COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2008

CITY COUNCIL

Mayor
Louise E. Schilling

Mayor Pro Tem
Martin F. Howrylak

Council Members
Robin Beltramini
Cristina Broomfield
David Eisenbacher
Wade Fleming
Mary Kerwin

ADMINISTRATION

City Manager
Phillip L. Nelson

Assistant City Manager/Finance and Administration
John M. Lamerato

Financial Services Director
James A. Nash

Prepared by Financial Services

Michigan Department of Treasury
496 (Rev.06/08)

Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended .

Unit Name City of Troy	County OAKLAND	Type CITY	MuniCode 63-2-230
Opinion Date December 11, 2008	Audit Submitted December 22, 2008	Fiscal Year June 30, 2008	

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

- [x] 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- [ ] 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- [x] 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- [x] 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- [x] 5. Did the local unit adopt a budget for all required funds?
- [x] 6. Was a public hearing on the budget held in accordance with State statute?
- [x] 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- [x] 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- [x] 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- [x] 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- [x] 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- [x] 12. Is the local unit free of repeated reported deficiencies from previous years?
- [x] 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
- [x] 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- [x] 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- [x] 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- [ ] 18. Are there reported deficiencies? [ ] 19. If so, was it attached to the audit report?

General Fund Revenue:	56,037,005	General Fund Balance:	23,632,762
General Fund Expenditure:	62,655,284	Governmental Activities Long-Term Debt (see instructions):	41,662,998
Major Fund Deficit Amount:	0		

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name) Thomas	Last Name Darling	Ten Digit License Number 1101023094			
CPA Street Address 5750 New King Street, Ste. 2	City Troy	State MI	Zip Code 48098	Telephone (248) 952-5000	
CPA Firm Name Rehmann Robson	Unit's Street Address 5750 New King Street,	City Troy	Zip Code 48098		

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500 W. Big Beaver
Troy, MI 48084
(248) 524-3300

December 15, 2008

Dear Honorable Mayor and City Council Members:

The Comprehensive Annual Financial Report (CAFR) for the City of Troy, Michigan for the year ended June 30, 2008 is hereby submitted. The report represents a comprehensive and detailed picture of our financial transactions during fiscal year 2007/08 and the financial condition of the various funds as of fiscal year end. This report was prepared by a team of City staff led by John M. Lamerato, Assistant City Manager/Finance and Administration. Troy's staff is responsible for the accuracy of data and completeness and fairness of the presentation, including all disclosures.

In 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 43, Financial Reporting for Post Employment Benefit Plans Other than Pension Plans, and Statement No. 45 (GASB No. 45), Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions. GASB No. 43 and No. 45 establish accounting standards for financial reporting of post employment benefits other than pensions. These benefits include, but are not limited to, health care; life insurance; and dental insurance for retirees.

The City of Troy has elected to implement GASB Statement No. 43 with this report and Statement No. 45 effective with the 2009 financial statements in compliance with the guidance provided by the Governmental Accounting Standards Board.

In 2007, the Governmental Accounting Standards Board issued Statement No. 50 (GASB No. 50) Pension Disclosures. GASB No. 50 amends the footnote disclosures and required supplementary information standards of GASB No. 25 and GASB No. 27. The City of Troy has implemented GASB No. 50 with the financial statements contained in this report.

A Management's Discussion and Analysis Report (MD&A), as well as entity-wide, full accrual financial statements have been added to the front of the financial statement section. The fund statements have been altered to provide reporting under the "Major/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 (GAAP), these financial statements present the City of Troy and related component units. The individual component units are included in the City of Troy's reporting entity because of the significance of their operational or financial relationships with the City of Troy.

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

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

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

ECONOMIC CONDITION AND OUTLOOK

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

	1990	2000	July 2008
Troy	3.5%	1.6%	6.4%
Metro Area*	7.6%	4.3%	8.3%
Michigan	7.6%	3.6%	8.4%
National	5.5%	4.0%	6.1%

*The Metro Area includes Lapeer, Livingston, 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, 2007, that value had grown to $5,550,516,437, an increase of 89.3%. In Michigan, only the City of Detroit has a higher taxable value than the City of Troy. However, in this era of competition for business retention and attraction, we need to advance a preferred future in which residents and businesses continue to aspire to locate here.

The City has expanded upon its capital projects budget by including a five-year expenditure projection identifying sources of funds to pay for the projects. Our approach to funding major capital projects is to accumulate funds over a number of years to avoid the issuance of debt. The City has adopted a policy to maintain our undesignated/unreserved Fund Balance at 10% - 17% of the General Fund budget, and to not use Fund Balance to balance the budget if possible.

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

Transit Center

The City of Troy hired Wendell Duchscherer of Amherst, NY to begin developing the design plans for the Intermodal Transit Center. With the help from City staff, Wendell Duchscherer held a series of design charettes and forums with the community and the stakeholders in the project. The community is keenly interested in the project and what it means to the surrounding area, as is evidenced by the current University of Michigan /Urban Land Institute study. The UM/ULI is focusing its annual study on the transit center, and the ability to create transit-oriented design (TOD) developments that compliment and promote the use of the center.

The Pavilions of Troy

On October 15, 2007 City Council approved the planned unit development agreement for The Pavilions of Troy, which will include both residential and retail units, a premiere hotel, state-of-the-art fitness center, plazas, promenades, gathering spaces, public art and other amenities designed to create a true destination.

The Pavilions of Troy will be situated on the west corner of Big Beaver and Coolidge, on the 40-acre site of the former Kmart Headquarters. Consistent with the parameters established by the Big Beaver Corridor Study, the project will create a scale of urban intensity that defines the corridor, supports human activity, and is intended to blend seamlessly with its surroundings.

DEPARTMENT FEATURE - LIBRARY

The Troy Public Library and Troy Historical Museum provide opportunities for recreation and learning that enrich the lives of the residents of Troy. These efforts support the City Council-established outcome statement, “Troy is rebuilding for a healthy economy reflecting the values of a unique community in a changing and interconnected world.”

Visibly demonstrating the values of the unique Troy community, the Troy Historical Museum preserves the community’s cultural heritage through physical structures; collections of artifacts; and archival materials. Open 49 hours per week, the museum provides education programs to over 11,000 students per year from the Troy school district as well as other area school districts. Ten historic buildings and the Village Green comprise the museum grounds. A working barn and the Barnard House, where the grid for the City of Troy was plotted, will be incorporated into the museum grounds over the next five years. Researchers may access 19th and early 20th century artifacts, as well as museum archives. A variety of programming is offered throughout the year, including concerts on the Village Green; an antique car show; a fall farm festival; the holiday “Hanging of the Greens”; and lectures on a variety of historical topics. The museum is also available for special events such as weddings, and has been used as a location in films. In addition to museum staff, the Heritage Campaign committee, which raises funds for renovations to the Village Green; the Historical Society; the Historical Commission; and the Historic District Commission work together to make the museum a great destination in the city. In 2008, the Troy Historical Museum was voted the fourth best museum in the Detroit area in WDIV Channel 4’s “4 the Best,” competition, following the Henry Ford, the Detroit Institute of Arts, and the Museum of African American History.

In partnership with the library, plans are underway to develop the museum as a regional genealogy center. By cataloging the museum's collection of books, and digitizing obituaries collected from local papers over the last 50 years, the library and museum will provide comprehensive assistance to those who wish to research the history of Troy, the Detroit area, and the southeast Michigan region.

With an annual circulation of over one and a half million items, and with over 700,000 visits per year, the Troy Public Library is one of the busiest places in town. The library's mission is to serve as a center for learning, enlightenment, and personal development for the residents of Troy. A collection of over 300,000 items including books; magazines; DVDs; books on CD; and much more, supports that mission.

In addition, by providing a breadth and depth of materials to its residents, the Library endeavors to encourage and provide access to the free expression of ideas, which is essential to a dynamic and informed community. To that end, the library offered 1,128 programs for adults, teens and children over the last year. Program topics range from travel to poetry; concerts to video gaming; crafts and story times for children; magic shows and movies; and everything in between.

Demonstrating the interconnectedness of the Troy community with the larger world, the library offers an international language collection of materials for children and adults. As Troy is the second most diverse city in Michigan, and as over 80 languages are spoken in the Troy School District, the importance of diversity is recognized and celebrated at the Troy Public Library. Books; magazines; newspapers; and DVDs in a variety of languages are available. Additionally, a variety of cultural programming is offered, including international language story time; cultural arts events; and "Talk Time", an informal conversation group hosted by the library in partnership with the Oakland Literacy Council.

Other services offered include wired and wireless access to the Internet, as well as computer training on a variety of subjects. The library also offers traditional reference and readers' advisory services. With the help of the Friends of the Troy Public Library, a volunteer organization whose mission is to support and promote the library, the library is able to offer five book discussion groups. The annual summer reading program is one of the library's most popular events. This summer reading program is not just for children, as the library offers similar programs for adults and teens to encourage them to keep reading all summer long. The library also offers a special needs collection for children and their parents. This collection of books; software; DVDs; games; and interactive toys allows special needs children to learn, grow and develop at their own pace and according to their individual needs. The first collection of its kind in any public library in Michigan, the special needs collection has proved popular and useful to the residents of Troy, as has served as a model for other public libraries when starting collections of their own.

As busy and popular community destinations, both the Troy Historical Museum and the Troy Public Library offer a variety of enrichment experiences that serve the diverse needs of Troy residents.

Management of the City is responsible for establishing and maintaining internal control designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control 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 adequate internal control is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control 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 and Special Revenue Funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) 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 the MD&A letter.

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

The General Fund receives all City of Troy revenues not designated for special uses by statutes or the City Charter and accounts for most of the services provided to residents. Overall General Fund revenues increased 0.7% from the prior year. Property taxes in the General Fund increased by 2.8%.

State sources increased slightly this year by $14,570; $6,814,813 from $6,800,243. State shared revenue is the major source of this revenue, which is a return to local governments of a portion of state sales tax and is not restricted to use.

Licenses and permits were down 6.6% due to a decrease in the issuance and value of building permits and right-of-way permits. Fines and forfeitures were down 28.7%. Charges for services revenue decreased by 3.6% due primarily to reduced engineering fees for chargeable projects. Investment income was down 50% due to the corresponding decrease in interest rates.

Total General Fund operating expenditures decreased by 0.6%. All bargaining units received contractual increases in wages this past year. Full-time employment was reduced by four positions through attrition, bringing our total reduction to 19 positions over the last four years. The frequency of snow and ice removal events accounted for the large increase in road and streets expenditures.

General Fund Balance

The fund balance of the General Fund decreased by $1.2 million to a balance of $23,632,762. Of the $23,632,762 fund balance, $617,505 is reserved for such items as inventory and prepaid items; $9,171,895 is unreserved but designated for tax appeals, insurance claims and improvements and maintenance; $4,136,980 is unreserved but designated for the 2008/09 budget; and $1,000,000 is designated for the Volunteer Firefighters Incentive Plan, leaving $8,706,382 as unreserved and undesignated. The $8,706,382 represents 13.5% of our 2008/09 General Fund budget. This amount is within our 10-17% goal and is considered adequate to provide funds for unforeseen future negative events, and any upcoming budget shortfalls.

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:

<u>Major Street Fund</u> – 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 $3,529,518 compared to $3,587,980 last fiscal year.

<u>Local Street Fund</u> – 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. Major activities in this fund include minor home chore program for seniors and infrastructure improvements.

Budget Stabilization Fund – This fund was established in 2004 for the purpose of: 1) Covering any General Fund deficit; 2) Preventing a reduction in the level of public services; and 3) Covering 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.

Water Fund - Operating revenues amounted to $15.7 million, resulting in an increase of $1.0 million from last year. Operating expenses totaled $13.8 million, a decrease of $.1 million from last fiscal year.

Sanitary Sewer Fund - Generated $11.6 million in operating revenues compared to $11.3 million last fiscal year. Operating expenses totaled $9.6 million, the same as last fiscal year. These rates are reviewed annually during budget time to ensure proper funding for operations and maintenance and improvements to the system.

Aquatic Center - Continues to operate at a loss. The operating loss of $150,118 compares to a net loss of $192,611 last fiscal year. Operating revenues decreased by $53,291 year to year due to a large reduction in seasonal pass sales. Operating expenses were reduced by $95,784. The City has taken measures to increase usage and continues to look at ways to reduce the net loss.

Sylvan Glen Golf Course Fund - Ended the year with an increase in net assets of $108,757. This amount compares to an increase of $111,507 last fiscal year.

Sanctuary Lake Golf Course Fund - Ended the year with a decrease in net assets of $634,790 compared to a $622,950 decrease in net assets last fiscal year. Steps have been taken to increase play and reduce the loss.

Internal Service Funds

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

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

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

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

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

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

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

Fiduciary Funds

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

Pension Trust – Employees' Retirement Fund – This fund is used to account for the accumulation of resources for pension benefit payments to qualified general and public safety employees. The Employees Retirement Fund reported end-of-the-year net assets held in trust for pension benefits of $164,732,973 compared to the beginning amount of $181,108,878. As of December 31, 2007, the fund is 107.9% funded.

Pension Trust – Discretionary Fire Incentive Reserve Fund – This fund is used to account for accumulation of resources for incentive payments to qualified volunteer firefighters.

Retiree Health Care Trust Fund - The Retiree Health Care Trust Fund was established in fiscal year 2006 to account for medical benefits provided to employees during retirement. This fund will accumulate revenue until the reserves are depleted in the employees retirement fund. This plan and trust is created under the authority of the Public Employee Health Care Fund Investment Act, Public Act 149 of 1999.

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

Component Units

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

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

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

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

Debt Administration

At June 30, 2008, the City had a number of debt issues outstanding. These issues included $35,333,976 being serviced by Governmental Funds and $11,300,000 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 our unlimited tax 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 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.

Purpose	Authority	Rate Per $1,000 of Taxable Value
General Operating	City Charter	$10.00*
Refuse Collection	Act 298, P.A. of Michigan 1917 as Amended,	3.00*
Disposal	Article IX, Section 56 of Michigan Constitution	
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 2008 was 8.5016 and 2.5522, respectively. Subsequent to year-end the electors of Troy lowered the City's general operating millage rate to 8.10 mills.

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 Rehmann Robson, was selected by the City Council. The City received an "unqualified opinion" from Rehmann Robson, which is the best opinion that an organization can receive on its financial statements. It indicates that the auditor's examination has disclosed no conditions that cause them to believe that the financial statements are not fairly stated in all material respects.

