

# Comprehensive Annual Financial Report



for the year ended **June 30, 2004**

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF TROY, MICHIGAN

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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## CITY COUNCIL

Louise E. Schilling, Mayor

Robin E. Beltramini - Mayor Pro-Tem

David A. Lambert

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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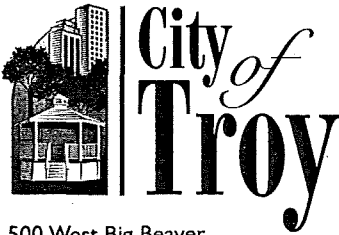
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www.ci.troy.mi.us

November 29, 2004

Dear Honorable Mayor and City Council Members:

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

The *Comprehensive Annual Financial Report* for the City of Troy, Michigan for the year ended June 30, 2004 is hereby submitted. The report represents a comprehensive and detailed picture of our financial transactions during fiscal year 2003-04 and the financial condition of the various funds as of June 30, 2004. 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. 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. The accompanying report is the second issued by the City of Troy in compliance with the new format requirements of GASB 34.

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

As required by generally accepted accounting principles, these financial statements present the City of Troy and related component units. The individual component units are included in the City of Troy's reporting entity because of the significance of their operational or financial relationships with the City of Troy.

The financial reporting entity includes all of the 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 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, recreation 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, component 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 fairly steady during these difficult times. Our unemployment rate is well below the national and state average.

	<u>1990</u>	<u>2000</u>	<u>July 2004</u>
Troy	3.5%	1.6%	3.4%
Metro Area*	7.6%	4.3%	8.2%
Michigan	7.6%	3.6%	7.5%
National	5.5%	4.0%	5.7%

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

The growth in taxable value has slowed in recent years compared to the 1990s, which is expected of a more mature community. In 1990, our taxable value was \$2,931,850,960. By December 31, 2003, that value had grown to \$4,978,263,437, an increase of 69.8 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. However, in this era of competition for business retention and attraction, we need to advance a preferred future in which residents and businesses continue to aspire to locate here.

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.

March 2004 saw the completion of the renovation/addition to our existing City Hall for enhanced Police and Fire Administration. The 70,000 square foot renovation/addition includes a state of the art dispatch center and an enhanced Emergency Operations Center.

The Sanctuary Lake Golf Course, Troy's second course, opened for play in July 2004. Located in Section 1, the northeastern most corner of Troy, this site is a former landfill that has been transformed into a community 18-hole links style golf course. By operating as a golf course, the facility is self-funding and a beautiful outdoor resource that many will enjoy. In addition to the course, Sanctuary Lake also boasts a driving range that has been open since August 2003.

In May 2004 the new Fire Station #4 opened. The 9,000 square foot facility is located on the north side of Big Beaver Road, between Coolidge and Crooks. Fire Station #3's award-winning architecture complements the other buildings on the Big Beaver corridor.

Major road construction projects were active on Maplelawn, Crooks, to Maple; 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 growth has slowed and we are at a point where it is imperative to focus on redevelopment efforts. Doing so will improve our fiscal strength, not only for the Troy City government, but also for the community.

## **Department Feature – City Treasurer’s Office**

The Treasurer’s Office is charged with the responsibility of overseeing the proper receipting and safeguarding of all city funds and to protect the assets of the city through sound loss prevention practices. Its major functions are to collect, post, disburse, and settle the advalorem and industrial facilities tax roll revenues; collect and post water/sewer account payments; bill, collect and post special assessments for paving, water, sewer, drains, and sidewalks; collect and post miscellaneous invoices and other receipts; and establish and maintain first class customer service.

This office processes over \$200 million in tax roll revenues to distribute to several taxing entities including the State of Michigan, Oakland and Macomb Intermediate School Districts, seven local school districts, Oakland County, the Brownfield Redevelopment Authority, the Downtown Development Authority (DDA), the Local Development Financing Authority (Smart Zone), and the city. Approximately \$30 million or about half of the total revenue source for the city’s General Fund comes from the annual tax collection.

Another significant activity is the collection and processing of over \$20 million in payments for water/sewer utilities and special assessments for paving, water, sewer, drains, and sidewalks. Over 27,000 water/sewer bills are generated and processed each quarter.

In its objective to increase efficiency and decrease costs, the Treasurer’s Office strives to reduce repetitive manual work through automation by making the following payment methods available.

- On-line and Interactive Voice Recognition (IVR) or by phone credit card option for taxpayers (about 180 credit card transactions in 2003)
- Lockbox payments for tax and water bills
- Electronic tax payment files from mortgage companies
- Automatic debit water bill payment option (approximately 4,000 participants)

Of the 64,500 tax payments made in the 2003 tax season, about 39% were made through the lockbox option, 21% were made through electronic payment files from mortgage companies, and the remaining 40% were hand-processed by staff.

When payments are made directly to the banking institution’s lockbox or auto-debited from customer accounts, revenues are deposited directly to the city’s accounts making funds available sooner. And, since these automated payment methods reduce the amount of time it takes to sort, open and process the mail payments, the city also was able to make a reduction in personnel.

This office also uses available technology for information resource management.

- Electronic file transfers of tax and water data
- Internet access for tax information

The electronic interchange of data with mortgage companies and financial institutions has greatly enhanced the flow of information. The capability of creating an entire season’s tax file information and with a click of a button sending the information to a mortgage company for parcel and payment verification or to the printer to print tax bills is both time and labor efficient.

The added availability of tax information on the Internet serves to reduce the number of related calls in the office and provides 24/7 access to this information.

The Treasurer's office takes pride in providing first class customer service to this community's residents, businesses, and visitors. It remains focused on the city's goals and objectives to create an efficiently operated government responsive to the needs of the people it serves. Furthermore, it is continually seeking to implement positive improvements each and every year.

#### **~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.

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

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.

The General Fund receives all City of Troy revenues not designated for special uses by statutes or the City Charter and accounts for most of the services provided to residents.

The following schedule presents a summary of all General Fund revenues for the fiscal year ended June 30, 2004 and the amount of percentage increase and decrease in relation to prior year revenues.

<u>REVENUE SOURCE</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL</u>	<u>INCREASE (DECREASE) FROM 2003</u>
Property Taxes	\$30,985,387	56.7%	\$586,109
Licenses and Permits	1,649,985	3.0	200,982
Federal	100,354	.2	(112,783)
State	7,295,363	13.4	(453,801)
County	162,365	.3	19,915
Charges for Services	5,973,055	10.9	310,613
Fines and Forfeits	960,250	1.8	63,417
Investment Income	229,875	.4	(5,316)
Other	2,128,349	3.9	1,152,969
Subtotal	\$49,484,983	90.6	\$1,762,105
Transfer from Other Funds	5,109,528	9.4	532,384
<b>TOTAL</b>	<b>\$54,594,511</b>	<b>100.0%</b>	<b>\$2,294,489</b>

Overall General Fund revenues increased 4.4 percent from the prior year. Property taxes in the General Fund increased by 1.9 percent due to new construction and a slight valuation adjustment for existing property. State sources decreased for the second year in a row this year by 5.9 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.

Licenses and permits were up 13.9 percent due to an increase in fees. Fines and forfeitures were up 7.1 percent due to an increase in drug forfeiture proceeds. Charges for services revenue increased by 5.5 percent primarily due to utilization of our new Community Center.

Investment Income was down 2.3 percent due to the downturn in the national economy and the corresponding reduction of interest rates paid by the fixed income market.

Other revenue is up significantly due to the recognition of revenue from the Sewer Fund as an operating revenue versus a transfer from Other Funds.

The following schedule presents a summary of the General Funds expenditures for the fiscal year ended June 30, 2004 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 2003</u>
General Government	\$8,617,605	15.5%	\$438,328
Police	20,543,113	37.0	705,319
Fire	3,843,651	6.9	263,793
Building Inspection	1,926,514	3.4	114,810
Roads and Streets	4,678,298	8.4	(252,525)
Engineering	2,766,755	5.0	166,564
Parks and Recreation	7,976,960	14.4	557,481
Library and Museum	4,547,590	8.2	73,315
Subtotal	\$54,900,486	98.8	\$2,067,085
Transfer to Other Funds	668,000	1.2	668,000
<b>TOTAL</b>	<b>\$55,568,486</b>	<b>100.0%</b>	<b>\$2,735,085</b>

Expenditures – Total General Fund expenditures increased by 5.2 percent. All bargaining units received contractual increases this past year on average of 3.3 percent and healthcare costs were up approximately 6 percent. The infrequency of snow and ice removal events accounted for the large decrease in road and streets expenditures. The transfer to Other Funds accounts for the initial transfer of \$668,000 to the Budget Stabilization Fund.

### **General Fund Balance**

The fund balance of the General Fund decreased by \$973,975 to a balance of \$20,452,755. Of the \$20,452,755 fund balance, \$3,597,139 is reserved for such items as tax appeals, insurance, inventory and prepaid items; \$5,580,228 is unreserved but designated for improvements and maintenance; \$3,099,430 is unreserved but designated for the 2004-05 budget, leaving \$8,175,958 as unreserved and undesignated. The \$8,175,958 represents 13.8 percent of our 2004-05 General Fund budget. This amount is within the acceptable range of 10 percent to 17 percent and is considered adequate to provide funds for 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 \$3,751,867 compared to \$3,479,968 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.

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.

Budget Stabilization Fund – This fund was established in 2004 for the purpose of: a) covering any General Fund deficit; b) to prevent a reduction in the level of public services; c) to cover expenses arising because of a natural disaster.

### **Enterprise Operations**

The City operates five separate enterprise operations: Water Fund, Sanitary Sewer Fund, Aquatic Center Fund, Sylvan Glen and Sanctuary Lake Golf Course Funds.

The Water Fund operating revenues amounted to \$10,897,059, resulting in a decrease of \$258,334 from last year. Operating expenses totaled \$10,630,027, an increase of \$456,530 from last fiscal year.

The Sanitary Sewer Fund generated \$9,710,263 in operating revenues compared to \$8,973,121 last fiscal year. Operating expenses totaled \$10,168,039 compared to \$8,778,461 last fiscal year. During the 2003-04 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.

The Aquatic Center continues to operate at a loss. The operating loss of \$173,869 compares to a net loss of \$70,178 last fiscal year. The City has taken measures to increase usage and continues to look at ways to reduce the net loss.

The Sylvan Glen Golf Course Fund ended the year with a net income of \$58,119. This amount compares to a net income of \$32,570 last fiscal year.

The Sanctuary Lake Golf Course Fund ended the year with a net income of \$34,193.

### **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.

### **Fiduciary Funds**

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

Pension Trust - Employees' Retirement Fund - This fund is used to account for the accumulation of resources for pension benefit payments to qualified general and public safety employees.

The Employees Retirement Fund reported end-of-the-year net assets held in trust for pension benefits of \$160,858,808 compared to the beginning amount of \$146,350,090. As of December 31, 2003, the fund is 113.5 percent funded, including post retirement healthcare.

Pension Trust – Discretionary Fire Incentive Reserve Fund - This fund is used to account for accumulations 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.

## Component Units

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

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

## Debt Administration

At June 30, 2004, the City had a number of debt issues outstanding. These issues included \$76,868,315 being serviced by Governmental Funds and \$12,000,000 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.

## Tax Rate Limitations

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

<u>PURPOSE</u>	<u>AUTHORITY</u>	<u>RATE PER \$1,000 OF TAXABLE VALUE</u>
General Operating	City Charter	\$10.00*
Refuse Collection and Disposal	Act 298, P.A. of Michigan 1917 as Amended, Article IX, Section 56 of Michigan Constitution	3.00*
Debt Service	City Charter	Amount Necessary for debt payment

\*The maximum permitted general operating and refuse collection and disposal per Headlee Amendment of the Michigan Constitution for fiscal year 2004 was 8.5307 and 2.5592, respectively.

## **Risk Management**

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

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

## **~OTHER INFORMATION**

### **Independent Audit**

The City Charter and State statutes require an annual audit of all accounts of the City by certified public accountants. The accounting firm of 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**

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, 2003.

This was the seventh 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.

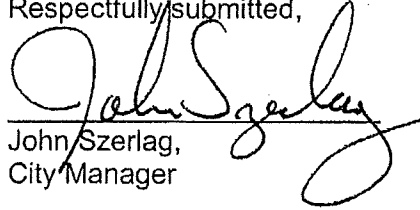
A certificate of achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the certificate of achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. The City has also received the GFOA *Distinguished Budget Presentation Award* and the *Award for Outstanding Achievement in Popular Annual Financial Reporting*.

## Acknowledgments

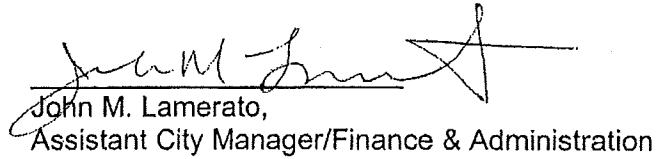
The preparation of the *Comprehensive Annual Financial Report* on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department.

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, 2003

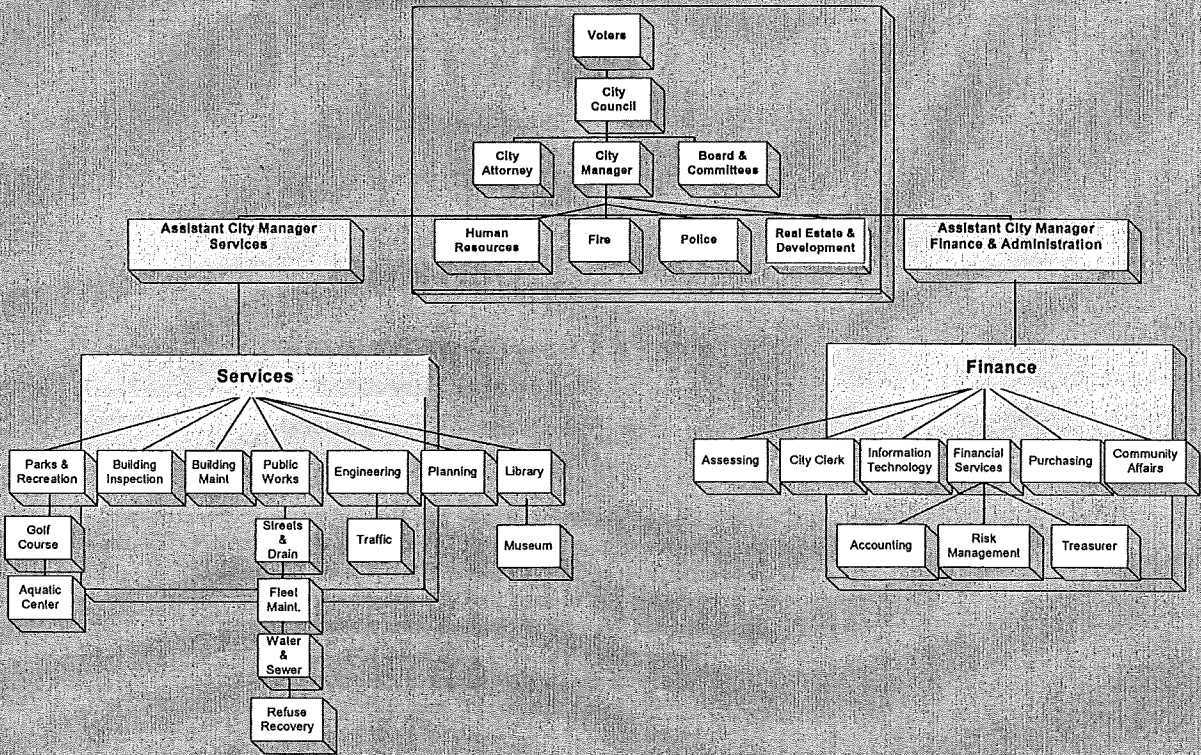
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# CITY OF TROY ORGANIZATIONAL CHART 2003/04



**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>Brian P. Murphy</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>Sandra L. Kasperek</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**

**Governmental Funds**

General\*

Special Revenue

- Downtown Development Authority
- Major Streets\*
- Local Streets\*
- Refuse
- 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
- Sylvan Glen Golf Course Fund
- Sanctuary Lake Golf Course Fund\*

Internal Service

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

**Fiduciary Funds**

Pension Trust

- Employees' Retirement
- Fire Incentive Reserve

Agency

- Agency

Component Units

- Brownfield Redevelopment Authority

\*Major funds under GASB No.34

**FINANCIAL SECTION**



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, 2004, 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.

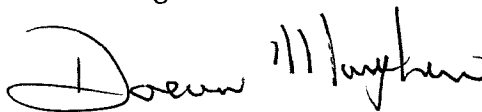
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Troy, Michigan as of June 30, 2004, 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.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10, 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 introductory section, 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 114 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. The purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Troy, Michigan. The combining and individual fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2004, 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, grants and other matters. 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

  
DOEREN MAYHEW

September 17, 2004  
Troy, Michigan

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

This section of the City of Troy's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2004. Please read it in conjunction with the transmittal letter, which begins on page VI and the City's financial statements, which begins on page 11.

