3,315	3,722
<u>Traffic crashes:</u>										
Property damage	2,336	2,167	2,427	2,434	1,958	3,342	3,163	1,937	1,949	2,155
Personal injury	564	374	317	386	303	532	468	275	260	307
Fatal crash	5	5	3	2	4	4	5	3	4	2
<u>Public Works</u>										
<u>Streets &amp; Drains Division</u>										
Requests for service	1,258	1,004	1,188	1,149	1,370	1,774	1,747	1,509	1,636	1,956
<u>Water &amp; Sewer Division</u>										
Requests for service	2,844	2,902	3,379	3,366	4,217	4,434	4,140	2,482	2,776	2,627
Sanitary sewers cleaned in feet	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	350,269
<u>Fleet Maintenance</u>										
Work orders	3,848	3,507	3,217	2,839	2,037	2,532	2,165	2,443	2,477	2,380
Vehicle tires replaced	604	608	520	566	464	406	487	332	349	458
<u>Refuse/Resource Recovery</u>										
Tons of refuse collected	32,951	27,412	27,230	29,816	26,655	27,210	28,462	28,068	28,475	26,957
Tons of compost collected	10,620	12,313	9,690	10,689	8,786	9,743	9,174	9,104	9,580	8,806

CITY OF TROY, MICHIGAN

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

Unaudited

	Fiscal Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>Information Technology</u>										
Help desk requests	2,075	2,392	2,498	2,485	2,333	3,079	3,018	2,811	3,136	3,389
<u>Golf Course</u>										
Sylvan Glen rounds of golf	43,892	41,719	40,852	47,293	42,655	37,737	42,887	49,988	49,044	45,848
Sanctuary Lake rounds of golf	24,710	24,757	27,236	33,485	30,301	30,283	31,840	43,416	41,459	41,700
<u>Aquatic Center</u>										
Admissions	48,146	47,738	51,000	54,260	47,940	49,066	36,021	42,481	34,741	36,492

# CITY OF TROY, MICHIGAN

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

Unaudited

Function/Program	Fiscal Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<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	435	406	406	408	408	409	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	6	6	6	6
Miles of sanitary	397	398	398	391	392	393	393	395	396	397
Miles of storm	545	545	545	589	625	631	529	519	535	540
<u>Street Lights</u>										
Detroit Edison owned poles	582	580	562	561	562	562	562	562	562	562
City owned poles	956	956	997	1,242	539	539	1,010	1,010	1,010	1,010
<u>Water</u>										
Annual distribution in million cubic feet	494	449	485	530	539	450	420	450	495	489
Miles of watermains	540	540	540	537	539	537	542	543	544	545
Number of hydrants	5,850	5,854	5,870	5,863	5,897	5,930	5,962	5,979	6,001	6,025
<u>Parks and Recreation</u>										
Number of developed parks	14	14	14	14	15	15	15	15	15	16
Acres of public parks	1,000	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

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
2017 - 2018	2,988	permits	180,411,536	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	2009		2010		2011		2012		2013		2014		2015		2016		2017		2018		
	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	17	2	0	0	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	4	7	6	7	5	7	7	9	6	9	5	9	4	7	5	5
City Attorney's Office	8	1	8	1	6	1	7	1	7	1	7	0	7	0	6	0	7	0	7	1	1
City Clerk's Office	6	2	5	2	3	2	4	2	4	2	4	2	4	3	4	3	5	1	5	1	1
Human Resources	4	1	4	1	2	1	2	1	3	1	4	1	4	0	4	1	4	1	3	0	0
Community Affairs	3	6	1	6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0
<u>Engineering</u>																					
Engineering	21	6	16	5	12	3	10	4	11	3	11	3	11	2	11	2	13	2	12	1	1
<u>Finance</u>																					
Accounting/Risk Management	10.5	0	9.5	0	4	1	4	3	6	1	6	2	6	2	6	1	6	2	6	2	2
Assessing	8	2	8	1	6	1	6	1	6	1	7	1	6	1	7	0	6	0	6	0	0
Purchasing	3	1	3	1	2	0	0	1	2	1	2	1	2	1	2	1	2	1	3	0	0
City Treasurer's Office	3.5	0	3.5	0	3	0	4	0	3	1	3	1	4	0	4	0	4	0	4	1	1
<u>Fire</u>																					
Fire	13	2	13	2	10	6	11	6	11	6	11	6	12	6	12	4	12	5	11	3	3
<u>Library/Museum</u>																					
Library	16	96	15	93	5	61	6	68	5	71	9	82	9	83	9	75	11	75	11	78	78
Museum	2	9	2	9	0	0	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

	2009		2010		2011		2012		2013		2014		2015		2016		2017		2018		
	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	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Building Operations	12	2	11	2	6	0	6	3	7	3	7	4	7	3	7	4	8	2	9	2	
Planning	5	0	3	0	4	2	4	2	4	2	4	2	4	2	4	3	4	4	5	2	
<u>Police</u>																					
Sworn Police Officers	95	0	95	0	94	0	73	0	74	0	69	0	79	0	78	0	79	0	82	0	
Command	29	0	27	0	24	0	23	0	22	0	21	0	23	0	23	0	22	0	24	0	
Other	68	18	66	18	35	22	44	32	44	35	47	31	47	35	48	29	48	24	49	27	
<u>Parks &amp; Recreation</u>																					
Parks	14	39	13	17	7	31	6	12	6	11	6	13	6	14	6	15	6	16	6	15	
Recreation	18	167	19	164	8	124	6	178	5	171	5	182	6	185	6	183	5	181	7	166	
<u>Public Works</u>																					
Streets & Drains Division	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	24	6	
Water & Sewer Division	34	7	34	7	31	0	31	6	31	6	33	6	32	6	31	7	34	6	31	7	
Fleet Maintenance	18	2	18	2	11	2	11	4	14	3	12	6	14	6	15	2	16	0	16	2	
Refuse/Resource Recovery	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	0	0	
<u>Information Technology</u>																					
Information technology	9	2	9	2	8	1	8	1	8	1	9	0	10	0	11	0	11	0	10	0	
<u>Golf Course</u>																					
Golf course	5	71	5	54	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
<u>Aquatic Center</u>																					
Aquatic center	0	88	0	88	0	50	0	37	0	45	0	42	0	52	0	66	0	60	0	66	
<u>Total Employees</u>	467	543	443	496	310	314	294	379	301	378	307	401	327	418	327	410	337	394	339	385	

Source: City Department of Human Resources

# CITY OF TROY, MICHIGAN

## State Shared Revenues

Unaudited

Last Ten Fiscal Years

Fiscal Year Ended June 30	State Shared Revenue
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 *
2018	8,378,417

\* - 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	
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
2018	6,098,323	2,184,860	8,283,183

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	61
Michigan Association of Police - Clerical, Police Services Aides	6/30/2018	44
Troy Command Officers Association - Command Police Officers	6/30/2019	24
Troy Police Officers Association - Police Officers	6/30/2020	82
Troy Firestaff Officers Association - Fire Career Professionals	6/30/2019	9
Troy Communication Supervisors Association - Civilian Communications Supervisors	6/30/2021	8

Source: City Department of Human Resources

## 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 28, 2018

The Honorable Mayor and  
City Council  
City of Troy, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Troy, Michigan* (the "City"), as of and for the year ended June 30, 2018, 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 18, 2018.

#### Internal Control Over Financial Reporting

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

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