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 CAFR for the fiscal year ended June 30, 2007.

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

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

Acknowledgements

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

Respectfully submitted,

Phillip L. Nelson, City Manager

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Troy
Michigan

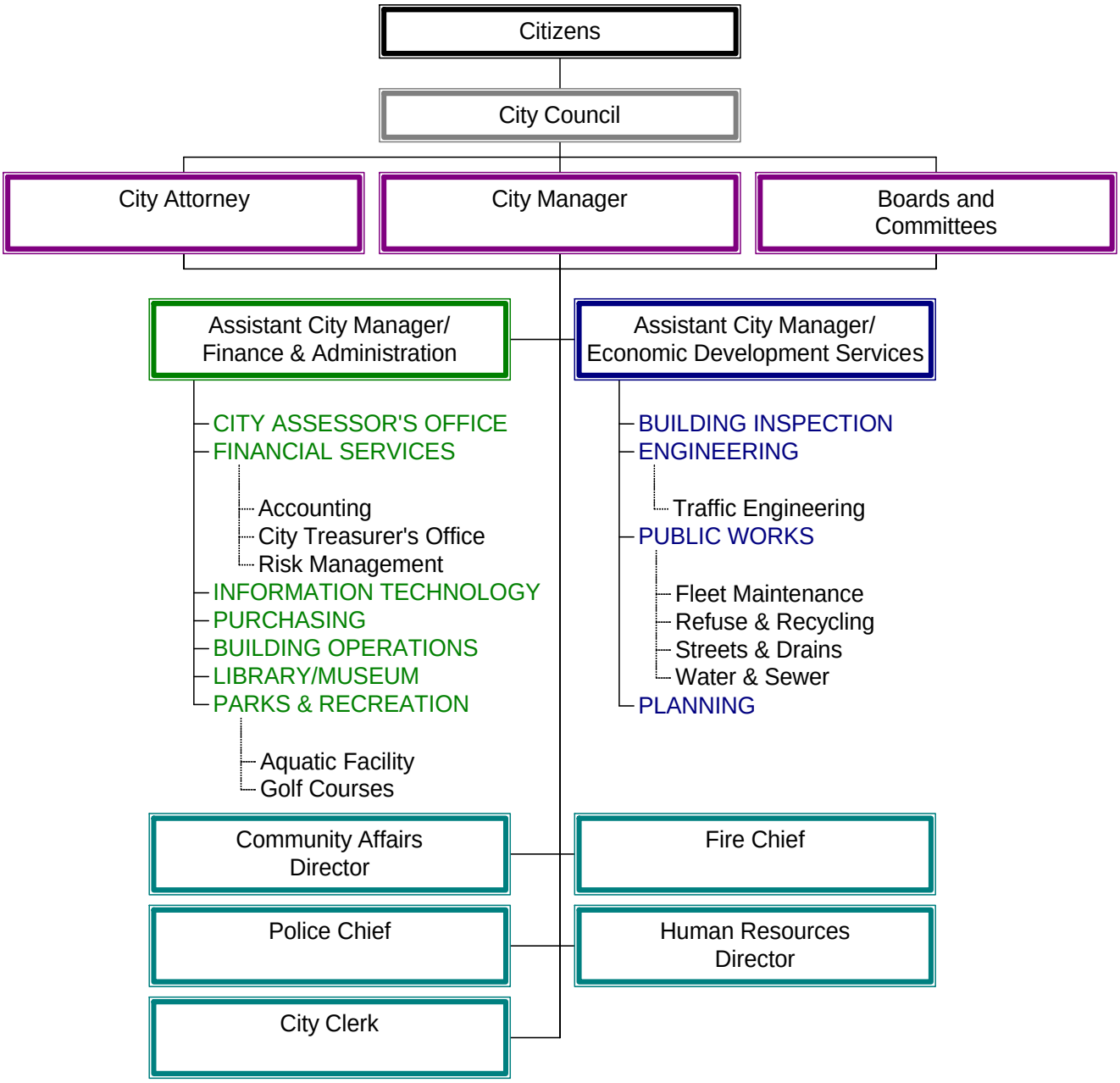
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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

2007/08 ORGANIZATIONAL CHART



PRINCIPAL OFFICIALS

City Manager	**PHILLIP L. NELSON**
City Attorney	**LORI GRIGG BLUHM**
Assistant City Manager/Finance & Administration	**JOHN M. LAMERATO**
Assistant City Manager/Real Estate & Development Director	**BRIAN P. MURPHY**
City Assessor	**LEGER A. LICARI**
City Clerk	**TONNI L. BARTHOLOMEW**
City Engineer	**STEVEN J. VANDETTE**
City Treasurer	**SANDRA L. KASPEREK**
Community Affairs Director	**CYNTHIA STEWART**
Director of Building/Zoning	**MARK S. STIMAC**
Director of Building Operations	**STEVEN PALLOTTA**
Financial Services Director	**JAMES A. NASH**
Fire Chief	**WILLIAM S. NELSON**
Human Resources Director	**PEGGY E. SEARS**
Information Technology Director	**GERTRUDE M. PARASKEVIN**
Library/Museum Director	**CATHLEEN A. RUSS**
Parks and Recreation Director	**CAROL K. ANDERSON**
Planning Director	**MARK F. MILLER**
Police Chief	**CHARLES T. CRAFT**
Public Works Director	**TIMOTHY L. RICHNAK**
Purchasing Director	**SUSAN A. LEIRSTEIN**
Risk Manager	**STEPHEN COOPERRIDER**
Superintendent of Fleet Maintenance	**SAMUEL LAMERATO**
Superintendent of Streets and Drains	**THOMAS ROSEWARNE**
Superintendent of Water	**RICHARD W. SHEPLER**

FUND ORGANIZATION CHART

Governmental Funds

Capital Projects*

Debt Service

- Proposal A
- Proposal B
- Proposal C
- General Debt Service

Special Revenue

- Major Streets
- Local Streets
- Refuse
- Community Development Block Grant
- Budget Stabilization

General*

Permanent

- Cemetery Perpetual Care

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
- Retirees Health Care Trust

Agency

- Agency

Component Units

- Downtown Development Authority
- Brownfield Redevelopment Authority
- Local Development Finance Authority

*Major funds under GASB No. 34

Financial Section

REHMANN ROBSON
Certified Public Accountants
A member of THE REHMANN GROUP
An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

December 11, 2008

To the Honorable Mayor and City Council
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 (the "City"),*** as of and for the year ended June 30, 2008, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on Pages 3-10 and the Schedules of Funding Progress on pages 68-72 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ***City's*** basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for 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. The combining and individual fund financial statements and schedules and 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, as listed in the table of contents, 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.

Rehmann Robson

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, 2008. Please read it in conjunction with the transmittal letter, which begins on page VII and the City's financial statements, which begins on page 11.

FINANCIAL HIGHLIGHTS

- The City's combined total net assets are reported as $378.1 million for the fiscal year ended June 30, 2008, compared to $370.3 last fiscal year.
- In the City's governmental activities, revenues generated $80.9 million, while expenses totaled $78.9 million.
- In the City's business-type activities, revenues generated $32.5 million, while expenses totaled $26.7 million.
- The total cost of all of the City's programs, including governmental activities and business-type activities was $105.6 million, down $9.4 million from last fiscal year, this compares to a $5.2 million increase last year.
- Total net assets increased $7.8 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 nonmajor governmental, nonmajor business-type, internal service, and fiduciary funds, each of which are added together and presented in single columns in the basic financial statements.

GOVERNMENT-WIDE STATEMENTS

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

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

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

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

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

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, 2008 is $378.1 million. Business-type activities comprise $154.1 million and governmental activities make up $224.0 million 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 $78.2 million. $32.0 million is the amount of unrestricted net assets reported for the City of Troy's governmental activities.

The table on the following page shows the comparison of total assets, total liabilities, and total net assets (in millions of dollars) in a condensed format as of June 30, 2008 to the prior year.

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets:						
Current Assets	$ 78.7	$ 83.3	$ 48.6	$ 43.5	$ 127.3	$ 126.8
Capital Assets	192.8	191.0	119.2	117.5	$ 312.0	$ 308.5
Total Assets	**$ 271.5**	**$ 274.3**	**$ 167.8**	**$ 161.0**	**$ 439.3**	**$ 435.3**
Liabilities:						
Long-tern Debt Outstanding	$ 41.6	$ 43.4	$ 11.3	$ 11.6	$ 52.9	$ 55.0
Other Liabilities	5.9	9.6	2.4	0.4	8.3	10.0
Total Liabilities	**$ 47.5**	**$ 53.0**	**$ 13.7**	**$ 12.0**	**$ 61.2**	**$ 65.0**
Net Assets:						
Invested in Capital Assets, Net of Debt	$ 157.4	$ 153.8	$ 107.9	$ 105.9	$ 265.3	$ 259.7
Restricted	34.6	34.1	-	-	34.6	34.1
Unrestricted	32.0	33.4	46.2	43.1	78.2	76.5
Total Net Assets	**$ 224.0**	**$ 221.3**	**$ 154.1**	**$ 149.0**	**$ 378.1**	**$ 370.3**

Total assets increased by $4.0 million during the year, made up of a decrease of $2.8 million in governmental activities and an increase of $6.8 million in business type activities. The decrease in current assets was due primarily to the reduction in interfund receivables (internal balances).

Total liabilities decreased by $3.8 million primarily due to the reduction in long-term debt through annual debt payments. Other liabilities decreased by $1.7 million compared to the prior year.

Net assets show an increase in investments in capital assets net of debt of $5.6 million and unrestricted net assets increased by $1.7 million. Restricted net assets increased by $0.5 million.

The following table shows the comparison of the change in net assets (in millions of dollars) as of June 30, 2008 to the prior year, in a condensed format:

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Program Revenues:						
Charges for Services	$ 11.8	$ 11.8	$ 29.9	$ 28.4	$ 41.7	$ 40.2
Operating Grants & Contributions	1.0	0.9	-	-	1.0	0.9
Capital Grants & Contributions	6.8	6.6	0.6	1.0	7.4	7.6
General Revenues:						
Property Taxes	51.0	50.5	-	-	51.0	50.5
State-shared Revenues	6.6	6.6	-	-	6.6	6.6
Interest Earnings	3.4	4.6	2.0	2.1	5.4	6.7
Other Revenue	0.3	0.3	-	0.2	0.3	0.5
Total Revenues	**$ 80.9**	**$ 81.3**	**$ 32.5**	**$ 31.7**	**$ 113.4**	**$ 113.0**
Program Expenses:						
General Government	$ 9.7	$ 15.1	$ -	$ -	$ 9.7	$ 15.1
Public Safety	31.4	30.4	-	-	31.4	30.4
Engineering & Public Services	16.1	20.9	-	-	16.1	20.9
Community & Economic Dev	2.0	0.2	-	-	2.0	0.2
Sanitation	3.9	4.5	-	-	3.9	4.5
Recreation and Culture	14.2	15.2	-	-	14.2	15.2
Interest Expense	1.6	1.6	-	-	1.6	1.6
Water	-	-	13.8	13.9	13.8	13.9
Sanitary Sewer	-	-	9.6	9.7	9.6	9.7
Golf Courses	-	-	2.7	2.8	2.7	2.8
Aquatic Center	-	-	0.6	0.7	0.6	0.7
Total Expenses	**$ 78.9**	**$ 87.9**	**$ 26.7**	**$ 27.1**	**$ 105.6**	**$ 115.0**
Inc in Net Assets before Transfers	$ 2.0	$ (6.6)	$ 5.8	$ 4.6	$ 7.8	$ (2.0)
Transfers	0.7	0.6	(0.7)	(0.6)	-	-
Increase in Net Assets	**2.7**	**(6.0)**	**5.1**	**4.0**	**7.8**	**(2.0)**
Net Assets - Beginning of Year	221.3	227.3	149.0	145.0	370.3	$ 372.3
Net Assets - End of Year	**$ 224.0**	**$ 221.3**	**$ 154.1**	**$ 149.0**	**$ 378.1**	**$ 370.3**

GOVERNMENTAL ACTIVITIES

The City of Troy's total governmental revenue is reported at $80.9 million, a decrease of $0.4 million from the prior year. This was primarily attributed to a decrease in interest earnings.

Expenses decreased by $9.0 million compared to last fiscal year. The net decrease of $9.0 million is spread over several divisions. The public safety division increased by $1 million, and the general government function decreased by $5.4 million, due to transferring the Planning and Real Estate and Development departments to the Community and Economic Development functions.

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 pre-funding 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 classified as Major Funds are provided to City residents through the Detroit water system and sewerage treatment plants. The large increase in charges for the services and water purchase in the water fund was due to increased water consumption and a water rate increase by the City of Detroit. Change in net assets for business-type activities increased by $5.1 million. The Water and Sewer Fund increased by $3.1 million and $2.7 million respectively. The City's two golf courses recorded a net decrease in net assets of $.5 million.

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's General Fund fund balance decreased by $1.2 million to a balance of $23.6 million. The decrease was anticipated due to re-appropriation of Fund Balance in the amount of $3.2 million. The actual utilization of Fund Balance amounted to $1.2 million versus the $3.2 million budgeted.

Fund balance in the Capital Projects Fund increased by $1.2 million due to the timing of various project completion dates.

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 the transfer from the Capital Projects Fund for various activities that were expended in the General Fund.

Overall expenses for the City were 3.0% or $1.9 million less than the budgeted amount due to a conservative spending policy, delays in filling vacant positions, reduction of four full-time positions, and reduction in benefit levels for new hires.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2008, the City of Troy had $265.3 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, net of debt. The increase in capital assets during the year was attributable to the excess of additions in relation to the recognition of depreciation. 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 rating on unlimited tax general obligation bonds by Fitch Ratings, Moody's, and Standard and Poor's. The City of Troy's bond indebtedness totaled $46.6 million at June 30, 2008. 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 2009 maintains the same tax rate as 2007. The total tax rate has remained the same or lower since July 1, 1996. Property taxes make up approximately 57% of our General Fund budget. Because of the impact of Proposal A and State of Michigan budget woes, 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.

The electors of Troy passed a charter amendment on November 4, 2008 freezing our existing operating rate unless voters approve an increase.

Because most properties decreased in market value due to utilizing a one-year sales study versus two years, 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 $1,570 this past year. When comparing this annual amount to the amount we received five years ago, we are receiving $1.7 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.

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.