**Financial Highlights**

- The City's combined total net assets are reported as \$340.6 million for the fiscal year ended June 30, 2004, compared to \$315.4 last fiscal year.
- During the year, the City's expenses were \$10.7 million less than the \$90.4 million generated in taxes, charges for services, and other revenues for governmental programs, after the reconciliation of \$13.3 million of prior year's construction in progress that was not reported as capital assets prior to GASB 34.
- In the City's business-type activities, revenues generated \$23.8 million, while expenses totaled \$22.6 million.
- The total cost of all of the City's programs, including governmental activities and business-type activities was \$89.0 million.
- Total net assets increased \$25.2 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.

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.

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

**Government-wide Statements**

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

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

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

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

**Fund Financial Statements**

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

The City of Troy has three types of funds:

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

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.

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

- 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, 2004 is \$340.6million. Business-type activities comprise \$141.3 and governmental activities make up \$199.3 of the total net assets.

Combined unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, is reported as \$114.6 million. \$81.4 million is the amount of unrestricted net assets reported for the City of Troy's governmental activities.

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

The table below shows the comparison of total assets, total liabilities, and total net assets (in millions of dollars) in a condensed format as of June 30, 2004 to the prior year.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2004	2003	2004	2003	2004	2003
<b>Assets:</b>						
Current Assets	\$98.3	\$115.0	\$42.4	\$41.2	\$140.7	\$156.2
Capital Assets	193.0	184.6	111.1	99.9	304.1	284.5
<b>Total Assets</b>	<b>\$291.3</b>	<b>\$299.6</b>	<b>\$153.5</b>	<b>\$141.1</b>	<b>\$444.8</b>	<b>\$440.7</b>
<b>Liabilities:</b>						
Long-term Debt Outstanding	\$82.4	\$106.4	\$12.0	\$ .8	\$94.4	\$107.2
Other Liabilities	9.6	18.0	.2	.2	9.8	18.2
<b>Total Liabilities</b>	<b>\$92.0</b>	<b>\$124.4</b>	<b>\$12.2</b>	<b>\$ 1.0</b>	<b>\$104.2</b>	<b>\$125.4</b>
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Debt	\$116.1	\$83.6	\$100.8	\$99.9	\$216.9	\$183.5
Restricted	1.8	29.6	7.3	6.6	9.1	36.2
Unrestricted	81.4	62.1	33.2	33.6	114.6	95.7
<b>Total Net Assets</b>	<b>\$199.3</b>	<b>\$175.3</b>	<b>\$141.3</b>	<b>\$140.1</b>	<b>\$340.6</b>	<b>\$315.4</b>

Total assets increased by \$4.1 million during the year, made up of a decrease of \$8.3 million in governmental activities and a increase of \$12.4 million in business type activities. The increase in capital assets was due primarily to the completion of several bond projects.

Total liabilities decreased by \$21.2 million primarily due to the reduction in long-term debt through annual debt payments and the defeasement of the 1995 Michigan Transportation Fund bond and the 2000 Community Center and recreational facilities bond. Other liabilities decreased by \$8.4 million compared to the prior year.

Net assets show increases in investments in capital assets net of debt of \$33.4 million and unrestricted net assets increased by \$18.9 million. Restricted net assets decreased by \$27.1 million due to the completion of construction projects and the reduction in funds held for debt service.

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

The following table shows the comparison of the change in net assets (in millions of dollars) as of June 30, 2004 to the prior year, in a condensed format:

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2004	2003	2004	2003	2004	2003
<b>Program Revenues:</b>						
Charges for Services	\$11.1	\$10.1	\$22.3	\$21.8	\$33.4	\$31.9
Operating Grants & Contributions	.5	.7	-	-	.5	.7
Capital Grants & Contributions	13.4	10.7	-	-	13.4	10.7
<b>General Revenues:</b>						
Property Taxes	54.7	49.7	-	-	54.7	49.7
State-shared Revenues	7.1	7.6	-	-	7.1	7.6
Interest Earnings	1.5	1.9	1.1	.6	2.6	2.5
Other Revenue	2.1	1.3	.4	1.9	2.5	3.2
<b>Total Revenues</b>	<b>\$90.4</b>	<b>\$82.0</b>	<b>\$23.8</b>	<b>\$24.3</b>	<b>\$114.2</b>	<b>\$106.3</b>
<b>Program Expenses:</b>						
General Government	\$13.7	\$11.7	\$ -	\$ -	\$13.7	\$11.7
Public Safety	13.4	25.7	-	-	13.4	25.7
Engineering & Public Services	16.3	16.0	-	-	16.3	16.0
Community & Economic Development	.6	.6	-	-	.6	.6
Sanitation	4.4	4.2	-	-	4.4	4.2
Recreation and Culture	13.6	12.3	-	-	13.6	12.3
Interest Expense	4.4	3.1	-	-	4.4	3.1
Water	-	-	10.6	10.2	10.6	10.2
Sanitary Sewer	-	-	10.2	9.7	10.2	9.7
Golf Courses	-	-	1.3	1.3	1.3	1.3
Aquatic Center	-	-	.5	.5	.5	.5
<b>Total Expenses</b>	<b>\$66.4</b>	<b>\$73.6</b>	<b>\$22.6</b>	<b>\$21.7</b>	<b>\$89.0</b>	<b>\$95.3</b>
Increase in Net Assets	24.0	8.4	1.2	2.6	25.2	11.0
Net Assets – Beginning of Year	175.3	166.9	140.1	137.5	315.4	304.4
<b>Net Assets – End of Year</b>	<b>\$199.3</b>	<b>\$175.3</b>	<b>\$141.3</b>	<b>\$140.1</b>	<b>\$340.6</b>	<b>\$315.4</b>

**Governmental Activities**

The City of Troy's total governmental revenue is reported at \$90.4 million, an increase of \$8.4 million from the prior year. This was primarily attributed to property tax revenues, which increased due to new growth and Consumer Price Index adjustments, as well as the recognition of revenue that was previously classified as deferred under the modified accrual accounting method.

State-shared revenue reflects a \$.5 million reduction due to the State of Michigan budget problems.

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

Expenses decreased by \$7.2 million due to the recognition of capital assets that were previously classified as construction in progress prior to GASB 34. Without this recognition of expenses would have increased by \$6.1 million.

The \$6.1 million increase is spread over several divisions with no one division having any extraordinary increases. The public safety division would have increased by \$1.0 million prior to the capital asset adjustment.

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

**Business-type Activities**

The City of Troy's business-type activities consist of water, sanitary sewer, Aquatic Center, and golf courses. Water and sanitary sewer services are provided to City residents through the Detroit water system and sewerage treatment plants. Revenues for business-type activities were approximately \$22.3 million. Items include water sales (\$10.1 million), sanitary sewer service charges (\$9.7 million), and \$1.3 million from the operations of the City's two golf courses.

**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 2004 include the General Fund, Major Streets, Local Streets, Capital Projects, General Debt Service, Water, Sanitary Sewer, and Sanctuary Lake Golf Course Fund. The General Fund pays for most of the City of Troy's governmental services.

**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 an increase in charges for Services – Sales, and to provide additional funding for fire prevention. Revenue received for the fiscal year was within \$.1 million of the budgeted amount.

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

A decrease of 5.9 percent in State funds received was offset by an increase of 5.5 percent in the amount the City charges for services. Overall expenses for the City were 4.4 percent or \$2.6 million less than the budgeted amount due to a conservative spending policy, delays in filling vacant positions, and reduction of cost of certain insurances due to rebidding, and reduction in benefit levels.

**Capital Asset and Debt Administration**

At the end of 2004, the City of Troy had \$304.1 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.

Additional information about the City's capital assets is presented in Note 1 and Note 5 to the financial statements.

The City of Troy's debt rating is excellent. We maintain a AAA by Fitch Ratings, Moody's, and Standard and Poor's. The City of Troy's bond indebtedness totaled \$88.9 million at June 30, 2004. Additional information about the City's long-term debt can be found in Note 8 to the financial statements.

**Current Economic Events**

The City of Troy's budget for 2005 calls for a freeze on property tax rates. These rates have remained the same or lower since July 1, 1996. Property taxes make up approximately 55 percent of our General Fund budget. 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.

State shared revenue payments decreased by \$517,237 this past year. When comparing this amount to the amount we received two years ago, we are receiving \$1.2 million less. The State is still experiencing financial woes so we have adjusted our revenue forecast to reflect the State's economy, and the likelihood of future reductions.

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

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

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

**Contacting the City of Troy's Management**

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

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

# CITY OF TROY, MICHIGAN

## STATEMENT OF NET ASSETS JUNE 30, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents (note 3)	\$ 46,017,980	\$ 18,778,595	\$ 64,796,575	\$ 2,122
Investments (note 3)	40,020,128	14,773,492	54,793,620	1,955
Receivables (note 4)				
Accounts receivable	1,647,605	6,111,168	7,758,773	-
Contracts	2,484,990	679,631	3,164,621	-
Taxes	1,580,250	-	1,580,250	442
Special assessments	2,221,519	-	2,221,519	-
Accrued interest	88,183	37,671	125,854	5
Internal balances	295,655	(295,655)	-	-
Due from other governmental units	2,827,706	-	2,827,706	-
Prepaid items	834,945	-	834,945	-
Inventories	279,445	436,131	715,576	-
Capital assets, net (note 5)				
Assets not depreciated	29,619,829	25,018,688	54,638,517	-
Assets being depreciated	163,358,787	86,071,260	249,430,047	-
Other	-	1,957,500	1,957,500	-
Total assets	<u>\$ 291,277,022</u>	<u>\$ 153,568,481</u>	<u>\$ 444,845,503</u>	<u>\$ 4,524</u>
<b>Liabilities</b>				
Accounts payable and contract retainages	\$ 6,154,136	\$ 153,166	\$ 6,307,302	\$ -
Accrued interest payable	-	13,063	13,063	-
Accrued payroll and withholdings	537,245	-	537,245	-
Deposits	2,882,769	58,705	2,941,474	-
Noncurrent liabilities				
Due within one year	6,216,171	-	6,216,171	507,739
Due in more than one year	76,210,162	12,000,000	88,210,162	677,619
Total liabilities	<u>\$ 92,000,483</u>	<u>\$ 12,224,934</u>	<u>\$ 104,225,417</u>	<u>\$ 1,185,358</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	\$ 116,110,302	\$ 100,797,007	\$ 216,907,309	\$ -
Restricted for				
Water and Sewer	-	1,282,543	1,282,543	-
Debt service	1,422,577	-	1,422,577	-
Construction projects	388,010	-	388,010	-
Other purposes	-	6,023,862	6,023,862	-
Unrestricted	81,355,650	33,240,135	114,595,785	(1,180,834)
Total net assets	<u>\$ 199,276,539</u>	<u>\$ 141,343,547</u>	<u>\$ 340,620,086</u>	<u>\$ (1,180,834)</u>

See accompanying notes to financial statements

# CITY OF TROY, MICHIGAN

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities				
General government	\$ 13,685,948	\$ 1,225,998	\$ -	\$ -
Public safety	13,434,097	2,930,182	283,226	863
Public works	16,274,728	2,757,644	-	13,198,264
Sanitation	4,432,201	154,047	-	-
Community and economic development	601,017	-	48,685	264,605
Recreation and culture	13,579,188	4,081,620	185,793	-
Interest on long-term debt	4,410,719	-	-	-
Total governmental activities	\$ 66,417,898	\$ 11,149,491	\$ 517,704	\$ 13,463,732
Business-type Activities				
Water	\$ 10,630,027	\$ 10,897,059	\$ -	\$ -
Sanitary sewer	10,168,039	9,710,263	-	-
Aquatic center	544,125	370,256	-	-
Sylvan Glen Golf course	1,207,337	1,242,938	-	-
Sanctuary Lake Golf course	47,076	81,190	-	-
Total business-type activities	\$ 22,596,604	\$ 22,301,706	\$ -	\$ -
Total primary government	\$ 89,014,502	\$ 33,451,197	\$ 517,704	\$ 13,463,732

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

Total general revenues

Change in net assets

Net Assets - July 1, 2003

Adjustments (note 1)

Net Assets - June 30, 2004

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>	<u>Component Unit</u>
\$ (12,459,950)	\$ -	\$ (12,459,950)	\$ -
(10,219,826)	-	(10,219,826)	-
(318,820)	-	(318,820)	-
(4,278,154)	-	(4,278,154)	-
(287,727)	-	(287,727)	(2,172)
(9,311,775)	-	(9,311,775)	-
<u>(4,410,719)</u>	<u>-</u>	<u>(4,410,719)</u>	<u>-</u>
\$ (41,286,971)	\$ -	\$ (41,286,971)	\$ (2,172)
\$ -	\$ 267,032	\$ 267,032	\$ -
-	(457,776)	(457,776)	-
-	(173,869)	(173,869)	-
-	35,601	35,601	-
<u>-</u>	<u>34,114</u>	<u>34,114</u>	<u>-</u>
\$ -	\$ (294,898)	\$ (294,898)	\$ -
\$ (41,286,971)	\$ (294,898)	\$ (41,581,869)	\$ (2,172)
\$ 54,685,430	\$ -	\$ 54,685,430	\$ 483,368
7,101,729	-	7,101,729	-
50	-	50	-
1,459,262	365,794	1,825,056	805
<u>2,063,083</u>	<u>1,130,466</u>	<u>3,193,549</u>	<u>(10,000)</u>
\$ 65,309,554	\$ 1,496,260	\$ 66,805,814	\$ 474,173
\$ 24,022,583	\$ 1,201,362	\$ 25,223,945	\$ 472,001
174,453,956	140,142,185	314,596,141	-
<u>800,000</u>	<u>-</u>	<u>800,000</u>	<u>(1,652,835)</u>
<u>\$ 199,276,539</u>	<u>\$ 141,343,547</u>	<u>\$ 340,620,086</u>	<u>\$ (1,180,834)</u>

# CITY OF TROY, MICHIGAN

## BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2004

### ASSETS

	Major Funds				
	General Fund	Major Streets	Local Streets	Capital Projects	Debt Service
Cash and cash equivalents (note 3)	\$ 13,952,897	\$ 873,868	\$ 672,450	\$ 17,736,742	\$ 2,288,035
Investments (note 3)	5,502,538	804,950	619,417	17,290,029	2,107,588
Receivables (note 4)					
Accounts receivable	1,084,849	-	-	562,756	-
Accrued interest	13,988	2,046	1,575	40,645	5,357
Taxes	1,028,919	-	-	-	-
Special assessments	-	-	-	1,746,504	475,015
Due from other governmental units	1,059,325	637,071	255,266	583,402	-
Due from other funds (note 6)	6,044,283	-	-	-	412,974
Inventories	137,255	-	-	-	-
Prepaid items	834,945	-	-	-	-
<b>Total assets</b>	<b><u>\$ 29,658,999</u></b>	<b><u>\$ 2,317,935</u></b>	<b><u>\$ 1,548,708</u></b>	<b><u>\$ 37,960,078</u></b>	<b><u>\$ 5,288,969</u></b>

### LIABILITIES AND FUND BALANCE

#### Liabilities

Accounts payable and contract retainages	\$ 5,847,572	\$ -	\$ -	\$ 306,564	\$ -
Accrued payroll and withholdings	537,245	-	-	-	-
Due to other funds	-	-	-	1,445,463	-
Other	1,637,679	-	-	1,245,090	-
Deferred revenue	1,183,748	-	-	2,753,090	468,151
<b>Total liabilities</b>	<b>\$ 9,206,244</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,750,207</b>	<b>\$ 468,151</b>

#### Fund Balances

Reserved for					
Insurance	\$ 1,724,939	\$ -	\$ -	\$ -	\$ -
Encumbrances	-	-	-	815,189	-
Inventory and prepaid items	972,200	-	-	-	-
Debt service	-	-	-	-	4,207,528
Construction and improvements	-	-	-	232,238	-
Project commitments	-	-	-	4,072,070	-
Tax appeals	900,000	-	-	-	-
Unreserved, reported in: (note 9)					
General Fund	16,855,616	-	-	-	-
Special Revenue Funds	-	2,317,935	1,548,708	-	-
Capital Projects Funds	-	-	-	27,090,374	-
Debt Service Funds	-	-	-	-	613,290
<b>Total fund balances</b>	<b><u>\$ 20,452,755</u></b>	<b><u>\$ 2,317,935</u></b>	<b><u>\$ 1,548,708</u></b>	<b><u>\$ 32,209,871</u></b>	<b><u>\$ 4,820,818</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 29,658,999</u></b>	<b><u>\$ 2,317,935</u></b>	<b><u>\$ 1,548,708</u></b>	<b><u>\$ 37,960,078</u></b>	<b><u>\$ 5,288,969</u></b>

