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# Comprehensive Annual Financial Report



for the year ended **June 30, 2003**

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF TROY, MICHIGAN

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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## CITY COUNCIL

Matt Pryor, Mayor

David A. Lambert - Mayor Pro-Tem

Robin E. Beltramini

Martin F. Howrylak

Christina Broomfield

Jeanne M. Stine

David J. Eisenbacher

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John Szerlag - City Manager

John M. Lamerato - Assistant City Manager/Finance and Administration

James A. Nash - Financial Services Director

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Prepared by the Finance Department



## INTRODUCTORY SECTION

# CITY OF TROY, MICHIGAN

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 Troy, Michigan 48084  
 Fax: (248) 524-0851  
 www.ci.troy.mi.us

*you have boron you*

November 17, 2003

Area code (248)

Assessing  
524-3311

Bldg. Inspections  
524-3344

Bldg. Operations  
524-3368

City Clerk  
524-3316

City Manager  
524-3330

Community Affairs  
524-1147

Engineering  
524-3383

Finance  
524-3411

Fire-Administration  
524-3419

Human Resources  
524-3339

Information Technology  
619-7279

Law  
524-3320

Library  
524-3545

Parks & Recreation  
524-3484

Planning  
524-3364

Police-Administration  
524-3443

Public Works  
524-3370

Purchasing  
524-3338

Real Estate & Development  
524-3498

Treasurer  
524-3334

General Information  
524-3300

Dear Honorable Mayor and City Council Members:

The *Comprehensive Annual Financial Report* for the City of Troy, Michigan for the year ended June 30, 2003 is hereby submitted. The report represents a comprehensive and detailed picture of our financial transactions during fiscal year 2002-03 and the financial condition of the various funds as of June 30, 2003. This report has been prepared by a team of City staff led by the Assistant City Manager /Finance and Administration. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

In 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, which significantly changed the contents and format of municipal financial statements. GASB Statement No. 34 (GASB No. 34) was developed to promote comparability between various units of government and to demonstrate the operational, as well as the fiscal, accountability of each municipality. The implementation schedule of GASB No. 34 is based on total revenues of the reporting entity. According to this schedule, the City of Troy is required to use the new reporting format for fiscal years ending June 30, 2003. Prior to GASB No. 34, municipalities reported only on the fund basis. This demonstrated to the financial statement user that the municipality met its responsibility to the public and all legal requirements in the short term, usually a year or a budget cycle. With the adoption of GASB No. 34, a municipality must also include full accrual government-wide financial statements. The purpose of these statements is to demonstrate the operational accountability of the municipality. Operational accountability refers to the government's responsibility to assure that it is currently meeting, and can continue to meet, operational objectives into the foreseeable future.

*AS A RESULT OF GASB 34 CHANGES*

A *Management's Discussion and Analysis Report*, 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/Non-major 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 financial reporting entity includes all of the funds 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 Downtown Development Authority, Brownfield Redevelopment Authority and the Troy Municipal Building Authority have been included within this report, as they fit the definition of a blended component unit.

Blended component units, although legally separate entities, are, in substance, a part of the government's operations and so data from these units are combined with data of the primary government.

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, three-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. These services include police, fire, water distribution, wastewater collection, street maintenance, public improvements, planning, zoning, and general administrative services.

*The Comprehensive Annual Financial Report* was prepared to meet the needs of a broad spectrum of financial statement readers and is divided into the following major sections:

**Introductory Section** – This section introduces the reader to the City of Troy and to this report. Included are: this transmittal letter with continuing disclosure reporting enhancements, the City's organizational chart, a list of principal officials, and a fund organization chart.

**Financial Section** – The independent auditor's report, management's discussion and analysis letter, government-wide financial statements, combined fund financial statements, and notes to the financial statements are included here. These are the City's basic financial statements and provide an overview for readers who require less detailed information than is contained in the balance of this report.

**Required Supplemental Information** – This section contains schedules showing the funding progress of both the Employees' Retirement System and the Incentive Plan for Volunteer Firefighters.

**Statistical Section** – Although this section contains substantial financial data, these schedules differ from financial statements in that they present some non-accounting data, cover more than the current year, and are designed to reflect social and economic data, financial trends, and the fiscal capabilities of the City.

**Single Audit Section** - The City of Troy is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in the single audit section of this report.

## **~ECONOMIC CONDITION AND OUTLOOK**

The economic condition of the City has remained steady during these difficult times. Our unemployment rate is well below the national and state average.

	<u>1990</u>	<u>2000</u>	<u>July 2003</u>
Troy	3.5%	1.6%	3.2%
Metro Area*	7.6%	4.3%	8.3%
Michigan	7.6%	3.6%	8.0%
National	5.5%	4.0%	6.3%

\*Metro Area includes: Lapeer, Macomb, Monroe, Oakland, St. Clair, and Wayne Counties

The community's growth is further dramatized by the significant gains in the growth in, and size of, Troy's taxable valuation. In 1990, our taxable value was \$2,931,850,960. By December 31, 2001, that value had grown to \$4,861,640,648 an increase of 65.8 percent. In Michigan, only the City of Detroit has a higher taxable value than the City of Troy. The Southeast Michigan Council of Governments (SEMCOG) estimates that Troy will experience employment and population increases well into the next century. Our economic future looks bright indeed.

Other significant economic events occurring during the fiscal year included the following activities:

### Major Initiatives

Major initiatives, more often than not, span several years, and ours are no exception.

We maintained our culture of professionalism by providing a high level of service, and this culture will be enhanced by continued implementation of the \$47 million bonding proposals approved by Troy residents in 1999. Bonds have been issued for road improvements, facility replacement and expansion, and open space/recreation functions. In 2003 we issued \$14,500,000 for public safety facilities.

*which completes our \$47 million Bonded AUTHORIZATION*  
*VOTER Approved*

Our Civic Center campus of approximately 128 acres is at the vanguard of much activity. A \$26 million Community Center, which has a building footprint of 136,000 square feet was completed in March of 2003. The facility offers an aquatic element, cardiovascular fitness area, dance/aerobics area, meeting rooms, banquet facilities, and gymnasium. Over 6,000 memberships to this state of the art facility have been sold.

Phase I of a renovation/addition to our existing City Hall for enhanced Police and Fire administration activities has been completed. The final phase will be completed by the end of 2003.

*Phase 2 & 3 completed in the next several months.*

Construction is well under way for the new Sanctuary Lake Golf Course. Located in "Section 1," the northeastern most corner of our city, this site is a former landfill that is being transformed into a community 18-hole links style golf course. By operating as a golf course, the facility will be self-funding and a beautiful way to develop land into an outdoor resource that many will enjoy. The Sanctuary Lake Golf Course Driving Range opened in August, 2003, the golf course will be open for play in late summer of 2004.

Honorable Mayor and City Council Members  
November 17, 2003

Thanks to the continuing efforts of the Troy Historical Society, the historically significant Troy Methodist Church was relocated to the Village Green site in August 2003.

In March 2003 construction began for the new Fire Station #3, which is located on the north side of Big Beaver Road, between Coolidge and Crooks. Occupancy is scheduled for November 2003. *IS OCCUPIED AS OF*

Major road construction projects were active on Big Beaver, Adams to Coolidge; Maple Road, Eton to Coolidge; and Long Lake Road, Carnaby to Dequindre.

We still maintain our tradition of strong financial management policies within City government, as evidenced by being the only municipality in the state of Michigan with a population greater than 50,000 having a "AAA" bond rating. Our tax base also continues to grow with the addition of new development, although we need to start focusing on redevelopment efforts. Doing so will improve our fiscal strength, not only for the Troy City government, but also for the Troy Downtown Development Authority.

#### Department Feature - Purchasing

The City of Troy is committed to ensuring value, fostering competition, and saving money by procuring goods and services at the lowest competitive prices from responsible vendors meeting specifications.

In 2003, the National Purchasing Institute with the "Achievement of Excellence in Procurement" Award has recognized Troy's Purchasing Department. High scores were achieved in areas of innovation, professionalism, procurement, productivity and leadership attributes. *- AWARDED THE CITY OF TROY*

Buyer of the Year for 2003 was an individual award received by our Purchasing Systems Administrator from the Michigan Public Procurement Officers Association for her work on e-procurement initiatives. *Sue Crosson*

The e-procurement initiatives began with the implementation of the Michigan Intergovernmental Trade Network (MITN) hosted by BidNet as a result of a Tri-County Cooperative bidding process, which included the cities of Troy, Birmingham, Dearborn, Farmington Hills, Rochester Hills, Royal Oak, Sterling Heights, Warren, and Livingston County.

The MITN site was created in conjunction with BidNet as a central bid notification system. It is available for online vendor registration, to be used by the named agencies to post bids, quotes, requests for proposals, construction notices, addenda and awards including tabulations. Other purchasing agencies have joined since its inception in March 2003 – the Wayne County Airport Authority, cities of Southfield, Dearborn Heights, Madison Heights, and Allen Park.

By establishing this centralized system, vendors now have a single point of contact and 24-hour access to new business opportunities throughout the region.

Honorable Mayor and City Council Members  
November 17, 2003

The City conducted its first online auction hosted by BidCorp for a Motorola Radio Console System with five (5) workstations, and received \$20,600.00 from the gross sales of the used equipment from the high bidder, Grand Traverse County.

Also in 2003, a Satisfaction Survey was distributed to all Purchasing customers, including other City departments.

The Purchasing Department garnered a 95.5% overall satisfaction rating for the quality of services provided by the department and its ability to clearly communicate procurement processes. A satisfaction rating of 97.8% was indicated for the performance of the personnel who work within the department.

The Purchasing Department is prepared to implement cyberspace technology for reverse auctions and acceptance of bids online. The required Charter and Ordinance revisions have been prepared and are pending review and approval.

*- Should appear on the City's April ballot. AS AN Charter Amendment*

#### **~FINANCIAL INFORMATION**

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

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

#### **Single Audit**

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

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

#### **Budgeting Controls**

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

*I will cover the General Funds in more detail.*

Activities of the General, Special Revenue, Debt Service, and Capital Projects Funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function within an individual fund.

The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Outstanding encumbrances at year-end for the Capital Projects Fund are recorded as a reservation of fund balance and are re-appropriated as part of the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

### General Government Functions

The following schedule presents a summary of all General Fund revenues for the fiscal year ended June 30, 2003 and the amount of percentage increase and decrease in relation to prior year revenues.

Generally accepted accounting standards require that management provide a narrative introduction, overview and analysis to accompany these basic financial statements in the form of a *Management's Discussion and Analysis (MD&A)* letter.

This letter of transmittal is designed to compliment 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.

<u>REVENUE SOURCE</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL</u>	<u>INCREASE (DECREASE) FROM 2002</u>
Property Taxes	\$30,399,278	58.1%	\$1,313,752
Licenses and Permits	1,449,003	2.8	(73,131)
Federal	213,137	.4	143,684
State	7,749,164	14.8	(743,792)
County	142,450	.3	(16,818)
Charges for Services	5,662,442	10.8	746,787
Fines and Forfeits	896,833	1.7	(274,916)
Investment Income	235,191	.5	(608,973)
Other	975,380	1.9	297,901
Subtotal	\$47,722,878	\$91.3	\$784,494
Transfer from Other Funds	4,577,144	8.7	316,654
<b>TOTAL</b>	<b>\$52,300,022</b>	<b>100.0%</b>	<b>\$1,101,148</b>

Overall General Fund revenues increased 2.2 percent from the prior year. Property taxes in the General Fund increased by 4.5 percent due to new construction and a slight valuation adjustment for existing property. However, the overall millage rate levied by the City of Troy was reduced .03 mills in fiscal year 2003. State sources decreased by 8.8 percent due to a decrease in total dollars distributed, as a result of downturn in the State's economy in particular, sales tax revenue and the State budget-balancing problem.

Fees and permits were down 4.8 percent due to a decrease in the dollar value of building permits issued during the past year. Fines and forfeitures were down 23.5 percent due to a decrease in violations and drug forfeiture proceeds. Charges for services revenue increased by 11.7 percent primarily due to bringing on-line our new Community Center. Investment Income was down 72.1 percent due to the downturn in the national economy and the corresponding reduction of interest rates paid by the fixed income market and the advance funding of bond projects.

The following schedule presents a summary of the General Funds expenditures for the fiscal year ended June 30, 2003 and the percentage increase and decrease in relation to prior year expenditures.

<u>EXPENDITURES</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL</u>	<u>INCREASE (DECREASE) FROM 2002</u>
Council/Executive Administration	\$1,853,599	3.6%	\$148,418
General Government	2,157,616	4.1	214,400
Finance	4,168,062	7.9	248,174
Police	19,837,794	37.5	163,873
Fire	3,579,858	6.8	230,200
Building Inspection	1,811,704	3.4	114,224
Roads and Streets	4,930,823	9.3	435,311
Engineering	2,600,191	4.9	(34,605)
Parks and Recreation	7,419,479	14.0	1,174,418
Library and Museum	4,474,275	8.5	431,617
Subtotal	\$52,833,401	100%	\$4,126,030
Transfer to Other Funds	-0-	-0-	(2,909,290)
<b>TOTAL</b>	<b>\$52,833,401</b>	<b>100%</b>	<b>\$ 216,740</b>

Expenditures – Total General Fund expenditures increased by .4 percent. All bargaining units received contractual increases this past year on average of 3.8 percent and healthcare costs were up approximately 16%. The frequency and severity of snow and ice removal events accounted for the large increase in road and streets expenditures.

Full staffing and activation of our new Community Center lead to a majority of the increase in Parks and Recreation. Transfers to other funds (Capital) were removed from the budget due to the funded position of unreserved/undesignated fund balance.

In years past when we had over 17 percent of the next year's budget in unreserved/ undesignated funds, we would appropriate funds to the Capital Projects Funds.

### **General Fund Balance**

The fund balance of the General Fund decreased by \$533,379 to a balance of \$21,426,730. Of the \$21,426,730 fund balance, \$3,524,927 is reserved for such items as tax appeals, insurance, inventory, and prepaid items; \$5,516,798 is unreserved but designated for improvements and maintenance; \$3,417,290 is unreserved but designated for the 2003-04 budget, leaving \$8,967,715 as unreserved and undesignated.

This amount represents 15.5% of our 2003-04 General Fund budget. This amount is slightly less than the City Council's goal of 17.0% and is considered adequate to provide a cushion against unforeseen future negative events.

### **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:

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.

Major Street Fund – Gas and weight tax revenues received in this fund from the State of Michigan are used for repairs, maintenance, snow and ice removal, and construction of all streets classified as "major" within the city. The gas and weight taxes generated \$3,479,968 compared to \$3,415,410 last fiscal year.

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

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

Brownfield Redevelopment Authority Fund – The Authority generates revenue from property taxes on the new development of previously undevelopable property. This Authority provides assistance for the redevelopment of abandoned, idled, or underutilized industrial or commercial properties which are complicated by real or perceived environmental contamination.

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. The major activities in this fund include senior minor home chore program and infrastructure improvements.

Cemetery Perpetual Care Fund – This fund invests the proceeds from the sale of burial plots and utilizes investment income to operate and maintain City-owned cemeteries.

### **Enterprise Operations**

The City operates four separate enterprise operations: Water Fund, Sanitary Sewer Fund, Aquatic Center Fund, and Golf Course Fund.

The Water Fund operating revenues amounted to \$11,155,393, resulting in an increase of \$1,601,538 from last year. Operating expenses totaled \$10,173,497, an increase of \$1,375,312 from last fiscal year. *11.2*

The Sanitary Sewer Fund generated \$8,973,121 in operating revenues compared to \$7,635,479 last fiscal year. Operating expenses totaled \$8,778,461 compared to \$7,428,752 last fiscal year. During the 2002-03 budget, rates were reviewed by City Council and were adjusted for the water and sewer utility. These rates are reviewed annually during budget time to ensure proper funding for operations maintenance and improvements to the system. *9.0* *10.2* *8.8*

The Aquatic Center continues to operate at a loss. The operating loss of \$70,178 compares to a net loss of \$159,817 last fiscal year. The City has taken measures to increase usage and continues to look at ways to reduce the net loss, which was evident this past year. *w/o Degree. Rev. over apt \$5,700*

The Golf Course Fund ended the year with a net income of \$32,570. This amount compares to a net income of \$48,502 last fiscal year.

### **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 – The 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 – This fund charges departments a percentage of payroll based on premiums established by our provider to account for pooled insurance expenses.

### **Pension Trust Fund Operations**

The Employees Retirement Fund reported end-of-the-year net assets held in trust for pension benefits of \$146,350,090 compared to the beginning amount of \$149,375,254. As of December 31, 2002, the fund is 117.0% funded.

### **Debt Administration**

At June 30, 2003, the City had a number of debt issues outstanding. These issues included \$100,968,658 being serviced by Governmental Funds and \$800,000 by Proprietary Fund types. All three major rating agencies (Fitch Ratings, Moody's and Standard and Poor's) gave the City a "AAA" rating for general obligation bonds.

### **Cash Management**

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

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

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

### Risk Management

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

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

### ~OTHER INFORMATION

#### Independent Audit

The City Charter and State statutes require an annual audit of all accounts of the City by certified public accountants. The accounting firm of Doeren Mayhew, CPAs, was selected by the City Council. The City received an "unqualified opinion" from Doeren Mayhew, which is the best opinion that an organization can receive on its financial statements.

It indicates that the auditor's examination has disclosed no conditions that cause them to believe that the financial statements are not fairly stated in all material respects.

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

#### Awards

CALL UP STAFF

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 *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2002.

\* PRESENT PLAQUE

\* PLAQUE  
Interview  
FINANCIAL  
STAFF

This was the sixth 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 *Comprehensive Annual Financial Report*. 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 requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. The City has also received the GFOA *Distinguished Budget Presentation Award* and the *Award for Outstanding Achievement in Popular Annual Financial Reporting*.

out of  
54 cities in  
the STATE  
1776 cities  
in the STATE  
NATIONALLY  
36,000  
cities  
of which 1,567  
Award Recipients

1 OF 2 CITIES IN THE  
STATE TO RECEIVE  
ALL 3 AWARDS

Honorable Mayor and City Council Members  
November 17, 2003


\* Special Recognition to  
NANCY KUHA who  
SPORHEARDED  
OUR GASB 34 COMPLIANCE  
TEAM.

**Acknowledgments**

The preparation of the *Comprehensive Annual Financial Report* on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department.

Each member of the department has our sincere appreciation for the contributions made in preparation of this report.

Respectfully submitted,

  
John Szerlag,  
City Manager

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

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Troy,  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2002

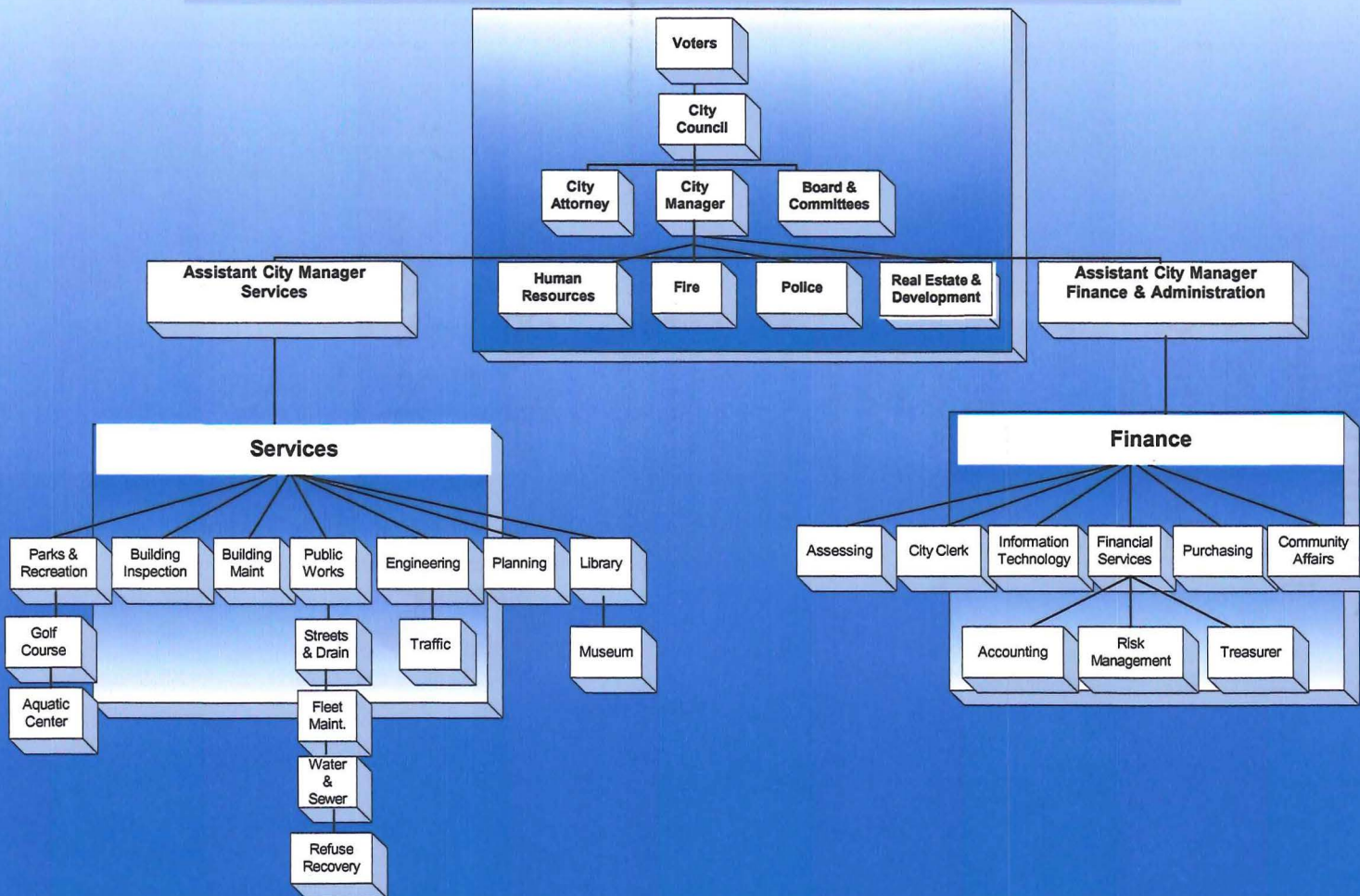
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