City of Troy, Michigan
Statement of Net Assets
June 30, 2008

	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents	$ 55,939,109	$ 25,671,516	$ 81,610,625	$ 13,870,537
Investments	13,382,047	14,914,124	28,296,171	2,543,069
Receivables (net)	6,920,244	8,980,184	15,900,428	99,395
Internal balances	1,531,486	(1,531,486)	-	-
Due from component units	67,485	-	67,485	-
Other assets	889,550	614,870	1,504,420	-
Capital assets:				
Assets not being depreciated	46,443,442	19,350,931	65,794,373	-
Assets being depreciated, net	146,338,142	99,839,067	246,177,209	-
Total assets	**271,511,505**	**167,839,206**	**439,350,711**	**16,513,001**
Liabilities				
Accounts payable	2,956,084	2,231,946	5,188,030	43,374
Accrued payroll	2,495,014	-	2,495,014	-
Accrued liabilities	425,549	56,691	482,240	212,764
Due to primary government	-	-	-	67,485
Unearned revenue	750	101,249	101,999	-
Noncurrent liabilities:				
Due within one year	5,698,064	300,000	5,998,064	1,850,000
Due in more than one year	35,964,934	11,000,000	46,964,934	26,070,000
Total liabilities	**47,540,395**	**13,689,886**	**61,230,281**	**28,243,623**
Net assets				
Invested in capital assets, net of related debt	157,447,608	107,889,998	265,337,606	-
Restricted for:				
Debt service	4,318,695	-	4,318,695	-
Highways and streets	3,106,316	-	3,106,316	-
Capital projects	24,282,400	-	24,282,400	-
Perpetual care	202,748	-	202,748	-
Other purposes	2,642,465	-	2,642,465	-
Unrestricted (deficit)	31,970,878	46,259,322	78,230,200	(11,730,622)
Total net assets (deficit)	**$ 223,971,110**	**$ 154,149,320**	**$ 378,120,430**	**$ (11,730,622)**

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

City of Troy, Michigan
Statement of Activities
For the Year Ended June 30, 2008

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary government					
Governmental activities					
General government	$ 9,719,442	$ 2,391,745	$ 19,309	$ -	$ (7,308,388)
Public safety	31,450,783	3,132,235	189,957	516,305	(27,612,286)
Public works	16,064,613	1,613,717	-	6,303,105	(8,147,791)
Sanitation	3,893,842	3,510	-	-	(3,890,332)
Community and economic development	2,013,127	-	603,418	29,674	(1,380,035)
Recreation and culture	14,209,839	4,617,520	166,429	21,885	(9,404,005)
Interest on long-term debt	1,572,470	-	-	-	(1,572,470)
Total governmental activities	**78,924,116**	**11,758,727**	**979,113**	**6,870,969**	**(59,315,307)**
Business-type activities					
Water	13,808,288	15,684,590	-	433,502	2,309,804
Sewer	9,576,883	11,612,763	-	209,892	2,245,772
Aquatic center	592,653	438,432	-	-	(154,221)
Sylvan Glen golf course	1,110,038	1,137,679	-	-	27,641
Sanctuary Lake golf course	1,624,625	985,503	-	-	(639,122)
Total business-type activities	**26,712,487**	**29,858,967**	**-**	**643,394**	**3,789,874**
Total primary government	**$105,636,603**	**$ 41,617,694**	**$ 979,113**	**$ 7,514,363**	**$ (55,525,433)**
Component units					
Downtown development authority	$ 2,093,522	$ -	$ -	$ -	$ (2,093,522)
Local development financing authority	263,509	-	-	-	(263,509)
Brownfield redevelopment authority	54,407	-	-	-	(54,407)
Total component units	**$ 2,411,438**	**$ -**	**$ -**	**$ -**	**$ (2,411,438)**

continued…

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

City of Troy, Michigan
Statement of Activities (Concluded)
For the Year Ended June 30, 2008

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in net assets				
Net (expense) revenue	$ (59,315,307)	$ 3,789,874	$ (55,525,433)	$ (2,411,438)
General revenues				
Property taxes	36,667,821	-	36,667,821	-
Property taxes for sanitary purposes	3,563,759	-	3,563,759	-
Property taxes for economic development	-	-	-	4,797,316
Property taxes for capital projects	8,385,316	-	8,385,316	-
Property taxes for debt service	2,385,184	-	2,385,184	-
State shared revenue, unrestricted	6,633,938	-	6,633,938	-
Grants and contributions not restricted to specific programs	37,398	14,882	52,280	-
Unrestricted investment earnings	3,425,379	1,963,881	5,389,260	790,224
Gain on sale of capital assets	179,109	-	179,109	-
Transfers - internal activities	682,140	(682,140)	-	-
Total general revenues and transfers	**61,960,044**	**1,296,623**	**63,256,667**	**5,587,540**
Change in net assets	2,644,737	5,086,497	7,731,234	3,176,102
Net assets (deficit), beginning of year	221,326,373	149,062,823	370,389,196	(14,906,724)
Net assets (deficit), end of year	**$ 223,971,110**	**$ 154,149,320**	**$ 378,120,430**	**$ (11,730,622)**

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

City of Troy, Michigan
Balance Sheet
Governmental Funds
June 30, 2008

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 19,365,941	$ 19,394,898	$ 6,008,358	$ 44,769,197
Investments	2,334,056	4,496,746	3,744,220	10,575,022
Receivables:				
Accounts receivable (net)	889,093	1,413,215	-	2,302,308
Taxes-delinquent	455,802	-	-	455,802
Special assessments	-	749,603	-	749,603
Interest and dividends	22,189	42,755	14,356	79,300
Due from other funds	1,683,995	-	-	1,683,995
Due from component units	67,485	-	-	67,485
Due from other governments	2,349,228	-	942,692	3,291,920
Inventory	182,211	-	-	182,211
Prepaid expenditures	435,294	-	-	435,294
Total assets	**$ 27,785,294**	**$ 26,097,217**	**$ 10,709,626**	**$ 64,592,137**
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 1,103,427	$ 1,302,390	$ 168,889	$ 2,574,706
Accrued payroll	2,495,014	-	-	2,495,014
Due to other funds	-	-	270,513	270,513
Other liabilities	73,688	-	-	73,688
Deferred revenue	480,403	512,427	-	992,830
Total liabilities	**4,152,532**	**1,814,817**	**439,402**	**6,406,751**
Fund balances				
Reserved for:				
Debt service	-	-	4,318,695	4,318,695
Inventory and prepaid items	617,505	-	-	617,505
Project commitments	-	539,016	-	539,016
Unreserved, reported in:				
General fund	23,015,257	-	-	23,015,257
Special revenue funds	-	-	5,748,781	5,748,781
Capital project funds	-	23,743,384	-	23,743,384
Permanent fund	-	-	202,748	202,748
Total fund balances	**23,632,762**	**24,282,400**	**10,270,224**	**58,185,386**
Total liabilities and fund balances	**$ 27,785,294**	**$ 26,097,217**	**$ 10,709,626**	**$ 64,592,137**

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

City of Troy, Michigan

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

June 30, 2008

Fund balances - total governmental funds	$ 58,185,386
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: capital assets not being depreciated	46,207,064
Add: capital assets being depreciated	305,499,426
Deduct: accumulated depreciation	(163,310,418)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.	
Add: deferred revenues	992,080
Internal service funds are used by management to charge the costs of certain equipment usage, public service department and retiree health care costs to individual governmental funds. A portion of the assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	
Add: net assets of governmental activities accounted for in the internal service funds.	12,614,588
Add: due from business-type activities for internal service fund activities	118,004
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct: accrued interest payable	(351,861)
Deduct: bonds payable	(35,333,976)
Deduct: claims incurred but not reported	(649,183)
Net assets of governmental activitie	**$ 223,971,110**

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

City of Troy, Michigan
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	$ 36,667,821	$ 8,385,316	$ 6,217,619	$ 51,270,756
Licenses and permits	1,393,635	-	-	1,393,635
Intergovernmental:				
Federal sources	14,577	1,149,268	115,981	1,279,826
State sources	6,814,813	252,259	4,923,352	11,990,424
Local sources	450,491	307,567	-	758,058
Charges for services	7,592,357	506,873	10,685	8,109,915
Fines and forfeitures	886,174	597,610	-	1,483,784
Investment earnings	766,073	1,399,434	616,979	2,782,486
Other	1,451,064	226,050	247,863	1,924,977
Total revenues	**56,037,005**	**12,824,377**	**12,132,479**	**80,993,861**
Expenditures				
Current:				
General government	9,181,757	-	-	9,181,757
Public safety	30,764,667	-	-	30,764,667
Public works	8,277,593	-	-	8,277,593
Sanitation	-	-	3,892,487	3,892,487
Community development	-	-	115,981	115,981
Recreation and culture	14,431,267	-	-	14,431,267
Debt service				
Principal	-	178,296	1,790,000	1,968,296
Interest and fees	-	83,504	1,388,255	1,471,759
Capital outlay	-	12,322,730	-	12,322,730
Total expenditures	**62,655,284**	**12,584,530**	**7,186,723**	**82,426,537**
Revenues (under) over expenditures	**(6,618,279)**	**239,847**	**4,945,756**	**(1,432,676)**
Other financing sources (uses)				
Transfers in	5,385,454	3,783,000	3,091,779	12,260,233
Transfers out	-	(2,911,522)	(8,666,571)	(11,578,093)
Proceeds from bond issuance	-	-	3,505,000	3,505,000
Payments to escrow agents	-	-	(3,601,840)	(3,601,840)
Proceeds from sale of capital assets	-	47,902	-	47,902
Total other financing sources (uses)	**5,385,454**	**919,380**	**(5,671,632)**	**633,202**
Net change in fund balances	(1,232,825)	1,159,227	(725,876)	(799,474)
Fund balances, beginning of year	24,865,587	23,123,173	10,996,100	58,984,860
Fund balances, end of year	**$ 23,632,762**	**$ 24,282,400**	**$ 10,270,224**	**$ 58,185,386**

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

City of Troy, Michigan

Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2008

Net change in fund balances - total governmental funds	$ (799,474)
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 and reported as depreciation expense.	
Add: capital outlay	12,322,730
Deduct: depreciation expense	(10,767,851)
Deduct: book basis in capital assets sold	(14,847)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.	
Deduct: net difference in deferred revenue	(510,700)
Bond proceeds provide current financial resources to governmental funds in the period issue but issuing bonds increases 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.	
Add: principal payments on long-term liabilities	1,968,296
Add: payments to escrow agents on bond defeasance	3,601,840
Deduct: proceeds from bond issuance	(3,505,000)
Internal service funds are used by management to charge the costs of certain equipment, public service department and employee insurance costs to individual governmental funds. The net revenue attributable to those funds are reported with governmental activities.	
Add: net gain from governmental activities in the internal service funds	176,258
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Deduct: increase in accrued interest expense	(100,711)
Add: decrease in accrued claims payable	274,196
Change in net assets of governmental activities	**$ 2,644,737**

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

City of Troy, Michigan
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Property taxes	$ 36,308,690	$ 36,308,690	$ 36,667,821	$ 359,131
Licenses and permits	1,747,500	1,747,500	1,393,635	(353,865)
Intergovernmental				
Federal sources	50,300	50,300	14,577	(35,723)
State sources	6,789,600	6,789,600	6,814,813	25,213
Local sources	582,590	582,590	450,491	(132,099)
Charges for services	6,776,800	6,916,800	7,592,357	675,557
Fines and forfeitures	1,027,000	1,127,000	886,174	(240,826)
Investment earnings	1,300,000	1,300,000	766,073	(533,927)
Other	1,302,150	1,302,150	1,451,064	148,914
Total revenues	**55,884,630**	**56,124,630**	**56,037,005**	**(87,625)**
Expenditures				
General government				
Council and executive administration	2,033,040	2,033,040	1,845,052	187,988
Finance	5,054,990	5,054,990	4,908,561	146,429
Other	2,700,750	2,740,750	2,428,144	312,606
Total general government	**9,788,780**	**9,828,780**	**9,181,757**	**647,023**
Public safety				
Police	24,060,510	24,280,510	24,269,905	10,605
Fire	4,317,390	4,417,390	4,373,016	44,374
Building inspection	2,243,190	2,243,190	2,121,746	121,444
Total public safety	**30,621,090**	**30,941,090**	**30,764,667**	**176,423**
Public works				
Roads and streets	5,606,460	5,606,460	5,600,748	5,712
Engineering	3,136,960	3,136,960	2,676,845	460,115
Total public works	**8,743,420**	**8,743,420**	**8,277,593**	**465,827**
Culture and recreation				
Parks and recreation	9,413,260	10,013,260	9,599,827	413,433
Library and museum	5,066,530	5,066,530	4,831,440	235,090
Total culture and recreation	**14,479,790**	**15,079,790**	**14,431,267**	**648,523**
Total expenditures	**63,633,080**	**64,593,080**	**62,655,284**	**1,937,796**
Revenues over (under) expenditures	**(7,748,450)**	**(8,468,450)**	**(6,618,279)**	**1,850,171**
Other financing sources				
Transfers in	4,538,610	5,258,610	5,385,454	126,844
Net change in fund balances	(3,209,840)	(3,209,840)	(1,232,825)	1,977,015
Fund balance, beginning of year	24,865,587	24,865,587	24,865,587	-
Fund balance, end of year	**$ 21,655,747**	**$ 21,655,747**	**$ 23,632,762**	**$ 1,977,015**