See accompanying notes to financial statements

Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 4,212,103	\$ 39,736,095
7,909,143	34,233,665
-	1,647,605
9,863	73,474
551,331	1,580,250
-	2,221,519
292,642	2,827,706
-	6,457,257
-	137,255
-	834,945
<u>\$ 12,975,082</u>	<u>\$ 89,749,771</u>

\$ -	\$ 6,154,136
-	537,245
2,231,292	3,676,755
-	2,882,769
551,331	4,956,320
\$ 2,782,623	\$ 18,207,225

\$ -	\$ 1,724,939
-	815,189
-	972,200
1,422,577	5,630,105
155,772	388,010
5,206,808	9,278,878
676,677	1,576,677
-	16,855,616
2,730,625	6,597,268
-	27,090,374
-	613,290
<u>\$ 10,192,459</u>	<u>\$ 71,542,546</u>
<u>\$ 12,975,082</u>	<u>\$ 89,749,771</u>

# CITY OF TROY, MICHIGAN

## RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET AND STATEMENT OF NET ASSETS JUNE 30, 2004

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

Total fund balances for governmental funds	\$ 71,542,546
Capital assets used in governmental activities are not financial resources, and are not reported in the funds	189,074,192
Other long-term assets not available to pay for current period expenditures and, therefore, are deferred in the funds	4,956,320
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(76,868,315)
Internal Service Funds are included as part of governmental activities	10,570,473
Compensated absences are included as a liability in governmental activities	<u>1,323</u>
Net assets of governmental activities	<u>\$ 199,276,539</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, 2004

	Major Funds				
	General Fund	Major Streets	Local Streets	Capital Projects	Debt Service
<b>Revenues</b>					
Property taxes	\$ 30,985,387	\$ -	\$ -	\$ 7,586,118	\$ 3,512,091
Licenses and permits	1,649,985	-	-	-	-
Intergovernmental					
Federal sources	100,354	-	-	1,965	-
State sources	7,295,363	3,751,867	1,502,521	2,347,072	-
County sources	162,365	-	-	79,053	-
Charges for services	5,973,055	-	-	182,258	-
Fines and forfeits	960,250	-	-	-	-
Investment income	229,875	20,200	13,110	592,212	240,690
Other	2,128,349	-	-	3,104,030	265,133
	<u>2,128,349</u>	<u>-</u>	<u>-</u>	<u>3,104,030</u>	<u>265,133</u>
Total revenues	\$ 49,484,983	\$ 3,772,067	\$ 1,515,631	\$ 13,892,708	\$ 4,017,914
<b>Expenditures</b>					
Current					
General government	\$ 8,617,605	\$ -	\$ -	\$ -	\$ 39,730
Public safety	26,313,278	-	-	-	-
Public works	7,445,053	-	-	-	-
Sanitation	-	-	-	-	-
Community and economic development	-	-	-	-	-
Recreation and culture	12,524,550	-	-	-	-
Capital outlay	-	-	-	22,100,216	-
Debt service					
Principal	-	-	-	-	8,175,000
Interest and other charges	-	-	-	-	757,230
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,932,230</u>
Total expenditures	\$ 54,900,486	\$ -	\$ -	\$ 22,100,216	\$ 8,971,960
<b>Excess of Revenues Over (Under)</b>					
Expenditures	\$ (5,415,503)	\$ 3,772,067	\$ 1,515,631	\$ (8,207,508)	\$ (4,954,046)
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ 5,109,528	\$ -	\$ 250,000	\$ 6,675,152	\$ 1,693,250
Transfers out	(668,000)	(3,485,910)	(1,629,560)	(8,047,689)	(5,461,489)
	<u>(668,000)</u>	<u>(3,485,910)</u>	<u>(1,629,560)</u>	<u>(8,047,689)</u>	<u>(5,461,489)</u>
Total other financing sources (uses)	\$ 4,441,528	\$ (3,485,910)	\$ (1,379,560)	\$ (1,372,537)	\$ (3,768,239)
<b>Net Change in Fund Balances</b>	\$ (973,975)	\$ 286,157	\$ 136,071	\$ (9,580,045)	\$ (8,722,285)
<b>Fund Balances - July 1, 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>
<b>Fund Balances - June 30, 2004</b>	<u>\$ 20,452,755</u>	<u>\$ 2,317,935</u>	<u>\$ 1,548,708</u>	<u>\$ 32,209,871</u>	<u>\$ 4,820,818</u>

See accompanying notes to financial statements

<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 7,645,514	\$ 49,729,110
-	1,649,985
313,290	415,609
4,683,000	19,579,823
-	241,418
155,647	6,310,960
-	960,250
102,787	1,198,874
-	5,497,512
<u>\$ 12,900,238</u>	<u>\$ 85,583,541</u>
\$ -	\$ 8,657,335
-	26,313,278
-	7,445,053
4,432,201	4,432,201
553,242	553,242
-	12,524,550
94,660	22,194,876
4,697,500	12,872,500
<u>3,653,489</u>	<u>4,410,719</u>
<u>\$ 13,431,092</u>	<u>\$ 99,403,754</u>
\$ (530,854)	\$ (13,820,213)
\$ 9,018,989	\$ 22,746,919
<u>(3,454,271)</u>	<u>(22,746,919)</u>
<u>\$ 5,564,718</u>	<u>\$ -</u>
\$ 5,033,864	\$ (13,820,213)
<u>5,158,595</u>	<u>85,362,759</u>
<u>\$ 10,192,459</u>	<u>\$ 71,542,546</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, 2004

Net change in fund balances - total governmental funds	\$ (13,820,213)
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	20,740,324
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	4,405,797
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	12,872,500
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>(175,825)</u>
Change in net assets of governmental activities	<u>\$ 24,022,583</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, 2004

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Budgetary Fund Balance - July 1, 2003</b>	\$ 21,426,730	\$ 21,426,730	\$ 21,426,730	\$ -
<b>Resources (Inflows)</b>				
Property taxes	\$ 31,065,440	\$ 31,065,440	\$ 30,985,387	\$ (80,053)
Licenses and permits	1,568,500	1,568,500	1,649,985	81,485
Intergovernmental				
Federal sources	50,000	50,000	100,354	50,354
State sources	7,637,000	7,637,000	7,295,363	(341,637)
County sources	120,000	120,000	162,365	42,365
Charges for services	5,681,760	5,731,760	5,973,055	241,295
Fines and forfeits	1,027,000	1,027,000	960,250	(66,750)
Investment income	600,000	600,000	229,875	(370,125)
Transfers in	5,960,750	5,960,750	5,109,528	(851,222)
Other	950,590	950,590	2,128,349	1,177,759
Amounts available for appropriation	\$ 54,661,040	\$ 54,711,040	\$ 54,594,511	\$ (116,529)
<b>Charges to Appropriations (Outflows)</b>				
General government				
Council/Executive administration	\$ 1,956,950	\$ 1,956,950	\$ 1,926,045	\$ 30,905
Finance	4,642,530	4,642,530	4,331,478	311,052
Other	2,444,110	2,444,110	2,360,082	84,028
Public safety				
Police	21,426,110	21,426,110	20,543,113	882,997
Fire	3,794,980	3,844,980	3,843,651	1,329
Building inspection	1,978,860	1,978,860	1,926,514	52,346
Public works				
Roads and streets	5,324,500	5,324,500	4,678,298	646,202
Engineering	3,018,400	3,018,400	2,766,755	251,645
Recreation and culture				
Parks and recreation	8,091,460	8,091,460	7,976,960	114,500
Library and museum	4,744,000	4,744,000	4,547,590	196,410
Transfers out	678,000	678,000	668,000	10,000
Total charges to appropriations	\$ 58,099,900	\$ 58,149,900	\$ 55,568,486	\$ 2,581,414
<b>Budgetary Fund Balance - June 30, 2004</b>	<u>\$ 17,987,870</u>	<u>\$ 17,987,870</u>	<u>\$ 20,452,755</u>	<u>\$ 2,464,885</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, 2004

	<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, 2003</b>	\$ 2,031,778	\$ 2,031,778	\$ 2,031,778	\$ -
<b>Resources (Inflows)</b>				
Intergovernmental - State sources	\$ 3,300,000	\$ 3,300,000	\$ 3,751,867	\$ 451,867
Investment income	30,000	30,000	20,200	(9,800)
Amounts available for appropriation	\$ 3,330,000	\$ 3,330,000	\$ 3,772,067	\$ 442,067
<b>Charges to Appropriations (Outflows)</b>				
Transfers out	3,485,910	3,485,910	3,485,910	-
<b>Budgetary Fund Balance - June 30, 2004</b>	<u>\$ 1,875,868</u>	<u>\$ 1,875,868</u>	<u>\$ 2,317,935</u>	<u>\$ 442,067</u>

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, 2004

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Budgetary Fund Balance - July 1, 2003</b>	\$ 1,412,637	\$ 1,412,637	\$ 1,412,637	\$ -
<b>Resources (Inflows)</b>				
Intergovernmental - State sources	\$ 1,350,000	\$ 1,350,000	\$ 1,502,521	\$ 152,521
Investment income	20,000	20,000	13,110	(6,890)
Transfers in	250,000	250,000	250,000	-
Amounts available for appropriation	\$ 1,620,000	\$ 1,620,000	\$ 1,765,631	\$ 145,631
<b>Charges to Appropriations (Outflows)</b>				
Transfers out	1,629,560	1,629,560	1,629,560	-
<b>Budgetary Fund Balance - June 30, 2004</b>	<u>\$ 1,403,077</u>	<u>\$ 1,403,077</u>	<u>\$ 1,548,708</u>	<u>\$ 145,631</u>

See accompanying notes to financial statements

# CITY OF TROY, MICHIGAN

## STATEMENT OF NET ASSETS - PROPRIETARY FUNDS JUNE 30, 2004

	Business-Type Activities					Governmental Activities - Internal Service Funds	
	Major Funds			Other Nonmajor Business-Type Funds			Total Business-Type
	Water Fund	Sanitary Sewer Fund	Sanctuary Lake Golf Course Fund				
<b>Assets</b>							
<b>Current Assets</b>							
Cash and cash equivalents (note 3)	\$ 8,791,564	\$ 8,997,145	\$ 12,744	\$ 977,142	\$ 18,778,595	\$ 6,281,885	
Investments (note 3)	6,135,399	7,791,978	11,740	834,375	14,773,492	5,786,463	
Receivables (note 4)							
Billed	1,480,681	-	-	-	1,480,681	142	
Unbilled	2,457,270	2,133,989	6,679	32,549	4,630,487	-	
Accrued interest	9,889	25,631	30	2,121	37,671	14,709	
Contracts	43,023	32,859	-	-	75,882	-	
Inventories	373,127	34,772	3,000	25,232	436,131	142,190	
Due from other funds	-	-	-	250,440	250,440	-	
Total current assets	\$ 19,290,953	\$ 19,016,374	\$ 34,193	\$ 2,121,859	\$ 40,463,379	\$ 12,225,389	
<b>Long-Term Assets</b>							
Contracts receivable	\$ 225,871	\$ 377,878	\$ -	\$ -	\$ 603,749	\$ -	
Capital assets, net (note 5)							
Assets not depreciated	13,370,838	7,522,585	2,213,463	1,911,802	25,018,688	1,718,116	
Assets being depreciated	49,741,055	25,054,090	8,079,477	3,196,638	86,071,260	2,186,309	
Other	-	-	1,957,500	-	1,957,500	-	
Total long-term assets	\$ 63,337,764	\$ 32,954,553	\$ 12,250,440	\$ 5,108,440	\$ 113,651,197	\$ 3,904,425	
Total assets	\$ 82,628,717	\$ 51,970,927	\$ 12,284,633	\$ 7,230,299	\$ 154,114,576	\$ 16,129,814	
<b>Liabilities</b>							
<b>Current Liabilities</b>							
Current portion of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Accounts payable and contract retainages	71,038	82,128	-	-	153,166	-	
Accrued interest payable	13,063	-	-	-	13,063	-	
Deposits and other	58,705	-	-	-	58,705	-	
Compensated absences	-	-	-	-	-	3,103,018	
Due to other funds (note 6)	-	-	250,440	295,655	546,095	-	
Total current liabilities	\$ 142,806	\$ 82,128	\$ 250,440	\$ 295,655	\$ 771,029	\$ 3,103,018	
<b>Long-Term Liabilities</b>							
Compensated absences	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,455,000	
Bonds payable	-	-	12,000,000	-	12,000,000	-	
Total long-term liabilities	\$ -	\$ -	\$ 12,000,000	\$ -	\$ 12,000,000	\$ 2,455,000	
Total liabilities	\$ 142,806	\$ 82,128	\$ 12,250,440	\$ 295,655	\$ 12,771,029	\$ 5,558,018	
<b>Net Assets</b>							
Invested in capital assets, net of related debt	\$ 63,111,893	\$ 32,576,674	\$ -	\$ 5,108,440	\$ 100,797,007	\$ 3,904,425	
Restricted for							
Water and Sewer	1,263,792	18,751	-	-	1,282,543	-	
Other purposes	6,023,862	-	-	-	6,023,862	2,497,809	
Unrestricted	12,086,364	19,293,374	34,193	1,826,204	33,240,135	4,169,562	
Total net assets	\$ 82,485,911	\$ 51,888,799	\$ 34,193	\$ 6,934,644	\$ 141,343,547	\$ 10,571,796	
Total liabilities and net assets	\$ 82,628,717	\$ 51,970,927	\$ 12,284,633	\$ 7,230,299	\$ 154,114,576	\$ 16,129,814	

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, 2004

	Business-Type Activities					Governmental Activities - Internal Service Funds
	Major Funds			Other Nonmajor Business-Type Funds	Total Business-Type	
	Water Fund	Sanitary Sewer Fund	Sanctuary Lake Golf Course Fund			
<b>Operating Revenues</b>						
Charges for sales and services						
Water, sewage disposal, aquatic park receipts and golf fees	\$ 9,967,718	\$ 9,710,263	\$ 81,190	\$ 1,302,038	\$ 21,061,209	\$ -
Rental						
Golf equipment	-	-	-	233,156	233,156	-
Restaurant	-	-	-	78,000	78,000	-
Hydrant	127,600	-	-	-	127,600	-
Tap-in inspection and connection fees	469,162	-	-	-	469,162	-
Penalties	292,584	-	-	-	292,584	-
Charges to other funds of the City	-	-	-	-	-	7,179,391
Equipment rental	-	-	-	-	-	3,353,229
Building rental	-	-	-	-	-	144,289
Workers' compensation	-	-	-	-	-	392,468
Other	39,995	-	-	-	39,995	391,709
<b>Total operating revenues</b>	<b>\$ 10,897,059</b>	<b>\$ 9,710,263</b>	<b>\$ 81,190</b>	<b>\$ 1,613,194</b>	<b>\$ 22,301,706</b>	<b>\$ 11,461,086</b>
<b>Operating Expenses</b>						
Cost of water and sewage disposal	\$ 6,859,480	\$ 7,146,940	\$ -	\$ -	\$ 14,006,420	\$ -
Maintenance and operation	1,547,375	1,527,109	47,076	1,423,413	4,544,973	-
Meters and tap costs	263,183	-	-	-	263,183	-
Depreciation	1,199,816	934,014	-	328,049	2,461,879	-
General, administrative and customer service	760,173	559,976	-	-	1,320,149	-
Payments to employees for compensated time off	-	-	-	-	-	4,329,200
Unemployment and workers' compensation coverage	-	-	-	-	-	670,909
Custodial labor, supplies and equipment rental	-	-	-	-	-	1,685,827
Computer services	-	-	-	-	-	1,523,940
Motor vehicle and garage expenses						
Administration	-	-	-	-	-	468,897
Equipment maintenance and operation	-	-	-	-	-	1,723,764
Garage maintenance	-	-	-	-	-	360,515
Depreciation	-	-	-	-	-	1,157,145
<b>Total operating expenses</b>	<b>\$ 10,630,027</b>	<b>\$ 10,168,039</b>	<b>\$ 47,076</b>	<b>\$ 1,751,462</b>	<b>\$ 22,596,604</b>	<b>\$ 11,920,197</b>
<b>Operating Income (Loss)</b>	<b>\$ 267,032</b>	<b>\$ (457,776)</b>	<b>\$ 34,114</b>	<b>\$ (138,268)</b>	<b>\$ (294,898)</b>	<b>\$ (459,111)</b>
<b>Nonoperating Revenues (Expenses)</b>						
Interest income	\$ 151,941	\$ 208,706	\$ 79	\$ 22,518	\$ 383,244	\$ 120,630
Interest expense	(17,450)	-	-	-	(17,450)	-
Gain on disposal of assets	-	-	-	-	-	162,656
<b>Total nonoperating revenues (expenses)</b>	<b>\$ 134,491</b>	<b>\$ 208,706</b>	<b>\$ 79</b>	<b>\$ 22,518</b>	<b>\$ 365,794</b>	<b>\$ 283,286</b>
<b>Net Income (Loss) Before Developers' Contributions</b>	<b>\$ 401,523</b>	<b>\$ (249,070)</b>	<b>\$ 34,193</b>	<b>\$ (115,750)</b>	<b>\$ 70,896</b>	<b>\$ (175,825)</b>
<b>Developers' Contributions</b>	<b>\$ 568,584</b>	<b>\$ 561,882</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,130,466</b>	<b>\$ -</b>
<b>Change in Net Assets</b>	<b>\$ 970,107</b>	<b>\$ 312,812</b>	<b>\$ 34,193</b>	<b>\$ (115,750)</b>	<b>\$ 1,201,362</b>	<b>\$ (175,825)</b>
<b>Net Assets - July 1, 2003</b>	<b>81,515,804</b>	<b>51,575,987</b>	<b>-</b>	<b>7,050,394</b>	<b>140,142,185</b>	<b>10,747,621</b>
<b>Net Assets - June 30, 2004</b>	<b>\$ 82,485,911</b>	<b>\$ 51,888,799</b>	<b>\$ 34,193</b>	<b>\$ 6,934,644</b>	<b>\$ 141,343,547</b>	<b>\$ 10,571,796</b>