*William Patrick Harte*  
President

*Jeffrey R. Emer*  
Executive Director

# CITY OF TROY ORGANIZATIONAL CHART 2002/03



## LIST OF PRINCIPAL OFFICIALS

<u>TITLE</u>	<u>NAME</u>
CITY MANAGER	<i>John Szerlag</i>
CITY ATTORNEY	<i>Lori Grigg Bluhm</i>
ASSISTANT CITY MANAGER – FINANCE & ADMINISTRATION	<i>John M. Lamerato</i>
ASSISTANT CITY MANAGER – SERVICES	<i>Gary A. Shripka</i>
BUILDING AND ZONING DIRECTOR	<i>Mark S. Stimac</i>
CITY ASSESSOR	<i>Leger A. Licari</i>
CITY CLERK	<i>Tonni Bartholomew</i>
CITY ENGINEER	<i>Steven J. Vandette</i>
CITY TREASURER	<i>Nancy L. Aguinaga</i>
COMMUNITY AFFAIRS DIRECTOR	<i>Cynthia A. Stewart</i>
FINANCIAL SERVICES DIRECTOR	<i>James A. Nash</i>
FIRE CHIEF	<i>William S. Nelson</i>
HUMAN RESOURCES DIRECTOR	<i>Peggy E. Clifton</i>
INFORMATION TECHNOLOGY DIRECTOR	<i>Gertrude M. Paraskevin</i>
LIBRARY DIRECTOR	<i>Brian H. Stoutenburg</i>
PARKS AND RECREATION DIRECTOR	<i>Carol K. Anderson</i>
PLANNING DIRECTOR	<i>Mark F. Miller</i>
POLICE CHIEF	<i>Charles T. Craft</i>
PUBLIC WORKS DIRECTOR	<i>Timothy L. Richnak</i>
PURCHASING DIRECTOR	<i>Jeanette Bennett</i>
REAL ESTATE AND DEVELOPMENT DIRECTOR	<i>Douglas J. Smith</i>
RISK MANAGER	<i>Stephen Cooperrider</i>
SUPERINTENDENT OF BUILDING OPERATIONS	<i>Steven A. Pallotta</i>
SUPERINTENDENT OF FLEET MAINTENANCE	<i>Sam P. Lamerato</i>
SUPERINTENDENT OF STREETS AND DRAINS	<i>Thomas Rosewarne</i>
SUPERINTENDENT OF WATER	<i>Michael Karloff</i>

CITY OF TROY, MICHIGAN  
FUND ORGANIZATION CHART

GASB 34  
IDENTIFY MAJOR FUNDS

Governmental Funds

General\*

Special Revenue

- Downtown Development Authority
- Major Streets\*
- Local Streets\*
- Refuse
- Brownfield Redevelopment Authority
- Community Development Block Grant (CDBG)
- Cemetery Perpetual Care

Debt Service

- Proposal A
- Proposal B
- Proposal C
- General Debt Service\*
- Downtown Development Authority Debt
- Major Streets Debt

Capital Projects\*

Proprietary Funds

Enterprise

- Water\*
- Sanitary Sewer\*
- Aquatic Center
- Golf Course

Internal Service

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

Fiduciary Funds

Pension Trust

- Employees' Retirement
- Fire Incentive Reserve

Agency

- Agency

Focus on  
MAJOR/  
NON MAJOR  
Govt/ AND  
Business  
Type  
Funds

\*Major funds under GASB No.34







Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Troy, Michigan as of June 30, 2003, and for the year then ended which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Troy, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2003, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 15, the City has implemented a new financial reporting model, as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of July 1, 2002. In adopting this statement, the financial statements now include a Management's Discussion and Analysis, government-wide full accrual financial statements and reorganized fund statements.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9, 21 through 23 and 84 through 91, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Troy, Michigan's basic financial statements. The combining and individual fund financial statements and the accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Troy, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The statistical section on pages 113 through 132 is not a required part of the basic financial statements, and we did not audit and do not express an opinion on such information.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



DOEREN MAYHEW

September 15, 2003  
Troy, Michigan

① pg 3-9

**CITY OF TROY, MICHIGAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

② This section of the City of Troy's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2003. Please read it in conjunction with the transmittal letter, which begins on page VI and the City's financial statements, which begin on page 11.

**Financial Highlights**

- The City's combined total net assets are reported as \$314.6 million for the fiscal year ended June 30, 2003.
- During the year, the City's expenses were \$8.4 million less than the \$81.1 million generated in taxes, charges for services, and other revenues for governmental programs.
- In the City's business-type activities, revenues generated \$24.3 million, while expenses totaled \$20.8 million.
- The total cost of all of the City's programs, including governmental activities and business-type activities was \$94.4 million.
- Total net assets increased \$11.0 million.

**Overview of the Financial Statements**

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

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

*— better depicted on the following charts AFTER NEXT YEARS AUDIT WE WILL have comparable DATA which will make the report more useful.*

**CITY OF TROY, MICHIGAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental, business-type, internal service, and fiduciary funds, each of which are added together and presented in single columns in the basic financial statements.

**Government-wide Statements**

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

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

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

- **Governmental activities** – Most of the City's basic services are included here, such as police, fire, public works, parks and recreation, and general administration. Property taxes, state shared revenue, and charges for services finance most of these activities.
- **Business-type activities** – The City charges fees to customers to help cover the cost of certain services it provides. The City's business-type activities include water, sanitary sewer, Aquatic Center, and golf course.

**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.

**CITY OF TROY, MICHIGAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 services for the City's other programs. Examples of internal service funds would be Motor Equipment and Information Technology.

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

### **The City of Troy as a Whole**

The City's combined total net assets for the fiscal year ended June 30, 2003 is \$314.6 million. This is the first year that the new reporting format is being implemented, so comparative analysis of government wide data is not being presented. Comparative data will be presented in future years when the information is available.

**CITY OF TROY, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Combined unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, is reported as \$111.6 million. ~~\$78.0~~ million is the amount of unrestricted net assets reported for the City of Troy's governmental activities. 95.7  
62.1

The table below shows total assets, total liabilities, and total net assets (in millions of dollars) as of June 30, 2003, in a condensed format.

<u>CURRENT ASSETS</u>	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	TOTAL
	2003		2003	2003
Current Assets	\$115.0		\$ 41.2	\$156.2
Capital Assets	184.6		<del>9.99</del> 99.9	284.5
<b>TOTAL ASSETS</b>	<b>\$299.6</b>		<b>\$141.1</b>	<b>\$440.7</b>
Long-term Debt Outstanding	\$107.2		\$ .8	\$108.0
Other Liabilities	<del>18.0</del> 17.9		.2	18.2
<b>TOTAL LIABILITIES</b>	<b>\$125.2</b>		<b>\$ 1.0</b>	<b>\$126.2</b>
Net Assets:				
Invested in Capital Assets, Net of Debt	<del>78.4</del> 82.8		\$ 99.9	182.7
Restricted	<del>18.1</del> 29.6		6.6	36.2
Unrestricted	<del>78.0</del> 62.1		33.6	95.7
<b>TOTAL NET ASSETS</b>	<b>\$174.5</b>		<b>\$140.1</b>	<b>\$314.6</b>

RES. Debit CONST

CAPITAL ASSETS / LOSS DEBT

The following table shows the change in net assets (in millions of dollars) as of June 30, 2003, in a condensed format.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	TOTAL
	2003		2003	2003
Program Revenues:				
Charges for Services	\$ 10.1		\$ 21.8	\$ 31.9
Operating Grants & Contributions	.7		-	.7
Capital Grants & Contributions	10.7		-	10.7
General Revenues:				
Property Taxes	49.7		-	49.7
State-shared Revenues	7.6		-	7.6
Interest Earnings	1.9		.6	2.5
Other Revenue	.4		1.9	2.3
<b>TOTAL REVENUES</b>	<b>\$ 81.1</b>		<b>\$ 24.3</b>	<b>\$105.4</b>

**CITY OF TROY, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Continued	GOVERNMENTAL	BUSINESS-TYPE	TOTAL
	ACTIVITIES	ACTIVITIES	
	2003	2003	2003
Program Expenses:			
General Government	\$ 11.7	\$ -	\$ 11.7
Public Safety	25.7	-	25.7
Engineering and Public Services	16.0	-	16.0
Community and Economic Development	.6	-	.6
Sanitation	4.2	-	4.2
Recreation and Culture	12.3	-	12.3
Interest Expense	3.1	-	3.1
Water	-	10.2	10.2
Sanitary Sewer	-	8.8	8.8
Golf Course	-	1.3	1.3
Aquatic Center	-	.5	.5
<b>TOTAL EXPENSES</b>	<b>\$ 73.6</b>	<b>\$ 20.8</b>	<b>\$ 94.4</b>
EXCESS (DEFICIENCY) BEFORE SPECIAL ITEMS AND TRANSFERS	7.5	3.5	11.0
TRANSFERS	.9	(.9)	-
<b>INCREASE IN NET ASSETS</b>	<b>8.4</b>	<b>2.6</b>	<b>11.0</b>
NET ASSETS - BEGINNING OF YEAR	166.1	137.5	303.6
NET ASSETS - END OF YEAR	\$174.5	\$140.1	\$314.6

The City of Troy's net assets continue to remain healthy. With growth in the property tax base, total revenues grew slightly faster than inflation, while continued conservative spending policies kept expenses in line.

**Governmental Activities**

The City of Troy's total governmental revenue is reported at \$81.8 million, while expenses were \$73.6 million. The following table presents the cost of the City's various activities as well as the net cost (total cost less fees generated by the activities and governmental aid). The net cost shows the financial burden that was placed on the City by each of these activities. Net Cost of City of Troy's Governmental Activities (in millions of dollars):

ACTIVITY	TOTAL COST OF SERVICES	NET COST OF SERVICES
General Government	\$11.7	\$10.3
Public Safety	\$25.7	\$22.5
Public Works	\$16.0	\$ 2.4
Sanitation	\$ 4.2	\$ 4.0
Community and Economic Development	\$ .6	\$ .5
Recreation and culture	\$12.3	\$ 9.3

*GENERAL REV.*  
*TAXES STATE*  
*Interest*

*P912*

**CITY OF TROY, MICHIGAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Business-type Activities**

The City of Troy's business-type activities consist of water, sanitary sewer, Aquatic Center, and golf course. Water and sanitary sewer services are provided to City residents through the Detroit water system and sewerage treatment plants. Charges for services increased due to higher consumption and the pass through of rate adjustments from the City of Detroit.

**The City of Troy's Funds**

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

The City of Troy's major funds for 2003 include the General Fund, Major Streets, Local Streets, Capital Projects, General Debt Service, Water, and Sanitary Sewer. The General Fund pays for most of the City of Troy's governmental services; two of the most significant are public safety and recreation and culture, which incurred expenses of approximately \$25.7 million and \$12.3 million respectively in 2003.

**General Fund Budgetary Highlights**

Over the course of the year, City Council amended the budget to take into account events during the year. The most significant was to recognize a one-time federal grant for public safety purposes and to provide additional funding for fire prevention. Revenue received for the fiscal year was within \$ 0.1 million of the budgeted amount.

A decrease of 5% in State funds expected was offset by an increase of 12.6% in the amount the City charges for services. Overall expenses for the City were 5.6% less than the budgeted amount due to a conservative spending policy.

**Capital Asset and Debt Administration**

At the end of 2003, the City of Troy had \$284.5 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.

**CITY OF TROY, MICHIGAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Additional information about the City's capital assets is presented in Note 1 and Note 4 to the financial statements.

The City of Troy's debt rating is excellent. We maintain a AAA by Fitch Ratings, Moody's, and Standard and Poor's. The City of Troy's bond indebtedness totaled \$101.8 million at June 30, 2003. Additional information about the City's long-term debt can be found in Note 7 to the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

The City of Troy's budget for 2004 calls for a freeze on property tax rates. Because of the impact of Proposal A, State of Michigan budget woes, and interest rate climate, the City of Troy is utilizing a portion of our undesignated fund balance to balance the budget. The statewide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or five percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City of Troy will grow less than inflation before considering new property additions. With conservative budget forecasting of revenues and realistic expenditure estimates, we hope to limit the use of fund balance.

It is anticipated that the water and sewer rates will increase in 2004. The City is in the process of evaluating the increase that will be needed, and will likely discuss the need for such an increase at a future budget study session.

**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 finances and to show accountability for the money received. If you have questions about this report or need additional information, we welcome you to contact the administrative offices at City Hall.

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# CITY OF TROY, MICHIGAN

## STATEMENT OF NET ASSETS JUNE 30, 2003

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents (note 2)	\$ 51,248,716	\$ 16,343,646	\$ 67,592,362
Investments (note 2)	52,625,665	18,293,267	70,918,932
Receivables (note 3)			
Accounts receivable	1,893,419	5,510,099	7,403,518
Contracts	1,096,687	770,197	1,866,884
Taxes	1,485,201	-	1,485,201
Special assessments	3,002,561	-	3,002,561
Accrued interest	138,107	63,165	201,272
Internal balances	251,864	(251,864)	-
Due from other governmental units	2,239,565	-	2,239,565
Prepaid items	725,631	-	725,631
Inventories	306,262	481,237	787,499
Capital assets, net (note 4)			
Assets not depreciated	34,793,417	33,928,765	68,722,182
Assets being depreciated	149,804,639	65,977,181	215,781,820
Total assets	\$ 299,611,734	\$ 141,115,693	\$ 440,727,427
<b>Liabilities</b>			
Accounts payable and contract retainages	\$ 9,693,545	\$ 87,504	\$ 9,781,049
Accrued interest payable	-	13,064	13,064
Accrued payroll and withholdings	502,298	-	502,298
Deposits	1,223,404	72,940	1,296,344
Deferred revenue	6,538,696	-	6,538,696
Noncurrent liabilities			
Due within one year	6,919,583	800,000	7,719,583
Due in more than one year	100,280,252	-	100,280,252
Total liabilities	\$ 125,157,778	\$ 973,508	\$ 126,131,286
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 82,829,398	\$ 99,905,946	\$ 182,735,344
Restricted for			
Water and Sewer	-	580,734	580,734
Debt service	14,940,365	-	14,940,365
Construction projects	14,566,748	-	14,566,748
Other purposes	-	6,023,862	6,023,862
Unrestricted	62,117,445	33,631,643	95,749,088
Total net assets	\$ 174,453,956	\$ 140,142,185	\$ 314,596,141

See accompanying notes to financial statements

# CITY OF TROY, MICHIGAN

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2003

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities				
General government	\$ 11,714,618	\$ 1,386,043	\$ -	\$ -
Public safety	25,687,463	2,592,616	532,401	63,586
Public works	15,966,498	2,985,883	-	10,616,252
Sanitation	4,198,140 ✓	206,373	-	-
Community and economic development	624,141	-	67,018	78,101
Recreation and culture	12,274,918	2,959,532	76,272	(34,462)
Interest on long-term debt	3,133,028 ✓	-	-	-
Total governmental activities	\$ 73,598,806	\$ 10,130,447	\$ 675,691	\$ 10,723,477
Business-type Activities				
Water	\$ 10,222,511	\$ 11,155,393	\$ -	\$ -
Sanitary sewer	8,778,461	8,973,121	-	-
Aquatic center	487,423	417,245	-	-
Golf course	1,297,943	1,295,874	-	-
Total business-type activities	\$ 20,786,338	\$ 21,841,633	\$ -	\$ -
Total primary government	\$ 94,385,144	\$ 31,972,080	\$ 675,691	\$ 10,723,477

DEC  
GRANT

General revenues and transfers  
 Property taxes  
 State-shared revenues  
 Grants and contributions not restricted  
 to specific programs  
 Interest and investment earnings  
 Miscellaneous  
 Other  
 Transfers

Total general revenues and transfers

Change in net assets

Net Assets - July 1, 2002

Net Assets - June 30, 2003

See accompanying notes to financial statements

**Net Revenues (Expenses) and Change in Net Assets**

**Primary Government**

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (10,328,575)	\$ -	\$ (10,328,575)
(22,498,860)	-	(22,498,860)
(2,364,363)	-	(2,364,363)
(3,991,767)	-	(3,991,767)
(479,022)	-	(479,022)
(9,273,576)	-	(9,273,576)
<u>(3,133,028)</u>	<u>-</u>	<u>(3,133,028)</u>
\$ (52,069,191)	\$ -	\$ (52,069,191)
\$ -	\$ 932,882	\$ 932,882
-	194,660	194,660
-	(70,178)	(70,178)
<u>-</u>	<u>(2,069)</u>	<u>(2,069)</u>
\$ -	\$ 1,055,295	\$ 1,055,295
\$ (52,069,191)	\$ 1,055,295	\$ (51,013,896)
\$ 49,702,131	\$ -	\$ 49,702,131
7,618,966	-	7,618,966
1,500	-	1,500
1,859,698	649,413	2,509,111
257,507	-	257,507
181,038	1,752,533	1,933,571
850,200	(850,200)	-
<u>60,471,040</u>	<u>1,551,746</u>	<u>62,022,786</u>
\$ 8,401,849	\$ 2,607,041	\$ 11,008,890
166,052,107	137,535,144	303,587,251
<u>174,453,956</u>	<u>140,142,185</u>	<u>314,596,141</u>

# CITY OF TROY, MICHIGAN

## BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2003

### ASSETS

	Major Funds				
	General Fund	Major Streets	Local Streets	Capital Projects	Debt Service
Cash and cash equivalents (note 2)	\$ 15,096,095	\$ 557,386	\$ 457,196	\$ 23,370,671	\$ 5,792,114
Investments (note 2)	9,077,037	870,982	714,423	20,439,542	9,050,863
Receivables (note 3)					
Accounts receivable	1,893,419	-	-	-	-
Accrued interest	25,787	2,420	1,986	56,809	25,155
Taxes	897,336	-	-	-	-
Special assessments	-	-	-	2,187,570	814,991
Due from other governmental units	-	600,990	239,032	1,257,842	-
Due from other funds (note 5)	5,691,642	-	-	20,300	-
Inventories	174,357	-	-	-	-
Prepaid items	725,631	-	-	-	-
<b>Total assets</b>	<b><u>\$ 33,581,304</u></b>	<b><u>\$ 2,031,778</u></b>	<b><u>\$ 1,412,637</u></b>	<b><u>\$ 47,332,734</u></b>	<b><u>\$ 15,683,123</u></b>

### LIABILITIES AND FUND BALANCE

#### Liabilities

Accounts payable and contract retainages	\$ 9,623,195	\$ -	\$ -	\$ 70,350	\$ -
Accrued payroll and withholdings	502,298	-	-	-	-
Due to other funds	-	-	-	1,060,582	1,406,736
Other	1,223,404	-	-	-	-
Deferred revenue	805,677	-	-	4,411,886	733,284
<b>Total liabilities</b>	<b><u>\$ 12,154,574</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,542,818</u></b>	<b><u>\$ 2,140,020</u></b>

#### Fund Balances

Reserved for					
Insurance	\$ 1,724,939	\$ -	\$ -	\$ -	\$ -
Encumbrances	-	-	-	1,823,841	-
Inventory and prepaid items	899,988	-	-	-	-
Debt service	-	-	-	-	13,543,103
Construction and improvements	-	-	-	13,357,179	-
Project commitments	-	-	-	2,509,837	-
Tax appeals	900,000	-	-	-	-
Unreserved (note 8)					
Designated	8,934,088	455,910	409,560	11,108,910	-
Undesignated	8,967,715	1,575,868	1,003,077	12,990,149	-
Special Revenue Funds	-	-	-	-	-
<b>Total fund balances</b>	<b><u>\$ 21,426,730</u></b>	<b><u>\$ 2,031,778</u></b>	<b><u>\$ 1,412,637</u></b>	<b><u>\$ 41,789,916</u></b>	<b><u>\$ 13,543,103</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 33,581,304</u></b>	<b><u>\$ 2,031,778</u></b>	<b><u>\$ 1,412,637</u></b>	<b><u>\$ 47,332,734</u></b>	<b><u>\$ 15,683,123</u></b>

See accompanying notes to financial statements

Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,465,286	\$ 46,738,748
5,425,459	45,578,306
-	1,893,419
6,364	118,521
587,865	1,485,201
-	3,002,561
141,701	2,239,565
-	5,711,942
-	174,357
-	725,631
<u>\$ 7,626,675</u>	<u>\$ 107,668,251</u>

\$ -	\$ 9,693,545
-	502,298
1,880,231	4,347,549
-	1,223,404
587,849	6,538,696

\$ 2,468,080	\$ 22,305,492
--------------	---------------

\$ -	\$ 1,724,939
-	1,823,841
-	899,988
1,397,262	14,940,365
1,209,569	14,566,748
152,514	2,662,351
676,677	1,576,677
555,230	21,463,698
-	24,536,809
1,167,343	1,167,343

\$ 5,158,595	\$ 85,362,759
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<u>\$ 7,626,675</u>	<u>\$ 107,668,251</u>
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# CITY OF TROY, MICHIGAN

## RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET AND STATEMENT OF NET ASSETS JUNE 30, 2003

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

Total fund balances for governmental funds	\$ 85,362,759
Capital assets used in governmental activities are not financial resources, and are not reported in the funds	180,112,234
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(101,768,658)
Internal Service Funds are included as part of governmental activities	10,737,849
Compensated absences are included as a liability in governmental activities	<u>9,772</u>
Net assets of governmental activities	<u><u>\$ 174,453,956</u></u>