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

City of Troy, Michigan
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Sanctuary Lake Golf Course	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets						
Current assets						
Cash and cash equivalents	$ 7,560,027	$ 17,107,700	$ 500	$ 1,003,289	$ 25,671,516	$ 11,169,912
Investments	9,870,025	4,792,159	-	251,940	14,914,124	2,807,025
Interest receivable	21,563	48,096	-	2,395	72,054	26,689
Accounts receivable						
Billed	2,142,589	1,930	29,861	38,826	2,213,206	14,622
Unbilled	3,466,018	2,649,784	-	-	6,115,802	-
Due from other funds	-	-	-	1,139,845	1,139,845	-
Inventories	568,534	21,326	11,247	13,763	614,870	272,045
Total current assets	**23,628,756**	**24,620,995**	**41,608**	**2,450,058**	**50,741,417**	**14,290,293**
Noncurrent assets						
Contracts receivable	162,498	416,624	-	-	579,122	-
Capital assets not being depreciated	7,954,055	7,288,861	2,213,463	1,894,552	19,350,931	236,378
Capital assets being depreciated net of accumulated depreciation	61,170,914	27,152,164	8,714,852	2,801,137	99,839,067	4,149,134
Total capital assets, net of accumulated depreciation	**69,124,969**	**34,441,025**	**10,928,315**	**4,695,689**	**119,189,998**	**4,385,512**
Total noncurrent assets	**69,287,467**	**34,857,649**	**10,928,315**	**4,695,689**	**119,769,120**	**4,385,512**
Total assets	**92,916,223**	**59,478,644**	**10,969,923**	**7,145,747**	**170,510,537**	**18,675,805**
Liabilities						
Current liabilities						
Accounts payable	1,413,907	686,757	73,626	57,656	2,231,946	381,378
Due to other funds	-	-	2,166,730	386,597	2,553,327	-
Accrued liabilities	12,225	-	44,466	-	56,691	-
Compensated absences	-	-	-	-	-	3,096,925
Unearned revenue	101,249	-	-	-	101,249	-
Current portion of bonds payable	-	-	300,000	-	300,000	-
Total current liabilities	**1,527,381**	**686,757**	**2,584,822**	**444,253**	**5,243,213**	**3,478,303**
Noncurrent liabilities						
Compensated absences	-	-	-	-	-	2,582,914
Bonds payable	-	-	11,000,000	-	11,000,000	-
Total noncurrent liabilities	**-**	**-**	**11,000,000**	**-**	**11,000,000**	**2,582,914**
Total liabilities	**1,527,381**	**686,757**	**13,584,822**	**444,253**	**16,243,213**	**6,061,217**
Net assets						
Investment in capital assets, net of related debt	69,124,969	34,441,025	(371,685)	4,695,689	107,889,998	4,385,512
Unrestricted	22,263,873	24,350,862	(2,243,214)	2,005,805	46,377,326	8,229,076
Total net assets (deficit)	**$ 91,388,842**	**$ 58,791,887**	**$ (2,614,899)**	**$ 6,701,494**	**154,267,324**	**$ 12,614,588**
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(118,004)	
Net assets of business type activities					**$ 154,149,320**	

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

City of Troy, Michigan
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Sanctuary Lake Golf Course	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenues						
Charges for services	$ 14,700,959	$ 11,612,763	$ 683,972	$ 1,148,838	$ 28,146,532	$ 8,356,108
Rental						-
Golf course	-	-	297,225	226,461	523,686	-
Restaurant	-	-	4,306	87,720	92,026	-
Hydrant	140,750	-	-	-	140,750	-
Building	-	-	-	-	-	214,709
Equipment	-	-	-	-	-	3,550,422
Tap and connections fees	374,472	-	-	-	374,472	-
Penalties	417,085	-	-	-	417,085	-
Other services	51,324	-	310	127,664	179,298	-
Other services to city funds	-	-	-	-	-	572,887
Total operating revenues	**15,684,590**	**11,612,763**	**985,813**	**1,590,683**	**29,873,849**	**12,694,126**
Operating expenses						
Cost of sales and services	8,606,895	7,580,064	-	-	16,186,959	8,891,479
General and administrative	723,446	306,578	-	-	1,030,024	559,831
Operations	2,687,523	696,325	732,703	1,346,532	5,463,083	2,955,729
Depreciation	1,758,575	979,778	349,768	347,573	3,435,694	958,371
Total operating expenses	**13,776,439**	**9,562,745**	**1,082,471**	**1,694,105**	**26,115,760**	**13,365,410**
Operating income (loss)	**1,908,151**	**2,050,018**	**(96,658)**	**(103,422)**	**3,758,089**	**(671,284)**
Non-operating revenues (expenses)						
Investment earnings	779,423	1,122,397	-	62,061	1,963,881	642,893
Interest expense	-	-	(538,132)	-	(538,132)	-
Gain on sale of capital assets	-	-	-	-	-	146,054
Total non-operating revenues (expenses)	**779,423**	**1,122,397**	**(538,132)**	**62,061**	**1,425,749**	**788,947**
Income (loss) before contributions and transfers	**2,687,574**	**3,172,415**	**(634,790)**	**(41,361)**	**5,183,838**	**117,663**
Developer contributions	433,502	209,892	-	-	643,394	
Transfers out	-	(682,140)	-	-	(682,140)	-
Change in net assets	3,121,076	2,700,167	(634,790)	(41,361)	5,145,092	117,663
Net assets (deficit), beginning of year	88,267,766	56,091,720	(1,980,109)	6,742,855		12,496,925
Net assets (deficit), end of year	**$ 91,388,842**	**$ 58,791,887**	**$ (2,614,899)**	**$ 6,701,494**		**$ 12,614,588**
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(58,595)	
Change in net assets of business-type activities					**$ 5,086,497**	

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

City of Troy, Michigan
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Sanctuary Lake Golf Course	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities						
Cash received from customers and other	$ 15,818,995	$ 11,652,061	$ 975,056	$ 1,567,450	$ 30,013,562	$ -
Cash received from interfund services	-	-	-	-	-	12,735,475
Cash payments to employees	(1,998,809)	(728,016)	(426,260)	(741,193)	(3,894,278)	(8,031,036)
Cash payments to suppliers for goods and service	(8,364,634)	(6,984,595)	(201,800)	(437,899)	(15,988,928)	(3,570,769)
Cash payments for interfund service	(416,293)	(206,555)	(23,445)	(49,593)	(695,886)	-
Net cash provided by operating activities	**5,039,259**	**3,732,895**	**323,551**	**338,765**	**9,434,470**	**1,133,670**
Cash flows from non-capital financing activities						
Transfers from other funds	-	-	560,607	-	560,607	-
Transfers to other funds	-	(682,140)	-	-	(682,140)	-
Net cash provided (used) by non-capital financing activities	**-**	**(682,140)**	**560,607**	**-**	**(121,533)**	**-**
Cash flows from capital and related financing activities						
Purchase of capital assets	(1,844,319)	(2,396,490)	(46,026)	(175,046)	(4,461,881)	(1,126,693)
Proceeds from sale of capital asset	-	-	-	-	-	146,054
Bond/note principal payments	-	-	(300,000)	-	(300,000)	-
Bond/note interest payments	-	-	(538,132)	-	(538,132)	-
Net cash (used) by capital and related financing activities	**(1,844,319)**	**(2,396,490)**	**(884,158)**	**(175,046)**	**(5,300,013)**	**(980,639)**
Cash flows from investing activities						
Proceeds from sale of investment	6,665,208	3,030,211	-	400,825	10,096,244	3,881,853
Purchases of investments	(5,585,575)	(3,001,014)	-	(425,196)	(9,011,785)	(3,761,565)
Investment earnings	781,479	1,179,511	-	64,955	2,025,945	628,530
Net cash provided by investing activities	**1,861,112**	**1,208,708**	**-**	**40,584**	**3,110,404**	**748,818**
Net increase (decrease) in cash and cash equivalents	**5,056,052**	**1,862,973**	**-**	**204,303**	**7,123,328**	**901,849**
Cash and cash equivalents, beginning of yea	2,503,975	15,244,727	500	798,986	18,548,188	10,268,063
Cash and cash equivalents, end of year	**$ 7,560,027**	**$ 17,107,700**	**$ 500**	**$ 1,003,289**	**$ 25,671,516**	**$ 11,169,912**

Continued…

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

City of Troy, Michigan
Statement of Cash Flows (Concluded)
Proprietary Funds
For the Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Sanctuary Lake Golf Course	Nonmajor Business-Type Activities	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities						
Operating income (loss)	$ 1,908,151	$ 2,050,018	$ (96,658)	$ (103,422)	$ 3,758,089	$ (671,284)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation	1,758,575	979,778	349,768	347,573	3,435,694	958,371
Changes in assets and liabilities						
Accounts receivable	138,670	56,246	(10,757)	(23,233)	160,926	41,349
Inventories	(13,256)	7,044	8,478	5,845	8,111	(35,081)
Contracts receivable	17,439	(16,948)	-	-	491	-
Accounts payable	1,244,709	656,757	73,626	57,656	2,032,748	18,485
Due to other funds	-	-	-	-	-	-
Accrued liabilities	6,675	-	(906)	54,346	60,115	-
Compensated absences	-	-	-	-	-	821,830
Unearned revenue	(21,704)	-	-	-	(21,704)	-
Net cash provided by operating activities	**$ 5,039,259**	**$ 3,732,895**	**$ 323,551**	**$ 338,765**	**$ 9,434,470**	**$ 1,133,670**
Noncash investing, capital, and financing activities						
Contributions of capital assets	$ 433,502	$ 209,892	$ -	$ -	$ 643,394	$ -

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

City of Troy, Michigan
Statement of Net Assets
Fiduciary Funds
June 30, 2008

	Pension Trusts	Agency
ASSETS		
Cash and cash equivalents	$ 6,073,869	$ 2,464,371
Interest receivable	481,192	4,062
Taxes receivable	-	855,495
Investments		
U.S. Government securities	22,785,435	-
Corporate bonds	34,152,628	-
Corporate equities, preferred	1,847,200	-
Corporate equities, common	76,516,924	-
Mutual funds	37,878,303	-
Other investments	507,161	427,297
Total assets	**180,242,712**	**$ 3,751,225**
LIABILITIES		
Liabilities		
Accounts payable	8,905	$ 2,096
Performance deposits	-	3,749,129
Total liabilities	**8,905**	**$ 3,751,225**
NET ASSETS		
Held in trust for pension benefits	127,361,617	
Held in trust for postemployment healthcare benefits	52,872,190	
Total net assets	**$ 180,233,807**	

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

City of Troy, Michigan
Statement of Changes in Net Assets
Fiduciary Funds
For the Year Ended June 30, 2008

	Pension Trusts
Additions	
Contributions	
Employer contributions	$ 3,995,996
Employee contributions	319,127
Total contributions	**4,315,123**
Investment income	
Interest	3,177,789
Dividends	2,783,679
Net appreciation in fair value	(14,270,471)
Total investment earnings	**(8,309,003)**
Total additions	**(3,993,880)**
Deductions	
Benefits	9,609,637
Administrative expenses	76,857
Total deductions	9,686,494
Net increase in plan net assets	**(13,680,374)**
Net assets held in trust, beginning of year for	
Pension benefits	142,185,695
Postemployment healthcare benefits	51,728,486
Total net assets held in trust, beginning of year	**193,914,181**
Net assets held in trust for	
Pension benefits	127,361,617
Postemployment healthcare benefits	52,872,190
Total net assets held in trust, end of year	**$ 180,233,807**

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

City of Troy, Michigan
Component Units
Combining Statement of Net Assets
June 30, 2008

	Downtown Development Authority	Local Development Financing Authority	Brownfield Redevelopment Authority	Total
Assets				
Cash and cash equivalents	$ 12,196,236	$ 131,431	$ 1,542,870	$ 13,870,537
Investments	2,122,313	33,029	387,727	2,543,069
Receivables:				
Taxes receivable	73,855	170	1,190	75,215
Interest receivable	20,179	314	3,687	24,180
Total assets	**14,412,583**	**164,944**	**1,935,474**	**16,513,001**
Liabilities				
Accounts payable	11,099	-	32,275	43,374
Due to primary government	67,485	-	-	67,485
Interest payable	212,764	-	-	212,764
Noncurrent liabilities				
Due within one year	1,850,000	-	-	1,850,000
Due after one year	26,070,000	-	-	26,070,000
Total liabilities	**28,211,348**	**-**	**32,275**	**28,243,623**
Net assets (deficit)				
Unrestricted	(13,798,765)	164,944	1,903,199	(11,730,622)
Total net assets (deficit)	**$ (13,798,765)**	**$ 164,944**	**$ 1,903,199**	**$ (11,730,622)**

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

City of Troy, Michigan
Component Units
Combining Statement of Activities
For the Year Ended June 30, 2008

	Downtown Development Authority	Local Development Financing Authority	Brownfield Redevelopment Authority	Total
Revenues				
Property taxes	$ 3,665,943	$ 296,552	$ 834,821	$ 4,797,316
Investment earnings	690,389	9,065	90,770	790,224
Total revenues	**4,356,332**	**305,617**	**925,591**	**5,587,540**
Expenses				
Economic development	791,522	263,509	49,294	1,104,325
Interest	1,302,000	-	-	1,302,000
Other	-	-	5,113	5,113
Total expenses	**2,093,522**	**263,509**	**54,407**	**2,411,438**
Change in net assets	2,262,810	42,108	871,184	3,176,102
Net assets (deficit), beginning of year	(16,061,575)	122,836	1,032,015	(14,906,724)
Net assets (deficit), end of year	**$ (13,798,765)**	**$ 164,944**	**$ 1,903,199**	**$ (11,730,622)**

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

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 three component units, the Downtown Development Authority, Brownfield Redevelopment Authority and the Local Development Financing Authority, which meets the criteria for discretely presented component units. The Authorities are also reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. Financial Statements for each of the individual component units are available at the City Office.

The purpose of the Downtown Development Authority is to issue bonds and use tax increment financing in the accomplishment of specific Downtown Development improvements to City-owned facilities and infrastructure, which are contained in the locally adopted development plan. The Authority's governing body, which consists of thirteen individuals, is selected by the City Council. In addition, the City Council sets the annual budget. The purpose of the Brownfield Redevelopment Authority is to provide assistance for the redevelopment of abandoned, idled, or under-utilized industrial or commercial properties, which are complicated by real or perceived environmental contamination. The Authority's governing body, which consists of seven individuals, is selected by the City Council. In addition, the City Council sets the annual budget for the Authority. The Local Development Financing Authority is a multi-jurisdictional authority that was established to encourage local development in order to prevent conditions of unemployment and to promote economic growth. The Authority's governing body, which

consists of five individuals, is selected by the City Council. In addition, the City Council sets the annual budget.

Included within the reporting entity is the Troy Municipal Building Authority. The City feels that this authority meets the minimum requirements to be considered a blended component unit. The governing body of this authority is appointed by City Council. Its' budget 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 blended component unit reported herein has a June 30th year end.

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 units, 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.

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 and construction in progress are reported separately.

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

Basis of Presentation - Fund Accounting

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

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

Governmental Funds

The City reports the following major and nonmajor governmental funds:

Major 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.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

Nonmajor Governmental Funds

Special Revenue Funds

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

Debt Service Funds

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

Permanent Funds

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

In addition, the City reports the following fund types:

Proprietary Funds

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Funds, Aquatic Center, Golf Course Funds and the City's Internal Service Funds are charges to customers for sales and services. Operating expenses for the Enterprise Funds and Internal Service Funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Proprietary Funds focus on limitations on the use of net assets, rather than on the source of those assets.