See accompanying notes to financial statements

# CITY OF TROY, MICHIGAN

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2004

	Business-Type Activities					Governmental Activities - Internal Service Funds
	Major Funds			Other Nonmajor Business-Type Funds	Total Business-Type	
	Water Fund	Sanitary Sewer Fund	Sanctuary Lake Golf Course Fund			
<b>Cash Flows From Operating Activities:</b>						
Receipts from customers	\$ 10,531,033	\$ 9,623,328	\$ 79,027	\$ 1,587,950	\$ 21,821,338	\$ 3,502,430
Payments to suppliers for goods and services	(8,466,232)	(8,860,103)	(26,328)	(925,267)	(18,277,930)	(4,535,908)
Payments to employees for services	(922,147)	(326,301)	(20,749)	(694,906)	(1,964,103)	(6,130,889)
Receipts connected with interfund services	-	-	-	-	-	7,182,518
Other receipts	-	-	2,164	-	2,164	785,332
<b>Net cash provided from (used in) operating activities</b>	<b>\$ 1,142,654</b>	<b>\$ 436,924</b>	<b>\$ 34,114</b>	<b>\$ (32,223)</b>	<b>\$ 1,581,469</b>	<b>\$ 803,483</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>						
Purchase of capital assets	\$ (2,343,936)	\$ (867,280)	\$ -	\$ (141,725)	\$ (3,352,941)	\$ (588,333)
Repayment of debt	(800,000)	-	-	-	(800,000)	-
Interest paid	(17,450)	-	-	-	(17,450)	-
<b>Net cash used in capital and related financing activities</b>	<b>\$ (3,161,386)</b>	<b>\$ (867,280)</b>	<b>\$ -</b>	<b>\$ (141,725)</b>	<b>\$ (4,170,391)</b>	<b>\$ (588,333)</b>
<b>Cash Flows From Investing Activities:</b>						
Purchase of investment securities	\$ (6,276,038)	\$ (1,577,068)	\$ (27,035)	\$ (208,229)	\$ (8,088,370)	\$ (1,875,453)
Proceeds from sale and maturities of investment securities	8,087,835	4,052,096	5,586	548,640	12,694,157	3,311,590
Interest received on investments	186,781	208,706	79	22,518	418,084	120,630
<b>Net cash provided from (used in) investing activities</b>	<b>\$ 1,998,578</b>	<b>\$ 2,683,734</b>	<b>\$ (21,370)</b>	<b>\$ 362,929</b>	<b>\$ 5,023,871</b>	<b>\$ 1,556,767</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ (20,154)</b>	<b>\$ 2,253,378</b>	<b>\$ 12,744</b>	<b>\$ 188,981</b>	<b>\$ 2,434,949</b>	<b>\$ 1,771,917</b>
<b>Cash and Cash Equivalents - July 1, 2003</b>	<b>8,811,718</b>	<b>6,743,767</b>	<b>-</b>	<b>788,161</b>	<b>16,343,646</b>	<b>4,509,968</b>
<b>Cash and Cash Equivalents - June 30, 2004</b>	<b>\$ 8,791,564</b>	<b>\$ 8,997,145</b>	<b>\$ 12,744</b>	<b>\$ 977,142</b>	<b>\$ 18,778,595</b>	<b>\$ 6,281,885</b>

See accompanying notes to financial statements

# CITY OF TROY, MICHIGAN

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2004

	Business-Type Activities					Governmental Activities - Internal Service Funds
	Major Funds					
	Water Fund	Sanitary Sewer Fund	Sanctuary Lake Golf Course Fund	Other Nonmajor Business-Type Funds	Total Business-Type	
Reconciliation of operating income (loss) to net cash provided from (used in) operating activities:						
Operating income (loss)	\$ 267,032	\$ (457,776)	\$ 34,193	\$ (138,268)	\$ (294,819)	\$ (459,111)
Depreciation	1,199,816	934,014	-	328,049	2,461,879	1,157,145
Adjustments to reconcile operating income (loss) to net cash provided from (used in) operating activities:						
Receivables	(366,121)	(86,935)	(6,679)	(25,244)	(484,979)	9,193
Other assets	33,474	4,743	(3,000)	(240,551)	(205,334)	(10,285)
Accounts payable	22,784	42,878	-	-	65,662	106,541
Accrued and other liabilities	(14,331)	-	9,600	43,791	39,060	-
Total adjustments	<u>875,622</u>	<u>894,700</u>	<u>(79)</u>	<u>106,045</u>	<u>1,876,288</u>	<u>1,262,594</u>
Net cash provided from (used in) operating activities	<u>\$ 1,142,654</u>	<u>\$ 436,924</u>	<u>\$ 34,114</u>	<u>\$ (32,223)</u>	<u>\$ 1,581,469</u>	<u>\$ 803,483</u>
<b>Supplemental Schedule of Noncash Activities</b>						
Net decrease in fair value of investments	<u>\$ (20,269)</u>	<u>\$ (59,661)</u>	<u>\$ (90)</u>	<u>\$ (6,389)</u>	<u>\$ (86,409)</u>	<u>\$ (44,307)</u>

See accompanying notes to financial statements

# CITY OF TROY, MICHIGAN

## STATEMENT OF NET ASSETS - FIDUCIARY FUNDS JUNE 30, 2004

	<b>Pension Trust Funds</b>	<b>Agency Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents (note 3)	\$ 10,311,219	\$ 2,182,765	\$ 12,493,984
Investments (note 3)			
Government securities	9,793,550	-	9,793,550
Other	145,987,451	1,214,376	147,201,827
Accrued interest receivable	2,817,041	3,087	2,820,128
Taxes receivable	-	468,585	468,585
Total assets	\$ 168,909,261	\$ 3,868,813	\$ 172,778,074
 <b>Liabilities</b>			
Advances on property taxes	\$ -	\$ 2,541	\$ 2,541
Due to other funds (note 6)	2,484,847	-	2,484,847
Performance deposits	-	3,866,272	3,866,272
Total liabilities	\$ 2,484,847	\$ 3,868,813	\$ 6,353,660
 <b>Net Assets</b>			
Held in trust for pension benefits	\$ 130,658,458	\$ -	\$ 130,658,458
Held in trust for postemployment healthcare benefits	35,765,956	-	35,765,956
Total net assets	\$ 166,424,414	\$ -	\$ 166,424,414

See accompanying notes to financial statements

## CITY OF TROY, MICHIGAN

### STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2004

	<u>Pension Trust Funds</u>
<b>Additions</b>	
Contributions	
Employer	\$ 2,104,856
Plan member	346,060
Total contributions	\$ 2,450,916
Investment income	
Net adjustment to fair value of investments	\$ 14,026,351
Interest	2,427,443
Dividends	1,752,452
Net investment income	\$ 18,206,246
Total additions	\$ 20,657,162
<b>Deductions</b>	
Benefit payments	\$ 6,243,043
Refunds of contributions	48,682
Administrative expenses	11,250
Total deductions	\$ 6,302,975
Change in Net Assets	\$ 14,354,187
<b>Net Assets Held in Trust</b>	
Pension benefits	\$ 119,255,489
Postemployment healthcare benefits	32,814,738
Net Assets Held in Trust - July 1, 2003	\$ 152,070,227
<b>Net Assets Held in Trust</b>	
Pension benefits	\$ 130,658,458
Postemployment healthcare benefits	35,765,956
Net Assets Held in Trust - June 30, 2004	\$ 166,424,414

See accompanying notes to financial statements

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# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### Note 1 - Summary of Significant Accounting Policies

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

#### Reporting Entity

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

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

#### Component Units

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

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

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

#### Component Units - Continued

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

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

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

The statement of net assets and the statement of activities display information about the City as a whole. The statements include all funds of the primary government and its component 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, 2004

### 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.

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, 2004

### 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 Aquatic Center, Golf Course Funds and the City's Internal Service Funds are charges to customers for sales and services. Operating expenses for the Enterprise 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, 2004

### 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.

The City reports the following major proprietary funds:

##### Water Fund

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

##### Sanitary Sewer Fund

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

##### Sanctuary Lake Golf Course Fund

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

#### Fiduciary Funds

##### Trust and Agency Funds

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

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

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

#### Basis of Accounting

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

All governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year end to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal 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.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

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

#### Basis of Accounting - Continued

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.

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, 2004

### 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, 2004

### 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, 2004, are recorded as prepaid items.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### 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, 2004

### 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 statement of net assets date.

The City charges departments incurring payroll costs for vacation pay benefits as they are earned on a percent of payroll basis and transfers related proceeds into the Compensated Absences Fund to pay for eventual benefits to employees. Accumulated unpaid vacation pay due to the employees of the City at June 30, 2004, was \$2,359,117.

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

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

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### 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.

#### Net Assets Adjustments

The adjustments to net assets reflects a reclassification of \$800,000 from amounts previously included in long-term debt into net assets in governmental activities. Also an adjustment was made to net assets to reflect \$1,652,835 of expenditures relating to a reimbursement agreement entered into by the Component Unit from prior years. This adjustment results in a temporary negative fund balance for the Component Unit, however, future incremental tax revenue will be obtained to fund the obligation.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### Note 2 - Stewardship, Compliance and Accountability

#### State Construction Code Act

The City oversees building construction, in accordance with the State Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since July 1, 2001 is as follows:

Shortfall at July 1, 2003		\$ (1,027,685)
Current year building permit revenue	\$ 1,544,550	
Related expenses:		
Direct costs	1,935,449	
Estimated indirect costs	<u>154,836</u>	
Total construction code expenses	<u>2,090,285</u>	
Net shortfall for the year ended June 30, 2004		<u>(545,735)</u>
Cumulative shortfall at June 30, 2004		<u>\$ (1,573,420)</u>

### Note 3 - 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, 2004

### Note 3 - Deposits and Investments - Continued

The City's deposits and investments at June 30, 2004 are included in the financial statements under the following classifications:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 46,017,980	\$ 18,778,595	\$ 12,493,984	\$ 77,290,559
Investments	<u>40,020,128</u>	<u>14,773,492</u>	<u>156,995,377</u>	<u>211,788,997</u>
Total deposits and investments	<u>\$ 86,038,108</u>	<u>\$ 33,552,087</u>	<u>\$ 169,489,361</u>	<u>\$ 289,079,556</u>

#### Deposits

At year end, the carrying amount of the City's deposits was \$77,290,559 consisting of cash and cash equivalents. The bank balance was \$79,824,945. Of the bank balance, \$1,700,000 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, 2004

### Note 3 - Deposits and Investments - Continued

#### Investments - Continued

	Category			Reported Amount (Fair Value)
	1	2	3	
Preferred stock	\$ -	\$ -	\$ 3,230,200	\$ 3,230,200
Common stock	-	-	87,848,964	87,848,964
Corporate bonds	-	-	31,339,269	31,339,269
U.S. Government Securities	-	3,354,785	36,735,515	40,090,300
U.S. Treasury Bills	-	-	27,858,654	27,858,654
	\$ -	\$ 3,354,785	\$ 187,012,602	190,367,387
Investment in Mutual Funds				17,795,870
Investment in Real Estate				3,625,740
Total investments				\$ 211,788,997

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 \$155,781,001 are held by the Employees' Retirement Fund and Discretionary Fire Incentive Reserve Fund (Fiduciary Funds) and \$1,214,376 held by the Agency Fund. The amounts reflected in the statement of net assets at June 30, 2004, are recorded at fair value and are comprised as follows:

	Fair Value
Employees' Retirement Fund:	
Preferred stock	\$ 3,230,200
Common stock	87,848,964
Corporate bonds	31,339,269
U.S. Government Securities	6,780,207
Mutual funds	17,795,870
Real estate	3,625,740
	\$ 150,620,250
Discretionary Fire Incentive Reserve Fund:	
U.S. Government Securities	\$ 5,160,751
Agency Fund:	
U.S. Government Securities	\$ 1,214,376

A summary of realized and unrealized gains (losses) on investments included in the statement of changes in net assets - fiduciary funds for the year ended June 30, 2004 is as follows:

Net appreciation in fair value of investments	\$ 11,515,941
Realized gains on sale of investments	2,511,410
Total	\$ 14,027,351

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### Note 4 - Receivables

Receivables which includes amounts due from other governments at June 30, 2004, are summarized as follows:

	Governments	Other
Major Governmental Funds		
General Fund		
Due from State of Michigan	\$ 1,059,325	\$ -
Invoices and advances	-	1,084,849
	1,059,325	1,084,849
Major Streets Fund		
Due from State of Michigan	637,071	-
Local Streets Fund		
Due from State of Michigan	255,266	-
Capital Projects Fund		
Due from State of Michigan	583,402	562,756
Total Major Governmental Funds	2,535,064	1,647,605
Nonmajor Governmental Funds		
Community Development Block Grant Fund		
Due from Federal Government	292,642	-
Total Governmental Funds	\$ 2,827,706	\$ 1,647,605
Business-Type Activities		
Water Fund		
Billed accounts receivable	\$ -	\$ 1,480,681
Unbilled accounts receivable	-	2,457,270
	-	3,937,951
Sanitary Sewer Fund		
Unbilled accounts receivable	-	2,133,989
Aquatic Center Fund		
Unbilled accounts receivable	-	15,749
Sylvan Glen Golf Course Fund		
Unbilled accounts receivable	-	16,800
Sanctuary Lake Golf Course Fund		
Unbilled accounts receivable	-	6,679
Total Business-Type Activities	\$ -	\$ 6,111,168
Governmental Activities - Internal Service Fund		
Motor Equipment Fund		
Billed accounts receivable	\$ -	\$ 142
Total	\$ 2,827,706	\$ 7,758,915

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### Note 5 - Capital Assets

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

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 32,858,801	\$ 2,893,891	\$ 9,578,824	\$ 26,173,868
Museum artifacts	<u>216,500</u>	<u>1,511,345</u>	<u>-</u>	<u>1,727,845</u>
Total capital assets, not being depreciated	\$ 33,075,301	\$ 4,405,236	\$ 9,578,824	\$ 27,901,713
Capital assets, being depreciated:				
Infrastructure - major/county/ local roads	\$ 116,054,418	\$ 7,739,436	\$ -	\$ 123,793,854
Infrastructure - local donated roads	30,258,626	798,000	-	31,056,626
Infrastructure - sidewalks	26,980,235	493,538	-	27,473,773
Land improvements	777,208	4,928,901	264,822	5,441,287
Buildings and improvements	61,767,526	15,152,251	477,722	76,442,055
Miscellaneous equipment	2,983,863	153,536	11,663	3,125,736
Computer equipment	360,590	5,487	21,050	345,027
Office furniture	1,199,884	361,422	320,892	1,240,414
Office equipment	205,635	-	6,040	199,595
Computer software	142,419	21,598	123,946	40,071
Vehicles	16,490,768	591,363	766,721	16,315,410
Library books	4,311,242	735,040	413,325	4,632,957
Audio/visual	<u>919,317</u>	<u>-</u>	<u>-</u>	<u>919,317</u>
Total at historical cost	<u>\$ 262,451,731</u>	<u>\$ 30,980,572</u>	<u>\$ 2,406,181</u>	<u>\$ 291,026,122</u>
<b>Less Accumulated Depreciation for:</b>				
Infrastructure - major/county/ local roads	\$ 37,428,272	\$ 4,796,965	\$ -	\$ 42,225,237
Infrastructure - local donated roads	14,625,758	1,243,469	-	15,869,227
Infrastructure - sidewalks	18,223,073	1,246,036	-	19,469,109
Land improvements	258,439	3,948,017	-	4,206,456
Buildings and improvements	21,679,608	3,063,113	354,102	24,388,619
Miscellaneous equipment	2,217,380	439,788	-	2,657,168
Computer equipment	286,483	51,587	21,050	317,020
Office furniture	905,105	244,413	245,073	904,445
Office equipment	113,386	28,351	6,040	135,697
Computer software	130,105	13,357	123,946	19,516
Vehicles	10,647,585	1,424,289	754,135	11,317,739
Library books	3,698,091	438,529	413,325	3,723,295
Audio/visual	<u>715,691</u>	<u>-</u>	<u>-</u>	<u>715,691</u>
Total accumulated depreciation	<u>\$ 110,928,976</u>	<u>\$ 16,937,914</u>	<u>\$ 1,917,671</u>	<u>\$ 125,949,219</u>
Total capital assets, being depreciated, net	<u>\$ 151,522,755</u>	<u>\$ 14,042,658</u>	<u>\$ 488,510</u>	<u>\$ 165,076,903</u>
Total Governmental Activities Capital Assets, net	<u>\$ 184,598,056</u>	<u>\$ 18,447,894</u>	<u>\$ 10,067,334</u>	<u>\$ 192,978,616</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### Note 5 - Capital Assets - Continued