See accompanying notes to financial statements

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## CITY OF TROY, MICHIGAN

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2003

	Major Funds				
	General Fund	Major Streets	Local Streets	Capital Projects	Debt Service
<b>Revenues</b>					
Property taxes	\$ 30,399,278	\$ -	\$ -	\$ 7,417,214	\$ 3,710,450
Licenses and permits	1,449,003	-	-	-	-
Intergovernmental					
Federal sources	213,137	-	-	78,805	-
State sources	7,749,164	3,479,968	1,386,893	3,330,005	-
County sources	142,450	-	-	-	-
Charges for services	5,662,442	-	-	-	-
Fines and forfeits	896,833	-	-	-	-
Investment income	235,191	34,450	20,798	859,489	349,768
Other	975,380	-	-	3,823,488	-
	<u>47,722,878</u>	<u>3,514,418</u>	<u>1,407,691</u>	<u>15,509,001</u>	<u>4,060,218</u>
Total revenues	\$ 47,722,878	\$ 3,514,418	\$ 1,407,691	\$ 15,509,001	\$ 4,060,218
<b>Expenditures</b>					
Current					
General government	\$ 8,179,277	\$ -	\$ -	\$ -	\$ 38,200
Public safety	25,229,356	-	-	-	-
Public works	7,531,014	-	-	-	-
Sanitation	-	-	-	-	-
Community and economic development	-	-	-	-	-
Recreation and culture	11,893,754	-	-	-	-
Capital outlay	-	-	-	42,294,765	-
Debt service					
Principal	-	-	-	-	2,291,284
Interest and other charges	-	-	-	-	226,918
	<u>52,833,401</u>	<u>-</u>	<u>-</u>	<u>42,294,765</u>	<u>2,556,402</u>
Total expenditures	\$ 52,833,401	\$ -	\$ -	\$ 42,294,765	\$ 2,556,402
<b>Excess of Revenues Over (Under) Expenditures</b>	\$ (5,110,523)	\$ 3,514,418	\$ 1,407,691	\$ (26,785,764)	\$ 1,503,816
<b>Other Financing Sources (Uses)</b>					
Proceeds from long-term debt	\$ -	\$ -	\$ -	\$ 40,225,000	\$ -
Transfers in	4,577,144	-	250,000	12,611,812	1,465,000
Transfers out	-	(3,741,820)	(1,686,780)	(12,211,812)	(2,142,338)
	<u>4,577,144</u>	<u>(3,741,820)</u>	<u>(1,436,780)</u>	<u>40,625,000</u>	<u>(677,338)</u>
Total other financing sources (uses)	\$ 4,577,144	\$ (3,741,820)	\$ (1,436,780)	\$ 40,625,000	\$ (677,338)
<b>Net Change in Fund Balances</b>	\$ (533,379)	\$ (227,402)	\$ (29,089)	\$ 13,839,236	\$ 826,478
<b>Fund Balances - July 1, 2002</b>	<u>21,960,109</u>	<u>2,259,180</u>	<u>1,441,726</u>	<u>27,950,680</u>	<u>12,716,625</u>
<b>Fund Balances - June 30, 2003</b>	<u>\$ 21,426,730</u>	<u>\$ 2,031,778</u>	<u>\$ 1,412,637</u>	<u>\$ 41,789,916</u>	<u>\$ 13,543,103</u>

See accompanying notes to financial statements

<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 7,918,654	\$ 49,445,596
-	1,449,003
145,119	437,061
-	15,946,030
-	142,450
207,773	5,870,215
-	896,833
164,703	1,664,399
<u>-</u>	<u>4,798,868</u>
 \$ 8,436,249	 \$ 80,650,455
 \$ -	 \$ 8,217,477
-	25,229,356
-	7,531,014
4,198,140	4,198,140 ✓
576,366	576,366
-	11,893,754
506,855	42,801,620
1,790,000	4,081,284
<u>2,906,110</u>	<u>3,133,028</u> ✓
 \$ 9,977,471	 \$ 107,662,039
 \$ (1,541,222)	 \$ (27,011,584)
 \$ -	 \$ 40,225,000
4,707,707	23,611,663
<u>(2,978,713)</u>	<u>(22,761,463)</u>
 \$ 1,728,994	 \$ 41,075,200
 \$ 187,772	 \$ 14,063,616
<u>4,970,823</u>	<u>71,299,143</u>
 <u>\$ 5,158,595</u>	 <u>\$ 85,362,759</u>

# CITY OF TROY, MICHIGAN

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2003

Net change in fund balances - total governmental funds	\$ 14,063,616
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period	30,387,843
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(63,600)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increased long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments	(36,143,716)
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenues (expenses) of the Internal Service Funds is reported with governmental activities	<u>157,706</u>
Change in net assets of governmental activities	<u>\$ 8,401,849</u>

See accompanying notes to financial statements

## CITY OF TROY, MICHIGAN

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Budgetary Fund Balance - July 1, 2002</b>	\$ 21,960,109	\$ 21,960,109	\$ 21,960,109	\$ -
<b>Resources (Inflows)</b>				
Property taxes	\$ 30,313,690	\$ 30,313,690	\$ 30,399,278	\$ 85,588
Licenses and permits	1,572,700	1,572,700	1,449,003	(123,697)
Intergovernmental				
Federal sources	88,400	188,400	213,137	24,737
State sources	8,138,000	8,138,000	7,749,164	(388,836)
County sources	95,800	95,800	142,450	46,650
Charges for services	4,949,200	5,029,200	5,662,442	633,242
Fines and forfeits	905,000	905,000	896,833	(8,167)
Investment income	1,000,000	1,000,000	235,191	(764,809)
Transfers in	4,548,950	4,548,950	4,577,144	28,194
Other	647,900	647,900	975,380	327,480
	<u>52,259,640</u>	<u>52,439,640</u>	<u>52,300,022</u>	<u>(139,618)</u>
Amounts available for appropriation	\$ 52,259,640	\$ 52,439,640	\$ 52,300,022	\$ (139,618)
<b>Charges to Appropriations (Outflows)</b>				
General government				
Council/Executive administration	\$ 1,872,490	\$ 1,872,490	\$ 1,853,599	\$ 18,891
Finance	4,602,740	4,602,740	4,168,062	434,678
Other	2,239,420	2,239,420	2,157,616	81,804
Public safety				
Police	20,575,040	20,575,040	19,837,794	737,246
Fire	3,480,250	3,660,250	3,579,858	80,392
Building inspection	1,893,800	1,893,800	1,811,704	82,096
Public works				
Roads and streets	5,420,550	5,420,550	4,930,823	489,727
Engineering	2,960,850	2,960,850	2,600,191	360,659
Recreation and culture				
Parks and recreation	7,799,320	7,799,320	7,419,479	379,841
Library and museum	4,737,180	4,737,180	4,474,275	262,905
	<u>55,581,640</u>	<u>55,761,640</u>	<u>52,833,401</u>	<u>2,928,239</u>
Total charges to appropriations	\$ 55,581,640	\$ 55,761,640	\$ 52,833,401	\$ 2,928,239
<b>Budgetary Fund Balance - June 30, 2003</b>	<u>\$ 18,638,109</u>	<u>\$ 18,638,109</u>	<u>\$ 21,426,730</u>	<u>\$ 2,788,621</u>

See accompanying notes to financial statements

**CITY OF TROY, MICHIGAN**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET TO ACTUAL - MAJOR STREET FUND  
FOR THE YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
<b>Budgetary Fund Balance - July 1, 2002</b>	\$ 2,259,180	\$ 2,259,180	\$ 2,259,180	\$ -
<b>Resources (Inflows)</b>				
Intergovernmental - State sources	\$ 3,175,000	\$ 3,175,000	\$ 3,479,968	\$ 304,968
Investment income	75,000	75,000	34,450	(40,550)
Amounts available for appropriation	\$ 3,250,000	\$ 3,250,000	\$ 3,514,418	\$ 264,418
<b>Charges to Appropriations (Outflows)</b>				
Transfers out	3,741,820	3,741,820	3,741,820	-
 <b>Budgetary Fund Balance - June 30, 2003</b>	 \$ 1,767,360	 \$ 1,767,360	 \$ 2,031,778	 \$ 264,418

See accompanying notes to financial statements

## CITY OF TROY, MICHIGAN

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - LOCAL STREET FUND FOR THE YEAR ENDED JUNE 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary Fund Balance - July 1, 2002</b>	\$ 1,441,726	\$ 1,441,726	\$ 1,441,726	\$ -
<b>Resources (Inflows)</b>				
Intergovernmental - State sources	\$ 1,315,000	\$ 1,315,000	\$ 1,386,893	\$ 71,893
Investment income	40,000	40,000	20,798	(19,202)
Transfers in	250,000	250,000	250,000	-
	<u>1,605,000</u>	<u>1,605,000</u>	<u>1,657,691</u>	<u>52,691</u>
Amounts available for appropriation	\$ 1,605,000	\$ 1,605,000	\$ 1,657,691	\$ 52,691
<b>Charges to Appropriations (Outflows)</b>				
Transfers out	<u>1,686,780</u>	<u>1,686,780</u>	<u>1,686,780</u>	<u>-</u>
<b>Budgetary Fund Balance - June 30, 2003</b>	<u>\$ 1,359,946</u>	<u>\$ 1,359,946</u>	<u>\$ 1,412,637</u>	<u>\$ 52,691</u>

See accompanying notes to financial statements

# CITY OF TROY, MICHIGAN

## STATEMENT OF NET ASSETS - PROPRIETARY FUNDS JUNE 30, 2003

	Business-Type Activities				Governmental Activities - Internal Service Funds
	Major Funds		Other Nonmajor	Total	
	Water Fund	Sanitary Sewer Fund	Business-Type Funds		
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents (note 2)	\$ 8,811,718	\$ 6,743,767	\$ 788,161	\$ 16,343,646	\$ 4,509,968
Investments (note 2)	7,413,357	9,705,124	1,174,786	18,293,267	7,047,359
Receivables (note 3)					
Billed	1,285,986	-	-	1,285,986	4,458
Unbilled	2,239,051	1,978,901	6,161	4,224,113	-
Accrued interest	22,536	37,364	3,265	63,165	19,586
Contracts	42,000	23,357	-	65,357	-
Inventories	406,601	39,515	35,121	481,237	131,905
Total current assets	\$ 20,221,249	\$ 18,528,028	\$ 2,007,494	\$ 40,756,771	\$ 11,713,276
<b>Long-Term Assets</b>					
Contracts receivable	\$ 261,040	\$ 443,800	\$ -	\$ 704,840	\$ -
Capital assets, net (note 4)					
Assets not depreciated	25,756,593	6,260,370	1,911,802	33,928,765	1,718,116
Assets being depreciated	36,211,180	26,383,039	3,382,962	65,977,181	2,767,706
Total long-term assets	\$ 62,228,813	\$ 33,087,209	\$ 5,294,764	\$ 100,610,786	\$ 4,485,822
Total assets	\$ 82,450,062	\$ 51,615,237	\$ 7,302,258	\$ 141,367,557	\$ 16,199,098
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Current portion of long-term debt	\$ 800,000	\$ -	\$ -	\$ 800,000	\$ -
Accounts payable and contract retainages	48,254	39,250	-	87,504	-
Accrued interest payable	13,064	-	-	13,064	-
Deposits and other	72,940	-	-	72,940	-
Compensated absences	-	-	-	-	3,016,177
Due to other funds (note 5)	-	-	251,864	251,864	20,300
Total current liabilities	\$ 934,258	\$ 39,250	\$ 251,864	\$ 1,225,372	\$ 3,036,477
<b>Long-Term Liabilities</b>					
Compensated absences	-	-	-	-	2,415,000
Total liabilities	\$ 934,258	\$ 39,250	\$ 251,864	\$ 1,225,372	\$ 5,451,477
<b>Net Assets</b>					
Invested in capital assets, net of related debt	\$ 61,967,773	\$ 32,643,409	\$ 5,294,764	\$ 99,905,946	\$ 4,485,822
Restricted for					
Water and Sewer	519,445	61,289	-	580,734	-
Other purposes	6,023,862	-	-	6,023,862	2,537,585
Unrestricted	13,004,724	18,871,289	1,755,630	33,631,643	3,724,214
Total net assets	\$ 81,515,804	\$ 51,575,987	\$ 7,050,394	\$ 140,142,185	\$ 10,747,621
Total liabilities and net assets	\$ 82,450,062	\$ 51,615,237	\$ 7,302,258	\$ 141,367,557	\$ 16,199,098

See accompanying notes to financial statements

# CITY OF TROY, MICHIGAN

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2003

	Business-Type Activities				Governmental Activities - Internal Service Funds
	Major Funds		Other Nonmajor	Total	
	Water Fund	Sanitary Sewer Fund	Business-Type Funds		
<b>Operating Revenues</b>					
Charges for sales and services					
Water, sewage disposal, aquatic park receipts and golf fees	\$ 10,270,198	\$ 8,973,121	\$ 1,391,838	\$ 20,635,157	\$ -
Rental					
Golf equipment	-	-	243,281	243,281	-
Restaurant	-	-	78,000	78,000	-
Hydrant	124,600	-	-	124,600	-
Tap-in inspection and connection fees	463,849	-	-	463,849	-
Penalties	252,286	-	-	252,286	-
Charges to other funds of the city	-	-	-	-	6,282,122
Equipment rental	-	-	-	-	3,337,825
Building rental	-	-	-	-	183,534
Workers' compensation	-	-	-	-	679,396
Other	44,460	-	-	44,460	348,438
	\$ 11,155,393	\$ 8,973,121	\$ 1,713,119	\$ 21,841,633	\$ 10,831,315
<b>Total operating revenues</b>					
<b>Operating Expenses</b>					
Cost of water and sewage disposal	\$ 6,650,101	\$ 6,932,563	\$ -	\$ 13,582,664	\$ -
Maintenance and operation	1,552,522	561,832	1,421,228	3,535,582	-
Meters and tap costs	152,435	-	-	152,435	-
Depreciation	1,048,899	920,897	364,138	2,333,934	-
General, administrative and customer service	769,540	363,169	-	1,132,709	-
Payments to employees for compensated time off	-	-	-	-	4,038,203
Unemployment and workers' compensation coverage	-	-	-	-	800,745
Custodial labor, supplies and equipment rental	-	-	-	-	1,449,567
Computer services	-	-	-	-	1,129,090
Motor vehicle and garage expenses					
Administration	-	-	-	-	472,753
Equipment maintenance and operation	-	-	-	-	1,587,110
Garage maintenance	-	-	-	-	361,222
Depreciation	-	-	-	-	1,204,848
	\$ 10,173,497	\$ 8,778,461	\$ 1,785,366	\$ 20,737,324	\$ 11,043,538
<b>Total operating expenses</b>					
<b>Operating Income (Loss)</b>	\$ 981,896	\$ 194,660	\$ (72,247)	\$ 1,104,309	\$ (212,223)
<b>Nonoperating Revenues (Expense)</b>					
Developers' contributions	\$ 1,022,415	\$ 730,118	\$ -	\$ 1,752,533	\$ -
Interest income	280,195	334,579	34,639	649,413	195,299
Interest expense	(49,014)	-	-	(49,014)	-
Gain on disposal of assets	-	-	-	-	174,630
	\$ 1,253,596	\$ 1,064,697	\$ 34,639	\$ 2,352,932	\$ 369,929
<b>Total nonoperating revenues     (expense)</b>					
<b>Net Income (Loss) Before Transfers</b>	\$ 2,235,492	\$ 1,259,357	\$ (37,608)	\$ 3,457,241	\$ 157,706
<b>Transfers Out</b>	-	(850,200)	-	(850,200)	-
<b>Change in Net Assets</b>	\$ 2,235,492	\$ 409,157	\$ (37,608)	\$ 2,607,041	\$ 157,706
<b>Net Assets - July 1, 2002</b>	79,280,312	51,166,830	7,088,002	137,535,144	10,589,915
<b>Net Assets - June 30, 2003</b>	\$ 81,515,804	\$ 51,575,987	\$ 7,050,394	\$ 140,142,185	\$ 10,747,621

See accompanying notes to financial statements

# CITY OF TROY, MICHIGAN

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2003

	Business-Type Activities				Governmental Activities - Internal Service Funds
	Major Funds		Other Nonmajor Business-Type Funds	Total Business-Type	
	Water Fund	Sanitary Sewer Fund			
<b>Cash Flows From Operating Activities:</b>					
Receipts from customers	\$ 11,061,241	\$ 8,918,026	\$ 1,734,510	\$ 21,713,777	\$ 3,521,359
Payments to suppliers for goods and services	(8,411,122)	(6,803,583)	(1,043,618)	(16,258,323)	(4,063,429)
Payments to employees for services	(1,024,261)	(302,966)	(492,211)	(1,819,438)	(5,633,644)
Payments to other funds	-	(850,200)	-	(850,200)	-
Receipts connected with interfund services	-	-	-	-	6,282,122
Other receipts	85,699	34,463	3,614	123,776	1,050,088
Net cash provided from operating activities	\$ 1,711,557	\$ 995,740	\$ 202,295	\$ 2,909,592	\$ 1,156,496
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Purchase of capital assets	\$ (4,035,126)	\$ (2,332,727)	\$ (166,096)	\$ (6,533,949)	\$ (1,347,516)
Repayment of debt	(800,000)	-	-	(800,000)	-
Interest paid	(49,014)	-	-	(49,014)	-
Net cash used in capital and related financing activities	\$ (4,884,140)	\$ (2,332,727)	\$ (166,096)	\$ (7,382,963)	\$ (1,347,516)
<b>Cash Flows From Investing Activities:</b>					
Purchase of investment securities	\$ (12,314,735)	\$ (1,794,350)	\$ (377,370)	\$ (14,486,455)	\$ (3,319,021)
Proceeds from sale and maturities of investment securities	12,332,365	2,851,373	394,765	15,578,503	3,717,119
Interest received on investments	280,195	334,579	34,639	649,413	195,299
Net cash provided from investing activities	\$ 297,825	\$ 1,391,602	\$ 52,034	\$ 1,741,461	\$ 593,397
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	\$ (2,874,758)	\$ 54,615	\$ 88,233	\$ (2,731,910)	\$ 402,377
<b>Cash and Cash Equivalents - July 1, 2002</b>	11,686,476	6,689,152	699,928	19,075,556	4,107,591
<b>Cash and Cash Equivalents - June 30, 2003</b>	\$ 8,811,718	\$ 6,743,767	\$ 788,161	\$ 16,343,646	\$ 4,509,968

See accompanying notes to financial statements



CITY OF TROY, MICHIGAN

STATEMENT OF NET ASSETS - FIDUCIARY FUNDS  
JUNE 30, 2003

	<u>Pension Trust Funds</u>
<b>Assets</b>	
Cash and cash equivalents (note 2)	\$ 7,112,310
Investments (note 2)	
Government securities	11,485,745
Other	131,277,621
Accrued interest receivable	<u>3,286,780</u>
 Total assets	 \$ 153,162,456
 <b>Liabilities</b>	
Due to other funds (note 5)	<u>1,092,229</u>
 <b>Net Assets</b>	
Held in trust for pension benefits	<u>\$ 152,070,227</u>

See accompanying notes to financial statements

# CITY OF TROY, MICHIGAN

## STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2003

	<b>Pension Trust Funds</b>
<b>Additions</b>	
Contributions	
Employer	\$ 2,117,709
Plan member	338,316
	<hr/>
Total contributions	\$ 2,456,025
Investment income	
Net adjustment to fair value of investments	\$ 2,224,001
Interest	3,807,065
Dividends	1,368,812
	<hr/>
Net investment income	\$ 7,399,878
	<hr/>
Total additions	\$ 9,855,903
<b>Deductions</b>	
Benefit payments	\$ 5,365,786
Refunds of contributions	7,259,743
Administrative expenses	34,590
	<hr/>
Total deductions	\$ 12,660,119
	<hr/>
<b>Change in Net Assets</b>	\$ (2,804,216)
<b>Net Assets Held in Trust For Pension</b>	
Benefits - July 1, 2002	<hr/> 154,874,443
<b>Net Assets Held in Trust For Pension</b>	
Benefits - June 30, 2003	<hr/> <hr/> \$ 152,070,227

See accompanying notes to financial statements



# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

### Note 1 - Summary of Significant Accounting Policies

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

#### Reporting Entity

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

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

Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units are also legally separate entities, but are not in substance part of the government operation. The City of Troy has no component units which meet the criteria for discretely presented component units. Each blended component unit reported herein has a June 30<sup>th</sup> year end.

Included within the reporting entity are the Troy Municipal Building Authority, Downtown Development Authority and the Brownfield Redevelopment Authority. The City feels that the authorities meet the minimum requirements to be considered a blended component unit. The governing body of these authorities are appointed by City Council. Their budgets and any bond issuance authorizations also are approved by the City Council and the legal liability for any general obligation debt remains with the City. The 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 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. A separate audit report for the Downtown Development Authority and the Brownfield Redevelopment Authority is prepared annually and available at the Finance Department of the City of Troy located at 500 West Big Beaver Road, Troy, Michigan 48084.

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

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 1 - Summary of Significant Accounting Policies - Continued

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

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

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

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

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

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 1 - Summary of Significant Accounting Policies - Continued

#### Basis of Presentation - Fund Accounting

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

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. The various funds are grouped, in the financial statements in this report, into generic fund types, broad fund categories and account groups as follows:

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 governmental funds:

##### General Fund

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

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 1 - Summary of Significant Accounting Policies - Continued

#### Governmental Funds - Continued

##### Major and Local Street Funds

The Major and Local Street Funds are special revenue funds used to account for the repairs, maintenance and construction of the City's major and local streets as identified by the State of Michigan Department of Transportation.

##### Special Revenue Funds

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

##### Capital Projects Funds

Capital Projects Funds are 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).

##### 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.

In addition, the City reports on the following fund types:

##### Proprietary Funds

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund and the City's Internal Service Funds are charges to customers for sales and services. Operating expenses for the Enterprise Fund 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.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 1 - Summary of Significant Accounting Policies - Continued

#### Proprietary Funds - Continued

The following Proprietary Funds are reported on:

##### Enterprise Funds

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

##### Internal Service Funds

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

#### Fiduciary Funds

##### Trust and Agency Funds

Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds of the City of Troy. These include Pension Trust Funds and an Agency Fund. Pension Trust Funds are accounted for in essentially the same manner as Proprietary Funds, since capital maintenance is critical. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

#### Basis of Accounting

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

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 1 - Summary of Significant Accounting Policies - Continued

#### Basis of Accounting - Continued

All governmental funds are accounted for using 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. Significant revenues susceptible to accrual include reimbursement grants, state shared revenues and charges for services.

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

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

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

All Proprietary Funds, Pension Trust Funds and Agency Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled Water and Sewer Fund utility service receivables are recorded at year-end.