The following Proprietary Funds are reported:

Enterprise Funds

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

Internal Service Funds

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

The City operates six Internal Service Funds. The Unemployment and Worker's Compensation Funds account for insurance costs provided to and charged to other departments. The Compensated Absences Fund accounts for the accrual of sick and vacation by all departments. The Information Technology Fund provides computer services, training and equipment to all departments on a cost reimbursement basis. The Motor Equipment Fund rents vehicles and equipment to departments on a cost reimbursement basis. The Custodial Services Fund to provide such services to all funds 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, and other governments. These include Pension Trust Funds, a Retiree Health Care Trust Fund and an Agency Fund. Pension Trust Funds are accounted for in essentially the same manner as Proprietary Funds, since capital maintenance is critical. The Pension Trust Funds account for the activities of the general employees and volunteer fireman retirement systems, which accumulate resources for pension benefits to qualified employees and volunteers during retirement. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. Agency Fund activity includes tax collections for other taxing jurisdictions in which the City collects taxes for and contractors performance deposits.

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 generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The exception to this is state shared revenues and expenditure driven grants in which revenues are recognized if received within 90 days and one year of the end of the fiscal period, respectively. Significant revenues susceptible to accrual include reimbursement grants, state shared revenues and charges for services.

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

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

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

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

All Proprietary Funds and the Pension Trust Funds are accounted for on a cost of services or "economic resources" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statements of net assets. 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. Governments also have the option of following subsequent private–sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private sector guidance.

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 and Special Revenue Funds.

2. The budgets must be balanced.

3. The budgets must be amended when necessary.

4. Public hearings must be held before budget adoptions.

5. Expenditures cannot exceed budget appropriations.

6. Expenditures must be authorized by a budget before being incurred.

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

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

1. On or before the third Monday in April, the City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them.

2. A public hearing on the budget is held before its final adoption.

3. As provided for by the City Charter, on or before the third Monday in May, the budget is legally adopted and by resolution designates the sum to be raised by taxation.

4. The City Manager is authorized to transfer budgeted amounts within budgetary functions; however, any revisions that alter the total expenditure of any budgetary function must be approved by the City Council.

Budget amounts of the revenues and expenditures presented for the Governmental Funds are a summarization of the budgeted amounts as originally adopted or as amended by the City Council.

Individual amendments were not material in relation to the original appropriations that were adopted, for the General and Special Revenue Funds. Budget appropriations lapse at year end. During the current year, the budget was amended in a legally permissible manner. Budgets have been prepared on a basis consistent with generally accepted accounting principles (GAAP).

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, if any, are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

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

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, 2008, are recorded as prepaid items.

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.

Infrastructure acquired prior to fiscal years ended after June 30, 1980 is not reported in Capital Assets.

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

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

Accrued Vacation and Other Compensated Absences

The City maintains an Internal Service Fund to account for the accumulation of resources for, and the payment of, vacation, compensatory time, holiday and sick pay. 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, 2008, was $2,649,272.

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.

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

Note 2 - 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, 2007		$ (3,548,298)
Current year building permit revenue	$ 1,325,890	
Related expenses:		
Direct costs	2,127,999	
Estimated indirect costs	170,240	
Total construction code expenses	2,298,239	
Net shortfall for the year ended June 30, 2008		(972,349)
Cumulative shortfall at June 30, 2008		$ (4,520,647)

Note 3 - Deposits and Investments

Statutory Authority

State statutes authorize the City to make limited investments authorized by Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended), and may invest in the following:

a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States. Repurchase agreements consisting of these same instruments.

b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more

than 270 days after the date of purchase. Not more than fifty percent of any fund may be invested in commercial paper at any time.

d. Bankers acceptances of United States banks.

e. Obligations of the State of Michigan or any of its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.

f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

g. External investment pools as authorized by Public Act 20 as amended throug12/31/97.

The investment policy adopted by the City Council in accordance with Public Act 20 of 1943, as amended authorizes investments in all of the above investments with the following provision: Authorized Depositories shall be designated by the City of Troy City Council.

The City of Troy's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All investments are recorded at fair value.

The Pension Trust Funds are also authorized to invest in Stocks, Annuity Investment Contracts, Mutual Funds, Commercial Paper, Corporate Bonds, Instrumentalities of the United States, Real Estate (limited to five percent of the trust funds assets), certain state and local government obligations, and certain other specified investment vehicles.

Investment and deposit risk

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

At year end, the average maturities of debt security investments are as follows:

Investment	Fair Value	Average Maturity
Government-wide		
US Government or agency bond/note	$20,518,748	270 days
Pooled investments	7,777,423	120 days
Employees' Retirement System		
Corporate Bonds	34,152,628	3.2 years
US Government or agency bond/note	17,557,911	5 years
Discretionary Fire Incentive Reserve		
US Government or agency bond/note	5,227,524	5 years
Retiree Health Care Trust Fund		
Other	507,161	120 days

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

Investment	FairValue	Rating	Organization
General Employees' Retirement System			
Corporate Bonds	$ 4,496,600	AAA	S&P
Corporate Bonds	6,626,483	AA to AA-	S&P
Corporate Bonds	10,579,968	A to A-	S&P
Corporate Bonds	7,640,240	BBB to BBB-	S&P
Corporate Bonds	197,500	BB to BB-	S&P
Corporate Bonds	4,097,663	B to B-	S&P
Corporate Bonds	514,174	Not Rated	
Total	$34,152,628		

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City of Troy deposits may not be returned. State law does not require and the City's investment policy does not directly address a deposit policy for custodial credit risk. At year end, $87,854,222 of the City of Troy's bank deposits (certificates of deposit, checking, and cash) was exposed to custodial credit risk because they were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution: only those institutions with an acceptable estimated risk level are used as depositories.

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

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

Concentration of Credit Risk. In compliance with State law, the City's investment policy limits investments to the top two ratings issued by nationally recognized statistical rating organizations. Through its investment policy, the City places a 5 percent limit on the amount the City may invest in any one issuer.

Note 4 - Receivables

Receivables, which includes amounts due from other governments at June 30, 2008, are summarized as follows:

	Governments	Other
Major Governmental Funds		
General Fund		
Due from Oakland County	$ 152,568	$ -
Due from State of Michigan	2,196,660	-
Invoices and advances	-	889,093
	2,349,228	889,093
Capital Projects Fund		
Billed Accounts Receivable	-	1,413,215
Total Major Governmental Funds	$ 2,349,228	$ 2,302,308
Nonmajor Governmental Funds		
Community Development Block Grant Fund		
Due from Federal Government	136,209	-
Major Streets Fund		
Due from State of Michigan	578,087	-
Local Streets Fund		
Due from State of Michigan	228,396	-
Total Nonmajor Governmental Funds	942,692	-
Total Governmental Funds	$ 3,291,920	$ 2,302,308
Major Business-Type Activities		
Water Fund		
Billed accounts receivable	$ -	$ 2,142,589
Unbilled accounts receivable	-	3,466,018
	-	5,608,607
Sanitary Sewer Fund		
Billed	$ -	$ 1,930
Unbilled accounts receivable	-	2,649,784
	-	2,651,714
Sanctuary Lake Golf Course Fund		
Billed accounts receivable	-	29,861
Total Major Business-Type Activities Funds	$ -	$ 8,290,182
Nonmajor Business-Type Activities		
Acquatic Center Fund		
Billed accounts receivable	$ -	$ 10,112
Sylvan Glen Golf Course Fund		
Billed accounts receivable	-	28,714
Total Nonmajor Business-Type Activities	-	38,826
Total Business-Type Activities	$ -	$ 8,329,008
Governmental Activities - Internal Service Fund		
Motor Equipment Fund		
Billed accounts receivable	$ -	$ 14,622
Total	$ 3,291,920	$ 10,645,938

Note 5 - Capital Assets

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

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 30,365,194	$ 1,423,283	$ 14,851	$ 31,773,626
Museum artifacts	2,082,845	1,821		2,084,666
Construction-in-progress	6,027,609	6,715,894	158,353	12,585,150
Total capital assets, not being depreciated	**$ 38,475,648**	**$ 8,140,998**	**$ 173,204**	**$ 46,443,442**
Capital assets, being depreciated:				
Infrastructure-major/county/local roads	$ 136,675,733	$ 1,926,373		$ 138,602,106
Infrastructure-local donated roads	32,766,626	702,000		33,468,626
Infrastructure-sidewalks	28,725,491	658,024		29,383,515
Infrastructure-drains	926,972	100,465		1,027,437
Land improvements	6,353,446	681,462		7,034,908
Buildings and improvements	77,528,902	522,735		78,051,637
Miscellaneous equipment	3,967,390	608,240	20,244	4,555,386
Office equipment	2,224,072	67,845	15,510	2,276,407
Vehicles	18,020,562	901,615	933,615	17,988,562
Library books/audio visual	6,596,339	732,107	575,594	6,752,852
Total capital assets being depreciated	**$ 313,785,533**	**$ 6,900,866**	**$ 1,544,963**	**$ 319,141,436**
Less accumulated depreciation for:				
Infrastructure-major/county/local roads	$ 57,794,609	$ 5,132,918		$ 62,927,527
Infrastructure-local donated roads	19,696,586	1,304,457		21,001,043
Infrastructure-sidewalks	23,155,094	1,170,623		24,325,717
Infrastructure-drains	55,617	18,154		73,771
Land improvements	4,844,368	307,401		5,151,769
Buildings and improvements	33,212,904	2,918,846		36,131,750
Miscellaneous equipment	3,189,357	220,582	20,244	3,389,695
Office equipment	1,759,694	152,981	15,510	1,897,165
Vehicles	12,334,080	1,204,563	933,615	12,605,028
Library books/Audio Visual	5,145,642	729,781	575,594	5,299,829
Total accumulated depreciation	**$ 161,187,951**	**$ 13,160,306**	**$ 1,544,963**	**$ 172,803,294**
Total capital assets, being depreciated, net	**$ 152,597,582**	**$ (6,259,440)**	**$ -**	**$ 146,338,142**
Governmental activities capital assets, net	**$ 191,073,230**	**$ 1,881,558**	**$ 173,204**	**$ 192,781,584**

Note 5 – Capital Assets - Continued

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Business-Type Activities				
Capital assets, not being depreciated:				
Land	$ 6,738,504			$ 6,738,504
Construction-in-progress	12,598,057	4,220,751	4,206,381	12,612,427
Total capital assets, not being depreciated	**$ 19,336,561**	**$ 4,220,751**	**$ 4,206,381**	**$ 19,350,931**
Capital assets, being depreciated:				
Water and sewer transmission and distribution system	$ 139,503,904	$ 4,850,133		$ 144,354,037
Service connections	750,121			750,121
Land improvements	8,809,948	88,284		8,898,232
Buildings and improvements	7,172,107	85,385		7,257,492
Miscellaneous equipment	2,539,763	19,700		2,559,463
Motor vehicles	426,004			426,004
Furniture, fixtures and other	261,330	47,402		308,732
Total capital assets being depreciated	**$ 159,463,177**	**$ 5,090,904**	**$ -**	**$ 164,554,081**
Less accumulated depreciation for:				
Water and sewer transmission and distribution system	$ 53,664,515	$ 2,669,984		$ 56,334,499
Service connections	750,121			750,121
Land improvements	1,352,150	261,670		1,613,820
Buildings and improvements	3,104,024	272,077		3,376,101
Miscellaneous equipment	1,829,563	174,966		2,004,529
Motor vehicles	317,417	57,197		374,614
Furniture, fixtures and other	261,330			261,330
Total accumulated depreciation	**$ 61,279,120**	**$ 3,435,894**	**$ -**	**$ 64,715,014**
Total capital assets, being depreciated, net	**$ 98,184,057**	**$ 1,655,010**	**$ -**	**$ 99,839,067**
Total business-type activities capital assets, net	**$ 117,520,618**	**$ 5,875,761**	**$ 4,206,381**	**$ 119,189,998**

Note 5 – Capital Assets – Continued

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

Governmental activities:	
General government	$ 3,949,743
Public safety	471,157
Public works	7,686,566
Community and economic development	28,731
Recreation and culture	1,024,109
Total depreciation expense - governmental activities	**$ 13,160,306**
Business-type activities:	
Water	$ 1,758,775
Sewer	979,778
Aquatic Center	149,574
Sylvan Glen Golf Course	197,999
Sanctuary Lake Golf Course	349,768
Total depreciation expense - business-type activities	**$ 3,435,894**

Note 6 - Interfund Receivables, Payables and Transfers

The amounts of interfund receivables, payables and transfers are as follows as of June 30, 2008:

	Due from Other Funds	Due to Other Funds
General Fund	$ 1,683,995	$ -
Special Revenue Funds		
Community Development Block Grant Fund	-	136,209
Budget Stabilization Fund	-	134,304
Enterprise Funds		
Aquatic Center Fund	-	386,597
Sanctuary Lake Golf Course Fund	-	2,166,730
Sylvan Glen Golf Course Fund	1,139,845	-
	$ 2,823,840	$ 2,823,840

Interfund balances represent routine and temporary cash flow assistance from mainly the General Fund until amounts are transferred from fund investment accounts. The Sylvan Glen Golf Course Fund provides funds for the Sanctuary Lake Golf Course Fund until its operations provide enough funding to cover expenses.

Interfund transfers reported in the fund statements are as follows as of June 30, 2008:

Fund Transferred from	Fund Transferred to	Amount
Nonmajor Governmental Funds	General Fund	$3,854,792
	Nonmajor Governmental Funds	3,091,779
	Capital Projects Fund	1,720,000
		8,666,571
Capital Projects Fund	General Fund	848,522
	Capital Projects Fund	2,063,000
		2,911,522
Sewer Fund	General Fund	682,140
Total		$ 12,260,233

Nonmajor Governmental Funds

Major Streets Fund transfer to General Fund for routine road maintenance in the amount of $2,114,780. Major Streets Fund transfer to Capital Projects Fund of $1,720,000 representing funding of road improvements. Local Streets Fund transfer to General Fund for routine road maintenance in the amount of $1,681,106. General Debt Service Fund transfer to Proposal A, B and C Debt Service Funds in the amount of $2,975,469 for principle and interest payments on outstanding debt.

Capital Projects Fund

Transfer to General Fund per budget amendment for tree planting and maintenance.

Sewer Fund

Transfer to General Fund for storm sewer operating expenditures.

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	
2009	$ 167,487
2010	$ 157,647
2011	$ 67,300

Lease costs for the year ended June 30, 2008, are $170,361.