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2004</u>
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 4,525,041	\$ 2,213,463	\$ -	\$ 6,738,504
Construction-in-progress	<u>32,034,213</u>	<u>2,382,563</u>	<u>16,136,592</u>	<u>18,280,184</u>
Total capital assets, not being depreciated	\$ 36,559,254	\$ 4,596,026	\$ 16,136,592	\$ 25,018,688
Capital assets, being depreciated:				
Water and sewer transmission and distribution system	\$ 103,527,470	\$ 16,621,445	\$ -	\$ 120,148,915
Service connections	750,121	-	-	750,121
Land improvements	969,114	5,399,778	-	6,368,892
Buildings and improvements	4,858,630	2,313,476	-	7,172,106
Miscellaneous equipment	1,603,789	851,748	-	2,455,537
Motor vehicles	181,249	-	14,275	166,974
Furniture, fixtures and other	<u>261,330</u>	<u>-</u>	<u>-</u>	<u>261,330</u>
Total capital assets, being depreciated	\$ 112,151,703	\$ 25,186,447	\$ 14,275	\$ 137,323,875
Less accumulated depreciation for:				
Water and sewer transmission and distribution system	\$ 43,687,103	\$ 2,089,381	\$ -	\$ 45,776,484
Service connections	750,121	-	-	750,121
Land improvements	641,366	60,820	-	702,186
Buildings and improvements	2,134,351	167,259	-	2,301,610
Miscellaneous equipment	1,164,838	129,171	-	1,294,009
Motor vehicles	175,907	11,395	14,275	173,027
Furniture, fixtures and other	<u>251,325</u>	<u>3,853</u>	<u>-</u>	<u>255,178</u>
Total accumulated depreciation	\$ 48,805,011	\$ 2,461,879	\$ 14,275	\$ 51,252,615
Total capital assets, being depreciated, net	\$ 63,346,692	\$ 22,724,568	\$ -	\$ 86,071,260
Total Business-Type Activities Assets, net	<u>\$ 99,905,946</u>	<u>\$ 27,320,594</u>	<u>\$ 16,136,592</u>	<u>\$ 111,089,948</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### Note 5 - Capital Assets - Continued

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

Governmental Activities:	
General government	\$ 8,057,811
Public safety	412,552
Public works	7,365,138
Community and economic development	47,775
Recreation and culture	<u>1,054,638</u>
Total depreciation expense - Governmental Activities	<u>\$ 16,937,914</u>
Business-Type Activities:	
Water	\$ 1,199,816
Sewer	934,014
Aquatic Center	154,825
Sylvan Glen Golf Course	<u>173,224</u>
Total depreciation expense - Business-Type Activities	<u>\$ 2,461,879</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### Note 6 - Interfund Receivables, Payables and Transfers

The amounts of interfund receivables, payables and transfers are as follows as of June 30, 2004:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 6,044,283	\$ -
Special Revenue Funds		
Community Development Block Grant Fund	-	292,642
Budget Stabilization Fund	-	6,442
Debt Service Funds		
General Debt Service Fund	412,974	-
Downtown Development Authority Bond Fund	-	1,932,208
Capital Projects Fund	-	1,445,463
Enterprise Funds		
Aquatic Center Fund	-	295,655
Sanctuary Lake Golf Course Fund	-	250,440
Sylvan Glen Golf Course Fund	250,440	-
Fiduciary Funds		
Employees' Retirement Fund	-	1,776,773
Discretionary Fire Incentive Reserve Fund	-	708,074
	<u>\$ 6,707,697</u>	<u>\$ 6,707,697</u>

**CITY OF TROY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

**Note 6 - Interfund Receivables, Payables and Transfers - Continued**

Interfund transfers reported in the fund statements are as follows as of June 30, 2004:

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Budget Stabilization Fund	\$ 668,000
Major Streets Fund	General Fund	1,735,910
	Local Streets Fund	250,000
	Capital Projects Fund	<u>1,500,000</u>
		3,485,910
Local Streets Fund	General Fund	1,629,560
Capital Projects Fund	General Fund	1,408,000
	Nonmajor Governmental Funds	<u>6,639,689</u>
		8,047,689
Debt Service Fund	Major Street Debt Service Fund	2,048,080
	Proposal A Debt Service Fund	763,313
	Proposal B Debt Service Fund	1,391,635
	Proposal C Debt Service Fund	<u>1,258,461</u>
		5,461,489
Nonmajor Governmental Funds	General Fund	336,058
	Debt Service Fund	1,693,250
	Nonmajor Governmental Funds	<u>1,424,963</u>
		<u>3,454,271</u>
Total		<u>\$ 22,746,919</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### Note 7 - Operating Leases

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

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

2005	\$ 116,990
2006	49,620
2007	29,916

Lease costs for the year ended June 30, 2004, are \$141,210.

### Note 8 - Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2004:

	Serviced by Governmental Fund Types				Serviced by Proprietary Fund Types		Total Long- Term Debt
	Special Assess- ment	Storm - Drains and Other	Downtown Development Authority		Enterprise	Internal Service	
			Streets Bonds	Construction			
Long-term debt payable at July 1, 2003	\$ 150,000	\$ 50,040,630	\$ 3,975,000	\$ 35,730,000	\$ 12,800,000	\$ 5,431,177	\$ 108,126,807
Addition of new debt	-	-	-	-	-	4,456,041	4,456,041
Long-term debt retired	(25,000)	(9,542,315)	(2,100,000)	(1,360,000)	(800,000)	(4,329,200)	(18,156,515)
Total long-term debt payable at June 30, 2004	<u>\$ 125,000</u>	<u>\$ 40,498,315</u>	<u>\$ 1,875,000</u>	<u>\$ 34,370,000</u>	<u>\$ 12,000,000</u>	<u>\$ 5,558,018</u>	<u>\$ 94,426,333</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### Note 8 - Long-Term Debt - Continued

#### Governmental Activities

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2004</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	\$ 4,050,000	\$ (100,000)	\$ 3,950,000	\$ 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	6,700,000	(175,000)	6,525,000	200,000
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	2,150,000	(100,000)	2,050,000	150,000
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	1,155,000	(20,000)	1,135,000	25,000
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	8,250,000	(8,250,000)	-	-

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### Note 8 - Long-Term Debt - Continued

#### Governmental Activities - Continued

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2004</u>	<u>Due Within</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	\$ 9,270,000	\$ (250,000)	\$ 9,020,000	\$ 300,000
North Arm Relief Drain Revenue Bonds dated 1998; original issuance amount \$926,972; bearing interest at 2.25%; principal due in annual installments of \$38,408 to \$54,933 through October 1, 2020	926,972	(123,909)	803,063	39,077
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	82,368
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	3,198
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	2,000,000	(125,000)	1,875,000	150,000
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	13,105,000	(565,000)	12,540,000	590,000

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### Note 8 - Long-Term Debt - Continued

#### Governmental Activities - Continued

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2004</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	\$ (500,000)	\$ 14,000,000	\$ 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	1,975,000	(1,975,000)	-	-
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	(400,000)	9,300,000	425,000
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	75,000
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	8,900,000	(395,000)	8,505,000	415,000

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### Note 8 - Long-Term Debt - Continued

#### Governmental Activities - Continued

	Balance July 1, 2003	Additions (Deductions)	Balance June 30, 2004	Due Within One Year
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	\$ 150,000	\$ (25,000)	\$ 125,000	\$ 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	439,466	(18,290)	421,176	18,801
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	162,945	(5,116)	157,829	5,756
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	8,953
Total Long-Term Debt	\$ 89,895,630	\$ (13,027,315)	\$ 76,868,315	\$ 3,113,153
Other Long-Term Obligations		(4,329,200)		
Compensated Absences	5,431,177	4,456,041	5,558,018	3,103,018
Total Governmental Activities	\$ 95,326,807	\$ (12,900,474)	\$ 82,426,333	\$ 6,216,171

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### Note 8 - Long-Term Debt - Continued

#### Business-Type Activities

	Balance July 1, 2003	Additions (Deductions)	Balance June 30, 2004	Due Within One Year
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	\$ 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	200,000	(200,000)	-	-
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 Business-Type Activities	\$ 12,800,000	\$ (800,000)	\$ 12,000,000	\$ -
Total	\$ 108,126,807	\$ (13,700,474)	\$ 94,426,333	\$ 6,216,171
 <u>Component Unit</u>				
Note payable to developer, payments based on Brownfield tax increment revenues plus interest at 6%	\$ 1,652,835	\$ (467,477)	\$ 1,185,358	\$ 507,739

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### Note 8 - 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.

The annual debt requirements to maturity for all long-term debts outstanding as of June 30, 2004, 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 <u>Serviced by</u> Governmental Fund Types	Special Assessment Bonds	Downtown Development Authority	Street Bonds	Proprietary Fund Types		
2005	\$ 1,433,153	\$ 25,000	\$ 1,505,000	\$ 150,000	\$ -	\$ 3,730,356	\$ 6,843,509
2006	1,511,713	50,000	1,570,000	175,000	200,000	3,670,156	7,176,869
2007	1,691,039	50,000	1,650,000	175,000	200,000	3,498,024	7,264,063
2008	1,785,366	-	1,725,000	175,000	300,000	3,362,723	7,348,089
2009	1,974,694	-	1,850,000	175,000	300,000	3,216,035	7,515,729
2010	2,054,276	-	1,975,000	175,000	300,000	3,073,193	7,577,469
2011	2,263,988	-	2,065,000	175,000	400,000	2,847,424	7,751,412
2012	2,323,572	-	2,215,000	200,000	400,000	2,642,341	7,780,913
2013	2,433,922	-	2,365,000	225,000	400,000	2,422,854	7,846,776
2014	2,498,889	-	2,490,000	250,000	400,000	2,180,869	7,819,758
2015	2,629,062	-	2,650,000	-	450,000	1,918,896	7,647,958
2016	2,744,463	-	2,815,000	-	500,000	1,651,667	7,711,130
2017	2,805,403	-	3,005,000	-	500,000	1,372,212	7,682,615
2018	2,746,138	-	3,175,000	-	500,000	1,083,760	7,504,898
2019	2,951,694	-	3,315,000	-	600,000	779,333	7,646,027
2020	3,008,017	-	-	-	600,000	539,323	4,147,340
2021	3,147,831	-	-	-	600,000	370,952	4,118,783
2022	188,649	-	-	-	600,000	266,704	1,055,353
2023	151,306	-	-	-	700,000	228,660	1,079,966
2024	155,140	-	-	-	700,000	189,384	1,044,524
2025	-	-	-	-	800,000	147,500	947,500
2026	-	-	-	-	800,000	107,500	907,500
2027	-	-	-	-	850,000	66,250	916,250
2028	-	-	-	-	900,000	22,500	922,500
Total	\$ 40,498,315	\$ 125,000	\$ 34,370,000	\$ 1,875,000	\$ 12,000,000	\$ 39,388,616	\$ 128,256,931

### 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, 2004

### Note 8 - Long-Term Debt - Continued

#### Defeased Debt

#### GENERAL OBLIGATION UNLIMITED TAX BONDS SERIES 2000 COMMUNITY CENTER AND RECREATIONAL FACILITIES

On June 30, 2004, the City of Troy deposited from funds on hand, the amount of \$8,702,518 into the 2000 Community Center and Recreational Facilities Escrow Fund to defease to maturity the following:

<u>October 1,</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
2004	5.875%	\$ 250,000
2005	4.600	300,000
2006	4.650	300,000

and to defease to the first call date (October 1, 2007) 2000 Community Center and Recreational Facilities due October 1, 2020 in the principal amount of \$7,200,000. The funds in the Escrow Account were used to purchase State and Local Government Securities ("SLUGS") which are held in trust with the Escrow Agent Bank of New York Trust Company and provides sufficient monies, to meet the debt service payments until the bonds either mature or are callable. Therefore, the 2000 Community Center and Recreational Facilities Bonds are removed from the City's Government-Wide financial statements.

#### 1995 MICHIGAN TRANSPORTATION FUND BONDS

On November 1, 2003, the City of Troy paid from funds on hand, the amount of \$2,044,612 to redeem the following outstanding 1995 Michigan Transportation Fund Bonds at a redemption price of 101% of the par value of each bond:

<u>November 1,</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
2004	5.10%	\$ 250,000
2005	5.20	250,000
2006	5.20	275,000
2007	5.30	300,000
2008	5.40	325,000
2009	5.50	350,000

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### Note 9 - 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 \$972,200 representing the portion of the fund balance that is not available for other future expenditures.

#### Reserve for Debt Service

The fund balance of \$4,207,528 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 \$815,189 in the Capital Projects Fund. These reserves represent outstanding purchase commitments at June 30, 2004.

#### 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	
Construction and improvements	\$ 155,772
Project Commitments	<u>5,206,808</u>
	5,362,580
Capital Projects Fund	
Project Commitments	4,072,070
Construction and improvements	<u>232,238</u>
	<u>4,304,308</u>
Total	<u>\$ 9,666,888</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### Note 9 - 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 Fund Balance

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

	Funds					
	General	Major Streets	Local Streets	Capital Projects	Debt Service	Nonmajor
Designated For:						
Improvements and maintenance	\$ 5,580,228	\$ -	\$ -	\$ -	\$ -	\$ -
Snow and ice control	-	300,000	400,000	-	-	-
Subsequent years budgets	<u>3,099,430</u>	<u>280,000</u>	<u>15,580</u>	<u>12,588,780</u>	<u>613,290</u>	<u>1,243,730</u>
Total designated	<u>\$ 8,679,658</u>	<u>\$ 580,000</u>	<u>\$ 415,580</u>	<u>\$ 12,588,780</u>	<u>\$ 613,290</u>	<u>\$ 1,243,730</u>
Undesignated	<u>\$ 8,175,958</u>	<u>\$ 1,737,935</u>	<u>\$ 1,133,128</u>	<u>\$ 14,501,594</u>	<u>\$ -</u>	<u>\$ 1,486,895</u>
Total unreserved fund balance	<u>\$ 16,855,616</u>	<u>\$ 2,317,935</u>	<u>\$ 1,548,708</u>	<u>\$ 27,090,374</u>	<u>\$ 613,290</u>	<u>\$ 2,730,625</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### Note 10 - 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, 2004, 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, 2004</u>	<u>Year Ended</u> <u>June 30, 2003</u>
Estimated liability - beginning of year	\$ 1,788,773	\$ 1,390,380
Estimated claims incurred, including changes in estimates	495,908	1,234,123
Claim payments	<u>(853,594)</u>	<u>(835,730)</u>
Estimated liability - end of year	<u>\$ 1,431,087</u>	<u>\$ 1,788,773</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### **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 \$65,479,500 (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, 2004.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### 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 2003-2004 levy was \$4,978,263,437. 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, 2004

### 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, 2004. The City's total payroll for the year ended June 30, 2004, was \$33,583,019. Included in this total was \$13,496,534 and \$16,378,945 of covered payroll for the employee retirement system and the employee defined contribution plan, respectively. \$3,707,540 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, 2003</u>
Retirees and beneficiaries currently receiving benefits	182
Vested terminated employees	19
Active employees:	
Fully vested	144
Nonvested	61

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, 2004 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, 2004

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

#### Employee Retirement System - Continued

For the year ended June 30, 2004, contributions totaling \$1,827,567 (\$1,481,507 employer and \$346,060 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2002, which was net of the amortization of assets in excess of unfunded actuarial accrued liability. Employer and employee contributions were based on 11.0 percent and 2.6 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 \$1,372,106 was attributable to healthcare benefits. This contribution represented 4.6 percent of total covered payroll during the current year. During the current year, healthcare benefits paid for retirees totaled \$1,180,792.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### 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, 2004 was determined using an individual entry age funding method. At December 31, 2003, the benefit payment amount was \$498 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, 2004, was \$623,348. The volunteer firefighters are not paid any remuneration for their service. Unfunded actuarial liabilities were amortized as a level dollar amount on a closed basis. The amortization period is 25 years.