All Proprietary Funds and the Pension 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 balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 1 - Summary of Significant Accounting Policies - Continued

#### Basis of Accounting - Continued

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

#### Budget Information

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

1. Budgets must be adopted for the General Fund, Special Revenue Funds, and Debt Service 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.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 1 - Summary of Significant Accounting Policies - Continued

#### Budget Information - Continued

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.

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, Special Revenue, or Debt Service 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).

The City Council adopts an annual budget for the Capital Projects Fund, even though it is not required under the Uniform Budgeting Act and adheres to the same requirements for Governmental Funds.

#### Encumbrance Accounting

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

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 1 - Summary of Significant Accounting Policies - Continued

#### Cash and Investments

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

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

The Pension Trust Fund investments are authorized by Michigan Public Act 485 of 1996 to invest in certain reverse repurchase agreements, real estate leased to public agencies, stocks, diversified investment companies, annuity investment contracts, mortgages, certain state and local government obligations, and certain other specified investment vehicles.

Investments are stated at fair value.

#### Inventory

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

#### Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 1 - Summary of Significant Accounting Policies - Continued

#### Capital Assets

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

<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

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

### Note 1 - Summary of Significant Accounting Policies - Continued

#### Accrued Vacation and Other Compensated Absences

The City maintains an Internal Service Fund to account for the accumulation of resources for, and the payment of, vacation, compensatory time, holiday and sick pay. Earned but unpaid vacation pay is fully accrued in the Compensated Absences Fund, as it is due during the fiscal year subsequent to the balance sheet date.

The City charges departments incurring payroll costs for vacation pay benefits as they are earned on a percent of payroll basis and transfers related proceeds into the Compensated Absences Fund to pay for eventual benefits to employees. Accumulated unpaid vacation pay due to the employees of the City at June 30, 2003, was \$2,312,103.

All other compensated absences which are currently due are also accrued in the Compensated Absences Fund since it has been earned by the employee as of the balance sheet date.

The Compensated Absences Fund also includes compensatory holiday and sick pay.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 1 - Summary of Significant Accounting Policies - Continued

#### Long-Term Obligations

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

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

#### Fund Balance/Equity

Reservations of fund balance indicate that a portion of the fund balance that is not appropriable for expenditures or is legally restricted for specific future use. Designations of fund balance indicate plans for future financial resources utilization.

### Note 2 - Deposits and Investments

The City Council has authorized those responsible to invest City monies to purchase any type of prudent investments, within the guidelines set forth by the Michigan Department of Treasury. However, no more than fifty percent of the City's total monies, with the exception of the Employee Retirement, and Fire Incentive may be invested in commercial paper at any given time. The City has not been involved in any reverse-repurchase agreements during the year.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 2 - Deposits and Investments - Continued

The City's deposits and investments at June 30, 2003 are included in the financial statements under the following classifications:

Cash and cash equivalents per:	
Statement of net assets	\$ 67,592,362
Statement of fiduciary net assets	9,445,216
Investments per:	
Statement of net assets	70,918,932
Combining statement of fiduciary net assets	<u>143,696,832</u>
Total deposits and investments	<u>\$291,653,342</u>

#### Deposits

At year end, the carrying amount of the City's deposits was \$77,037,578 consisting of cash and cash equivalents. The bank balance was \$81,031,174. Of the bank balance, \$1,300,000 was covered by Federal Depository Insurance. The remainder of the bank balance was 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 bank deposits. As a result, the City evaluates each financial institution it deposits City funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### Investments

The City's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or its trust department or agent but not in the City's name.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

### Note 2 - Deposits and Investments - Continued

#### Investments - Continued

	Category			Carrying Amount	Fair Value
	1	2	3		
Preferred stock	\$ -	\$ -	\$ 2,364,100	\$ 2,364,100	\$ 2,364,100
Common stock	-	-	67,338,898	67,338,898	67,338,898
Corporate bonds	-	-	41,916,625	41,916,625	41,916,625
U.S. Government Securities	-	-	37,431,903	37,431,903	37,431,903
U.S. Treasury Bills	-	-	49,527,477	49,527,477	49,527,477
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,579,003</u>	198,579,003	198,579,003
Investment in Mutual Funds				12,454,275	12,454,275
Investment in Real Estate				<u>3,582,486</u>	<u>3,582,486</u>
Total investments				<u>\$ 214,615,764</u>	<u>\$ 214,615,764</u>

The City did not invest in any other types of investments other than those listed above during the fiscal year.

Investments (included in the schedule above) totaling \$142,763,366 are held by the Employees' Retirement Fund and Discretionary Fire Incentive Reserve Fund (Fiduciary Funds) and \$933,466 held by the Agency Fund. The amounts reflected in the balance sheet at June 30, 2003, are recorded at fair value and are comprised as follows:

	Fair Value
Employees' Retirement Fund:	
Preferred stock	\$ 2,364,100
Common stock	67,338,898
Corporate bonds	41,916,625
U.S. Government Securities	10,263,649
Mutual funds	12,454,275
Real estate	<u>3,582,486</u>
	<u>\$ 137,920,033</u>
Discretionary Fire Incentive Reserve Fund:	
U.S. Government Securities	<u>\$ 4,843,333</u>
Agency Fund:	
U.S. Government Securities	<u>\$ 933,466</u>

A summary of realized and unrealized gains (losses) on investments included in the statement of changes in fiduciary net assets for the year ended June 30, 2003 is as follows:

Net appreciation in fair value of investments	\$ 1,796
Realized gains on sale of investments	<u>2,134,031</u>
Total	<u>\$ 2,135,827</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 3 - Receivables

Receivables which includes amounts due from other governments at June 30, 2003, are summarized as follows:

	<u>Governments</u>	<u>Other</u>
Major Governmental Funds		
General Fund		
Due from State of Michigan	\$ 1,045,322	\$ -
Invoices and advances	-	848,097
	1,045,322	848,097
Major Streets Fund		
Due from State of Michigan	600,990	-
Local Streets Fund		
Due from State of Michigan	239,032	-
Capital Projects Fund		
Due from State of Michigan	1,257,842	-
Total Major Governmental Funds	3,143,186	848,097
Nonmajor Governmental Funds		
Community Development Block Grant Fund		
Due from Federal Government	141,701	-
Total Governmental Funds	\$ 3,284,887	\$ 848,097
Business-Type Activities		
Water Fund		
Billed accounts receivable	\$ -	\$ 1,285,986
Unbilled accounts receivable	-	2,239,051
	-	3,525,037
Sanitary Sewer Fund		
Unbilled accounts receivable	-	1,978,901
Aquatic Center		
Unbilled accounts receivable	-	6,161
Total Business-Type Activities	-	5,510,099
Governmental Activities - Internal Service Fund		
Motor Equipment Fund		
Billed accounts receivable	\$ -	\$ 4,458
Total	\$ 3,284,887	\$ 6,362,654

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 4 - Capital Assets

Capital Assets Activity of the primary government's Governmental and Business-Type Activities was as follows:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2003</u>
<b>Governmental Activities</b>				
Infrastructure - major/county/ local roads	\$ 103,397,328	\$ 12,657,090	\$ -	\$ 116,054,418
Infrastructure - local donated roads	30,258,626	-	-	30,258,626
Infrastructure - sidewalks	26,264,324	715,911	-	26,980,235
Land	20,257,769	13,043,014	441,982	32,858,801
Land improvements	433,320	346,814	2,926	777,208
Buildings and improvements	64,866,924	523,558	3,622,956	61,767,526
Miscellaneous equipment	2,865,890	385,047	267,074	2,983,863
Computer equipment	890,903	90,973	621,286	360,590
Office furniture	1,145,746	54,138	-	1,199,884
Office equipment	207,668	27,197	29,230	205,635
Computer software	309,865	18,473	185,919	142,419
Vehicles	15,615,418	1,761,223	885,873	16,490,768
Library books	4,361,909	417,419	468,086	4,311,242
Audio/visual	842,625	146,295	69,603	919,317
Museum artifacts	216,500	-	-	216,500
	<u>\$ 271,934,815</u>	<u>\$ 30,187,152</u>	<u>\$ 6,594,935</u>	<u>\$ 295,527,032</u>
<b>Less Accumulated Depreciation for:</b>				
Infrastructure - major/county/ local roads	\$ 32,786,095	\$ 4,642,177	\$ -	\$ 37,428,272
Infrastructure - local donated roads	13,415,413	1,210,345	-	14,625,758
Infrastructure - sidewalks	16,954,759	1,268,314	-	18,223,073
Land improvements	198,909	62,456	2,926	258,439
Buildings and improvements	20,006,702	2,744,090	1,071,184	21,679,608
Miscellaneous equipment	2,055,081	419,189	256,890	2,217,380
Computer equipment	836,703	64,429	614,649	286,483
Office furniture	794,394	110,711	-	905,105
Office equipment	107,545	35,071	29,230	113,386
Computer software	309,865	6,159	185,919	130,105
Vehicles	9,989,944	1,503,289	845,648	10,647,585
Library books	3,892,494	273,683	468,086	3,698,091
Audio/visual	711,430	73,864	69,603	715,691
	<u>\$ 102,059,334</u>	<u>\$ 12,413,777</u>	<u>\$ 3,544,135</u>	<u>\$ 110,928,976</u>
Total accumulated depreciation	<u>\$ 102,059,334</u>	<u>\$ 12,413,777</u>	<u>\$ 3,544,135</u>	<u>\$ 110,928,976</u>
Total Governmental Activities Capital Assets, net	<u>\$ 169,875,481</u>	<u>\$ 17,773,375</u>	<u>\$ 3,050,800</u>	<u>\$ 184,598,056</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 4 - Capital Assets - Continued

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2003</u>
<b>Business-Type Activities</b>				
Water and sewer transmission and distribution system	\$ 95,876,927	\$ 7,650,543	\$ -	\$ 103,527,470
Service connections	750,121	-	-	750,121
Land, buildings and improvements	10,300,031	52,754	-	10,352,785
Miscellaneous equipment	1,562,305	147,338	105,854	1,603,789
Motor vehicles	181,249	-	-	181,249
Furniture, fixtures and other	261,330	-	-	261,330
Construction-in-progress	<u>33,350,900</u>	<u>5,056,285</u>	<u>6,372,972</u>	<u>32,034,213</u>
Total at historical cost	<u>\$ 142,282,863</u>	<u>\$ 12,906,920</u>	<u>\$ 6,478,826</u>	<u>\$ 148,710,957</u>
Less accumulated depreciation	<u>\$ 46,576,931</u>	<u>\$ 2,333,934</u>	<u>\$ 105,854</u>	<u>\$ 48,805,011</u>
Total Business-Type Activities Assets, net	<u>\$ 95,705,932</u>	<u>\$ 10,572,986</u>	<u>\$ 6,372,972</u>	<u>\$ 99,905,946</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 5 - Interfund Receivables, Payables and Transfers

The amounts of interfund receivables, payables and transfers are as follows as of June 30, 2003:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 5,691,642	\$ -
Special Revenue Funds		
Brownfield Redevelopment Authority Fund	-	16
Community Development Block Grant Fund	-	141,701
Debt Service Funds		
General Debt Service Fund	-	1,406,736
Downtown Development Authority Bond Fund	-	1,738,514
Capital Projects Fund	20,300	1,060,582
Enterprise Funds		
Aquatic Center Fund	-	251,864
Internal Service Funds		
Information Technology Fund	-	20,300
Fiduciary Funds		
Employees' Retirement Fund	-	667,106
Discretionary Fire Incentive Reserve Fund	-	425,123
	<u>\$ 5,711,942</u>	<u>\$ 5,711,942</u>

**CITY OF TROY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003

**Note 5 - Interfund Receivables, Payables and Transfers - Continued**

Interfund transfers reported in the fund statements are as follows as of June 30, 2003:

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
Major Streets Fund	General Fund	\$ 1,791,820
	Local Streets Fund	250,000
	Capital Projects Fund	<u>1,700,000</u>
		3,741,820
Local Streets Fund	General Fund	1,686,780
Capital Projects Fund	Capital Projects Fund	10,911,812
	Debt Service Fund	<u>1,300,000</u>
		12,211,812
Debt Service Fund	Proposal A Debt Service Fund	697,956
	Proposal B Debt Service Fund	268,808
	Proposal C Debt Service Fund	<u>1,175,574</u>
		2,142,338
Nonmajor Governmental Funds	General Fund	248,344
	Debt Service Fund	165,000
	Nonmajor Governmental Funds	<u>2,565,369</u>
		2,978,713
Sanitary Sewer Fund	General Fund	<u>850,200</u>
Total		<u>\$ 23,611,663</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 6 - Operating Leases

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

**Year Ending June 30<sup>th</sup>:**

2004	\$	167,420
2005		137,392
2006		128,392

Lease costs for the year ended June 30, 2003, are \$149,998.

### Note 7 - Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2003:

	Served by Governmental Fund Types				Served by Proprietary Fund Types		Total Long-Term Debt
	Special Assessment	Storm - Drains and Other	Downtown Development Authority		Enterprise	Internal Service	
			Streets Bonds	Construction			
Long-term debt payable at July 1, 2002	\$ 175,000	\$ 36,214,521	\$ 5,475,000	\$ 22,930,000	\$ 1,600,000	\$ 5,291,767	\$ 71,686,288
Addition of new debt	-	26,500,000	-	13,725,000	-	139,410	40,364,410
Long-term debt retired	(25,000)	(1,600,863)	(1,500,000)	(925,000)	(800,000)	-	(4,850,863)
Total long-term debt payable at June 30, 2003	<u>\$ 150,000</u>	<u>\$ 61,113,658</u>	<u>\$ 3,975,000</u>	<u>\$ 35,730,000</u>	<u>\$ 800,000</u>	<u>\$ 5,431,177</u>	<u>\$ 107,199,835</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 7 - Long-Term Debt - Continued

#### Governmental Activities

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2003</u>	<u>Due Within</u> <u>One Year</u>
Street, Roads and Streetscape Improvement General Obligation Bonds dated 8/1/00; original issuance amount \$4,150,000; bearing interest at 4.75% to 6.0%; principal due in annual installments of \$50,000 to \$400,000 through October 1, 2020	\$ 4,100,000	\$ (50,000)	\$ 4,050,000 ✓	\$ 100,000
Street, Roads and Streetscape Improvement General Obligation Bonds dated 11/1/01; original issuance amount \$6,850,000; bearing interest at 3.25% to 4.70%; principal due in annual installments of \$150,000 to \$600,000 through October 1, 2020	6,850,000	(150,000)	6,700,000 ✓	175,000
Public Safety Facilities and City Hall General Obligation Bonds dated 8/1/00; original issuance amount \$2,330,000; bearing interest at 4.625% to 4.75%; principal due in annual installments of \$80,000 to \$500,000 through October 1, 2010	2,250,000	(100,000)	2,150,000 ✓	100,000
Public Safety Facilities and City Hall General Obligation Bonds dated 11/1/01; original issuance amount \$1,170,000; bearing interest at 3.75% to 4.75%; principal due in annual installments of \$15,000 to \$110,000 through October 1, 2020	1,170,000	(15,000)	1,155,000 ✓	20,000
Community Center and Recreational Facilities General Obligation Bonds dated 8/1/00; original issuance amount \$8,530,000; bearing interest at 4.60% to 6.00%; principal due in annual installments of \$130,000 to \$700,000 through October 1, 2020	8,400,000	(150,000)	8,250,000 ✓	200,000

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 7 - Long-Term Debt - Continued

#### Governmental Activities - Continued

	<u>Balance</u>	<u>Additions</u>	<u>Balance</u>	<u>Due Within</u>
	<u>July 1, 2002</u>	<u>(Deductions)</u>	<u>June 30, 2003</u>	<u>One Year</u>
Community Center and Recreational Facilities General Obligation Bonds dated 11/1/01; original issuance amount \$9,470,000; bearing interest at 3.00% to 4.625%; principal due in annual installments of \$200,000 to \$700,000 through October 1, 2020	\$ 9,470,000	\$ (200,000)	\$ 9,270,000	\$ 250,000
King Drain assessment dated 11/1/93; original issuance amount \$1,675,000; bearing interest at 3.4% to 5.0%; principal due in annual installments of \$68,463 to \$182,568 through April 1, 2008	912,841	(912,841)	-	-
George W. Kuhn Drain District Drain Bonds, Series 2001C dated 10/1/01; original issuance amount \$2,102,682; bearing interest at 2.50%; principal due in annual installments of \$82,368 to \$131,609 through April 1, 2024	2,102,682	-	2,102,682	-
George W. Kuhn Drain District Drain Bonds, Series 2001D dated 1/1/02; original issuance amount \$81,089; bearing interest at 2.50%; principal due in annual installments of \$3,198 to \$5,116 through April 1, 2024	81,089	-	81,089	-
Michigan Transportation Fund Bonds serviced by the Downtown Development Authority Fund, dated 2/1/2000; original issuance amount \$5,600,000; bearing interest at 4.75% to 5.45%; principal due in annual installments of \$125,000 to \$1,300,000 through May 1, 2013	3,300,000	(1,300,000)	2,000,000	125,000
Downtown Development Authority Development Bonds, dated 7/19/01; original issuance amount \$14,255,000; bearing interest at 4.00% to 5.50%; principal due in annual installments of \$545,000 to \$1,165,000 through November 1, 2018	13,650,000	(545,000)	13,105,000	565,000

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 7 - Long-Term Debt - Continued

#### Governmental Activities - Continued

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2003</u>	<u>Due Within</u> <u>One Year</u>
Public Safety Facilities and City Hall General Obligation Bonds, dated 2/1/03; original issuance amount \$14,500,000; bearing interest at 2.50% to 4.50%; principal due in annual installments of \$500,000 to \$1,100,000 through April 1, 2020	\$ -	\$ 14,500,000	\$ 14,500,000 ✓	\$ 500,000
Michigan Transportation Fund Bonds serviced by the Downtown Development Authority Fund, dated 4/1/95; original issuance amount \$3,125,000; bearing interest at 4.40% to 5.50%; principal due in annual installments of \$150,000 to \$350,000 through July 1, 2010	2,175,000	(200,000)	1,975,000	225,000
2002 Downtown Development Authority Community Center Facilities Bonds serviced by the Downtown Development Authority Fund, dated 9/1/02; original issuance amount \$9,700,000; bearing interest at 2.05% to 5.00%; principal due in annual installments of \$400,000 to \$850,000 through May 1, 2018	-	9,700,000	9,700,000 ✓	400,000
2003 Downtown Development Authority Community Center Facilities Junior Lien Bonds serviced by the Downtown Development Authority Fund, dated 6/1/03; original issuance amount \$4,025,000; bearing interest at 2.50% to 4.25%; principal due in annual installments of \$75,000 to \$500,000 through November 1, 2018	-	4,025,000	4,025,000 ✓	-
Downtown Development Authority Refunding Bonds, dated 7/19/01; original issuance amount \$9,745,000; bearing interest at 4.00% to 5.50%; principal due in annual installments of \$380,000 to \$800,000 through November 1, 2018	9,280,000	(380,000)	8,900,000 ✓	395,000

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 7 - Long-Term Debt - Continued

#### Governmental Activities - Continued

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2003</u>	<u>Due Within</u> <u>One Year</u>
1986 Special Assessment Bonds, date of issue 8/1/86; original issuance amount \$930,000; bearing interest at 6.75% to 6.85%; principal due in annual installments of \$25,000 to \$50,000 through August 1, 2006	\$ 175,000	\$ (25,000)	\$ 150,000	\$ 25,000
George W. Kuhn Drain District Drain Bonds, Series 2000A dated 10/1/00; original issuance amount \$457,372; bearing interest at 2.50%; principal due in annual installments of \$17,906 to \$28,650 through April 1, 2022	457,372	(17,906)	439,466	18,290
George W. Kuhn Drain District Drain Bonds, Series 2000B dated 10/1/00; original issuance amount \$168,061; bearing interest at 4.75% to 5.375%; principal due in annual installments of \$5,116 to \$12,658 through April 1, 2022	168,061	(5,116)	162,945	5,116
George W. Kuhn Drain District Drain Bonds, Series 2001E dated 1/1/02; original issuance amount \$252,476; bearing interest at 4.00% to 5.25%; principal due in annual installments of \$8,953 to \$18,415 through April 1, 2024	252,476	-	252,476	-
Municipal Building Authority Golf Course Bonds serviced by the Golf Course Fund, dated 7/1/02; original issuance amount \$12,000,000; bearing interest at 3.25% to 5.00%; principal due in annual installments of \$200,000 to \$900,000 through December 1, 2027	-	12,000,000	12,000,000	-
Total Long-Term Debt	<u>\$ 64,794,521</u>	<u>\$ 36,174,137</u>	<u>\$ 100,968,658</u>	<u>\$ 3,103,406</u>
Other Long-Term Obligations				
Compensated Absences	<u>5,291,767</u>	<u>139,410</u>	<u>5,431,177</u>	<u>3,016,177</u>
Total Governmental Activities	<u>\$ 70,086,288</u>	<u>\$ 36,313,547</u>	<u>\$ 106,399,835</u>	<u>\$ 6,119,583</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 7 - Long-Term Debt - Continued

#### Business-Type Activities

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2003</u>	<u>Due Within</u> <u>One Year</u>
Series I Water Supply System, dated 11/1/73; original issuance amount \$9,750,000; bearing interest at 4.0% to 5.8%; principal due in annual installments of \$550,000 to \$600,000 through October 1, 2003	\$ 1,200,000	\$ (600,000)	\$ 600,000	\$ 600,000
Series II Water Supply System, dated 11/1/74; original issuance amount \$2,500,000; bearing interest at 5.0% to 7.7%; principal due in annual installments of \$175,000 to \$200,000 through October 1, 2003	400,000	(200,000)	200,000	200,000
Total Business-Type Activities	\$ 1,600,000	\$ (800,000)	\$ 800,000	\$ 800,000
Total	\$ 71,686,288	\$ 35,513,547	\$ 107,199,835	\$ 6,919,583

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 7 - Long-Term Debt - Continued

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

At a general election held on April 5, 1999, the electors of the City of Troy authorized the issuance of Unlimited General Obligation Bonds in the amount of \$47,000,000 over the next five years. As of June 30, 2003, all of the bonds have been issued. The \$47,000,000 will be used for the following projects: \$11,000,000 for streets, roads and streetscape improvements; \$18,000,000 for public safety and city hall facilities; and \$18,000,000 for the community center and recreational facilities.