Note 8 - Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2008:

	Serviced by Governmental Fund Types		Serviced by Proprietary Fund Types			Component Units
	Storm Drains and IBNR	Street Bonds	Enterprise	Internal Service	Total Long-Term Debt	Downtown Development Authority Construction
Long-term debt payable at July 1, 2007	$ 36,828,510	$ 1,375,000	$ 11,600,000	$ 5,220,902	$ 55,024,412	$ 29,645,000
Addition of new debt	7,926,248	-	-	5,549,901	13,476,149	-
Long-term debt retired	(9,971,599)	(175,000)	(300,000)	(5,090,965)	(15,537,564)	(1,725,000)
Total long-term debt payable at June 30, 2008	**$ 34,783,159**	**$ 1,200,000**	**$ 11,300,000**	**$ 5,679,838**	**$ 52,962,997**	**$ 27,920,000**

Governmental Activities

	Balance July 1, 2007	Additions (Deductions)	Balance June 30, 2008	Due Within One Year
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; refunded in 2008	$ 3,650,000	$(3,650,000)	$ -	$ -
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	5,850,000	(250,000)	5,600,000	250,000
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	1,500,000	(250,000)	1,250,000	350,000
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	1,060,000	(40,000)	1,020,000	50,000
George W. Kuhn Drain District Drain Bonds, Series 2001D 12/20/01; original issuance amount $81,089; bearing interest at 2.50%; principal due in annual installments of $3,198 to $5,116 through April 1, 2025	74,439	(3,581)	70,858	3,581

Governmental Activities - Continued

	Balance July 1, 2007	Additions (Deductions)	Balance June 30, 2008	Due Within One Year
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	$ 7,970,000	$ (425,000)	$ 7,545,000	$ 450,000
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	682,828	(42,082)	640,746	43,084
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	1,849,439	(88,635)	1,760,804	90,809
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	1,375,000	(175,000)	1,200,000	175,000
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	12,500,000	(500,000)	12,000,000	500,000

Governmental Activities - Continued

	Balance July 1, 2007	Additions (Deductions)	Balance June 30, 2008	Due Within One Year
George W. Kuhn Drain District Refunding Drain Bonds, Series 2007 Dated 8/01/07; Original Issuance Amount $318,728; bearing interest at 2.55%; principal due in annual installments of $1,663 to $29,033 through April 1, 2024	$ -	$ 318,728 (6,011)	$ - 312,717	$ - 1,663
George W. Kuhn Drain District Drain Bonds dated 9/25/05, Series 2005 original issuance amount $41,440; bearing interest at 1.625%; principal due in annual installments of $1,790 to $2,430 through April 1, 2026	39,649	(1,791)	37,858	1,791
Refunding Bonds, dated 2/29/08; original issuance amount $3,505,000; bearing interest at 3.00% to 4.00%; principal due in annual installments of $165,000 to $365,000 through October 1, 2020	-	3,505,000	3,505,000	220,000
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	363,237	(20,208)	343,029	20,720
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	139,922	(132,887)	7,035	7,035
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	225,617	(184,688)	40,929	9,593

Governmental Activities - Continued

	Balance July 1, 2007	Additions (Deductions)	Balance June 30, 2008	Due Within One Year
Total Long-Term Debt	$37,280,131	$(1,946,155)	$35,333,976	$2,173,276
Other Long-Term Obligations				
Compensated Absences	$ 5,220,902	$ 5,549,901	$ -	$ -
	-	(5,090,965)	5,679,838	3,096,925
Incurred but not reported insurance claims	$ 923,379	$ 4,102,520	$ -	$ -
	-	(4,376,716)	649,183	427,863
Total Governmental Activities	$43,424,412	$(1,761,415)	$41,662,997	$5,698,064

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

Business-Type Activities

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	$11,600,000	$ (300,000)	$11,300,000	$ 300,000
Total Business-Type Activities	$11,600,000	$ (300,000)	$11,300,000	$ 300,000
Total Governmental and Business-type Activities	$55,024,412	$(2,061,415)	$52,962,997	$5,998,064

Component Units

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	$10,695,000	$ (670,000)	$ 10,025,000	$ 700,000

Component Units- Continued

	Balance July 1, 2007	Additions (Deductions)	Balance June 30, 2008	Due Within One Year
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	$ 7,950,000	$ (500,000)	$ 7,450,000	$ 550,000
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	3,750,000	(125,000)	3,625,000	150,000
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	7,250,000	(430,000)	6,820,000	450,000
Total Downtown Development Authority	$29,645,000	$(1,725,000)	$27,920,000	$1,850,000

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, 2008, exclusive of earned but unpaid sick pay and insurance claims are as follows:

	Government Activities			Business Type Activities			Component Units		
Year Ending June 30,	General Obligation Debt Serviced by Government Fund Types	Street Bonds	Amount of Annual Interest	Proprietary Fund Types	Amount of Annual Interest	Total	Downtown Development Authority	Amount of Annual Interest	Total
2009	$ 1,998,276	$ 175,000	$ 1,381,508	$ 300,000	$ 527,895	$ 4,382,679	$ 1,850,000	$1,242,886	$ 3,092,886
2010	2,072,729	175,000	1,839,997	300,000	516,195	4,903,921	1,975,000	1,166,842	3,141,842
2011	2,282,442	175,000	1,218,650	400,000	501,945	4,578,037	2,065,000	1,079,374	3,144,374
2012	2,337,154	200,000	1,123,346	400,000	485,446	4,545,946	2,215,000	989,480	3,204,480
2013	2,447,375	225,000	1,016,769	400,000	468,597	4,557,741	2,365,000	888,602	3,253,602
2014	2,507,215	250,000	912,462	400,000	451,247	4,520,924	2,490,000	772,871	3,262,871
2015	2,632,386	-	799,231	450,000	431,248	4,312,865	2,650,000	648,953	3,298,953
2016	2,742,660	-	692,804	500,000	408,998	4,344,462	2,815,000	515,814	3,330,814
2017	2,793,600	-	580,072	500,000	386,748	4,260,420	3,005,000	376,638	3,381,638
2018	2,734,079	-	464,171	500,000	364,248	4,062,498	3,175,000	231,600	3,406,600
2019	2,934,379	-	343,690	600,000	339,123	4,217,192	3,315,000	78,450	3,393,450
2020	2,980,320	-	216,699	600,000	310,999	4,108,018	-	-	-
2021	3,165,132	-	84,326	600,000	282,124	4,131,582	-	-	-
2022	189,931	-	13,624	600,000	252,500	1,056,055	-	-	-
2023	152,329	-	8,351	700,000	220,000	1,080,680	-	-	-
2024	155,015	-	4,250	700,000	185,000	1,044,265	-	-	-
2025	7,418	-	128	800,000	147,500	955,046	-	-	-
2026	1,536	-	-	800,000	107,500	909,036	-	-	-
2027	-	-	-	850,000	66,250	916,250	-	-	-
2028	-	-	-	900,000	22,500	922,500	-	-	-
Total	$34,133,976	$ 1,200,000	$ 10,700,078	$11,300,000	$6,476,063	$ 63,810,117	$ 27,920,000	$7,991,510	$ 35,911,510

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.

Advance Refunding

During 2008, the government advance refunded a general obligation bond issue. The government issued $3,505,000 of general obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term debt account group. This advance refunding was undertaken to reduce total debt service payments over the next 12 years by $440,208 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of $351,327.

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 $617,505 representing the portion of the fund balance that is not available for other future expenditures.

Reserve for Debt Service

The fund balance of $4,318,695 in the City's General Debt Service Fund is considered reserved for debt service in accordance with City accounting policy.

Reserve For Project Commitments

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:

Capital Projects Fund	
Project Commitments	$ 539,016

Restricted for Pension Benefits

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

Net Assets/Fund Balance

Net assets have been restricted for (a) debt service, based upon bond indenture agreements and the City's understanding that bond proceeds generated by these funds are only to be spent on specified construction or the retirement of related debt, (b) replacements and extensions based upon bond indenture agreements or the limited purpose for which a fund was established, (c) employee fringe benefits based upon the limited purpose for which funds have been established, and (d) outstanding purchase orders 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	Capital Projects	Nonmajor	Permanent
Designated For:				
Improvement and maintenance	$ 4,929,067	$ -	$ -	$ 202,748
Insurance claims	3,342,828	-	-	-
Volunteer Firefighters Incentive Reserve	1,000,000	-	-	-
Snow and ice control	-	-	700,000	-
Subsequent years budgets	4,136,980	8,644,000	507,820	-
Tax appeals	900,000	-	-	-
Total designated	$ 14,308,875	$ 8,644,000	$ 1,207,820	$ 202,748
Undesignated	$ 8,706,382	$ 15,099,384	$ 4,540,961	$ -
Total unreserved fund balance	$ 23,015,257	$ 23,743,384	$ 5,748,781	$ 202,748

Note 10 - Risk Management

The City has entered into a Public Entity Risk Pool with other Michigan units of government as an individual member for its general liability, property damage insurance including auto and public officials liability and contractors equipment. The City's maximum deductible for property coverage is $11,000 per occurrence. The liability maximum self-insured retention is $500,000 per occurrence with an aggregate stop loss of $1,000,000 per policy year for both property and liability.

The City accounts for transactions related to these risks in accordance with GASB No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which states that a liability for claims must be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss 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, 2008.

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

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 counsel, all such matters as indicated above are adequately covered by insurance, or if not so covered, are without merit or of such kind, or involve such amounts that an unfavorable disposition would not have a material effect on the financial position of the City.

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 have 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 $73,522,664 (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, 2008.

Note 12 - Property Taxes

Property taxes are recorded on the modified accrual basis of accounting and are levied, and become a lien on July 1st on the taxable valuation of the property located within its boundaries as of the preceding December 31st. Taxable value is determined by the prior years taxable value plus 5% or the Consumer Price Index whichever is less, starting with the 1994 state equalized value as the base taxable value. Assessed values are equalized by the State, to closely approximate fifty percent of estimated current market value. The final taxable value of real and personal property subject to property tax within the City for the fiscal 2007-2008 levy was 5,550,516,437. The City's operating tax rate was 6.50 mills for the same year with additional millages of .50, 1.60 and .68 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 1st to September 1st. Any real property taxes not paid by March 1st, following the due date, are reimbursed by the County. The County Treasurer takes over collection responsibility at that date, as well as delinquent personal property taxes.

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

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 defined benefit plan provides retirement benefits based on credited service time and average compensation with death and disability benefits, and under some circumstances, payments to dependents. 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 1.5 to 4.0 percent as of June 30, 2008. The City's total payroll for the year ended June 30, 2008, was $36,724,310. Included in this total was $11,155,274 and $21,177,868 of covered payroll for the employee retirement system and the employee defined contribution plan, respectively. $4,391,168 represents payroll, which was not covered by the retirement system or the defined contribution plan. The plan is closed to new participants. Current membership in the system is as follows:

Group	December 31, 2007
Retirees and beneficiaries currently receiving benefits	232
Vested terminated employees	14
Active employees:	
Fully vested	139
Nonvested	8

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, 2008 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.

For the year ended June 30, 2008, contributions totaling $592,468 ($273,341 employer and $319,127 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2006, which was net of the amortization of assets in excess of unfunded actuarial accrued liability. Employer and employee contributions were based on 2.5 percent and 2.9 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.

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, 2008 was determined using an individual entry age funding method. At December 31, 2007, the benefit payment amount was $582 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, 2008, was $800,000. 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.

Group	December 31, 2007
Retirees and beneficiaries currently receiving benefits	73
Vested terminated employees	23
Active employees:	
Fully vested	77
Nonvested	84

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 June 30,	Actuarial Valuation Date December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	2004	$ 213	100.0%	None
2007	2005	273	100.0	None
2008	2006	273	100.0	None

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

Fiscal Year Ended June 30,	Actuarial Valuation Date December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	2004	$ 815	100.0%	None
2007	2005	790	100.0	None
2008	2006	800	100.0	None

The plans do not issue a separate financial report.

The funded status of the Employee Retirement System Pension Benefits (ERS) and the Incentive Plan for Volunteer Firefighters (IPVF) as of December 31, 2007, the most recent actuarial valuation date, is as follows (dollar amount in thousands).

Actuarial Valuation December 31, 2007	Actuarial Value of Assets# (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b) – (a)	Funded Ratio (a)/(b)	Active Member Covered Payroll (c)	Unfunded AAL as a Percentage of Active Member Covered Payroll (b-a)/(c)
ERSPB	$132,917	$123,162	$(9,755)	107.9%	$11,046	(88.3)%
IPVF	6,413	13,240	6,827	48.4	N/A	N/A

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Statement of Net Assets

	Employees' Retirement System	Discretionary Fire Incentive Reserve Fund
ASSETS		
Cash and cash equivalents	$ 4,021,833	$ 33,911
Interest receivable	464,640	11,730
Investments		
U.S. Government securities	17,557,911	5,227,524
Corporate bonds	34,152,628	-
Corporate equities, preferred	1,847,200	-
Corporate equities, common	76,516,924	-
Mutual funds	30,174,642	-
Total assets	164,735,778	5,273,165
LIABILITIES		
Accounts Payable	2,805	6,100
NET ASSETS		
Held in trust for pension benefits	122,094,552	5,267,065
Held in trust for postemployment healthcare benefits	42,638,421	-
Total net assets	$ 164,732,973	$ 5,267,065

Statement of Changes in Fund Net Assets

	Employees' Retirement System	Discretionary Fire Incentive Reserve Fund
Additions		
Contributions		
Employer contributions	$ 273,341	$ 800,000
Employee contributions	319,127	-
Total contributions	592,468	800,000
Investment income		
Interest	2,849,464	266,707
Dividends	2,661,716	-
Net adjustment in fair value of investments	(14,331,432)	57,781
Total investment earnings	(8,820,252)	324,488
Total additions	(8,227,784)	1,124,488
Deductions		
Benefits	8,086,519	1,523,118
Refunds of contributions	-	-
Administrative expenses	61,602	15,255
Total deductions	8,148,121	1,538,373
Net increase(decrease) in plan net assets	(16,375,905)	(413,885)
Net assets held in trust, beginning of year for:		
Pension benefits	136,504,745	5,680,950
Postemployent healthcare benefits	44,604,133	-
Total net assets held in trust, beginning of year	181,108,878	5,680,950
Net assets held in trust, end of year for:		
Pension benefits	122,094,552	5,267,065
Postemployment healthcare benefits	42,638,421	-
Total net assets held in trust, end of year	$ 164,732,973	$ 5,267,065

Note 14 - Defined Contribution Plan

The City maintains a defined contribution plan (DCP) administered by the International City Manager's Association Retirement Corporation (ICMARC), which qualifies under the Internal Revenue Code Section 401(a). Classified, Exempt and Fire Staff Officers in the City's Employees Retirement System were given the option to transfer to the DCP by December 31, 1997. Employees who elected to transfer to the DCP had their individually actuarially determined earned retirement benefits in the Employees Retirement System determined as of the date of election to transfer to the DCP. In 1998, the City afforded the option to AFSCME members of the Employees Retirement System to elect a transfer to the DCP, of which 41 employees elected such transfer. In 1999, the City afforded the option to MAP members of the Employees Retirement System to elect a transfer to the DCP, of which 29 employees elected such transfer. In 2000, the City afforded the option to TCOA members of the Employees Retirement System to elect a transfer to the DCP, of which 20 employees elected such transfer. In 2002, the City afforded the option to TPOA members of the Employees Retirement System to elect a transfer to the DCP of which 19 employees elected such transfer. The DCP is also in effect for all new full-time employees. Total membership in the DCP as of June 30, 2008 was 307.