<u>Group</u>	<u>December 31, 2003</u>
Retirees and beneficiaries currently receiving benefits	63
Vested terminated employees	26
Active employees:	
Fully vested	89
Nonvested	82

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

### 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
2002	2000	\$ 1,461	100.0%	None
2003	2001	1,605	100.0	None
2004	2002	1,482	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
2002	2000	\$ 413	100.0%	None
2003	2001	513	100.0	None
2004	2002	623	100.0	None

The plans do not issue a separate financial report.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

### 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, 2004 was 269.

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, 2004, was \$16,378,945, and the City's total payroll was \$33,583,019. The required contributions, which matched those actually made, were \$697,596 by employees and \$1,922,653 by the City, representing 4.3 percent and 11.7 percent of covered payroll, respectively.

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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>
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)
2003	126,738	103,558	(23,180)	122.4	13,053	(177.6)

### HEALTH ONLY

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
2003	32,815	37,000	4,186	88.7	31,790	13.2

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>
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
2004	2002	1,482	100.0

**CITY OF TROY, MICHIGAN**

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

<b>Actuarial Valuation Date December 31,</b>	<b>Actuarial Value of Assets# (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (b)-(a)</b>	<b>Funded Ratio (a)/(b)</b>
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
2003*&	6,084	11,787	5,703	51.6

\* 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>
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
2004	2002	623	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.

#### **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.

#### **Budget Stabilization Fund**

This fund has been created for the following purposes: a) to cover a General Fund deficit; b) to prevent a reduction in the level of public services; and c) to cover expenses arising because of a natural disaster.

## 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, 2004

### ASSETS

	Nonmajor Special Revenue Funds					
	Downtown Development Authority	Refuse Fund	Community Development Block Grant	Cemetery Perpetual Care Fund	Budget Stabilization Fund	Total Special Revenue
Cash and cash equivalents	\$ 3,470,817	\$ 660,302	\$ -	\$ 80,984	\$ -	\$ 4,212,103
Investments	3,197,091	608,227	-	74,598	674,442	4,554,358
Receivables						
Accrued interest	8,127	1,546	-	190	-	9,863
Taxes	551,331	-	-	-	-	551,331
Due from other governmental units	-	-	292,642	-	-	292,642
Total assets	\$ 7,227,366	\$ 1,270,075	\$ 292,642	\$ 155,772	\$ 674,442	\$ 9,620,297

### LIABILITIES AND FUND BALANCES

<b>Liabilities</b>						
Due to other funds	\$ -	\$ -	\$ 292,642	\$ -	\$ 6,442	\$ 299,084
Deferred revenue	551,331	-	-	-	-	551,331
Total liabilities	\$ 551,331	\$ -	\$ 292,642	\$ -	\$ 6,442	\$ 850,415
<b>Fund Balances</b>						
Reserved for						
General debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax appeals	676,677	-	-	-	-	676,677
Project commitments	5,206,808	-	-	-	-	5,206,808
Construction and improvements	-	-	-	155,772	-	155,772
Unreserved						
Designated for subsequent years budgets	792,550	451,180	-	-	-	1,243,730
Undesignated	-	818,895	-	-	668,000	1,486,895
Total fund balances	\$ 6,676,035	\$ 1,270,075	\$ -	\$ 155,772	\$ 668,000	\$ 8,769,882
Total liabilities and fund balances	\$ 7,227,366	\$ 1,270,075	\$ 292,642	\$ 155,772	\$ 674,442	\$ 9,620,297

Nonmajor Debt Service Funds

Proposal A Debt Service Fund	Proposal B Debt Service Fund	Proposal C Debt Service Fund	Downtown Development Authority Debt Service Fund	Major Streets Debt Service Fund	Total Debt Service	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,212,103
-	-	-	3,354,785	-	3,354,785	7,909,143
-	-	-	-	-	-	9,863
-	-	-	-	-	-	551,331
-	-	-	-	-	-	292,642
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,354,785</u>	<u>\$ -</u>	<u>\$ 3,354,785</u>	<u>\$ 12,975,082</u>
\$ -	\$ -	\$ -	\$ 1,932,208	\$ -	\$ 1,932,208	\$ 2,231,292
-	-	-	-	-	-	551,331
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,932,208</u>	<u>\$ -</u>	<u>\$ 1,932,208</u>	<u>\$ 2,782,623</u>
\$ -	\$ -	\$ -	\$ 1,422,577	\$ -	\$ 1,422,577	\$ 1,422,577
-	-	-	-	-	-	676,677
-	-	-	-	-	-	5,206,808
-	-	-	-	-	-	155,772
-	-	-	-	-	-	1,243,730
-	-	-	-	-	-	1,486,895
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,422,577</u>	<u>\$ -</u>	<u>\$ 1,422,577</u>	<u>\$ 10,192,459</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,354,785</u>	<u>\$ -</u>	<u>\$ 3,354,785</u>	<u>\$ 12,975,082</u>

# CITY OF TROY, MICHIGAN

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2004

	Nonmajor Special Revenue Funds					
	Downtown Development Authority	Refuse Fund	Community Development Block Grant	Cemetery Perpetual Care Fund	Budget Stabilization Fund	Total Special Revenue
<b>Revenues</b>						
Property taxes and special assessments	\$ 3,758,800	\$ 3,886,714	\$ -	\$ -	\$ -	\$ 7,645,514
Intergovernmental						
Federal sources	-	-	313,290	-	-	313,290
State sources	4,683,000	-	-	-	-	4,683,000
Charges for services	-	154,047	-	1,600	-	155,647
Investment income	30,430	38,942	-	1,658	6,442	77,472
<b>Total revenues</b>	<b>\$ 8,472,230</b>	<b>\$ 4,079,703</b>	<b>\$ 313,290</b>	<b>\$ 3,258</b>	<b>\$ 6,442</b>	<b>\$ 12,874,923</b>
<b>Expenditures</b>						
Current						
Sanitation	\$ -	\$ 4,432,201	\$ -	\$ -	\$ -	\$ 4,432,201
Community and economic development	239,952	-	313,290	-	-	553,242
Capital outlay	94,660	-	-	-	-	94,660
Debt service						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>\$ 334,612</b>	<b>\$ 4,432,201</b>	<b>\$ 313,290</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,080,103</b>
<b>Excess of Revenues Over (Under)</b>						
<b>Expenditures</b>	\$ 8,137,618	\$ (352,498)	\$ -	\$ 3,258	\$ 6,442	\$ 7,794,820
<b>Other Financing Sources (Uses)</b>						
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ 668,000	\$ 668,000
Transfers out	(3,447,829)	-	-	-	(6,442)	(3,454,271)
<b>Total other financing sources (uses)</b>	<b>\$ (3,447,829)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 661,558</b>	<b>\$ (2,786,271)</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	\$ 4,689,789	\$ (352,498)	\$ -	\$ 3,258	\$ 668,000	\$ 5,008,549
<b>Fund Balances - July 1, 2003</b>	<b>1,986,246</b>	<b>1,622,573</b>	<b>-</b>	<b>152,514</b>	<b>-</b>	<b>3,761,333</b>
<b>Fund Balances - June 30, 2004</b>	<b>\$ 6,676,035</b>	<b>\$ 1,270,075</b>	<b>\$ -</b>	<b>\$ 155,772</b>	<b>\$ 668,000</b>	<b>\$ 8,769,882</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,645,514
-	-	-	-	-	-	313,290
-	-	-	-	-	-	4,683,000
-	-	-	-	-	-	155,647
-	-	-	25,315	-	25,315	102,787
\$ -	\$ -	\$ -	\$ 25,315	\$ -	\$ 25,315	\$ 12,900,238
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,432,201
-	-	-	-	-	-	553,242
-	-	-	-	-	-	94,660
275,000	620,000	450,000	1,360,000	1,992,500	4,697,500	4,697,500
488,313	771,635	808,461	1,529,500	55,580	3,653,489	3,653,489
<u>\$ 763,313</u>	<u>\$ 1,391,635</u>	<u>\$ 1,258,461</u>	<u>\$ 2,889,500</u>	<u>\$ 2,048,080</u>	<u>\$ 8,350,989</u>	<u>\$ 13,431,092</u>
\$ (763,313)	\$ (1,391,635)	\$ (1,258,461)	\$ (2,864,185)	\$ (2,048,080)	\$ (8,325,674)	\$ (530,854)
\$ 763,313	\$ 1,391,635	\$ 1,258,461	\$ 2,889,500	\$ 2,048,080	\$ 8,350,989	\$ 9,018,989
-	-	-	-	-	-	(3,454,271)
<u>\$ 763,313</u>	<u>\$ 1,391,635</u>	<u>\$ 1,258,461</u>	<u>\$ 2,889,500</u>	<u>\$ 2,048,080</u>	<u>\$ 8,350,989</u>	<u>\$ 5,564,718</u>
\$ -	\$ -	\$ -	\$ 25,315	\$ -	\$ 25,315	\$ 5,033,864
-	-	-	1,397,262	-	1,397,262	5,158,595
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,422,577</u>	<u>\$ -</u>	<u>\$ 1,422,577</u>	<u>\$ 10,192,459</u>

**CITY OF TROY, MICHIGAN**

**BUDGETARY COMPARISON SCHEDULE - NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Downtown Development Authority</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, 2003</b>	\$ 1,986,246	\$ 1,986,246	\$ 1,986,246	\$ -
<b>Resources (Inflows)</b>				
Property taxes	\$ 4,058,000	\$ 4,058,000	\$ 3,758,800	\$ (299,200)
State sources	-	-	4,683,000	4,683,000
Investment income	50,000	50,000	30,430	(19,570)
Amounts available for appropriation	\$ 4,108,000	\$ 4,108,000	\$ 8,472,230	\$ 4,364,230
<b>Charges to Appropriations (Outflows)</b>				
Capital outlay	\$ 400,000	\$ 200,000	\$ 94,660	\$ 105,340
Transfers out	3,758,000	3,758,000	3,447,829	310,171
Other	50,000	250,000	239,952	10,048
Total charges to appropriations	\$ 4,208,000	\$ 4,208,000	\$ 3,782,441	\$ 425,559
<b>Budgetary Fund Balance - June 30, 2004</b>	<u>\$ 1,886,246</u>	<u>\$ 1,886,246</u>	<u>\$ 6,676,035</u>	<u>\$ 4,789,789</u>

	<u>Refuse 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, 2003</b>	\$ 1,622,573	\$ 1,622,573	\$ 1,622,573	\$ -
<b>Resources (Inflows)</b>				
Property taxes	\$ 3,870,000	\$ 3,870,000	\$ 3,886,714	\$ 16,714
Charges for services	500	50,500	154,047	103,547
Investment income	60,000	60,000	38,942	(21,058)
Amounts available for appropriation	\$ 3,930,500	\$ 3,980,500	\$ 4,079,703	\$ 99,203
<b>Charges to Appropriations (Outflows)</b>				
Other	\$ 4,385,730	\$ 4,435,730	\$ 4,432,201	\$ 3,529
<b>Budgetary Fund Balance - June 30, 2004</b>	<u>\$ 1,167,343</u>	<u>\$ 1,167,343</u>	<u>\$ 1,270,075</u>	<u>\$ 102,732</u>

## CITY OF TROY, MICHIGAN

### BUDGETARY COMPARISON SCHEDULE - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2004

	Community Development Block Grant			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
<b>Budgetary Fund Balance - July 1, 2003</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows)</b>				
Federal Grants	\$ 213,290	\$ 313,290	\$ 313,290	\$ -
Amounts available for appropriation	\$ 213,290	\$ 313,290	\$ 313,290	\$ -
<b>Charges to Appropriations (Outflows)</b>				
Other	213,290	313,290	313,290	-
<b>Budgetary Fund Balance - June 30, 2004</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Cemetery Perpetual Care Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
<b>Budgetary Fund Balance - July 1, 2003</b>	\$ 152,514	\$ 152,514	\$ 152,514	\$ -
<b>Resources (Inflows)</b>				
Charges for services	\$ -	\$ -	\$ 1,600	\$ 1,600
Investment income	-	-	1,658	1,658
Amounts available for appropriation	\$ -	\$ -	\$ 3,258	\$ 3,258
Total charges to appropriations	-	-	-	-
<b>Budgetary Fund Balance - June 30, 2004</b>	<u>\$ 152,514</u>	<u>\$ 152,514</u>	<u>\$ 155,772</u>	<u>\$ 3,258</u>

**CITY OF TROY, MICHIGAN**

**BUDGETARY COMPARISON SCHEDULE - NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	<b>Budget Stabilization Fund</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	
	<b>Original</b>	<b>Final</b>		
<b>Budgetary Fund Balance - July 1, 2003</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows)</b>				
Transfers in	\$ 668,000	\$ 668,000	\$ 668,000	\$ -
Interest income	-	10,000	6,442	(3,558)
Amounts available for appropriation	\$ 668,000	\$ 678,000	\$ 674,442	\$ (3,558)
<b>Charges to Appropriations (Outflows)</b>				
Transfers out	\$ -	\$ 10,000	\$ 6,442	\$ 3,558
<b>Budgetary Fund Balance - June 30, 2004</b>	<u>\$ 668,000</u>	<u>\$ 668,000</u>	<u>\$ 668,000</u>	<u>\$ -</u>

**CITY OF TROY, MICHIGAN**

**BUDGETARY COMPARISON SCHEDULE - NONMAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	Proposal A Debt Service Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
<b>Budgetary Fund Balance - July 1, 2003</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows)</b>				
Transfers in	\$ 763,360	\$ 763,360	\$ 763,313	\$ (47)
Amounts available for appropriation	\$ 763,360	\$ 763,360	\$ 763,313	\$ (47)
<b>Charges to Appropriations (Outflows)</b>				
Debt service	\$ 763,360	\$ 763,360	\$ 763,313	\$ 47
<b>Budgetary Fund Balance - June 30, 2004</b>	<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		
<b>Budgetary Fund Balance - July 1, 2003</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows)</b>				
Transfers in	\$ 1,391,440	\$ 1,391,940	\$ 1,391,635	\$ (305)
Amounts available for appropriation	\$ 1,391,440	\$ 1,391,940	\$ 1,391,635	\$ (305)
<b>Charges to Appropriations (Outflows)</b>				
Debt service	\$ 1,391,440	\$ 1,391,940	\$ 1,391,635	\$ 305
<b>Budgetary Fund Balance - June 30, 2004</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF TROY, MICHIGAN**

**BUDGETARY COMPARISON SCHEDULE - NONMAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	<b>Proposal C Debt Service Fund</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	
	<b>Original</b>	<b>Final</b>		
<b>Budgetary Fund Balance - July 1, 2003</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows)</b>				
Transfers in	\$ 1,258,510	\$ 1,258,510	\$ 1,258,461	\$ (49)
Amounts available for appropriation	\$ 1,258,510	\$ 1,258,510	\$ 1,258,461	\$ (49)
<b>Charges to Appropriations (Outflows)</b>				
Debt service	\$ 1,258,510	\$ 1,258,510	\$ 1,258,461	\$ 49
<b>Budgetary Fund Balance - June 30, 2004</b>	\$ -	\$ -	\$ -	\$ -

	<b>Downtown Development Authority Debt Service Fund</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	
	<b>Original</b>	<b>Final</b>		
<b>Budgetary Fund Balance - July 1, 2003</b>	\$ 1,397,262	\$ 1,397,262	\$ 1,397,262	\$ -
<b>Resources (Inflows)</b>				
Transfers in	\$ 2,925,000	\$ 2,925,000	\$ 2,889,500	\$ (35,500)
Investment income	-	-	25,315	25,315
Amounts available for appropriation	\$ 2,925,000	\$ 2,925,000	\$ 2,914,815	\$ (10,185)
<b>Charges to Appropriations (Outflows)</b>				
Debt service	\$ 2,925,000	\$ 2,925,000	\$ 2,889,500	\$ 35,500
<b>Budgetary Fund Balance - June 30, 2004</b>	\$ 1,397,262	\$ 1,397,262	\$ 1,422,577	\$ 25,315

**CITY OF TROY, MICHIGAN**

**BUDGETARY COMPARISON SCHEDULE - NONMAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Major Streets Debt Service Fund</u>			Variance With Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	
	<u>Original</u>	<u>Final</u>		
<b>Budgetary Fund Balance - July 1, 2003</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows)</b>				
Transfers in	\$ 323,890	\$ 2,373,890	\$ 2,048,080	\$ (325,810)
Amounts available for appropriation	\$ 323,890	\$ 2,373,890	\$ 2,048,080	\$ (325,810)
<b>Charges to Appropriations (Outflows)</b>				
Debt service	\$ 323,890	\$ 2,373,890	\$ 2,048,080	\$ 325,810
<b>Budgetary Fund Balance - June 30, 2004</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# CITY OF TROY, MICHIGAN

## BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECTS FUND FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Budgetary Fund Balance - July 1, 2003</b>	\$ 41,789,916	\$ 41,789,916	\$ 41,789,916	\$ -
<b>Resources (Inflows)</b>				
Property taxes	\$ 7,594,000	\$ 7,594,000	\$ 7,586,118	\$ (7,882)
Intergovernmental				
Federal sources	-	-	1,965	1,965
State sources	7,454,250	7,454,250	2,347,072	(5,107,178)
Local sources	-	79,050	79,053	3
Investment income	710,000	710,000	592,212	(117,788)
Charges for services	160,000	160,000	182,258	22,258
Transfers in	3,500,000	6,830,000	6,675,152	(154,848)
Other	300,000	915,000	3,104,030	2,189,030
Amounts available for appropriation	\$ 19,718,250	\$ 23,742,300	\$ 20,567,860	\$ (3,174,440)
<b>Charges to Appropriations (Outflows)</b>				
Transfers out	\$ 3,408,000	\$ 8,050,000	\$ 8,047,689	\$ 2,311
Capital outlay	31,854,230	41,496,890	22,100,216	19,396,674
Total charges to appropriations	\$ 35,262,230	\$ 49,546,890	\$ 30,147,905	\$ 19,398,985
<b>Budgetary Fund Balance - June 30, 2004</b>	<u>\$ 26,245,936</u>	<u>\$ 15,985,326</u>	<u>\$ 32,209,871</u>	<u>\$ 16,224,545</u>

# CITY OF TROY, MICHIGAN

## BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive</u> <u>(Negative)</u>
<b>Budgetary Fund Balance - July 1, 2003</b>	\$ 13,543,103	\$ 13,543,103	\$ 13,543,103	\$ -
<b>Resources (Inflows)</b>				
Property taxes	\$ 3,497,070	\$ 3,497,070	\$ 3,512,091	\$ 15,021
Transfers in	228,740	228,740	1,693,250	1,464,510
Investment income	152,000	152,000	240,690	88,690
Other	-	-	265,133	265,133
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Amounts available for appropriation	\$ 3,877,810	\$ 3,877,810	\$ 5,711,164	\$ 1,833,354
<b>Charges to Appropriations (Outflows)</b>				
Debt service	\$ 404,770	\$ 10,404,770	\$ 8,932,230	\$ 1,472,540
Transfers out	3,413,310	5,463,310	5,461,489	1,821
Other	59,730	59,730	39,730	20,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total charges to appropriations	\$ 3,877,810	\$ 15,927,810	\$ 14,433,449	\$ 1,494,361
<b>Budgetary Fund Balance - June 30, 2004</b>	<u>\$ 13,543,103</u>	<u>\$ 1,493,103</u>	<u>\$ 4,820,818</u>	<u>\$ 3,327,715</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.

#### **Sylvan Glen 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, 2004

	Nonmajor Business-Type Activities		
	Aquatic Center Fund	Sylvan Glen Golf Course Fund	Total Nonmajor Business-Type Funds
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	\$ -	\$ 977,142	\$ 977,142
Investments	-	834,375	834,375
Receivables			
Unbilled	15,749	16,800	32,549
Accrued interest	-	2,121	2,121
Inventories	-	25,232	25,232
Due from other funds	-	250,440	250,440
	<hr/>	<hr/>	<hr/>
Total current assets	\$ 15,749	\$ 2,106,110	\$ 2,121,859
Long-Term Assets			
Capital assets, net			
Assets not depreciated	\$ -	\$ 1,911,802	\$ 1,911,802
Assets being depreciated	2,461,940	734,698	3,196,638
	<hr/>	<hr/>	<hr/>
Total long-term assets	\$ 2,461,940	\$ 2,646,500	\$ 5,108,440
	<hr/>	<hr/>	<hr/>
Total assets	\$ 2,477,689	\$ 4,752,610	\$ 7,230,299
	<hr/>	<hr/>	<hr/>
<b>Liabilities</b>			
Due to other funds	\$ 295,655	\$ -	\$ 295,655
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 2,461,940	\$ 2,646,500	\$ 5,108,440
Unrestricted	(279,906)	2,106,110	1,826,204
	<hr/>	<hr/>	<hr/>
Total net assets	\$ 2,182,034	\$ 4,752,610	\$ 6,934,644
	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	\$ 2,477,689	\$ 4,752,610	\$ 7,230,299
	<hr/>	<hr/>	<hr/>

**CITY OF TROY, MICHIGAN**

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -  
NONMAJOR BUSINESS-TYPE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004

	Nonmajor Business-Type Activities		
	Aquatic Center Fund	Sylvan Glen Golf Course Fund	Total Nonmajor Business-Type Funds
<b>Operating Revenues</b>			
Charges for sales and services			
Aquatic park receipts and golf fees	\$ 370,256	\$ 931,782	\$ 1,302,038
Rental			
Golf equipment	-	233,156	233,156
Restaurant	-	78,000	78,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total operating revenues	\$ 370,256	\$ 1,242,938	\$ 1,613,194
<b>Operating Expenses</b>			
Maintenance and operation	\$ 389,300	\$ 1,034,113	\$ 1,423,413
Depreciation	154,825	173,224	328,049
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total operating expenses	\$ 544,125	\$ 1,207,337	\$ 1,751,462
<b>Operating Income (Loss)</b>	\$ (173,869)	\$ 35,601	\$ (138,268)
<b>Nonoperating Revenues</b>			
Interest income	\$ -	\$ 22,518	\$ 22,518
<b>Change in Net Assets</b>	\$ (173,869)	\$ 58,119	\$ (115,750)
<b>Net Assets - July 1, 2003</b>	<u>2,355,903</u>	<u>4,694,491</u>	<u>7,050,394</u>
<b>Net Assets - June 30, 2004</b>	<u><u>\$ 2,182,034</u></u>	<u><u>\$ 4,752,610</u></u>	<u><u>\$ 6,934,644</u></u>

**CITY OF TROY, MICHIGAN**

**COMBINING STATEMENT OF CASH FLOWS - NONMAJOR BUSINESS-TYPE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	Nonmajor Business-Type Activities		
	Aquatic Center Fund	Sylvan Glen Golf Course Fund	Total Nonmajor Business-Type Funds
<b>Cash Flows From Operating Activities:</b>			
Receipts from customers	\$ 360,668	\$ 1,227,282	\$ 1,587,950
Payments to suppliers for goods and services	(131,147)	(794,120)	(925,267)
Payments to employees for services	(214,362)	(480,544)	(694,906)
Net cash provided from (used in) operating activities	\$ 15,159	\$ (47,382)	\$ (32,223)
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Purchase of capital assets	\$ (15,159)	\$ (126,566)	\$ (141,725)
<b>Cash Flows From Investing Activities:</b>			
Purchase of investment securities	\$ -	\$ (208,229)	\$ (208,229)
Proceeds from sale and maturities of investment securities	-	548,640	548,640
Interest received on investments	-	22,518	22,518
Net cash provided from investing activities	\$ -	\$ 362,929	\$ 362,929
<b>Net Increase in Cash and Cash Equivalents</b>	\$ -	\$ 188,981	\$ 188,981
<b>Cash and Cash Equivalents - July 1, 2003</b>	-	788,161	788,161
<b>Cash and Cash Equivalents - June 30, 2004</b>	\$ -	\$ 977,142	\$ 977,142

# CITY OF TROY, MICHIGAN

## COMBINING STATEMENT OF CASH FLOWS - NONMAJOR BUSINESS-TYPE FUNDS FOR THE YEAR ENDED JUNE 30, 2004

	Nonmajor Business-Type Activities		
	Aquatic Center Fund	Sylvan Glen Golf Course Fund	Total Nonmajor Business-Type Funds
Reconciliation of operating income (loss) to net cash provided from (used in) operating activities:			
Operating income (loss)	\$ (173,869)	\$ 35,601	\$ (138,268)
Depreciation	154,825	173,224	328,049
Adjustments to reconcile operating income (loss) to net cash provided from (used in) operating activities:			
Receivables	(9,588)	(15,656)	(25,244)
Other assets	-	(240,551)	(240,551)
Accrued and other liabilities	43,791	-	43,791
Total adjustments	189,028	(82,983)	106,045
Net cash provided from (used in) operating activities	\$ 15,159	\$ (47,382)	\$ (32,223)

### Supplemental Schedule of Noncash Activities

Net decrease in fair value of investments	\$ -	\$ (6,389)	\$ (6,389)
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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, 2004

**ASSETS**

	<u>Compensated Absences Fund</u>	<u>Unemployment Compensation Fund</u>	<u>Custodial Services Fund</u>
<b>Current Assets</b>			
Cash and cash equivalents	\$ 2,890,257	\$ 169,656	\$ -
Investments - at fair value	2,662,316	156,277	-
Accrued interest receivable	6,768	397	-
Accounts receivable	-	-	-
Inventory	-	-	-
	<hr/>	<hr/>	<hr/>
Total current assets	\$ 5,559,341	\$ 326,330	\$ -
<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>\$ 5,559,341</u>	<u>\$ 326,330</u>	<u>\$ -</u>

<u>Information Technology Fund</u>	<u>Motor Equipment Fund</u>	<u>Workers' Compensation Fund</u>	<u>Total</u>
\$ 173,505	\$ 2,011,067	\$ 1,037,400	\$ 6,281,885
159,821	1,852,464	955,585	5,786,463
406	4,709	2,429	14,709
-	142	-	142
-	142,190	-	142,190
<hr/>	<hr/>	<hr/>	<hr/>
\$ 333,732	\$ 4,010,572	\$ 1,995,414	\$ 12,225,389
\$ -	\$ 1,718,116	\$ -	\$ 1,718,116
-	10,407,829	-	10,407,829
20,300	295,133	-	315,433
<hr/>	<hr/>	<hr/>	<hr/>
\$ 20,300	\$ 12,421,078	\$ -	\$ 12,441,378
8,764	8,528,189	-	8,536,953
<hr/>	<hr/>	<hr/>	<hr/>
11,536	3,892,889	-	3,904,425
<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 345,268</u>	<u>\$ 7,903,461</u>	<u>\$ 1,995,414</u>	<u>\$ 16,129,814</u>

**CITY OF TROY, MICHIGAN**

COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS  
JUNE 30, 2004

**LIABILITIES AND NET ASSETS**

	<u>Compensated Absences Fund</u>	<u>Unemployment Compensation Fund</u>	<u>Custodial Services Fund</u>
<b>Current Liabilities</b>			
Accrued compensated absences payable	\$ 3,103,018	\$ -	\$ -
 <b>Long-Term Liabilities</b>			
Accrued compensated absences payable	<u>\$ 2,455,000</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	\$ 5,558,018	\$ -	\$ -
 <b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -
Reserved for employee benefits	1,323	326,330	-
Reserved for collision losses	-	-	-
Unreserved	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>\$ 1,323</u>	<u>\$ 326,330</u>	<u>\$ -</u>
Total liabilities and net assets	<u><u>\$ 5,559,341</u></u>	<u><u>\$ 326,330</u></u>	<u><u>\$ -</u></u>

<u>Information Technology Fund</u>	<u>Motor Equipment Fund</u>	<u>Workers' Compensation Fund</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 3,103,018
\$ -	\$ -	\$ -	\$ 2,455,000
\$ -	\$ -	\$ -	\$ 5,558,018
\$ 11,536	\$ 3,892,889	\$ -	\$ 3,904,425
-	-	1,995,414	2,323,067
-	174,742	-	174,742
<u>333,732</u>	<u>3,835,830</u>	<u>-</u>	<u>4,169,562</u>
\$ <u>345,268</u>	\$ <u>7,903,461</u>	\$ <u>1,995,414</u>	\$ <u>10,571,796</u>
\$ <u><u>345,268</u></u>	\$ <u><u>7,903,461</u></u>	\$ <u><u>1,995,414</u></u>	\$ <u><u>16,129,814</u></u>

# CITY OF TROY, MICHIGAN

## COMBINING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS - INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2004

	<b>Compensated Absences Fund</b>	<b>Unemployment Compensation Fund</b>	<b>Custodial Services Fund</b>
<b>Operating Revenues</b>			
Charges to other funds of the City	\$ 4,268,274	\$ -	\$ 1,685,827
Equipment rental	-	-	-
Building rental	-	-	-
Workers' compensation	-	-	-
Other	-	44,038	-
	-	44,038	-
Total operating revenues	\$ 4,268,274	\$ 44,038	\$ 1,685,827
<b>Operating Expenses</b>			
Payments to employees for compensated time off	\$ 4,329,200	\$ -	\$ -
Unemployment and workers' compensation coverage	-	57,953	-
Custodial labor, supplies and equipment rental	-	-	1,685,827
Computer services	-	-	-
Motor vehicle and garage expenses			
Administration	-	-	-
Equipment maintenance and operation	-	-	-
Garage maintenance	-	-	-
Depreciation	-	-	-
	-	57,953	-
Total operating expenses	\$ 4,329,200	\$ 57,953	\$ 1,685,827
Operating loss	\$ (60,926)	\$ (13,915)	\$ -
<b>Nonoperating Revenues</b>			
Investment income	\$ 52,477	\$ 3,383	\$ -
Gain on disposal of property	-	-	-
	-	-	-
Total nonoperating revenues, net	\$ 52,477	\$ 3,383	\$ -
Net income (loss)	\$ (8,449)	\$ (10,532)	\$ -
<b>Net Assets - July 1, 2003</b>	9,772	336,862	-
<b>Net Assets - June 30, 2004</b>	\$ 1,323	\$ 326,330	\$ -

<u>Information Technology Fund</u>	<u>Motor Equipment Fund</u>	<u>Workers' Compensation Fund</u>	<u>Total</u>
\$ 1,225,290	\$ -	\$ -	\$ 7,179,391
-	3,353,229	-	3,353,229
-	144,289	-	144,289
-	-	392,468	392,468
-	167,857	179,814	391,709
<u>\$ 1,225,290</u>	<u>\$ 3,665,375</u>	<u>\$ 572,282</u>	<u>\$ 11,461,086</u>
\$ -	\$ -	\$ -	\$ 4,329,200
-	-	612,956	670,909
-	-	-	1,685,827
1,523,940	-	-	1,523,940
-	468,897	-	468,897
-	1,723,764	-	1,723,764
-	360,515	-	360,515
5,975	1,151,170	-	1,157,145
<u>\$ 1,529,915</u>	<u>\$ 3,704,346</u>	<u>\$ 612,956</u>	<u>\$ 11,920,197</u>
\$ (304,625)	\$ (38,971)	\$ (40,674)	\$ (459,111)
\$ 4,776	\$ 40,115	\$ 19,879	\$ 120,630
-	162,656	-	162,656
<u>\$ 4,776</u>	<u>\$ 202,771</u>	<u>\$ 19,879</u>	<u>\$ 283,286</u>
\$ (299,849)	\$ 163,800	\$ (20,795)	\$ (175,825)
645,117	7,739,661	2,016,209	10,747,621
<u>\$ 345,268</u>	<u>\$ 7,903,461</u>	<u>\$ 1,995,414</u>	<u>\$ 10,571,796</u>

# CITY OF TROY, MICHIGAN

## COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2004

	Compensated Absences Fund	Unemployment Compensation Fund	Custodial Services Fund
<b>Cash Flows From Operating Activities:</b>			
Receipts from customers	\$ -	\$ -	\$ -
Receipts from other funds	4,270,711	-	1,685,827
Payments to suppliers for goods and services	-	(57,953)	(1,062,760)
Payments to employees for services	(4,202,359)	-	(623,067)
Other receipts	-	44,211	-
	<u>68,352</u>	<u>(13,742)</u>	<u>-</u>
Net cash provided from (used in) operating activities	\$ 68,352	\$ (13,742)	\$ -
<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	\$ (727,362)	\$ (66,420)	\$ -
Proceeds from sale and maturities of investment securities	1,377,183	115,205	-
Interest received	52,477	3,383	-
	<u>702,298</u>	<u>52,168</u>	<u>-</u>
Net cash provided from investing activities	\$ 702,298	\$ 52,168	\$ -
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	\$ 770,650	\$ 38,426	\$ -
<b>Cash and Cash Equivalents - July 1, 2003</b>	<u>2,119,607</u>	<u>131,230</u>	<u>-</u>
<b>Cash and Cash Equivalents - June 30, 2004</b>	<u>\$ 2,890,257</u>	<u>\$ 169,656</u>	<u>\$ -</u>
<b>Reconciliation of operating loss to net cash provided from (used in) operating activities:</b>			
Operating loss	\$ (60,926)	\$ (13,915)	\$ -
Depreciation	-	-	-
<b>Adjustments to reconcile operating loss to net cash provided from (used in) operating activities:</b>			
Receivables	2,437	173	-
Other assets	-	-	-
Accrued and other liabilities	126,841	-	-
	<u>129,278</u>	<u>173</u>	<u>-</u>
Total adjustments	129,278	173	-
Net cash provided from (used in) operating activities	<u>\$ 68,352</u>	<u>\$ (13,742)</u>	<u>\$ -</u>