The annual debt requirements to maturity for all long-term debts outstanding as of June 30, 2003, exclusive of earned but unpaid sick pay, are as follows:

Year Ending June 30,	Governmental Activities				Business- Type Activities	Amount of Annual Interest	Total
	General Obligation Debt Serviced by Governmental Fund Types	Special Assessment Bonds	Downtown Development Authority	Street Bonds	Proprietary Fund Types		
2004	\$ 1,368,406	\$ 25,000	\$ 1,360,000	\$ 350,000	\$ 800,000	\$ 4,429,411	\$ 8,332,817
2005	1,644,076	25,000	1,505,000	400,000	-	4,209,746	7,783,822
2006	1,971,634	50,000	1,570,000	425,000	-	4,123,317	8,139,951
2007	2,149,959	50,000	1,650,000	450,000	-	3,924,573	8,224,532
2008	2,343,284	-	1,725,000	475,000	-	3,761,083	8,304,367
2009	2,581,610	-	1,850,000	500,000	-	3,583,266	8,514,876
2010	2,660,190	-	1,975,000	525,000	-	3,406,291	8,566,481
2011	3,018,900	-	2,065,000	175,000	-	3,153,801	8,412,701
2012	3,077,482	-	2,215,000	200,000	-	2,930,144	8,422,626
2013	3,286,830	-	2,365,000	225,000	-	2,689,305	8,566,135
2014	3,350,795	-	2,490,000	250,000	-	2,423,141	8,513,936
2015	3,579,632	-	2,650,000	-	-	2,135,215	8,364,847
2016	3,744,365	-	2,815,000	-	-	1,840,231	8,399,596
2017	3,853,969	-	3,005,000	-	-	1,531,143	8,390,112
2018	3,843,702	-	3,175,000	-	-	1,209,947	8,228,649
2019	4,147,922	-	3,315,000	-	-	871,127	8,334,049
2020	4,252,909	-	-	-	-	595,217	4,848,126
2021	4,392,898	-	-	-	-	389,584	4,782,482
2022	788,649	-	-	-	-	296,328	1,084,977
2023	851,306	-	-	-	-	261,160	1,112,466
2024	855,140	-	-	-	-	224,384	1,079,524
2025	800,000	-	-	-	-	185,000	985,000
2026	800,000	-	-	-	-	147,500	947,500
2027	850,000	-	-	-	-	107,500	957,500
2028	900,000	-	-	-	-	66,250	966,250
2029	-	-	-	-	-	22,500	22,500
Total	\$ 61,113,658	\$ 150,000	\$ 35,730,000	\$ 3,975,000	\$ 800,000	\$ 48,517,164	\$ 150,285,822

**CITY OF TROY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

**Note 7 - Long-Term Debt - Continued**

**Special Assessment Bonds**

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

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 8 - Net Assets/Fund Balance Reserves and Designations

Fund balance has been reserved and designated as follows:

#### Reserve for Inventory and Prepaid Items

The General Fund has reserved fund balance for inventory and prepaid items in the amount of \$899,988 representing the portion of the fund balance that is not available for other future expenditures.

#### Reserve for Debt Service

The fund balance of \$13,543,103 in the City's Debt Service Funds, is considered reserved for debt service in accordance with City accounting policy.

#### Reserve for Encumbrances

The City has recorded a reserve for encumbrances of \$1,823,841 in the Capital Projects Fund. These reserves represent outstanding purchase commitments at June 30, 2003.

#### Reserve For Construction and Improvements

Related amounts have been reserved as a result of contractual commitments, or due to the limited purpose for which a fund has been established, as follows:

Nonmajor Governmental Funds	
Project Commitments	\$ 1,209,569
Construction and improvements	<u>152,514</u>
	1,362,083
Capital Projects Fund	
Project Commitments	2,509,837
Cleary Landfill Site improvements	370,782
Subdivision improvements	232,238
Construction and improvements	<u>12,754,159</u>
	<u>15,867,016</u>
Total	<u>\$ 17,229,099</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 8 - Net Assets/Fund Balance Reserves and Designations - Continued

#### Reserve for Pension Benefits

The related amount reserved in the Fiduciary Fund reserve is largely comprised of equity recorded in the Pension Trust Fund. In addition, equity is set aside to pay for sick pay and vacation pay in the Internal Service Funds.

#### Net Assets/Fund Balance

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

#### Unreserved, Designated Fund Balance

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

	<u>Funds</u>				
	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Capital Projects</u>	<u>Nonmajor</u>
Designated For:					
Improvements and maintenance	\$ 5,516,798	\$ -	\$ -	\$ -	\$ -
Snow and ice control	-	300,000	400,000	-	-
Subsequent years budgets	<u>3,417,290</u>	<u>155,910</u>	<u>9,560</u>	<u>11,108,910</u>	<u>555,230</u>
Total designated	<u>\$ 8,934,088</u>	<u>\$ 455,910</u>	<u>\$ 409,560</u>	<u>\$11,108,910</u>	<u>\$ 555,230</u>
Undesignated	<u>\$ 8,967,715</u>	<u>\$ 1,575,868</u>	<u>\$ 1,003,077</u>	<u>\$12,990,149</u>	<u>\$ 1,167,343</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 9 - Risk Management

The City has entered into a Public Entity Risk Pool with other Michigan units of government for its general liability, property damage insurance including auto and public officials liability, contractors equipment and workers' compensation. The City's maximum deductible for property coverage is \$11,000 per occurrence. The liability maximum deductible 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 that can be reasonably estimated.

No settlements have exceeded insurance coverage during the last three years. The City has made no significant reductions in insurance coverage during the year. The City has received no indication that any significant losses exist at June 30, 2003, and thus no liability has been recorded.

Changes in the estimated liability for the past two fiscal years are as follows:

	<u>Year Ended</u> <u>June 30, 2003</u>	<u>Year Ended</u> <u>June 30, 2002</u>
Estimated liability - beginning of year	\$ 714,225	\$ 970,766
Estimated claims incurred, including changes in estimates	1,364,021	448,649
Claim payments	<u>(737,594)</u>	<u>(705,190)</u>
Estimated liability - end of year	<u>\$ 1,340,652</u>	<u>\$ 714,225</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 10 - Segment Information - Enterprise Funds

The City maintains four Enterprise Funds with related debt - Water Fund, Sanitary Sewer Fund, Aquatic Center Fund and Golf Course Fund. Segment information for the year ended June 30, 2003, is as follows:

	<u>Water Fund</u>	<u>Sanitary Sewer Fund</u>	<u>Aquatic Center Fund</u>	<u>Golf Course Fund</u>
Operating revenues	\$ 11,155,393	\$ 8,973,121	\$ 417,245	\$ 1,295,874
Operating income (loss)	981,896	194,660	(70,178)	(2,069)
Net income (loss)	2,235,492	409,157	(70,178)	32,570
Unbilled accounts receivable	2,239,051	1,978,901	6,161	-
Property, plant and equipment - Additions	4,034,794	519,926	-	60,241
Net working capital	19,286,991	18,488,778	(245,703)	2,001,333
Bonds and contracts payable from operating revenues	848,254	39,250	-	-
Total assets	82,450,062	51,615,237	2,607,767	4,694,491
Total net assets	81,515,804	51,575,987	2,355,903	4,694,491

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 11 - Litigation and Contingent Liabilities

#### Litigation

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

#### Condemnations

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

#### Tax Appeals to the Michigan Tax Tribunal

The City has several outstanding property tax assessment appeals totaling approximately \$98,331,000 (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, 2003.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 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 years taxable value plus 5% or the Consumer Price Index which ever 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 2002-2003 levy was \$4,861,640,648. The City's operating tax rate was 6.25 mills for the same year with additional millages of .75, 1.62 and .83 levied to fund various types of debt service costs, capital outlay expenditures and refuse removal and disposal, respectively.

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

City taxes are received in one installment, collectible from July 1<sup>st</sup> to August 31<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 a reserve of the general fund balance.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 13 - Retirement System and Plan

#### Employee Retirement System

The City of Troy, Michigan, under the authorization of the City ordinance, maintains an employee retirement system covering all full-time employees. The single-employer plan provides retirement benefits based on credited service time and average compensation with death and disability benefits, and under some circumstances, payments to dependents. Normal retirement age is 65 with provisions for early and late retirement. Participants under such plan are required to contribute a fixed percentage of their total compensation, with the City's contribution being an amount sufficient to cover current service costs and prior service costs which are being funded and charged to operations over ten years for pension benefits and fifteen years for healthcare benefits. The percent of wages required to be contributed by all employees participating in the primary plan was 1.0 to 4.0 percent as of June 30, 2003. The City's total payroll for the year ended June 30, 2003, was \$32,322,413. Included in this total was \$13,579,550 and \$15,101,139 of covered payroll for the employee retirement system and the employee defined contribution plan, respectively. \$3,641,724 represents payroll which was not covered by the retirement system or the defined contribution plan. Current membership in the system is as follows:

<u>Group</u>	<u>December 31, 2002</u>
Retirees and beneficiaries currently receiving benefits	171
Vested terminated employees	20
Active employees:	
Fully vested	152
Nonvested	65
	<u>217</u>

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

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended June 30, 2003 were determined using an individual entry-age actuarial funding method. Unfunded actuarial liabilities were amortized as a level percent of payroll on an open basis over a period of ten years for pensions and fifteen years for post-retirement healthcare.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 13 - Retirement System and Plan - Continued

#### Employee Retirement System - Continued

For the year ended June 30, 2003, contributions totaling \$1,943,052 (\$1,604,736 employer and \$338,316 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2001, which was net of the amortization of assets in excess of unfunded actuarial accrued liability. Employer and employee contributions were based on 11.8 percent and 2.5 percent, respectively, of covered payroll.

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

The City provides certain healthcare benefits for retired employees in accordance with the bargaining groups agreements and other requirements. Substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the City. The City's contribution for healthcare benefits is accounted for within the retirement system. The employers contribution of \$1,604,736 was attributable to healthcare benefits. This contribution represented 5.6 percent of total covered payroll during the current year. During the current year, healthcare benefits paid for retirees totaled \$1,035,091.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 13 - Retirement System and Plan - Continued

#### Incentive Plan for Volunteer Firefighters

The City of Troy has a noncontributory discretionary incentive plan established by resolution of the City Council covering its volunteer firefighters. The single-employer plan benefits are determined based on annual contribution amounts for each year of incentive service. The normal cost and amortization payment for the year ended June 30, 2003 was determined using an individual entry age funding method. At December 31, 2002, the benefit payment amount was \$452 per year for incentive service. Participants are eligible for payments at age 55 with ten or more years of volunteer service, age 50 with 25 years of service or 30 years of incentive service regardless of age. The City's contribution to the plan for the year ended June 30, 2003, was \$512,973. The volunteer firefighters are not paid any remuneration for their service. Unfunded actuarial liabilities were amortized as a level dollar amount on a closed basis. The remaining amortization period is 18 years.

<u>Group</u>	<u>December 31, 2002</u>
Retirees and beneficiaries currently receiving benefits	61
Vested terminated employees	28
Active employees:	
Fully vested	85
Nonvested	77

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 13 - Retirement System and Plan - Continued

#### Incentive Plan for Volunteer Firefighters - Continued

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

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

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

Fiscal Year Ended <u>June 30,</u>	Actuarial Valuation Date <u>December 31,</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2001	1999	\$ 1,174	100.0%	None
2002	2000	1,461	100.0	None
2003	2001	1,605	100.0	None

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

Fiscal Year Ended <u>June 30,</u>	Actuarial Valuation Date <u>December 31,</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2001	1999	\$ 360	100.0%	None
2002	2000	413	100.0	None
2003	2001	513	100.0	None

The plans do not issue a separate financial report.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 14 - Defined Contribution Plan

The City maintains a defined contribution plan (DCP), 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 TCP 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, 2003 was 260.

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 5 percent of their salary, while the employer contributes 11 to 13 percent. All employees are able to contribute up to 10 percent of their salary on a voluntary after-tax basis. All contributions are remitted to a third-party plan administrator.

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

The City's payroll for employees covered by the DCP for the year ended June 30, 2003, was \$15,101,139, and the City's total payroll was \$32,322,413. The required contributions, which matched those actually made, were \$662,584 by employees and \$1,776,192 by the City, representing 4.4 percent and 11.8 percent of covered payroll, respectively.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

### Note 15 - Accounting and Reporting Change

#### GASB No. 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The City has applied the provisions of this statement in the accompanying financial statements (including notes to financial statements). The City has elected to implement both the general provisions of the statement and the retroactive reporting of the infrastructure in the current year. Certain significant changes in the statement include the following:

A Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure.

A change in the fund financial statements to focus on the major funds.

Capital assets in the governmental activities column of the statement of net assets includes infrastructure assets not previously accounted for by the City as well as assets that would previously have been reported in the General Fixed Assets Account Group.

The governmental activities column includes bonds and other long-term obligations previously reported in the General Long-Term Debt Account Group.

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**EMPLOYEE RETIREMENT SYSTEM AND INCENTIVE PLAN**

**REQUIRED SUPPLEMENTARY INFORMATION**

# CITY OF TROY, MICHIGAN

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

### PENSION ONLY

Actuarial Valuation Date <u>December 31,</u>	Actuarial Value of Assets# <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL <u>(b)-(a)</u>	Funded Ratio <u>(a)/(b)</u>	Active Member Covered Payroll <u>(c)</u>	Unfunded AAL as a Percentage of Active Member Covered Payroll <u>(b-a)/(c)</u>
1997	\$ 120,718	\$ 105,689	\$ (15,029)	114.2%	\$ 16,133	(93.2)%
1998	109,474	90,869	(18,605)	120.5	16,201	(114.8)
1999	118,595	94,661	(23,934)	125.3	15,057	(159.0)
2000	123,956	99,740	(24,216)	124.3	15,441	(156.8)
2001	123,669	97,140	(26,529)	127.3	14,566	(182.1)
2002	117,372	95,527	(21,845)	122.9	13,553	(161.2)

### HEALTH ONLY

1997	\$ 2,558	\$ 13,531	\$ 10,973	18.9%	\$ 16,133	68.0%
1998	16,815	11,106	(5,709)	151.4	22,600	(25.3)
1999	18,462	18,692	230	98.8	22,941	1.0
2000	18,446	21,794	3,348	84.6	23,924	14.0
2001	23,645	27,804	4,159	85.0	26,847	15.5
2002	31,003	31,263	260	99.2	28,480	.9

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

# CITY OF TROY, MICHIGAN

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

<u>Fiscal Year Ended June 30,</u>	<u>Actuarial Valuation Date December 31,</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>
1998	1996	\$ 2,759	100.0%
1999	1997	2,655	100.0
2000	1998	1,087	100.0
2001	1999	1,174	100.0
2002	2000	1,461	100.0
2003	2001	1,605	100.0

## CITY OF TROY, MICHIGAN

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

Actuarial Valuation Date <u>December 31,</u>	Actuarial Value of Assets# <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL <u>(b)-(a)</u>	Funded Ratio <u>(a)/(b)</u>
1998*	\$ 4,681	\$ 6,034	\$ 1,353	77.6%
1999*&	5,052	6,790	1,738	74.4
2000*&	5,137	7,397	2,260	69.4
2001*&	5,109	8,160	3,051	62.6
2002*&	5,720	9,598	3,878	59.6

# Prior to 1996, Book Value was used.

\* After changes in benefit provisions.

& After changes in actuarial assumptions.

# CITY OF TROY, MICHIGAN

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

<u>Fiscal Year Ended June 30,</u>	<u>Actuarial Valuation Date December 31,</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>
1998	1996	\$ 263	100.0%
1999	1997	320	100.0
2000	1998	330	100.0
2001	1999	360	100.0
2002	2000	413	100.0
2003	2001	513	100.0

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**COMBINING  
AND  
INDIVIDUAL  
FUND  
STATEMENTS**

## GOVERNMENTAL FUNDS

### NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

#### **Downtown Development Authority Fund**

This fund represents an authority established 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 for the benefit of all taxing units within and benefited by the development area.

#### **Refuse Fund**

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

#### **Brownfield Redevelopment Authority Fund**

This fund represents an authority established for the purpose of providing assistance for the redevelopment of abandoned, idled, or under-utilized industrial or commercial properties which are complicated by real or perceived environmental contamination.

#### **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.

#### **Cemetery Perpetual Care Fund**

This fund was established to invest the proceeds from the sale of burial plots and utilize their investment income in the operations of the City-owned cemeteries.

## GOVERNMENTAL FUNDS

### NONMAJOR DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the government is obligated in some manner for the payment.

#### **Proposal A Debt Service Fund**

This fund was created to account for a voter approved bond issue in the amount of \$11,000,000 for various road improvements.

#### **Proposal B Debt Service Fund**

This fund was created to account for a voter approved bond issue in the amount of \$18,000,000 for various public safety and city hall facilities.

#### **Proposal C Debt Service Fund**

This fund was created to account for a voter approved bond issue in the amount of \$18,000,000 for renovation and construction of a community center and park land acquisition.

#### **Downtown Development Authority Debt Service Fund**

This fund was created to account for debt issued for infrastructure and facilities within the downtown development district.

#### **Major Streets Debt Service Fund**

This fund was created to account for bonded indebtedness on Phase #1 of the Big Beaver Road Project.

# CITY OF TROY, MICHIGAN

## COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2003

### ASSETS

	Nonmajor Special Revenue Funds					
	Downtown Development Authority	Refuse Fund	Brownfield Redevelopment Authority	Community Development Block Grant	Cemetery Perpetual Care Fund	Total Special Revenue
Cash and cash equivalents	\$ 773,773	\$ 632,099	\$ -	\$ -	\$ 59,414	\$ 1,465,286
Investments	1,209,112	987,729	-	-	92,842	2,289,683
Receivables						
Accrued interest	3,361	2,745	-	-	258	6,364
Taxes	587,849	-	16	-	-	587,865
Due from other governmental units	-	-	-	141,701	-	141,701
Total assets	\$ 2,574,095	\$ 1,622,573	\$ 16	\$ 141,701	\$ 152,514	\$ 4,490,899

### LIABILITIES AND FUND BALANCES

#### Liabilities

Due to other funds	\$ -	\$ -	\$ 16	\$ 141,701	\$ -	\$ 141,717
Deferred revenue	587,849	-	-	-	-	587,849
Total liabilities	\$ 587,849	\$ -	\$ 16	\$ 141,701	\$ -	\$ 729,566

#### Fund Balances

Reserved for						
General debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax appeals	676,677	-	-	-	-	676,677
Project commitments	1,209,569	-	-	-	-	1,209,569
Construction and improvements	-	-	-	-	152,514	152,514
Unreserved						
Designated for subsequent years budgets	100,000	455,230	-	-	-	555,230
Undesignated	-	1,167,343	-	-	-	1,167,343
Total fund balances	\$ 1,986,246	\$ 1,622,573	\$ -	\$ -	\$ 152,514	\$ 3,761,333
Total liabilities and fund balances	\$ 2,574,095	\$ 1,622,573	\$ 16	\$ 141,701	\$ 152,514	\$ 4,490,899

**Nonmajor Debt Service Funds**

<u>Proposal A Debt Service Fund</u>	<u>Proposal B Debt Service Fund</u>	<u>Proposal C Debt Service Fund</u>	<u>Downtown Development Authority Debt Service Fund</u>	<u>Major Streets Debt Service Fund</u>	<u>Total Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,465,286
-	-	-	3,135,776	-	3,135,776	5,425,459
-	-	-	-	-	-	6,364
-	-	-	-	-	-	587,865
-	-	-	-	-	-	141,701
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,135,776</u>	<u>\$ -</u>	<u>\$ 3,135,776</u>	<u>\$ 7,626,675</u>
\$ -	\$ -	\$ -	\$ 1,738,514	\$ -	\$ 1,738,514	\$ 1,880,231
-	-	-	-	-	-	587,849
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,738,514</u>	<u>\$ -</u>	<u>\$ 1,738,514</u>	<u>\$ 2,468,080</u>
\$ -	\$ -	\$ -	\$ 1,397,262	\$ -	\$ 1,397,262	\$ 1,397,262
-	-	-	-	-	-	676,677
-	-	-	-	-	-	1,209,569
-	-	-	-	-	-	152,514
-	-	-	-	-	-	555,230
-	-	-	-	-	-	1,167,343
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,397,262</u>	<u>\$ -</u>	<u>\$ 1,397,262</u>	<u>\$ 5,158,595</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,135,776</u>	<u>\$ -</u>	<u>\$ 3,135,776</u>	<u>\$ 7,626,675</u>

## CITY OF TROY, MICHIGAN

### COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2003

	Nonmajor Special Revenue Funds					
	Downtown Development Authority	Refuse Fund	Brownfield Redevelopment Authority	Community Development Block Grant	Cemetery Perpetual Care Fund	Total Special Revenue
<b>Revenues</b>						
Property taxes and special assessments	\$ 3,821,199	\$ 3,800,177	\$ 297,278	\$ -	\$ -	\$ 7,918,654
Intergovernmental						
Federal sources	-	-	-	145,119	-	145,119
Charges for services	-	206,373	-	-	1,400	207,773
Investment income	70,299	61,289	-	-	2,605	134,193
<b>Total revenues</b>	<b>\$ 3,891,498</b>	<b>\$ 4,067,839</b>	<b>\$ 297,278</b>	<b>\$ 145,119</b>	<b>\$ 4,005</b>	<b>\$ 8,405,739</b>
<b>Expenditures</b>						
Current						
Sanitation	-	4,198,140	-	-	-	4,198,140
Community and economic development	133,969	-	297,278	145,119	-	576,366
Capital outlay	506,855	-	-	-	-	506,855
Debt service						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>\$ 640,824</b>	<b>\$ 4,198,140</b>	<b>\$ 297,278</b>	<b>\$ 145,119</b>	<b>\$ -</b>	<b>\$ 5,281,361</b>
<b>Excess of Revenues Over (Under)</b>						
Expenditures	\$ 3,250,674	\$ (130,301)	\$ -	\$ -	\$ 4,005	\$ 3,124,378
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(2,978,713)	-	-	-	-	(2,978,713)
<b>Total other financing sources (uses)</b>	<b>\$ (2,978,713)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,978,713)</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	<b>\$ 271,961</b>	<b>\$ (130,301)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,005</b>	<b>\$ 145,665</b>
<b>Fund Balances - July 1, 2002</b>	<b>1,714,285</b>	<b>1,752,874</b>	<b>-</b>	<b>-</b>	<b>148,509</b>	<b>3,615,668</b>
<b>Fund Balances - June 30, 2003</b>	<b>\$ 1,986,246</b>	<b>\$ 1,622,573</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 152,514</b>	<b>\$ 3,761,333</b>