The DCP maintains a schedule of vesting as follows: participants who transferred from the Employees Retirement System are fully vested. For new hires the following schedule applies: 50% vested after 3 years, 75% vested after 4 years and 100% vested after 5 years. Employees contribute 3 to 6 percent of their salary, while the employer contributes 10 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, 2008, was $21,177,868, and the City's total payroll was $36,724,310. The required contributions, which matched those actually made, were $928,310 by employees and $2,433,408 by the City, representing 4.4 percent and 11.5 percent of covered payroll, respectively.

Note 15 - Postemployment Benefits - Retiree Health Care Trust Fund

Plan Description

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 full-time 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 in the Retiree Health Care Trust Fund. The employers contribution of $2,922,655 was attributable to healthcare benefits. This contribution represented 9.0 percent of total covered payroll during the current year. During the current year, healthcare benefits paid for 207 retirees totaled $1,965,712, which was paid out of the Employees Retirement System. Future payments will be made by the Employees Retirement System until the reserves that have accumulated there are exhausted.

This is a single employee defined benefit plan administered by the City. The Plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions.

Funding Policy

For current employees not covered by the Retiree Health Savings Account Plan, the City includes retirees and their spouses in its healthcare plan, with no contribution required by participants if they retire with 25 or more years of service. If under 25 years of service, the City contributes 4% per year of service.

The funding progress of the Plan as of December 31, 2006, the most recent valuation date, is as follows:

Valuation as of December 31, 2006:

Actuarial value of assets	$	43,982,534
Actuarial value of liabilities (AAL)	$	78,900,597
Unfunded AAL	$	34,918,063
Funded Ratio		55.7%
Annual coverd payroll	$	32,918,597

Actuarial Methods and Assumptions

In the December 31, 2006 actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions include an assumed rate of return of 6.5%. An annual healthcare cost trend of 11% was used in fiscal year 2008 decreasing to 4.5% by 2016. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percent of payroll on an open basis. The remaining amortization period as of December 31, 2006 was 30 years.

Actuarial Valuation Date December 31,	Actuarial Value of Assets# (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b) – (a)	Funded Ratio (a)/(b)	Active Member Covered Payroll (c)	Unfunded AAL as a Percentage of Active Member Covered Payroll (b-a)/(c)
2006	$ 43,983	$ 78,901	$ 34,918	55.7%	$ 31,038	112.5%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Statement of Net Assets

	Retiree Health Care Trust Fund
ASSETS	
Cash and cash equivalents	$ 2,018,125
Interest receivable	4,822
Investments	
Mutual funds	7,703,661
Other investments	507,161
Total assets	10,233,769
NET ASSETS	
Held in trust for postemployment healthcare benefits	10,233,769
Total net assets	$ 10,233,769

Statement of Changes in Fund Net Assets

	Retiree Health Care Trust Fund
Additions	
Contributions	
Employer contributions	$ 2,922,655
Total contributions	2,922,655
Investment income	
Dividends	121,963
Interest	61,618
Net adjustment in fair value of investments	3,180
Total investment earnings	186,761
Total additions	3,109,416
Deductions	
Benefits	-
Total deductions	-
Net increase (decrease) in plan net assets	3,109,416
Net assets held in trust, beginning of year for:	
Postemployent healthcare benefits	7,124,353
Total net assets held in trust, beginning of year	7,124,353
Net assets held in trust, end of year for:	
Postemployment healthcare benefits	10,233,769
Total net assets held in trust, end of year	$ 10,233,769

Note 16 - Deficit Net Assets

The Sanctuary Lake Golf Course Fund has deficit net assets of $2,614,899 at June 30, 2008.

The Sanctuary Lake Golf Course completed its third year of operations with operating revenues of $985,813 and operating expenses of $1,082,471 plus the addition of interest expense on outstanding debt of $538,132 resulting in a negative charge in net assets of $634,790, compared to $622,950 last fiscal year. Several reasons are attributable for the deficit:

- New Course
- Weather Conditions
- Economy

With the addition of league play, outings and marketing efforts we hope to reduce and even eliminate the deficit in the next several years.

The Downtown Development Authority (Component Unit) reflected a deficit net asset position of $13,798,765 compared to $16,061,575 last fiscal year. This deficit is attributable to recognizing this fund as a component unit and the corresponding outstanding long-term debt. This deficit will be lowered each year when tax increments are collected and debt payments are made.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

EMPLOYEE RETIREMENT SYSTEM AND INCENTIVE PLAN

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

PENSION ONLY

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b) – (a)	Funded Ratio (a)/(b)	Active Member Covered Payroll (c)	Unfunded AAL as a Percentage of Active Member Covered Payroll (b-a)/(c)
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)
2004	126,802	109,364	(17,438)	115.9	12,572	(138.7)
2005	128,790	113,260	(15,530)	113.7	12,100	(128.4)
2006	132,168	119,299	(12,869)	110.8	11,472	(112.2)
2007	132,917	123,162	(9,755)	107.9	11,046	(88.3)

HEALTH ONLY

2002	$ 31,003	$ 31,263	$ 260	99.2%	$ 28,480	.9%
2003	32,815	37,000	4,186	88.7	31,790	13.2
2004	36,484	40,419	3.935	90.3	30,046	13.1
2005	37,190	43,554	6,364	85.4	29,937	21.3
2006	*	*	*	*	*	*
2007	*	*	*	*	*	*

* - See required supplemental information for Other Postemployment Benefits

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.

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

Fiscal Year Ended June 30,	Actuarial Valuation Date December 31,	Annual Required Contribution	Percent Contributed
2003	2001	$ 1,605	100.0%
2004	2002	1,482	100.0
2005	2003	1,716	100.0
2006	2004	213	100.0
2007	2005	273	100.0
2008	2006	273	100.0

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

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b) – (a)	Funded Ratio (a)/(b)
2003*	$ 6,084	$ 11,787	$ 5,703	51.6%
2004*	6,261	11,936	5,675	52.5
2005*	6,572	12,052	5,481	54.5
2006*	6,007	11,932	5,925	50.3
2007*	6,413	13,240	6,827	48.4

* After changes in benefit provisions.

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

Fiscal Year Ended June 30,	Actuarial Valuation Date December 31,	Annual Required Contribution	Percent Contributed
2003	2001	$ 513	100.0%
2004	2002	623	100.0
2005	2003	796	100.0
2006	2004	815	100.0
2007	2005	790	100.0
2008	2006	800	100.0

OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
($ amounts in thousands)

Actuarial Valuation Date December 31,	Actuarial Value of Assets# (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b) – (a)	Funded Ratio (a)/(b)	Active Member Covered Payroll (c)	Unfunded AAL as a Percentage of Active Member Covered Payroll (b-a)/(c)
2006	$ 43,983	$ 78,901	$ 34,918	55.7%	$ 31,038	112.5%
2007	*	*	*	*	*	*

* Not available

COMBINING AND INDIVIDUAL FUND STATEMENTS

City of Troy, Michigan
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	Special Revenue						Permanent Fund
	Major Streets	Local Streets	Refuse	Community Development Block Grant	Budget Stabilization	Total Special Revenue	Cemetery Perpetual Care
Assets							
Cash and cash equivalents	$ 897,682	$ 936,766	$ 567,407	$ -	$ -	$ 2,401,855	$ 161,721
Investments	225,590	235,412	142,591	-	2,234,304	2,837,897	40,641
Receivables:							
Interest receivable	2,145	2,238	1,356	-	-	5,739	386
Due from other funds	-	-	-	-	-	-	-
Due from other governments	578,087	228,396	-	136,209	-	942,692	-
Total assets	**$ 1,703,504**	**$ 1,402,812**	**$ 711,354**	**$ 136,209**	**$ 2,234,304**	**$ 6,188,183**	**$ 202,748**
Liabilities							
Accounts payable	$ -	$ -	$ 168,889	$ -	$ -	$ 168,889	$ -
Due to other funds	-	-	-	136,209	134,304	270,513	-
Total liabilities	**-**	**-**	**168,889**	**136,209**	**134,304**	**439,402**	**-**
Fund balance							
Reserved							
Debt service	-	-	-	-	-	-	-
Unreserved							
Designated							
Snow and ice removal	300,000	400,000	-	-	-	700,000	-
Subsequent years budget	-	243,700	264,120	-	-	507,820	-
Undesignated	1,403,504	759,112	278,345	-	2,100,000	4,540,961	202,748
Total fund balances	**1,703,504**	**1,402,812**	**542,465**	**-**	**2,100,000**	**5,748,781**	**202,748**
Total liabilities and fund balance	**$ 1,703,504**	**$ 1,402,812**	**$ 711,354**	**$ 136,209**	**$ 2,234,304**	**$ 6,188,183**	**$ 202,748**

Continued

City of Troy, Michigan
Combining Balance Sheet
Nonmajor Governmental Funds (Concluded)
June 30, 2008

	Debt Service					
	General Debt Service	Proposal A Debt Service	Proposal B Debt Service	Proposal C Debt Service	Total Debt Service	Total Nonmajor Governmental Funds
Assets						
Cash and cash equivalents	$ 3,444,782	$ -	$ -	$ -	$ 3,444,782	$ 6,008,358
Investments	865,682	-	-	-	865,682	3,744,220
Receivables:						
Interest receivable	8,231	-	-	-	8,231	14,356
Due from other funds	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	942,692
Total assets	**$ 4,318,695**	**$ -**	**$ -**	**$ -**	**$ 4,318,695**	**$ 10,709,626**
Liabilities						
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ 168,889
Due to other funds	-	-	-	-	-	270,513
Total liabilities	**-**	**-**	**-**	**-**	**-**	**439,402**
Fund balance						
Reserved						
Debt service	4,318,695	-	-	-	4,318,695	4,318,695
Unreserved						
Designated						
Snow and ice removal	-	-	-	-	-	700,000
Subsequent years budget	-	-	-	-	-	507,820
Undesignated	-	-	-	-	-	4,743,709
Total fund balances	**4,318,695**	**-**	**-**	**-**	**4,318,695**	**10,270,224**
Total liabilities and fund balance	**$ 4,318,695**	**$ -**	**$ -**	**$ -**	**$ 4,318,695**	**$ 10,709,626**

City of Troy, Michigan
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue						Permanent Fund
	Major Streets	Local Streets	Refuse	Community Development Block Grant	Budget Stabilization	Total Special Revenue	Cemetary Perpetual Care
Revenues							
Property taxes	$ -	$ -	$ 3,563,759	$ -	$ -	$ 3,563,759	$ -
Federal grants and reimbursements	-	-	-	115,981	-	115,981	-
State grants and reimbursements	3,529,518	1,393,834	-	-	-	4,923,352	-
Charges for services	-	-	3,510	-	-	3,510	7,175
Investment earnings	93,723	71,829	125,535	-	58,906	349,993	9,830
Other	-	-	-	-	-	-	-
Total revenues	**3,623,241**	**1,465,663**	**3,692,804**	**115,981**	**58,906**	**8,956,595**	**17,005**
Expenditures							
Current							
Sanitation	-	-	3,892,487	-	-	3,892,487	-
Community development	-	-	-	115,981	-	115,981	-
Debt service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	**-**	**-**	**3,892,487**	**115,981**	**-**	**4,008,468**	**-**
Revenues over (under) expenditures	**3,623,241**	**1,465,663**	**(199,683)**	**-**	**58,906**	**4,948,127**	**17,005**
Other financing sources (uses)							
Proceeds from bond issuance	-	-	-	-	-	-	-
Payments to escrow agents	-	-	-	-	-	-	-
Transfers in	-	116,310	-	-	-	116,310	-
Transfers out	(3,951,090)	(1,681,106)	-	-	(58,906)	(5,691,102)	-
Total other financing (uses) sources	**(3,951,090)**	**(1,564,796)**	**-**	**-**	**(58,906)**	**(5,574,792)**	**-**
Net change in fund balances	**(327,849)**	**(99,133)**	**(199,683)**	**-**	**-**	**(626,665)**	**17,005**
Fund balances, beginning of year	2,031,353	1,501,945	742,148	-	2,100,000	6,375,446	185,743
Fund balances, end of year	**$ 1,703,504**	**$ 1,402,812**	**$ 542,465**	**$ -**	**$ 2,100,000**	**$ 5,748,781**	**$ 202,748**

Continued….