### Supplemental Schedule of Noncash Activities

Net decrease in fair value of investments	\$ (20,385)	\$ (1,197)	\$ -
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<u>Information Technology Fund</u>	<u>Motor Equipment Fund</u>	<u>Workers' Compensation Fund</u>	<u>Total</u>
\$ -	\$ 3,502,430	\$ -	\$ 3,502,430
1,225,980	-	-	7,182,518
(1,060,615)	(1,741,624)	(612,956)	(4,535,908)
(483,625)	(821,838)	-	(6,130,889)
<u>-</u>	<u>167,857</u>	<u>573,264</u>	<u>785,332</u>
<u>\$ (318,260)</u>	<u>\$ 1,106,825</u>	<u>\$ (39,692)</u>	<u>\$ 803,483</u>
\$ -	\$ (588,333)	\$ -	\$ (588,333)
\$ (640,088)	\$ (154,300)	\$ (287,283)	\$ (1,875,453)
874,675	385,477	559,050	3,311,590
<u>4,776</u>	<u>40,115</u>	<u>19,879</u>	<u>120,630</u>
<u>\$ 239,363</u>	<u>\$ 271,292</u>	<u>\$ 291,646</u>	<u>\$ 1,556,767</u>
\$ (78,897)	\$ 789,784	\$ 251,954	\$ 1,771,917
<u>252,402</u>	<u>1,221,283</u>	<u>785,446</u>	<u>4,509,968</u>
<u>\$ 173,505</u>	<u>\$ 2,011,067</u>	<u>\$ 1,037,400</u>	<u>\$ 6,281,885</u>
\$ (304,625)	\$ (38,971)	\$ (40,674)	\$ (459,111)
5,975	1,151,170	-	1,157,145
690	4,911	982	9,193
-	(10,285)	-	(10,285)
<u>(20,300)</u>	<u>-</u>	<u>-</u>	<u>106,541</u>
<u>(13,635)</u>	<u>1,145,796</u>	<u>982</u>	<u>1,262,594</u>
<u>\$ (318,260)</u>	<u>\$ 1,106,825</u>	<u>\$ (39,692)</u>	<u>\$ 803,483</u>
<u>\$ (1,224)</u>	<u>\$ (14,184)</u>	<u>\$ (7,317)</u>	<u>\$ (44,307)</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, 2004

	Pension Trust Funds		Agency	Totals
	Employees' Retirement System	Discretionary Fire Incentive Reserve Fund	Agency Fund	
<b>Assets</b>				
Cash and cash equivalents	\$ 9,330,591	\$ 980,628	\$ 2,182,765	\$ 12,493,984
Investments				
Government securities	4,632,799	5,160,751	-	9,793,550
Other	145,987,451	-	1,214,376	147,201,827
Accrued interest receivable	2,684,740	132,301	3,087	2,820,128
Taxes receivable	-	-	468,585	468,585
Total assets	\$ 162,635,581	\$ 6,273,680	\$ 3,868,813	\$ 172,778,074
<b>Liabilities</b>				
Advances on property taxes	\$ -	\$ -	\$ 2,541	\$ 2,541
Due to other funds	1,776,773	708,074	-	2,484,847
Performance deposits	-	-	3,866,272	3,866,272
Total liabilities	\$ 1,776,773	\$ 708,074	\$ 3,868,813	\$ 6,353,660
<b>Net Assets</b>				
Held in trust for pension benefits	\$ 125,092,852	\$ 5,565,606	\$ -	\$ 130,658,458
Held in trust for postemployment healthcare benefits	35,765,956	-	-	35,765,956
Total net assets	\$ 160,858,808	\$ 5,565,606	\$ -	\$ 166,424,414

**CITY OF TROY, MICHIGAN**

**COMBINING STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Employees' Retirement System</u>	<u>Discretionary Fire Incentive Reserve Fund</u>	<u>Totals</u>
<b>Additions</b>			
Contributions			
Employer	\$ 1,481,508	\$ 623,348	\$ 2,104,856
Plan member	346,060	-	346,060
	<hr/>	<hr/>	<hr/>
Total contributions	\$ 1,827,568	\$ 623,348	\$ 2,450,916
Investment income			
Net adjustment to fair value of investments	\$ 14,144,787	\$ (118,436)	\$ 14,026,351
Interest	2,180,220	247,223	2,427,443
Dividends	1,752,452	-	1,752,452
	<hr/>	<hr/>	<hr/>
Net investment income	\$ 18,077,459	\$ 128,787	\$ 18,206,246
Total additions	\$ 19,905,027	\$ 752,135	\$ 20,657,162
<b>Deductions</b>			
Benefit payments	\$ 5,341,927	\$ 901,116	\$ 6,243,043
Refunds of contributions	48,682	-	48,682
Administrative expenses	5,700	5,550	11,250
	<hr/>	<hr/>	<hr/>
Total deductions	\$ 5,396,309	\$ 906,666	\$ 6,302,975
<b>Change in Net Assets</b>	\$ 14,508,718	\$ (154,531)	\$ 14,354,187
<b>Net Assets Held in Trust For Pension</b>			
Benefits - July 1, 2003	<hr/> 146,350,090	<hr/> 5,720,137	<hr/> 152,070,227
<b>Net Assets Held in Trust For Pension</b>			
Benefits - June 30, 2004	<hr/> <u>\$ 160,858,808</u>	<hr/> <u>\$ 5,565,606</u>	<hr/> <u>\$ 166,424,414</u>

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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.

## 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
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
2004	42,142,992	1,649,985	413,644	17,232,751	162,365	6,128,702

Fiscal Year Ended June 30,	General Government	Public Safety	Public Works			Recreation Parks, Recreation and Cemeteries
			Roads and Streets	Other Public Works	Sanitation	
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
2004	8,657,335	26,313,278	3,944,998	3,500,055	4,432,201	7,976,960

<u>Fines and Forfeits</u>	<u>Investment Income</u>	<u>Other</u>	<u>Total Revenues By Source</u>
\$ 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
960,250	606,662	2,393,482	71,690,833

<u>and Culture</u>	<u>Community and Economic Development</u>			<u>Total Expenditures by Function</u>
<u>Library and Museum</u>	<u>Debt Service</u>	<u>Downtown Development Authority</u>	<u>Economic and Physical Development</u>	
\$ 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
4,547,590	17,283,219	479,272	168,630	77,303,538

## 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>
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
2004	3,597,139	16,855,616	55,568,486	30.33

**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>
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
2004	44,251,910	43,440,583	98.17	672,473	99.68	296,928	.67

## CITY OF TROY, MICHIGAN

### VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30,</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total</u>
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
2004	4,394,026,741	584,236,696	4,978,263,437

### ASSESSED VALUATION OF TAXABLE PROPERTY

<u>Fiscal Year Ended June 30,</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total</u>
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
2004	5,603,847,560	584,236,696	6,188,084,256

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

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

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

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

The taxable and assessed valuation of taxable property is determined as of December 31<sup>st</sup> of each 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				
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	
2004 H	9.45	9.43	4.65	1.60	3.40	.60	5.00	34.13	
2004 NH	9.45	21.14	4.65	1.60	3.40	.60	5.00	45.84	

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>
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
2004	667,835	733,087

## CITY OF TROY, MICHIGAN

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

Fiscal Year Ended June 30,	Taxable Value	Estimated Population	Gross Bonded Debt Outstanding	Debt Service Fund Balance	Debt Payable from Other than General Resources	Net Bonded Debt	Percent of Net Bonded Debt to Taxable Value	Net Bonded Debt Per Capita
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	-	-	-
2004	4,978,263,437	80,959	88,868,315	6,243,395	82,624,920	-	-	-

## CITY OF TROY, MICHIGAN

### RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest and Fiscal Charges</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to General Government Expenditures</u>
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
2004	11,512,500	2,831,219	14,343,719	77,303,538	18.56

Includes General, Special Revenue and Debt Service Funds.

## CITY OF TROY, MICHIGAN

### COMPUTATION OF DIRECT AND OVERLAPPING DEBT JUNE 30, 2004

Jurisdiction	Net General Bonded Debt Outstanding	Percent Applicable to Troy	Amount Applicable to Troy
City of Troy	\$ 52,498,315	100.00%	\$ 52,498,315
Avondale School District	106,553,998	17.27	18,401,875
Birmingham School District	242,590,000	4.26	10,334,334
Bloomfield Hills School District	22,675,000	2.10	476,175
Lamphere School District	28,480,000	13.62	3,878,976
Royal Oak School District	33,028,000	3.71	1,225,339
Troy School District	80,495,000	100.00	80,495,000
Warren School District	167,997,000	8.59	14,430,942
 Oakland County	 73,460,291	 9.36	 6,875,883
Oakland Intermediate School District	8,275,000	8.76	724,890
Macomb Intermediate School District	3,500,000	1.29	45,150
Oakland County Community College	12,325,000	9.42	1,161,015
Total overlapping debt	779,379,289		138,049,579
Total direct and overlapping debt	\$ 831,877,604		\$ 190,547,894

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>
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	*
2004	12,376,168,512	140,823,926	*

\* Information Not Available.

# CITY OF TROY, MICHIGAN

## PRINCIPAL TAXPAYERS JUNE 30, 2004

Rank	Taxpayer	2003 Taxable Valuation	Number of Parcels	Business Activity	Percent of Total Taxable Valuation
1	Frankel Forbes/Cohen Associates	\$ 59,713,100	3	Somerset North and South (Malls)	1.20%
2	Nykel Management Co.	54,827,230	24	Somerset Apartments	1.10
3	Gale & Wentworth, L.L.C.	54,406,020	8	Office Leasing	1.09
4	Liberty Property Limited Partnership	43,191,650	26	Office Leasing	.87
5	Detroit Edison	41,450,850	16	Utility	.83
6	K-Mart Corp.	40,747,280	7	Retail and Corporate Headquarters	.82
7	888 W. Big Beaver Assoc.	35,300,070	3	Office Leasing	.71
8	Oakland Mall, L.L.C.	26,258,340	6	Retail	.53
9	Standard Federal	25,550,320	1	Banking and Headquarters	.51
10	Teacher's Insurance & Annuity	25,386,190	2	Office Leasing	.51
11	Sheffield Office, L.P.	24,899,470	4	Office Leasing	.50
12	Delphi Automotive Systems	24,879,080	12	Headquarters	.50
13	Nemer Troy Place Realty, L.L.C.	24,542,100	5	Office Leasing	.49
14	Trett Associates, Inc. (Top of Troy)	24,368,420	1	Office Leasing (Top of Troy)	.49
15	Kelly Services	21,853,030	8	Corporate Headquarters	.44
16	First Industrial	21,692,740	36	Industrial Leasing	.44
17	Ei DuPont	19,080,460	9	Automotive Finishes	.38
18	Electronic Data Systems	18,547,230	8	Computer Leasing	.37
19	Home Properties	18,058,160	7	Office Leasing	.36
20	WHP Mezz Borrowers 2	17,907,320	1	Troy Marriott	.36
	Total	<u>\$ 622,659,060</u>			<u>12.50%</u>
	2003 Total Taxable Valuation	<u>\$4,978,263,437</u>			

**CITY OF TROY, MICHIGAN**

**COMPUTATION OF LEGAL DEBT MARGIN  
JUNE 30, 2004**

Assessed Valuation at December 31, 2002 \$ 6,188,084,256

	<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	\$ 52,498,315	10%	\$ 618,808,426	\$ 566,310,111
Emergency bonds	-	3/8	23,205,316	23,205,316
Special assessment bonds	<u>125,000</u>	12	<u>742,570,111</u>	<u>742,445,111</u>
Total debt	<u>\$ 52,623,315</u>		<u>\$ 1,384,583,853</u>	<u>\$ 1,331,960,538</u>

The statutory debt limits of net bonded indebtedness incurred for all public purposes shall not at any one time exceed 10% of the assessed valuation of taxable property in the City (\$6,188,084,256), 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 1<sup>st</sup> 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 there of 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 there of 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 2005	Year 2002
July 2006	Year 2003

**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	6/30/06	82
Michigan Association of Police - Clerical, Police Services Aides	6/30/04	72
Troy Command Officers Association - Command Police Officers	6/30/05	34
Troy Police Officers Association - Police Officers	6/30/05	95
Troy Firestaff Officers Association - Fire Career Professionals	6/30/06	12

# CITY OF TROY, MICHIGAN

## THE ECONOMIC DEVELOPMENT CORPORATION BONDS

JUNE 30, 2004

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>	Registered voters (General election April 5, 2004)		54,122
	Number of voters voting in General election April 5, 2004		12,589
	Percentage of registered voters voted		23.26%
	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>	492 regular, 392 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>	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
	2003 - 2004	2,110 permits	140,823,926 estimated value
<b><u>Streets:</u></b>	371 miles improved 6.5 miles unimproved		
<b><u>Sewers:</u></b>	10 miles (combination storm and sanitary) 384.7 miles sanitary sewer 397 miles storm sewer		
<b><u>Streets Lights:</u></b>	577 Detroit Edison owned 1,707 City owned		
<b><u>Water Plant:</u></b>	Accounts:		
	City-regular		26,833
	Annual Distribution		643 million cubic feet
	Watermains		543.5 miles
	Hydrants		5,561

# 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  
2 18-hole golf courses/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)
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
2004	85,956	31,944	62,862	12,059	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 Department of Career Development
- \* Information not available.
- \*\* Change in the calculation method.

**SINGLE AUDIT SECTION**

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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, 2004, and have issued our report thereon dated September 17, 2004. 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.

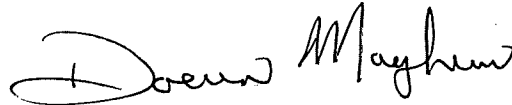
### **Compliance and Other Matters**

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 caused by error or fraud 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" and "M".

DOEREN MAYHEW

September 17, 2004  
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, 2004. 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.

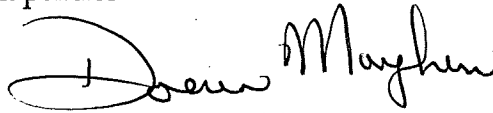
In our opinion, the City of Troy, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

### 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 caused by error or fraud 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 17, 2004  
Troy, Michigan

# CITY OF TROY, MICHIGAN

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2004

### 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 program tested as a major program was: Highway Planning and Construction CFDA No. 20.205.
8. Total federal expenditures amounted to approximately \$998,900. Two individual programs exceeded \$300,000 in expenditures, which were considered a Type A program. The City of Troy, Michigan also had no programs that expended between \$300,000 and \$100,000, which would be 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, 2004**

**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, 2004**

**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, 2004

Federal Grantor/ Pass-Through Grantor Program Title/Grantor's Number	Federal CFDA Number	Program Award/ Amount	Revenue Recognized	Expenditures 7-1-03 - 6-30-04
U.S. Department of Justice				
Public Safety and Community				
Policing Grants				
63016-01	16.523	\$ 28,801	\$ 4,047	\$ 4,047
63016-02	16.726	34,974	18,984	18,984
99shwx0119	16.726	125,000	-	-
Total Policing Grants		188,775	23,031	23,031
Byrne Formula Grant				
2001-LBBX-3057	16.592	30,964	863	863
Homeland Security				
	16.007	77,323	77,323	77,323
Total U.S. Department of Justice		422,102	101,217	101,217
U.S. Department of Housing and Urban Development				
Passed Through Oakland County, Michigan				
Community Development Block Grant				
CB-01-UC-260002	14.218	835,214	313,290	313,290
U.S. Department of Transportation				
Passed Through State of Michigan Department of Transportation				
Highway Planning and Construction				
RR0643	20.205	975,300	260,835	260,835
HH3259	20.205	111,000	162,691	162,691
JJ0910	20.205	1,127,067	-	-
UB2039	20.205	135,000	15,918	15,918
HH2221	20.205	452,087	3,063	3,063
RR2727	20.205	1,876,663	2,584	2,584
RR2346	20.205	309,431	-	-
HH2948	20.205	80,000	-	-
HH3173	20.205	119,500	-	-
RR3168	20.205	146,500	2,196	2,196
RR3169	20.205	146,500	-	-
RR3170	20.205	219,500	75,630	75,630
RR3172	20.205	624,500	60,485	60,485
Total U.S. Department of Transportation		6,323,048	583,402	583,402
U.S. Environmental Protection Agency				
Passed Through Wayne County, Michigan				
Rouge River National Wet Weather Demonstration Project				
20255643-000 OB	xP995743	123,000	1,010	1,010
Total All Programs		\$ 7,703,364	\$ 998,919	\$ 998,919

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, 2004

### **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.