**Nonmajor Debt Service Funds**

<u>Proposal A Debt Service Fund</u>	<u>Proposal B Debt Service Fund</u>	<u>Proposal C Debt Service Fund</u>	<u>Downtown Development Authority Debt Service Fund</u>	<u>Major Streets Debt Service Fund</u>	<u>Total Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,918,654
-	-	-	-	-	-	145,119
-	-	-	-	-	-	207,773
-	-	-	30,510	-	30,510	164,703
\$ -	\$ -	\$ -	\$ 30,510	\$ -	\$ 30,510	\$ 8,436,249
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,198,140
-	-	-	-	-	-	576,366
-	-	-	-	-	-	506,855
200,000	115,000	350,000	925,000	200,000	1,790,000	1,790,000
497,956	153,808	825,574	1,319,147	109,625	2,906,110	2,906,110
<u>\$ 697,956</u>	<u>\$ 268,808</u>	<u>\$ 1,175,574</u>	<u>\$ 2,244,147</u>	<u>\$ 309,625</u>	<u>\$ 4,696,110</u>	<u>\$ 9,977,471</u>
\$ (697,956)	\$ (268,808)	\$ (1,175,574)	\$ (2,213,637)	\$ (309,625)	\$ (4,665,600)	\$ (1,541,222)
\$ 697,956	\$ 268,808	\$ 1,175,574	\$ 2,255,744	\$ 309,625	\$ 4,707,707	\$ 4,707,707
-	-	-	-	-	-	(2,978,713)
<u>\$ 697,956</u>	<u>\$ 268,808</u>	<u>\$ 1,175,574</u>	<u>\$ 2,255,744</u>	<u>\$ 309,625</u>	<u>\$ 4,707,707</u>	<u>\$ 1,728,994</u>
\$ -	\$ -	\$ -	\$ 42,107	\$ -	\$ 42,107	\$ 187,772
-	-	-	1,355,155	-	1,355,155	4,970,823
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,397,262</u>	<u>\$ -</u>	<u>\$ 1,397,262</u>	<u>\$ 5,158,595</u>

## CITY OF TROY, MICHIGAN

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2003

	Downtown Development Authority			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
<b>Budgetary Fund Balance - July 1, 2002</b>	\$ 1,714,285	\$ 1,714,285	\$ 1,714,285	\$ -
<b>Resources (Inflows)</b>				
Property taxes	\$ 4,252,000	\$ 4,252,000	\$ 3,821,199	\$ (430,801)
Investment income	50,000	50,000	70,299	20,299
Amounts available for appropriation	\$ 4,302,000	\$ 4,302,000	\$ 3,891,498	\$ (410,502)
<b>Charges to Appropriations (Outflows)</b>				
Capital outlay	\$ 650,000	\$ 650,000	\$ 506,855	\$ 143,145
Transfers out	3,226,150	3,226,150	2,978,713	247,437
Other	425,850	425,850	133,969	291,881
Total charges to appropriations	\$ 4,302,000	\$ 4,302,000	\$ 3,619,537	\$ 682,463
<b>Budgetary Fund Balance - June 30, 2003</b>	<u>\$ 1,714,285</u>	<u>\$ 1,714,285</u>	<u>\$ 1,986,246</u>	<u>\$ 271,961</u>

	Refuse Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
<b>Budgetary Fund Balance - July 1, 2002</b>	\$ 1,752,874	\$ 1,752,874	\$ 1,752,874	\$ -
<b>Resources (Inflows)</b>				
Property taxes	3,793,000	3,793,000	3,800,177	7,177
Charges for services	500	50,500	206,373	155,873
Investment income	80,000	80,000	61,289	(18,711)
Amounts available for appropriation	\$ 3,873,500	\$ 3,923,500	\$ 4,067,839	\$ 144,339
<b>Charges to Appropriations (Outflows)</b>				
Other	\$ 4,153,840	\$ 4,203,840	\$ 4,198,140	\$ 5,700
<b>Budgetary Fund Balance - June 30, 2003</b>	<u>\$ 1,472,534</u>	<u>\$ 1,472,534</u>	<u>\$ 1,622,573</u>	<u>\$ 150,039</u>

**CITY OF TROY, MICHIGAN**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET TO ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2003

	Brownfield Redevelopment Authority			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
<b>Budgetary Fund Balance - July 1, 2002</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows)</b>				
Property taxes	\$ 295,000	\$ 298,000	\$ 297,278	\$ (722)
Amounts available for appropriation	\$ 295,000	\$ 298,000	\$ 297,278	\$ (722)
<b>Charges to Appropriations (Outflows)</b>				
Other	\$ 295,000	\$ 298,000	\$ 297,278	\$ 722
<b>Budgetary Fund Balance - June 30, 2003</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Community Development Block Grant			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
<b>Budgetary Fund Balance - July 1, 2002</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows)</b>				
Federal Grants	\$ 213,290	\$ 213,290	\$ 145,119	\$ (68,171)
Amounts available for appropriation	\$ 213,290	\$ 213,290	\$ 145,119	\$ (68,171)
<b>Charges to Appropriations (Outflows)</b>				
Other	\$ 213,290	\$ 213,290	\$ 145,119	\$ 68,171
<b>Budgetary Fund Balance - June 30, 2003</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF TROY, MICHIGAN**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET TO ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2003

	Cemetery Perpetual Care Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
<b>Budgetary Fund Balance - July 1, 2002</b>	\$ 148,509	\$ 148,509	\$ 148,509	\$ -
<b>Resources (Inflows)</b>				
Charges for services	\$ -	\$ -	\$ 1,400	\$ 1,400
Investment income	-	-	2,605	2,605
Amounts available for appropriation	\$ -	\$ -	\$ 4,005	\$ 4,005
Total charges to appropriations	\$ -	\$ -	\$ -	\$ -
<b>Budgetary Fund Balance - June 30, 2003</b>	<u>\$ 148,509</u>	<u>\$ 148,509</u>	<u>\$ 152,514</u>	<u>\$ 4,005</u>

## CITY OF TROY, MICHIGAN

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - NONMAJOR DEBT SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2003

	Proposal A Debt Service Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
Budgetary Fund Balance - July 1, 2002	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows)</b>				
Transfers in	\$ 698,140	\$ 698,140	\$ 697,956	\$ (184)
Amounts available for appropriation	\$ 698,140	\$ 698,140	\$ 697,956	\$ (184)
<b>Charges to Appropriations (Outflows)</b>				
Debt service	\$ 698,140	\$ 698,140	\$ 697,956	\$ 184
Budgetary Fund Balance - June 30, 2003	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Proposal B Debt Service Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
Budgetary Fund Balance - July 1, 2002	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows)</b>				
Transfers in	\$ 1,628,980	\$ 1,628,980	\$ 268,808	\$ (1,360,172)
Amounts available for appropriation	\$ 1,628,980	\$ 1,628,980	\$ 268,808	\$ (1,360,172)
<b>Charges to Appropriations (Outflows)</b>				
Debt service	\$ 1,628,980	\$ 1,628,980	\$ 268,808	\$ 1,360,172
Budgetary Fund Balance - June 30, 2003	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF TROY, MICHIGAN**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET TO ACTUAL - NONMAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2003

	Proposal C Debt Service Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance - July 1, 2002	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows)</b>				
Transfers in	\$ 1,175,760	\$ 1,175,760	\$ 1,175,574	\$ (186)
Amounts available for appropriation	\$ 1,175,760	\$ 1,175,760	\$ 1,175,574	\$ (186)
<b>Charges to Appropriations (Outflows)</b>				
Debt service	\$ 1,175,760	\$ 1,175,760	\$ 1,175,574	\$ 186
<b>Budgetary Fund Balance - June 30, 2003</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Downtown Development Authority Debt Service Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance - July 1, 2002	\$ 1,355,155	\$ 1,355,155	\$ 1,355,155	\$ -
<b>Resources (Inflows)</b>				
Transfers in	\$ 2,840,630	\$ 2,840,630	\$ 2,255,744	\$ (584,886)
Investment income	-	-	30,510	30,510
Amounts available for appropriation	\$ 2,840,630	\$ 2,840,630	\$ 2,286,254	\$ (554,376)
<b>Charges to Appropriations (Outflows)</b>				
Debt service	\$ 2,840,630	\$ 2,840,630	\$ 2,244,147	\$ 596,483
<b>Budgetary Fund Balance - June 30, 2003</b>	<u>\$ 1,355,155</u>	<u>\$ 1,355,155</u>	<u>\$ 1,397,262</u>	<u>\$ 42,107</u>

**CITY OF TROY, MICHIGAN**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET TO ACTUAL - NONMAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Major Streets Debt Service Fund</u>			Variance With Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> (Budgetary Basis)	
	<u>Original</u>	<u>Final</u>		
<b>Budgetary Fund Balance - July 1, 2002</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows)</b>				
Transfers in	<u>\$ 309,630</u>	<u>\$ 309,630</u>	<u>\$ 309,625</u>	<u>\$ (5)</u>
Amounts available for appropriation	\$ 309,630	\$ 309,630	\$ 309,625	\$ (5)
<b>Charges to Appropriations (Outflows)</b>				
Debt service	<u>\$ 309,630</u>	<u>\$ 309,630</u>	<u>\$ 309,625</u>	<u>\$ 5</u>
<b>Budgetary Fund Balance - June 30, 2003</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

## CITY OF TROY, MICHIGAN

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - CAPITAL PROJECTS FUND FOR THE YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Budgetary Fund Balance - July 1, 2002</b>	\$ 27,950,680	\$ 27,950,680	\$ 27,950,680	\$ -
<b>Resources (Inflows)</b>				
Property taxes	\$ 7,405,000	\$ 7,405,000	\$ 7,417,214	\$ 12,214
Intergovernmental				
Federal sources	92,000	92,000	78,805	(13,195)
State sources	622,700	622,700	3,330,005	2,707,305
Local sources	550,000	2,643,150	2,827,112	183,962
Investment income	1,100,000	1,100,000	859,489	(240,511)
Charges for services	175,000	175,000	166,664	(8,336)
Transfers in	11,712,970	11,712,970	12,611,812	898,842
Issuance of debt	14,137,120	32,137,120	40,225,000	8,087,880
Other	873,000	873,000	829,712	(43,288)
Amounts available for appropriation	\$ 36,667,790	\$ 56,760,940	\$ 68,345,813	\$ 11,584,873
<b>Charges to Appropriations (Outflows)</b>				
Transfers out	\$ -	\$ 13,000,000	\$ 12,211,812	\$ 788,188
Capital outlay	46,095,780	56,499,090	42,294,765	14,204,325
Total charges to appropriations	\$ 46,095,780	\$ 69,499,090	\$ 54,506,577	\$ 14,992,513
<b>Budgetary Fund Balance - June 30, 2003</b>	<u>\$ 18,522,690</u>	<u>\$ 15,212,530</u>	<u>\$ 41,789,916</u>	<u>\$ 26,577,386</u>

# CITY OF TROY, MICHIGAN

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - DEBT SERVICE FUND FOR THE YEAR ENDED JUNE 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary Fund Balance - July 1, 2002</b>	\$ 12,716,625	\$ 12,716,625	\$ 12,716,625	\$ -
<b>Resources (Inflows)</b>				
Property taxes	\$ 3,427,000	\$ 3,427,000	\$ 3,710,450	\$ 283,450
Transfers in	1,464,840	1,464,840	1,465,000	160
Interest income	-	-	73,103	73,103
Investment income	270,000	270,000	276,665	6,665
Amounts available for appropriation	\$ 5,161,840	\$ 5,161,840	\$ 5,525,218	\$ 363,378
<b>Charges to Appropriations (Outflows)</b>				
Debt service	\$ 1,600,760	\$ 2,600,360	\$ 2,518,202	\$ 82,158
Transfers out	3,502,880	2,502,880	2,142,338	360,542
Other	58,200	58,600	38,200	20,400
Total charges to appropriations	\$ 5,161,840	\$ 5,161,840	\$ 4,698,740	\$ 463,100
<b>Budgetary Fund Balance - June 30, 2003</b>	<u>\$ 12,716,625</u>	<u>\$ 12,716,625</u>	<u>\$ 13,543,103</u>	<u>\$ 826,478</u>

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## **NONMAJOR BUSINESS-TYPE FUNDS**

### **ENTERPRISE FUNDS**

Enterprise Funds are used to account for services provided to citizens financed primarily by user charges and operated in a manner similar to private business enterprises, where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, accountability or other purposes.

#### **Aquatic Center Fund**

The operation of the City's Aquatic Center is accounted for in this fund.

#### **Golf Course Fund**

This fund accounts for the operations of the Sylvan Glen Municipal Golf Course.

**CITY OF TROY, MICHIGAN**

COMBINING STATEMENT OF NET ASSETS - NONMAJOR BUSINESS-TYPE FUNDS  
JUNE 30, 2003

	Nonmajor Business-Type Activities		
	Aquatic Center Fund	Golf Course Fund	Total Nonmajor Business-Type Funds
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	\$ -	\$ 788,161	\$ 788,161
Investments	-	1,174,786	1,174,786
Receivables			
Unbilled	6,161	-	6,161
Accrued interest	-	3,265	3,265
Inventories	-	35,121	35,121
	\$ 6,161	\$ 2,001,333	\$ 2,007,494
Long-Term Assets			
Capital assets, net			
Assets not depreciated	-	1,911,802	1,911,802
Assets being depreciated	2,601,606	781,356	3,382,962
	\$ 2,601,606	\$ 2,693,158	\$ 5,294,764
Total long-term assets	\$ 2,601,606	\$ 2,693,158	\$ 5,294,764
Total assets	\$ 2,607,767	\$ 4,694,491	\$ 7,302,258
<b>Liabilities</b>			
Due to other funds	\$ 251,864	\$ -	\$ 251,864
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 2,601,606	\$ 2,693,158	\$ 5,294,764
Unrestricted	(245,703)	2,001,333	1,755,630
Total net assets	\$ 2,355,903	\$ 4,694,491	\$ 7,050,394
Total liabilities and net assets	\$ 2,607,767	\$ 4,694,491	\$ 7,302,258

**CITY OF TROY, MICHIGAN**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -  
NONMAJOR BUSINESS-TYPE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2003**

	<b>Nonmajor Business-Type Activities</b>		<b>Total Nonmajor Business-Type Funds</b>
	<b>Aquatic Center Fund</b>	<b>Golf Course Fund</b>	
<b>Operating Revenues</b>			
Charges for sales and services			
Aquatic park receipts and golf fees	\$ 417,245	\$ 974,593	\$ 1,391,838
Rental			
Golf equipment	-	243,281	243,281
Restaurant	-	78,000	78,000
Total operating revenues	\$ 417,245	\$ 1,295,874	\$ 1,713,119
<b>Operating Expenses</b>			
Maintenance and operation	\$ 331,545	\$ 1,089,683	\$ 1,421,228
Depreciation	155,878	208,260	364,138
Total operating expenses	\$ 487,423	\$ 1,297,943	\$ 1,785,366
<b>Operating Loss</b>	\$ (70,178)	\$ (2,069)	\$ (72,247)
<b>Nonoperating Revenues</b>			
Interest income	\$ -	\$ 34,639	\$ 34,639
<b>Change in Net Assets</b>	\$ (70,178)	\$ 32,570	\$ (37,608)
<b>Net Assets - July 1, 2002</b>	<u>2,426,081</u>	<u>4,661,921</u>	<u>7,088,002</u>
<b>Net Assets - June 30, 2003</b>	<u>\$ 2,355,903</u>	<u>\$ 4,694,491</u>	<u>\$ 7,050,394</u>

## CITY OF TROY, MICHIGAN

### COMBINING STATEMENT OF CASH FLOWS - NONMAJOR BUSINESS-TYPE FUNDS FOR THE YEAR ENDED JUNE 30, 2003

	Nonmajor Business-Type Activities		
	Aquatic Center Fund	Golf Course Fund	Total Nonmajor Business-Type Funds
<b>Cash Flows From Operating Activities:</b>			
Receipts from customers	\$ 438,636	\$ 1,295,874	\$ 1,734,510
Payments to suppliers for goods and services	(256,895)	(786,723)	(1,043,618)
Payments to employees for services	(181,741)	(310,470)	(492,211)
Other receipts	-	3,614	3,614
	-	3,614	3,614
Net cash provided from operating activities	\$ -	\$ 202,295	\$ 202,295
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Purchase of capital assets	\$ -	\$ (166,096)	\$ (166,096)
<b>Cash Flows From Investing Activities:</b>			
Purchase of investment securities	\$ -	\$ (377,370)	\$ (377,370)
Proceeds from sale and maturities of investment securities	-	394,765	394,765
Interest received on investments	-	34,639	34,639
	-	34,639	34,639
Net cash provided from investing activities	\$ -	\$ 52,034	\$ 52,034
<b>Net Increase in Cash and Cash Equivalents</b>	\$ -	\$ 88,233	\$ 88,233
<b>Cash and Cash Equivalents - July 1, 2002</b>	-	699,928	699,928
<b>Cash and Cash Equivalents - June 30, 2003</b>	\$ -	\$ 788,161	\$ 788,161

# CITY OF TROY, MICHIGAN

## COMBINING STATEMENT OF CASH FLOWS - NONMAJOR BUSINESS-TYPE FUNDS FOR THE YEAR ENDED JUNE 30, 2003

	Nonmajor Business-Type Activities		Total Nonmajor Business-Type Funds
	Aquatic Center Fund	Golf Course Fund	
Reconciliation of operating loss to net cash provided from operating activities:			
Operating loss	\$ (70,178)	\$ (2,069)	\$ (72,247)
Depreciation	155,878	208,260	364,138
Adjustments to reconcile operating loss to net cash provided from operating activities:			
Receivables	21,391	-	21,391
Other assets	-	(3,896)	(3,896)
Accrued and other liabilities	(107,091)	-	(107,091)
Total adjustments	70,178	204,364	274,542
Net cash provided from operating activities	\$ -	\$ 202,295	\$ 202,295

### Supplemental Schedule of Noncash Activities

Net decrease in fair value of investments	\$ -	\$ (2,583)	\$ (2,583)
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## 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**

The expenses of accumulated sick pay and vacation pay are 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 accounts for the custodial services provided to all City owned buildings.

### **Information Technology Fund**

This fund accounts for the charges to other departments and the expenses to provide computer services.

### **Motor Equipment Fund**

The rental charges of City-owned equipment to other City departments are accounted for in this fund.

### **Workers' Compensation Fund**

The Workers' Compensation Fund was established to account for pooled insurance expenses.

# CITY OF TROY, MICHIGAN

## COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS JUNE 30, 2003

	<b>ASSETS</b>		
	<u>Compensated Absences Fund</u>	<u>Unemployment Compensation Fund</u>	<u>Custodial Services Fund</u>
<b>Current Assets</b>			
Cash and certificates of deposit	\$ 2,119,607	\$ 131,230	\$ -
Investments - at fair value	3,312,137	205,062	-
Accrued interest receivable	9,205	570	-
Accounts receivable	-	-	-
Inventory	-	-	-
	<hr/>	<hr/>	<hr/>
Total current assets	\$ 5,440,949	\$ 336,862	\$ -
 <b>Property, Plant and Equipment</b>			
Land, building and improvements	\$ -	\$ -	\$ -
Motor vehicle	-	-	-
Miscellaneous equipment	-	-	-
	<hr/>	<hr/>	<hr/>
Total property, plant and equipment	\$ -	\$ -	\$ -
 Less accumulated depreciation			
	<hr/>	<hr/>	<hr/>
Undepreciated cost	-	-	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 5,440,949</u>	<u>\$ 336,862</u>	<u>\$ -</u>

<u>Information Technology Fund</u>	<u>Motor Equipment Fund</u>	<u>Workers' Compensation Fund</u>	<u>Total</u>
\$ 252,402	\$ 1,221,283	\$ 785,446	\$ 4,509,968
394,408	1,908,400	1,227,352	7,047,359
1,096	5,304	3,411	19,586
-	4,458	-	4,458
<u>-</u>	<u>131,905</u>	<u>-</u>	<u>131,905</u>
\$ 647,906	\$ 3,271,350	\$ 2,016,209	\$ 11,713,276
\$ -	\$ 1,718,116	\$ -	\$ 1,718,116
-	10,611,862	-	10,611,862
<u>20,300</u>	<u>259,488</u>	<u>-</u>	<u>279,788</u>
\$ 20,300	\$ 12,589,466	\$ -	\$ 12,609,766
<u>2,789</u>	<u>8,121,155</u>	<u>-</u>	<u>8,123,944</u>
<u>17,511</u>	<u>4,468,311</u>	<u>-</u>	<u>4,485,822</u>
<u>\$ 665,417</u>	<u>\$ 7,739,661</u>	<u>\$ 2,016,209</u>	<u>\$ 16,199,098</u>

# CITY OF TROY, MICHIGAN

## COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS JUNE 30, 2003

### LIABILITIES AND NET ASSETS

	Compensated Absences Fund	Unemployment Compensation Fund	Custodial Services Fund
<b>Current Liabilities</b>			
Due to other funds	\$ -	\$ -	\$ -
Accrued compensated absences payable	3,016,177	-	-
Total current liabilities	\$ 3,016,177	\$ -	\$ -
<b>Long-Term Liabilities</b>			
Accrued compensated absences payable	\$ 2,415,000	\$ -	\$ -
Total liabilities	\$ 5,431,177	\$ -	\$ -
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -
Reserved for employee benefits	9,772	336,862	-
Reserved for collision losses	-	-	-
Unreserved	-	-	-
Total net assets	\$ 9,772	\$ 336,862	\$ -
Total liabilities and net assets	\$ 5,440,949	\$ 336,862	\$ -

<u>Information Technology Fund</u>	<u>Motor Equipment Fund</u>	<u>Workers' Compensation Fund</u>	<u>Total</u>
\$ 20,300	\$ -	\$ -	\$ 20,300
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,016,177</u>
\$ 20,300	\$ -	\$ -	\$ 3,036,477
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,415,000</u>
\$ 20,300	\$ -	\$ -	\$ 5,451,477
\$ 17,511	\$ 4,468,311	\$ -	\$ 4,485,822
-	-	2,016,209	2,362,843
-	174,742	-	174,742
<u>627,606</u>	<u>3,096,608</u>	<u>-</u>	<u>3,724,214</u>
<u>\$ 645,117</u>	<u>\$ 7,739,661</u>	<u>\$ 2,016,209</u>	<u>\$ 10,747,621</u>
<u><u>\$ 665,417</u></u>	<u><u>\$ 7,739,661</u></u>	<u><u>\$ 2,016,209</u></u>	<u><u>\$ 16,199,098</u></u>

## CITY OF TROY, MICHIGAN

### COMBINING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS - INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2003

	Compensated Absences Fund	Unemployment Compensation Fund	Custodial Services Fund
<b>Operating Revenues</b>			
Charges to other funds of the City	\$ 3,721,025	\$ -	\$ 1,449,567
Equipment rental	-	-	-
Building rental	-	-	-
Workers' compensation	-	-	-
Other	-	-	-
	\$ 3,721,025	\$ -	\$ 1,449,567
<b>Operating Expenses</b>			
Payments to employees for compensated time off	\$ 4,038,203	\$ -	\$ -
Unemployment and workers' compensation coverage	-	39,528	-
Custodial labor, supplies and equipment rental	-	-	1,449,567
Computer services	-	-	-
Motor vehicle and garage expenses			
Administration	-	-	-
Equipment maintenance and operation	-	-	-
Garage maintenance	-	-	-
Depreciation	-	-	-
	\$ 4,038,203	\$ 39,528	\$ 1,449,567
Total operating expenses	\$ 4,038,203	\$ 39,528	\$ 1,449,567
Operating income (loss)	\$ (317,178)	\$ (39,528)	\$ -
<b>Nonoperating Revenues</b>			
Investment income	\$ 87,319	\$ 6,189	\$ -
Gain on disposal of property	-	-	-
	\$ 87,319	\$ 6,189	\$ -
Total nonoperating revenues, net	\$ 87,319	\$ 6,189	\$ -
Net income (loss)	\$ (229,859)	\$ (33,339)	\$ -
<b>Net Assets - July 1, 2002</b>	<b>239,631</b>	<b>370,201</b>	<b>-</b>
<b>Net Assets - June 30, 2003</b>	<b>\$ 9,772</b>	<b>\$ 336,862</b>	<b>\$ -</b>

<u>Information Technology Fund</u>	<u>Motor Equipment Fund</u>	<u>Workers' Compensation Fund</u>	<u>Total</u>
\$ 1,111,530	\$ -	\$ -	\$ 6,282,122
-	3,337,825	-	3,337,825
-	183,534	-	183,534
-	-	679,396	679,396
-	193,671	154,767	348,438
<u>1,111,530</u>	<u>3,715,030</u>	<u>834,163</u>	<u>10,831,315</u>
\$ -	\$ -	\$ -	\$ 4,038,203
-	-	761,217	800,745
-	-	-	1,449,567
1,129,090	-	-	1,129,090
-	472,753	-	472,753
-	1,587,110	-	1,587,110
-	361,222	-	361,222
2,789	1,202,059	-	1,204,848
<u>1,131,879</u>	<u>3,623,144</u>	<u>761,217</u>	<u>11,043,538</u>
\$ (20,349)	\$ 91,886	\$ 72,946	\$ (212,223)
\$ 10,506	\$ 61,550	\$ 29,735	\$ 195,299
-	174,630	-	174,630
<u>10,506</u>	<u>236,180</u>	<u>29,735</u>	<u>369,929</u>
\$ (9,843)	\$ 328,066	\$ 102,681	\$ 157,706
654,960	7,411,595	1,913,528	10,589,915
<u>645,117</u>	<u>7,739,661</u>	<u>2,016,209</u>	<u>10,747,621</u>

# CITY OF TROY, MICHIGAN

## COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2003

	Compensated Absences Fund	Unemployment Compensation Fund	Custodial Services Fund
<b>Cash Flows From Operating Activities:</b>			
Receipts from customers	\$ -	\$ -	\$ -
Receipts from other funds	3,721,025	-	1,449,567
Payments to suppliers for goods and services	-	(39,528)	(917,782)
Payments to employees for services	(3,898,793)	-	(531,785)
Other receipts	11,096	789	-
	<u>11,096</u>	<u>789</u>	<u>-</u>
Net cash provided from (used in) operating activities	\$ (166,672)	\$ (38,739)	\$ -
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Acquisition of property, plant and equipment	\$ -	\$ -	\$ -
<b>Cash Flows From Investing Activities:</b>			
Purchases of investment securities	\$ (1,026,781)	\$ (39,490)	\$ -
Proceeds from sale and maturities of investment securities	1,232,688	69,881	-
Interest received	87,319	6,189	-
	<u>87,319</u>	<u>6,189</u>	<u>-</u>
Net cash provided from investing activities	\$ 293,226	\$ 36,580	\$ -
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	\$ 126,554	\$ (2,159)	\$ -
<b>Cash and Cash Equivalents - July 1, 2002</b>	<u>1,993,053</u>	<u>133,389</u>	<u>-</u>
<b>Cash and Cash Equivalents - June 30, 2003</b>	<u>\$ 2,119,607</u>	<u>\$ 131,230</u>	<u>\$ -</u>
<b>Reconciliation of operating income (loss) to net cash provided from (used in) operating activities:</b>			
Operating income (loss)	\$ (317,178)	\$ (39,528)	\$ -
Depreciation	-	-	-
<b>Adjustments to reconcile operating income (loss) to net cash provided from (used in) operating activities:</b>			
Receivables	11,096	789	-
Other assets	-	-	-
Accrued and other liabilities	139,410	-	-
	<u>139,410</u>	<u>-</u>	<u>-</u>
Total adjustments	150,506	789	-
Net cash provided from (used in) operating activities	<u>\$ (166,672)</u>	<u>\$ (38,739)</u>	<u>\$ -</u>
<b><u>Supplemental Schedule of Noncash Activities</u></b>			
Net decrease in fair value of investments	<u>\$ (7,283)</u>	<u>\$ (451)</u>	<u>\$ -</u>

Information Technology Fund	Motor Equipment Fund	Workers' Compensation Fund	Total
\$ -	\$ 3,521,359	\$ -	\$ 3,521,359
1,111,530	-	-	6,282,122
(681,748)	(1,663,154)	(761,217)	(4,063,429)
(447,342)	(755,724)	-	(5,633,644)
<u>1,308</u>	<u>199,120</u>	<u>837,775</u>	<u>1,050,088</u>
<u>\$ (16,252)</u>	<u>\$ 1,301,601</u>	<u>\$ 76,558</u>	<u>\$ 1,156,496</u>
\$ (20,300)	\$ (1,327,216)	\$ -	\$ (1,347,516)
\$ (717,578)	\$ (868,025)	\$ (667,147)	\$ (3,319,021)
760,033	997,693	656,824	3,717,119
<u>10,506</u>	<u>61,550</u>	<u>29,735</u>	<u>195,299</u>
<u>\$ 52,961</u>	<u>\$ 191,218</u>	<u>\$ 19,412</u>	<u>\$ 593,397</u>
\$ 16,409	\$ 165,603	\$ 95,970	\$ 402,377
<u>235,993</u>	<u>1,055,680</u>	<u>689,476</u>	<u>4,107,591</u>
<u>\$ 252,402</u>	<u>\$ 1,221,283</u>	<u>\$ 785,446</u>	<u>\$ 4,509,968</u>
\$ (20,349)	\$ 91,886	\$ 72,946	\$ (212,223)
2,789	1,202,059	-	1,204,848
1,308	24,389	3,612	41,194
-	(16,733)	-	(16,733)
<u>-</u>	<u>-</u>	<u>-</u>	<u>139,410</u>
<u>4,097</u>	<u>1,209,715</u>	<u>3,612</u>	<u>1,368,719</u>
<u>\$ (16,252)</u>	<u>\$ 1,301,601</u>	<u>\$ 76,558</u>	<u>\$ 1,156,496</u>
<u>\$ (867)</u>	<u>\$ (4,196)</u>	<u>\$ (2,699)</u>	<u>\$ (15,496)</u>

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## FIDUCIARY FUNDS

Trust Funds are used to account for the assets held by the City in a Trustee capacity. Agency Funds are used to account for assets held by the City as an agent for individuals, organizations or other governments.

### **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.

### **Discretionary Fire Incentive Reserve Fund**

This fund is used to account for the accumulation of resources for incentive payments to qualified volunteer firefighters.

### **Agency Fund**

This fund is used to account for taxes collected on behalf of other governmental units.

# CITY OF TROY, MICHIGAN

## COMBINING STATEMENT OF NET ASSETS - FIDUCIARY FUNDS JUNE 30, 2003

	Pension Trust Funds		Agency	Totals
	Employees' Retirement System	Discretionary Fire Incentive Reserve Fund	Agency Fund	
<b>Assets</b>				
Cash and cash equivalents	\$ 5,958,112	\$ 1,154,198	\$ 2,332,906	\$ 9,445,216
Investments				
Government securities	6,642,412	4,843,333	933,466	12,419,211
Other	131,277,621	-	-	131,277,621
Accrued interest receivable	3,139,051	147,729	2,594	3,289,374
Taxes receivable	-	-	494,960	494,960
Total assets	\$ 147,017,196	\$ 6,145,260	\$ 3,763,926	\$ 156,926,382
<b>Liabilities</b>				
Advances on property taxes	\$ -	\$ -	\$ 10,385	\$ 10,385
Due to other funds	667,106	425,123	-	1,092,229
Performance deposits	-	-	3,753,541	3,753,541
Total liabilities	\$ 667,106	\$ 425,123	\$ 3,763,926	\$ 4,856,155
<b>Net Assets</b>				
Held in trust for pension benefits	\$ 146,350,090	\$ 5,720,137	\$ -	\$ 152,070,227

# CITY OF TROY, MICHIGAN

## COMBINING STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2003

	Employees' Retirement System	Discretionary Fire Incentive Reserve Fund	Totals
<b>Additions</b>			
Contributions			
Employer	\$ 1,604,736	\$ 512,973	\$ 2,117,709
Plan member	338,316	-	338,316
Total contributions	\$ 1,943,052	\$ 512,973	\$ 2,456,025
Investment income			
Net adjustment to fair value of investments	\$ 2,135,827	\$ 88,174	\$ 2,224,001
Interest	3,510,675	296,390	3,807,065
Dividends	1,368,812	-	1,368,812
Net investment income	\$ 7,015,314	\$ 384,564	\$ 7,399,878
Total additions	\$ 8,958,366	\$ 897,537	\$ 9,855,903
<b>Deductions</b>			
Benefit payments	\$ 4,694,872	\$ 670,914	\$ 5,365,786
Refunds of contributions	7,259,743	-	7,259,743
Administrative expenses	28,915	5,675	34,590
Total deductions	\$ 11,983,530	\$ 676,589	\$ 12,660,119
Change in Net Assets	\$ (3,025,164)	\$ 220,948	\$ (2,804,216)
<b>Net Assets Held in Trust For Pension</b>			
Benefits - July 1, 2002	149,375,254	5,499,189	154,874,443
<b>Net Assets Held in Trust For Pension</b>			
Benefits - June 30, 2003	\$ 146,350,090	\$ 5,720,137	\$ 152,070,227

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## STATISTICAL SECTION

The statistical section presents comparative data for expenditures, revenues, property tax levies and collections, assessed and equalized valuation of taxable property, property tax rates and levies, special assessment collections, ratio of net bonded debt, legal debt margin, direct and overlapping debt, ratio of debt service to general governmental expenditures, tax information, economic development corporation, economic and statistical data and the principal tax payers.

All economic and statistical data was obtained from records of the City of Troy, unless otherwise noted.

IN MOST CASES  
INFORMATION IS  
PROVIDED FOR A  
10 YR. PERIOD

# CITY OF TROY, MICHIGAN

## GENERAL GOVERNMENT REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Property Taxes	Licenses and Permits	Federal	State	County	Charges from Sales and Services
1994	\$ 24,246,173	\$ 1,259,862	\$ 7,359	\$ 8,926,537	\$ 97,978	\$ 1,756,363
1995	26,703,878	1,721,891	18,836	9,336,645	85,798	2,037,639
1996	28,032,705	1,538,734	158,524	9,663,037	82,291	2,204,066
1997	30,357,167	1,722,198	174,500	10,070,393	85,781	2,177,481
1998	32,654,465	1,679,479	167,079	11,177,238	100,202	2,020,564
1999	33,086,355	2,254,763	418,053	11,732,172	99,781	2,496,642
2000	36,311,795	2,221,451	157,469	12,052,322	107,585	2,811,601
2001	38,222,093	2,048,206	273,882	12,779,101	118,646	3,418,763
2002	40,214,010	1,522,133	538,346	14,530,595	159,268	3,085,039
2003	42,028,382	1,449,003	358,256	12,616,025	142,450	5,870,215

Fiscal Year Ended June 30,	General Government	Public Safety	Public Works			Recreation Parks, Recreation and Cemeteries
			Roads and Streets	Other Public Works	Sanitation	
1994	\$ 4,800,799	\$ 17,480,182	\$ 2,475,439	\$ 3,076,652	\$ 3,730,641	\$ 3,437,251
1995	4,832,724	18,147,373	2,516,124	3,053,487	3,742,601	3,587,694
1996	4,810,160	19,324,566	2,817,973	3,072,656	3,861,616	3,792,456
1997	5,213,126	19,945,705	2,929,284	3,428,877	3,957,455	4,288,277
1998	5,365,312	20,824,076	2,790,409	2,832,966	3,396,282	4,584,181
1999	6,371,802	21,591,628	3,119,250	2,742,275	3,516,686	5,485,326
2000	6,520,286	21,609,992	2,955,145	3,015,089	3,523,772	5,621,048
2001	7,134,820	22,787,828	3,458,730	3,359,645	3,477,389	5,794,366
2002	7,605,215	24,721,059	3,321,820	3,808,488	3,671,275	6,245,061
2003	8,217,477	25,229,356	3,822,154	3,708,860	4,198,140	7,419,478

<u>Fines and Forfeits</u>	<u>Investment Income</u>	<u>Miscellaneous</u>	<u>Total Revenues By Source</u>
\$ 564,645	\$ 1,351,300	\$ 2,921,185	\$ 41,131,402
642,911	1,793,389	2,629,386	44,970,373
847,476	1,669,571	2,584,415	46,780,819
556,706	1,932,601	2,829,967	49,906,794
782,345	2,615,103	2,930,880	54,127,355
806,743	2,368,873	3,034,914	56,298,296
836,035	3,556,854	3,279,143	61,334,255
1,061,310	2,851,959	2,170,644	62,944,604
1,171,749	1,630,865	3,721,754	66,573,759
896,833	804,910	975,380	65,141,454

<u>and Culture</u>		<u>Community and Economic Development</u>		
<u>Library and Museum</u>	<u>Debt Service</u>	<u>Downtown Development Authority</u>	<u>Economic and Physical Development</u>	<u>Total Expenditures by Function</u>
\$ 2,129,110	\$ 3,778,765	\$ -	\$ -	\$ 40,908,839
2,183,004	3,549,588	8,253	-	41,620,848
2,360,872	4,416,113	47,347	-	44,503,759
2,436,536	4,608,001	385,731	56,594	47,249,586
2,696,414	4,544,281	17,005	470,861	47,521,787
2,585,158	3,921,278	433,177	346,890	50,113,470
2,782,020	3,822,450	684,666	97,627	50,632,095
3,196,809	5,132,067	235,929	161,945	54,739,528
4,042,658	12,819,195	145,039	530,118	66,909,928
4,474,276	7,214,312	640,824	442,397	65,367,274

## CITY OF TROY, MICHIGAN

### GENERAL FUND - FUND BALANCE COMPARED TO ANNUAL EXPENDITURES AND OTHER FINANCING USES LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30,</u>	<u>Reserved Fund Balance</u>	<u>Unreserved Fund Balance</u>	<u>Annual Expenditures and Other Financing Uses</u>	<u>Unreserved Fund Balance as a Percent of Expenditures and Other Financing Uses</u>
1994	\$ 2,773,165	\$ 1,860,852	\$ 33,519,433	5.55%
1995	2,987,572	4,383,745	34,375,831	12.75
1996	2,987,972	6,823,213	36,147,883	18.88
1997	2,850,854	8,603,158	39,012,105	22.05
1998	1,463,558	13,016,144	39,422,332	33.02
1999	1,387,895	16,482,576	41,861,809	39.37
2000	1,926,331	19,285,439	44,268,940	43.56
2001	3,177,624	20,200,272	47,496,518	42.53
2002	3,383,974	18,576,135	52,616,661	35.30
2003	3,524,927	17,901,803	52,833,401	33.88

**CITY OF TROY, MICHIGAN**

PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30,</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percentage of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Ratio of Total Tax Collections To Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes To Total Tax Levy</u>
1994	\$ 30,673,946	\$ 29,520,338	96.24%	\$ 1,017,290	99.55%	\$ 183,914	.60%
1995	31,124,785	30,120,642	96.77	851,300	99.50	164,188	.53
1996	31,342,457	30,288,581	96.64	921,266	99.57	169,942	.54
1997	33,511,137	32,630,061	97.37	766,644	99.66	151,636	.45
1998	34,834,939	33,978,096	97.54	737,431	99.66	136,266	.39
1999	36,316,680	35,645,833	98.15	732,372	100.17	120,514	.33
2000	37,904,870	37,391,650	98.65	736,580	100.59	145,773	.38
2001	39,434,080	38,848,160	98.51	693,813	100.27	256,858	.65
2002	41,803,788	41,016,410	98.12	632,486	99.63	308,641	.74
2003	43,497,146	42,574,532	97.88	582,323	99.22	491,213	1.13

## CITY OF TROY, MICHIGAN

### VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Real Property	Personal Property	Total
1994	\$ 2,792,362,450	\$ 432,711,840	\$ 3,225,074,290
1995	2,854,720,000	453,375,110	3,308,095,110
1996	2,918,385,360	507,025,520	3,425,410,880
1997	3,051,120,348	522,531,950	3,573,652,298
1998	3,195,831,127	579,417,710	3,775,248,837
1999	3,379,498,283	626,129,990	4,005,628,273
2000	3,517,064,100	666,496,353	4,183,560,453
2001	3,730,001,390	643,070,690	4,373,072,080
2002	4,036,688,730	649,562,212	4,686,250,942
2003	4,241,676,110	619,964,538	4,861,640,648

### EQUALIZED VALUATION OF TAXABLE PROPERTY

Fiscal Year Ended June 30,	Real Property	Personal Property	Total
1994	\$ 2,792,362,450	\$ 432,711,840	\$ 3,225,074,290
1995	2,854,720,000	453,375,110	3,308,095,110
1996	2,956,148,390	507,025,520	3,463,173,910
1997	3,150,464,920	522,531,950	3,672,996,870
1998	3,375,246,250	579,417,710	3,954,663,960
1999	3,658,830,824	626,129,990	4,284,960,814
2000	4,030,429,830	666,496,353	4,696,926,183
2001	4,575,526,610	643,070,690	5,218,597,300
2002	5,003,001,730	649,562,212	5,652,563,942
2003	5,335,732,860	619,964,538	5,955,697,398

A decision of the Michigan Supreme Court of November 30, 1944, (Cheeseman vs. Dell, 310 Michigan 108) defined the term "assessed valuation" as used in the property tax limitation amendment to the State constitution to mean "the local assessments, as approved or changed and corrected through the statutory process of County equalization." Based upon this decision, all real and personal property taxes for the fiscal years 1945-46, through 1953-54, were levied upon County equalized valuations. Since 1954-55, pursuant to a Supreme Court decision of November 29, 1954, (Pittsfield School District vs. Washtenaw County, 340 Michigan 388) the State equalized valuations have been used.

Effective with the 1975-1976 fiscal year inventories were exempt from personal property assessment by the State of Michigan. The State reimburses the City of this valuation loss based upon the applicable tax rates levied.

The taxable and equalized valuation of taxable property is determined as of December 31<sup>st</sup> of each year and is the basis upon which taxes are levied during the succeeding fiscal year.

# CITY OF TROY, MICHIGAN

## 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					SMART	State Education	Total
		Troy School District	Oakland County	Oakland County Community College	Intermediate School District				
1994	9.25	34.57	4.95	1.05	2.13	-	-	51.95	
1995 H	9.25	13.65	4.95	.85	2.13	-	6.00	36.83	
1995 NH	9.25	21.50	4.95	.85	2.13	-	6.00	44.68	
1996 H	9.18	12.36	4.95	1.65	2.13	.33	6.00	36.60	
1996 NH	9.18	21.50	4.95	1.65	2.13	.33	6.00	45.74	
1997 H	9.48	12.11	4.85	1.65	2.13	.33	6.00	36.55	
1997 NH	9.48	21.25	4.85	1.65	2.13	.33	6.00	45.69	
1998 H	9.48	12.41	4.82	1.65	2.13	.33	6.00	36.82	
1998 NH	9.48	21.64	4.82	1.65	2.13	.33	6.00	46.05	
1999 H	9.48	11.71	4.66	1.65	2.12	.33	6.00	35.95	
1999 NH	9.48	21.62	4.66	1.65	2.12	.33	6.00	45.86	
2000 H	9.48	11.36	4.65	1.63	2.10	.33	6.00	35.55	
2000 NH	9.48	21.61	4.65	1.63	2.10	.33	6.00	45.80	
2001 H	9.48	10.71	4.65	1.61	2.08	.32	6.00	34.85	
2001 NH	9.48	21.32	4.65	1.61	2.08	.32	6.00	45.46	
2002 H	9.48	10.06	4.64	1.60	3.46	.32	6.00	35.56	
2002 NH	9.48	21.13	4.64	1.60	3.46	.32	6.00	46.63	
2003 H	9.45	9.73	4.65	1.61	3.42	.60	6.00	35.46	
2003 NH	9.45	21.14	4.65	1.61	3.42	.60	6.00	46.87	

H - Homestead  
NH - Non-Homestead

# CITY OF TROY, MICHIGAN

## SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30,</u>	<u>Special Assessment Billings</u>	<u>Special Assessments Collected</u>
1994	\$ 1,384,555	\$ 2,572,159
1995	1,251,645	1,506,213
1996	1,067,340	655,623
1997	943,254	1,160,717
1998	875,004	1,436,901
1999	815,141	1,224,098
2000	680,778	1,322,798
2001	694,231	543,388
2002	737,948	858,117
2003	670,391	742,116

**CITY OF TROY, MICHIGAN**

**RATIO OF NET GENERAL BONDED DEBT TO TAXABLE VALUE  
AND NET BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS**

<u>Fiscal Year Ended June 30,</u>	<u>Taxable Value</u>	<u>Estimated Population</u>	<u>Gross Bonded Debt Outstanding</u>	<u>Debt Service Fund Balance</u>	<u>Debt Payable from Other than General Resources</u>	<u>Net Bonded Debt</u>	<u>Percent of Net Bonded Debt to Taxable Value</u>	<u>Net Bonded Debt Per Capita</u>
1994	\$ 3,225,074,290	72,884	\$ 28,152,155	\$ 3,384,563	\$ 13,108,862	\$ 11,658,730	.36	159.96
1995	3,308,095,110	72,884	44,780,322	3,701,902	31,884,033	9,194,387	.28	126.15
1996	3,425,410,880	72,884	43,299,691	3,975,408	30,404,204	8,920,079	.26	122.39
1997	3,573,652,298	72,884	39,197,404	4,673,823	28,746,903	5,776,678	.16	79.26
1998	3,775,248,837	72,884	34,996,940	6,012,696	26,879,600	2,104,644	.06	28.88
1999	4,005,628,273	72,884	30,749,852	6,918,142	23,831,710	-	-	-
2000	4,183,560,453	72,884	32,103,273	9,895,404	22,207,869	-	-	-
2001	4,373,072,080	80,959	42,997,925	11,017,036	31,980,889	-	-	-
2002	4,686,250,942	80,959	66,394,521	14,071,780	52,322,741	-	-	-
2003	4,861,640,648	80,959	101,768,658	14,940,365	86,828,293	-	-	-

## 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	Ratio of Debt Service to General Government Expenditures
1994	\$ 2,018,627	\$ 800,873	\$ 2,819,500	\$ 40,908,839	6.89%
1995	1,972,010	680,178	2,652,188	41,620,848	6.37
1996	1,924,102	519,926	2,444,028	44,503,759	5.49
1997	2,444,985	546,210	2,991,195	47,249,586	6.33
1998	2,333,160	356,737	2,689,897	47,521,787	5.66
1999	2,164,789	441,361	2,606,150	50,113,470	5.20
2000	1,623,759	274,387	1,898,146	50,632,095	3.75
2001	1,525,782	200,706	1,726,488	54,739,528	3.15
2002	1,549,651	1,229,717	2,779,368	66,909,928	4.15
2003	1,600,863	1,606,965	3,207,828	65,367,274	4.91

Includes General, Special Revenue and Debt Service Funds.

# CITY OF TROY, MICHIGAN

## COMPUTATION OF DIRECT AND OVERLAPPING DEBT JUNE 30, 2003

<u>Jurisdiction</u>	<u>Net General Bonded Debt Outstanding</u>	<u>Percent Applicable to Troy</u>	<u>Amount Applicable to Troy</u>
City of Troy	\$ 61,113,658	100.00%	\$ 61,113,658
Avondale School District	56,340,733	17.34	9,769,483
Birmingham School District	109,115,000	4.14	4,517,361
Bloomfield Hills School District	23,490,000	2.10	493,290
Lamphere School District	29,860,000	13.91	4,153,526
Royal Oak School District	25,420,000	3.58	910,251
Troy School District	88,535,000	100.00	88,535,000
Warren School District	109,634,000	8.87	9,671,316
 Oakland County	 76,893,544	 9.59	 7,374,091
Oakland Intermediate School District	350,000	8.97	31,395
Macomb Intermediate School District	4,000,000	1.34	53,600
Oakland County Community College	<u>12,895,000</u>	9.66	<u>1,245,657</u>
Total overlapping debt	<u>536,533,277</u>		<u>126,754,970</u>
Total direct and overlapping debt	<u>\$ 597,646,935</u>		<u>\$ 187,868,628</u>

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

# CITY OF TROY, MICHIGAN

## PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30,</u>	<u>Property Values</u>	<u>Construction</u>	<u>Bank Deposits</u>
1994	\$ 6,450,148,580	\$ 91,335,191	*
1995	6,616,190,220	184,192,247	*
1996	6,926,347,820	140,939,440	*
1997	7,345,993,740	173,458,968	*
1998	7,909,327,920	190,550,736	*
1999	8,569,921,628	260,729,204	*
2000	9,393,852,366	255,604,926	*
2001	10,437,194,600	230,713,492	*
2002	11,305,127,884	143,908,032	*
2003	11,911,394,796	141,941,808	*

\* Information Not Available.

# CITY OF TROY, MICHIGAN

PRINCIPAL TAXPAYERS  
JUNE 30, 2003

TOP 20

Rank	Taxpayer	2002 Taxable Valuation	Number of Parcels	Business Activity	Percent of Total Taxable Valuation
1	Frankel Forbes/Cohen Associates	\$ 58,814,340	3	Somerset North and South (Malls)	1.21%
2	Gale & Wentworth, L.L.C.	54,511,860	9	Office Leasing <i>EDS, non-TROY</i>	1.12
3	Nykel Management Co.	53,855,480	23	Apartment Leasing <i>somerset</i>	1.11
4	K-Mart Corp.	48,847,480	8	Corporate Headquarters and Retail	1.00
5	Liberty Property Limited Partnership	46,208,450	27	Office Leasing	.95
6	Detroit Edison	41,429,220	16	Utility	.85
7	888 W. Big Beaver Assoc.	38,944,890	3	Office Leasing	.80
8	Oakland Mall, L.L.C.	25,879,330	6	Retail	.53
9	Teacher's Insurance & Annuity	25,872,200	2	Office Leasing	.53
10	Standard Federal	25,550,320	1	Banking and Headquarters	.53
11	Sheffield Office, L.P.	24,894,880	4	Office Leasing	.51
12	First Industrial Realty Trust	24,464,470	39	Industrial Leasing	.50
13	Trett Associates, Inc. (Top of Troy)	24,271,630	1	Office Leasing	.50
14	Nemer Troy Place Realty, L.L.C.	24,179,430	5	Office Leasing	.50
15	Delphi Automotive Systems	24,157,780	11	Corporate Headquarters	.50
16	Electronic Data Systems	22,740,640	8	Computer Leasing and Financing	.47
17	Ei DuPont	18,246,360	9	Automotive Finishes	.38
18	Flagstar Bank	17,629,150	2	Banking and Headquarters	.36
19	EA & S Investments	16,287,300	5	Office Leasing	.34
20	Home Properties	14,880,140	5	Apartment Leasing	.31
Total		<u>\$ 631,665,350</u>			① <u>13.00%</u>
2002 Total Taxable Valuation		<u>\$4,861,640,648</u>			

② STRENGTH AND DIVERSIFICATION OF TAX BASE IS ONE OF THE KEY FACTORS IN MAINTAINING OUR AAA RATING.

**CITY OF TROY, MICHIGAN**

**COMPUTATION OF LEGAL DEBT MARGIN  
JUNE 30, 2003**

Equalized Valuation at December 31, 2001 \$ 5,955,697,398

	<u>Annual Net Debt</u>	<u>Percentage of State Equalized Valuation</u>	<u>Legal Margin</u>	
			<u>Amount</u>	<u>Legal Debt Margin</u>
General obligation debt	\$ 61,113,658	10%	\$ 595,569,740	\$ 534,456,082
Emergency bonds	-	3/8	22,333,865	22,333,865
Special assessment bonds	<u>150,000</u>	12	<u>714,683,688</u>	<u>714,533,688</u>
Total debt	<u>\$ 61,263,658</u>		<u>\$ 1,332,587,293</u>	<u>\$ 1,271,323,635</u>

The statutory debt limits of net bonded indebtedness incurred for all public purposes shall not at any one time exceed 10% of the equalized valuation of taxable property in the City (\$5,955,697,398), 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

## TAX INFORMATION

**Taxes Due:**

July 1<sup>st</sup>

**Payable:**

City and fifty percent (50%) of school taxes are due and payable July 1st at the office of the City Treasurer. (County taxes and the remaining fifty percent (50%) of school taxes are due and payable December 1<sup>st</sup>).

**Penalties and Interest for Delinquency:**

All City taxes are to be paid on or before the first day of September without additional charge. All City taxes paid after the first day of September shall be subject to a penalty of four percent (4%) and interest at the rate of one-half of one percent (.50%) per month for each and every succeeding month or fraction thereof that the same remains unpaid. Commencing March 1<sup>st</sup>, taxes on real property are collected through the County Treasurer of Oakland County, who adds and retains a collection fee of four percent (4%), and in addition adds interest at the rate of one percent (1%) per month or fraction thereof to the date of payment.

**Lien on Property:**

Unpaid taxes, together with all charges thereon, become a continuing lien on the property assessed. The General Tax Law provides for disposition at public sale of real estate delinquent for taxes as follows:

<u>Date of Sale</u>	<u>Delinquent Tax Properties to be Sold</u>
July 2004	Year 2001
July 2005	Year 2002

**State Land Sale:**

The General Property Tax Act, Public Act 206 of 1893, as amended, requires the County Treasurer to foreclose on real property for failure to pay delinquent property taxes. On March 1<sup>st</sup>, following the year taxes went delinquent a \$175.00 fee and a \$18.00 recording fee will be added to the parcel. The interest rate on the unpaid balance increases to 1.5% per month retroactive to the previous March 1<sup>st</sup>. In February properties that are delinquent for two years will be taken to the Circuit Court for foreclosure. Property owners have 21 days from the foreclosure judgment date to redeem the property by paying all taxes, penalties, interest and fees. After 21 days the State is granted first right of refusal to purchase property at the greater of minimum bid or fair market value. The City has second right of refusal to purchase property for a public purpose at the minimum bid price. The County may purchase property at the minimum bid price following the local unit decision not to purchase. Properties that are not purchased will be available for land sale. The land sale will be a live auction. Parcels will be sold as-is at time of auction. Minimum opening bid will be the sum of all delinquent taxes, including all interests, penalties, fees and expenses.

# CITY OF TROY, MICHIGAN

## LABOR AGREEMENTS

<u>Name</u>	<u>Expiration Date</u>	<u>Number of Employees Covered</u>
American Federation of State, County, and Municipal Employees, AFL-CIO - Public Works Employees	6/30/03	82
Michigan Association of Police - Clerical, Police Services Aides	6/30/04	70
Troy Command Officers Association - Command Police Officers	6/30/05	33
Troy Police Officers Association - Police Officers	6/30/05	96
Troy Firestaff Officers Association - Fire Career Professionals	6/30/06	12

# CITY OF TROY, MICHIGAN

## THE ECONOMIC DEVELOPMENT CORPORATION BONDS JUNE 30, 2003

Those persons or businesses interested in locating a business in Troy with the Economic Development Corporation's (EDC) help must first submit an application fee of \$2,500. As of the issuance of these financial statements, the EDC of the City of Troy had issued nineteen different bond issues to aid in implementation of the following projects:

<u>Corporation or Project Name</u>	<u>Official Bond Issuance Date</u>	<u>Bond Issuance Amount</u>
High Performance Machine, Inc. Project	5/12/82	\$ 3,000,000
Ronald J. and Maxine Smith Project	9/01/82	1,300,000
Drury Inn - Troy Project	12/31/82	6,200,000
Jered Brown Brothers, Inc. Project	2/02/83	3,000,000
Structural Kinematics Corporation Project	1/20/84	3,000,000
Handleman Company Project	2/15/84	3,500,000
Sifco Industries, Inc.	7/17/84	3,000,000
REB Properties	7/11/84	2,000,000
Handleman - Series B	9/28/84	2,000,000
Willowgreen Building Group	11/09/84	1,800,000
High Performance Machines, Inc. (Refunding issue)	2/14/84	3,000,000
Troy SAK Associates	12/30/84	950,000
Mictron, Inc.	3/25/85	2,050,000
Creative Industries of Detroit, Inc.	6/04/85	500,000
Haden Schweitzer Corporation	12/23/85	1,100,000
Troy SAK Associates II	5/23/86	1,250,000
John Milanowski	9/12/86	1,470,000
Sandy Corporation - project refinancing	5/28/87	4,120,000
Walsh College	11/10/89	<u>2,600,000</u>
		<u>\$ 45,840,000</u>

The above summarized bond issuances of the EDC are not general obligations of the EDC nor of the City itself, and are not payable from any tax revenue, but in substance are the obligations of the companies for which the bonds are issued.

# CITY OF TROY, MICHIGAN

## ECONOMIC AND STATISTICAL DATA

<b><u>Area:</u></b>	34.3 square miles (21,952 acres)		
<b><u>Form of Government:</u></b>	Council-Manager (Since December 12, 1955)		
<b><u>Present Charter:</u></b>	Adopted December 12, 1955		
<b><u>Elections:</u></b>	<b>Registered voters</b> (General election April 7, 2003)		54,273
	Number of voters voting in General election April 7, 2003		7,185
	Percentage of registered voters voted		13.24%
	Registered voters (General election November 5, 2002)		54,313
	Number of voters voting in General election November 5, 2002		29,589
	Percentage of registered voters voted		54.48%
<b><u>Fiscal Year Begins:</u></b>	July 1st		
<b><u>Number of City Employees:</u></b>	490 regular, 420 seasonal, summer and fall programs		
<b><u>Fire Protection:</u></b>	6 stations, training center, 180 volunteer fire fighters, 14 career personnel, ISO Class 3		
<b><u>Police Protection:</u></b>	1 station, 137 police officers, 43 non-sworn and 14 civilian employees		
<b><u>Building Construction:</u></b>	1993 - 1994	2,398 permits	\$ 91,335,191 estimated value
	1994 - 1995	2,401 permits	184,192,247 estimated value
	1995 - 1996	2,277 permits	140,939,440 estimated value
	1996 - 1997	2,245 permits	173,458,968 estimated value
	1997 - 1998	2,091 permits	190,550,736 estimated value
	1998 - 1999	2,196 permits	260,729,204 estimated value
	1999 - 2000	2,190 permits	255,604,926 estimated value
	2000 - 2001	1,946 permits	230,713,492 estimated value
	2001 - 2002	1,938 permits	143,908,032 estimated value
	2002 - 2003	1,867 permits	141,941,808 estimated value
<b><u>Streets:</u></b>	370 miles improved 7.4 miles unimproved		
<b><u>Sewers:</u></b>	10 miles (combination storm and sanitary) 382.5 miles sanitary sewer 366 miles storm sewer		
<b><u>Streets Lights:</u></b>	579 Detroit Edison owned 1,669 City owned		
<b><u>Water Plant:</u></b>	Accounts:		
	City-regular		26,514
	Annual Distribution		641 million cubic feet
	Watermains		538.8 miles
	Hydrants		5,492

# CITY OF TROY, MICHIGAN

## ECONOMIC AND STATISTICAL DATA - CONTINUED

### Recreation:

14 public parks (735 acres)  
15 play structures  
18 tennis courts (16 lighted)  
1 outdoor education center/farm  
1 18-hole golf course/practice facility  
1 community center/indoor pool, gym  
1 aquatic center

### Population Growth:

Official U.S. Census	1920	2,520
	1930	3,867
	1940	6,248
	1950	10,087
	1960	19,402
	1970	39,419
	1980	67,102
	1990	72,884
	2000	80,959

# CITY OF TROY, MICHIGAN

## DEMOGRAPHIC STATISTICS LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Population (1)	Number of Households	Median Household Effective Buying Income (3)	School Enrollment (4)	Median Age	Unemploy- ment Rate (%) (5)
1994	79,331	29,194	\$ 69,731	11,488	35.8	2.6
1995	80,736	29,532	55,029**	11,636	36.1	2.2
1996	81,770	29,793	58,798	11,987	*	1.8
1997	82,560	29,896	*	12,064	37.0	1.6
1998	83,787	30,274	59,601	12,050	37.3	1.9
1999	84,549	30,434	60,004	12,066	*	1.6
2000	85,124	30,721	61,806	12,079	37.0	1.6
2001	80,959 (2)	30,872	65,642	12,101	38.1	2.3
2002	84,531	31,371	70,342	12,043	38.1	3.2
2003	84,841	31,504	65,625	12,092	38.1	3.2

Source:

- (1) Estimates provided by City Planning Department
- (2) U.S. Bureau of the Census
- (3) "Survey of Buying Power" by Sales and Marketing Management, New York, N.Y. and published annually
- (4) Troy School District
- (5) Michigan Employment Security Commission
- \* Information not available.
- \*\* Change in the calculation method.

**SINGLE AUDIT SECTION** LAST SECTION

- Audit Report on Fed. Grants

- Rec'd. \$4.2 million in Fed. Grants this past yr.

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Public Safety

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Troy, Michigan as of and for the year ended June 30, 2003, and have issued our report thereon dated September 15, 2003. 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.

### **Compliance**

As part of obtaining reasonable assurance about whether the City of Troy, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Troy, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

A handwritten signature in black ink that reads "Doeren Mayhew". The signature is written in a cursive style with a large initial 'D'.

DOEREN MAYHEW

September 15, 2003  
Troy, Michigan

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

**Compliance**

We have audited the compliance of the City of Troy, Michigan with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The City of Troy, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Troy, Michigan's management. Our responsibility is to express an opinion on the City of Troy, Michigan's compliance based on our audit.

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

In our opinion, the City of Troy, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

### Internal Control Over Compliance

The management of the City of Troy, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Troy, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



DOEREN MAYHEW

September 15, 2003  
Troy, Michigan

# CITY OF TROY, MICHIGAN

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2003

### SECTION I

#### SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the City of Troy, Michigan.
2. No reportable conditions were noted during the general purpose financial statement audit.
3. No instances of noncompliance were noted during the general purpose financial statement audit.
4. No reportable conditions were noted during the audit of the major federal award programs.
5. The auditor's report on the compliance for the major federal award programs for the City of Troy, Michigan expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for the City of Troy, Michigan were noted.
7. The programs tested as major programs were: Highway Planning and Construction CFDA No. 20.205, and the Community Development Block Grant CFDA No. 14.218.
8. Total federal expenditures amounted to \$1,660,209. One individual program exceeded \$300,000 in expenditures, which was considered a Type A program. The City of Troy, Michigan also had one program that expended between \$300,000 and \$100,000, which was considered a Type B program.
9. The City of Troy, Michigan does qualify as a low-risk auditee.

# **CITY OF TROY, MICHIGAN**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2003**

### **SECTION II**

#### **FINDINGS - FINANCIAL STATEMENTS AUDIT**

No findings were noted during the audit of the general purpose financial statements.

**CITY OF TROY, MICHIGAN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2003**

**SECTION III**

**FINDINGS - FEDERAL AWARDS AUDIT**

No findings were noted during the audit of federal award programs.

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# CITY OF TROY, MICHIGAN

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2003

Federal Grantor/ Pass-Through Grantor Program Title/Grantor's Number	Federal CFDA Number	Program Award/ Amount	Revenue Recognized	Expenditures 7-1-02 - 6-30-03
U.S. Department of Justice				
Public Safety and Community				
Policing Grants				
63016-01	16.726	\$ 34,299	\$ 5,166	\$ 5,166
63016-02	16.726	34,974	27,696	27,696
99shwx0119	16.726	125,000	31,378	31,378
Total Policing Grants		194,273	64,240	64,240
Byrne Formula Grant	16.579	125,040	33,856	33,856
2001-LBBX-3057	16.592	30,964	-	-
Total U.S. Department of Justice		350,277	98,096	98,096
U.S. Department of Housing and Urban Development				
Passed Through Oakland County, Michigan				
Community Development Block Grant				
CB-01-UC-260002	14.218	213,290	145,119	145,119
U.S. Department of Transportation				
Passed Through State of Michigan Department of Transportation				
Highway Planning and Construction				
RR0643	20.205	975,300	2,993,552	436,609
HH3259	20.205	111,000	170,334	170,334
JJ0910	20.205	1,127,067	114,573	114,573
UB2039	20.205	135,000	92,575	92,575
HH2221	20.205	452,087	18,929	18,929
RR2727	20.205	1,876,663	-	-
RR2346	20.205	309,431	-	-
HH2948	20.205	80,000	50,914	50,914
HH3173	20.205	119,500	97,811	97,811
RR3168	20.205	146,500	117,200	117,200
RR3169	20.205	146,500	117,200	117,200
RR3170	20.205	219,500	99,970	99,970
RR3172	20.205	624,500	94,712	94,712
Total Highway Planning and Construction		6,323,048	3,967,770	1,410,827
Passed Through Michigan Office of Highway Safety Planning				
Passed Through Traffic Improvement Association of Oakland County				
Drive Michigan Safely Taskforce	20.600	6,074	6,074	6,074
Total U.S. Department of Transportation		6,329,122	3,973,844	1,416,901
U.S. Environmental Protection Agency				
Passed Through Wayne County, Michigan				
Rouge River National Wet Weather Demonstration Project				
20255643-000 OB	xP995743	123,000	93	93
Total All Programs		\$ 7,015,689	\$ 4,217,152	\$ 1,660,209

See accompanying Notes to Schedule of Expenditures of Federal Awards

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# CITY OF TROY, MICHIGAN

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2003

### **Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance and federal cost-reimbursement contracts of the City of Troy, Michigan. The City of Troy, Michigan receives federal awards directly and indirectly through pass-through entities.

The federal program expenditures included in the accompanying schedule are presented on the modified accrual basis of accounting. The modified accrual basis of accounting is also used for the general purpose financial statements. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

### **Note 2 - Major Programs**

Major programs are identified in the Summary of Auditor's Results Section of the Schedule of Findings and Questioned Costs.