City of Troy, Michigan
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (Concluded)
For the Year Ended June 30, 2008

	Debt Service					
	General Debt Service	Proposal A Debt Service	Proposal B Debt Service	Proposal C Debt Service	Total Debt Service	Total Nonmajor Governmental Funds
Revenues						
Property taxes	$ 2,653,860	$ -	$ -	$ -	$ 2,653,860	$ 6,217,619
Federal grants and reimbursements	-	-	-	-	-	115,981
State grants and reimbursements	-	-	-	-	-	4,923,352
Charges for services	-	-	-	-	-	10,685
Investment earnings	257,156	-	-	-	257,156	616,979
Other	247,863	-	-	-	247,863	247,863
Total revenues	**3,158,879**	**-**	**-**	**-**	**3,158,879**	**12,132,479**
Expenditures						
Current						
Sanitation	-	-	-	-	-	3,892,487
Community development	-	-	-	-	-	115,981
Debt service						
Principal	175,000	400,000	790,000	425,000	1,790,000	1,790,000
Interest	124,626	339,441	593,433	330,755	1,388,255	1,388,255
Total expenditures	**299,626**	**739,441**	**1,383,433**	**755,755**	**3,178,255**	**7,186,723**
Revenues over (under) expenditures	**2,859,253**	**(739,441)**	**(1,383,433)**	**(755,755)**	**(19,376)**	**4,945,756**
Other financing sources (uses)						
Proceeds from bond issuance	-	3,505,000	-	-	3,505,000	3,505,000
Payments to escrow agents	-	(3,601,840)	-	-	(3,601,840)	(3,601,840)
Transfers in	-	836,281	1,383,433	755,755	2,975,469	3,091,779
Transfers out	(2,975,469)	-	-	-	(2,975,469)	(8,666,571)
Total other financing sources (uses)	**(2,975,469)**	**739,441**	**1,383,433**	**755,755**	**(96,840)**	**(5,671,632)**
Net change in fund balances	**(116,216)**	**-**	**-**	**-**	**(116,216)**	**(725,876)**
Fund balances, beginning of year	4,434,911	-	-	-	4,434,911	10,996,100
Fund balances, end of year	**$ 4,318,695**	**$ -**	**$ -**	**$ -**	**$ 4,318,695**	**$ 10,270,224**

City of Troy, Michigan
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Major Streets Fund
For the Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
State grants and reimbursements	$ 3,640,000	$ 3,640,000	$ 3,529,518	$ (110,482)
Investment earnings	80,000	80,000	93,723	13,723
Total revenues	**3,720,000**	**3,720,000**	**3,623,241**	**(96,759)**
Other financing (uses)				
Transfers out	(3,851,090)	(3,951,090)	(3,951,090)	-
Net change in fund balances	**(131,090)**	**(231,090)**	**(327,849)**	**(96,759)**
Fund balance, beginning of year	2,031,353	2,031,353	2,031,353	-
Fund balance, end of year	**$ 1,900,263**	**$ 1,800,263**	**$ 1,703,504**	**$ (96,759)**

City of Troy, Michigan
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Local Streets Fund
For the Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
State grants and reimbursements	$ 1,450,000	$ 1,450,000	$ 1,393,834	$ (56,166)
Investment earnings	60,000	60,000	71,829	11,829
Total revenues	**1,510,000**	**1,510,000**	**1,465,663**	**(44,337)**
Other financing sources (uses)				
Transfers in	116,310	116,310	116,310	-
Transfers out	(1,626,310)	(1,690,310)	(1,681,106)	9,204
Total other financing (uses)	**(1,510,000)**	**(1,574,000)**	**(1,564,796)**	**9,204**
Net change in fund balances	-	(64,000)	(99,133)	(35,133)
Fund balance, beginning of year	1,501,945	1,501,945	1,501,945	-
Fund balance, end of year	**$ 1,501,945**	**$ 1,437,945**	**$ 1,402,812**	**$ (35,133)**

City of Troy, Michigan

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Refuse Fund

For the Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Property taxes	$ 3,572,670	$ 3,572,670	$ 3,563,759	$ (8,911)
Charges for services	1,500	1,500	3,510	2,010
Investment earnings	175,000	175,000	125,535	(49,465)
Total revenues	**3,749,170**	**3,749,170**	**3,692,804**	**(56,366)**
Expenditures				
Sanitation	3,749,170	3,899,170	3,892,487	6,683
Net change in fund balances	**-**	**(150,000)**	**(199,683)**	**(49,683)**
Fund balance, beginning of year	742,148	742,148	742,148	-
Fund balance, end of year	**$ 742,148**	**$ 592,148**	**$ 542,465**	**$ (49,683)**

City of Troy, Michigan

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Community Development Block Grant For the Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Federal grants	$ 166,320	$ 206,320	$ 115,981	$ (90,339)
Expenditures				
Community development	166,320	206,320	115,981	90,339
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	**$ -**	**$ -**	**$ -**	**$ -**

City of Troy, Michigan

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Budget Stabilization Fund

For the Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Investment earnings	$ 100,000	$ 100,000	$ 58,906	$ (41,094)
Other financing sources (uses)				
Transfers out	(100,000)	(100,000)	(58,906)	41,094
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	2,100,000	2,100,000	2,100,000	-
Fund balance, end of year	**$ 2,100,000**	**$ 2,100,000**	**$ 2,100,000**	**$ -**

City of Troy, Michigan
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2008

	Sylvan Glen Golf Course	Aquatic Center	Total
Assets			
Current assets			
Cash and cash equivalents	$ 1,003,289	$ -	$ 1,003,289
Investments	251,940	-	251,940
Accounts receivable	28,714	10,112	38,826
Due from other funds	1,139,845	-	1,139,845
Interest receivable	2,395	-	2,395
Inventories	13,763	-	13,763
Total current assets	**2,439,946**	**10,112**	**2,450,058**
Noncurrent assets			
Capital assets not being depreciated	1,894,552	-	1,894,552
Capital assets being depreciated, net of accumulated depreciation	832,167	1,968,970	2,801,137
Total capital assets, net of accumulated depreciation	**2,726,719**	**1,968,970**	**4,695,689**
Total assets	**5,166,665**	**1,979,082**	**7,145,747**
Liabilities			
Current liabilities:			
Accounts payable	26,872	30,784	57,656
Due to other funds	-	386,597	386,597
Total liabilities	**26,872**	**417,381**	**444,253**
Net assets			
Investment in capital assets	2,726,719	1,968,970	4,695,689
Unrestricted (deficit)	2,413,074	(407,269)	2,005,805
Total net assets	**$ 5,139,793**	**$ 1,561,701**	**$ 6,701,494**

City of Troy, Michigan
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2008

	Sylvan Glen Golf Course	Aquatic Center	Total
Operating revenues			
Charges for services	$ 734,841	$ 413,997	$ 1,148,838
Rental			
Golf course	226,461	-	226,461
Restaurant	87,720	-	87,720
Miscellaneous income	103,229	24,435	127,664
Total operating revenues	**1,152,251**	**438,432**	**1,590,683**
Operating expenses			
Operations and maintenance	907,556	438,976	1,346,532
Depreciation	197,999	149,574	347,573
Total operating expenses	**1,105,555**	**588,550**	**1,694,105**
Operating income (loss)	**46,696**	**(150,118)**	**(103,422)**
Nonoperating revenues			
Investment earnings	62,061	-	62,061
Change in net assets	**108,757**	**(150,118)**	**(41,361)**
Net assets, beginning of year	5,031,036	1,711,819	6,742,855
Net assets, end of year	**$ 5,139,793**	**$ 1,561,701**	**$ 6,701,494**

City of Troy, Michigan
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2008

	Sylvan Glen Golf Course	Aquatic Center	Total
Cash flows from operating activities			
Cash received from customers	$ 1,128,219	$ 439,231	$ 1,567,450
Cash payments to employees	(513,271)	(227,922)	(741,193)
Cash payments to suppliers for goods and services	(331,016)	(106,883)	(437,899)
Cash payments for interfund services	(30,552)	(19,041)	(49,593)
Net cash provided by operating activities	**253,380**	**85,385**	**338,765**
Cash flows used by capital and related financing activities			
Purchase of capital assets	(89,661)	(85,385)	(175,046)
Cash flows from investing activities			
Proceeds from sale of investments	400,825	-	400,825
Purchase of investments	(425,196)	-	(425,196)
Investment income	64,955	-	64,955
Net cash provided by investing activities	**40,584**	**-**	**40,584**
Net increase in cash and cash equivalents	**204,303**	**-**	**204,303**
Cash and cash equivalents, beginning of year	798,986	-	798,986
Cash and cash equivalents, end of yea	**$ 1,003,289**	**$ -**	**$ 1,003,289**
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	$ 46,696	$ (150,118)	$ (103,422)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	197,999	149,574	347,573
Changes in assets and liabilities:			
Accounts receivable	(24,032)	799	(23,233)
Inventory	5,845	-	5,845
Accounts payable	26,872	30,784	57,656
Accrued liabilities	-	54,346	54,346
Total adjustments	**206,684**	**235,503**	**442,187**
Net cash provided by operating activitie	**$ 253,380**	**$ 85,385**	**$ 338,765**

City of Troy, Michigan
Combining Statement of Net Assets
Internal Service Funds
June 30, 2008

	Compensated Absences	Unemployment Compensation	Custodial Services
Assets			
Current assets			
Cash and cash equivalents	$ 4,565,326	$ 146,914	$ 108,034
Investments	1,147,277	36,920	27,149
Accounts receivable	-	-	-
Interest receivable	10,909	351	258
Inventory	-	-	-
Total current assets	**5,723,512**	**184,185**	**135,441**
Noncurrent assets			
Capital assets not being depreciated	-	-	-
Capital assets being depreciated net of accumulated depreciatio	-	-	-
Total capital assets, net of accumulated depreciation	**-**	**-**	**-**
Total assets	**5,723,512**	**184,185**	**135,441**
Liabilities			
Current liabilities			
Accounts payable	-	17,029	1,456
Compensated absences	3,096,925	-	-
Total current liabilities	**3,096,925**	**17,029**	**1,456**
Noncurrent liabilities			
Compensated absences	2,582,914	-	-
Total liabilities	**5,679,839**	**17,029**	**1,456**
Net assets			
Investment in capital assets	-	-	-
Unrestricted	43,673	167,156	133,985
Total net assets	**$ 43,673**	**$ 167,156**	**$ 133,985**

City of Troy, Michigan
Combining Statement of Net Assets
Internal Service Funds
June 30, 2008

	Information Technology	Motor Equipment	Worker's Compensation	Total
Assets				
Current assets				
Cash and cash equivalents	$ 916,175	$ 3,771,818	$ 1,661,645	$ 11,169,912
Investments	230,237	947,867	417,575	2,807,025
Accounts receivable	-	14,622	-	14,622
Interest receivable	2,189	9,012	3,970	26,689
Inventory	-	272,045	-	272,045
Total current assets	**1,148,601**	**5,015,364**	**2,083,190**	**14,290,293**
Noncurrent assets				
Capital assets not being depreciated	226,130	10,248	-	236,378
Capital assets being depreciated net of accumulated depreciatio	93,395	4,055,739	-	4,149,134
Total capital assets, net of accumulated depreciation	**319,525**	**4,065,987**	**-**	**4,385,512**
Total assets	**1,468,126**	**9,081,351**	**2,083,190**	**18,675,805**
Liabilities				
Current liabilities				
Accounts payable	202,694	160,199	-	381,378
Compensated absences	-	-	-	3,096,925
Total current liabilities	**202,694**	**160,199**	**-**	**3,478,303**
Noncurrent liabilities				
Compensated absences	-	-	-	2,582,914
Total liabilities	**202,694**	**160,199**	**-**	**6,061,217**
Net assets				
Investment in capital assets	319,525	4,065,987	-	4,385,512
Unrestricted	945,907	4,855,165	2,083,190	8,229,076
Total net assets	**$ 1,265,432**	**$ 8,921,152**	**$ 2,083,190**	**$ 12,614,588**

City of Troy, Michigan
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2008

	Compensated Absences	Unemployment Compensation	Custodial Services
Operating revenues			
Charges for services	$ 4,706,632	$ -	$ 1,771,616
Equipment rental	-	-	-
Building rental	-	-	-
Other	-	17,806	-
Total operating revenues	**4,706,632**	**17,806**	**1,771,616**
Operating expenses			
Cost of services	5,090,966	94,926	1,786,741
Motor vehicle and garage expenses			
Administration	-	-	-
Operations	-	-	-
Depreciation	-	-	-
Total operating expenses	**5,090,966**	**94,926**	**1,786,741**
Operating loss	**(384,334)**	**(77,120)**	**(15,125)**
Nonoperating revenues			
Investment earnings	240,794	10,828	3,148
Gain on sale of capital assets	-	-	-
Total nonoperating revenues	**240,794**	**10,828**	**3,148**
Change in net assets	**(143,540)**	**(66,292)**	**(11,977)**
Net assets, beginning of year	187,213	233,448	145,962
Net assets, end of year	**$ 43,673**	**$ 167,156**	**$ 133,985**

City of Troy, Michigan
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2008

	Information Technology	Motor Equipment	Worker's Compensation	Total
Operating revenues				
Charges for services	$ 1,605,304	$ -	$ 272,556	$ 8,356,108
Equipment rental	-	3,550,422	-	3,550,422
Building rental	-	214,709	-	214,709
Other	-	472,822	82,259	572,887
Total operating revenues	**1,605,304**	**4,237,953**	**354,815**	**12,694,126**
Operating expenses				
Cost of services	1,554,769	-	364,077	8,891,479
Motor vehicle and garage expenses				
Administration	-	559,831	-	559,831
Operations	-	2,955,729	-	2,955,729
Depreciation	28,426	929,945	-	958,371
Total operating expenses	**1,583,195**	**4,445,505**	**364,077**	**13,365,410**
Operating income (loss)	**22,109**	**(207,552)**	**(9,262)**	**(671,284)**
Nonoperating revenues				
Investment earnings	53,984	236,311	97,828	642,893
Gain on sale of capital assets	-	146,054	-	146,054
Total nonoperating revenues	**53,984**	**382,365**	**97,828**	**788,947**
Change in net assets	**76,093**	**174,813**	**88,566**	**117,663**
Net assets, beginning of year	1,189,339	8,746,339	1,994,624	12,496,925
Net assets, end of year	**$ 1,265,432**	**$ 8,921,152**	**$ 2,083,190**	**$ 12,614,588**

City of Troy, Michigan
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2008

	Compensated Absences	Unemployment Compensation	Custodial Services
Cash flows from operating activities			
Cash received from interfund services	$ 4,723,465	$ 18,653	$ 1,772,107
Cash payments to employees	(4,632,029)	-	(1,098,723)
Cash payments to suppliers for goods and services	-	(77,897)	(686,562)
Net cash provided (used) by operating activities	**91,436**	**(59,244)**	**(13,178)**
Cash flows from capital and related financing activities			
Purchase of capital assets	-	-	-
Proceeds from sale of capital assets	-	-	-
Net cash provided (used) by capital and related financing activities	**-**	**-**	**-**
Cash flows from investing activities			
Proceeds from sale of investments	1,098,498	60,617	556,428
Purchase of investments	(1,052,172)	(46,014)	(551,362)
Investment income	240,794	10,828	3,148
Net cash provided by investing activities	**287,120**	**25,431**	**8,214**
Net increase (decrease) in cash and cash equivalents	**378,556**	**(33,813)**	**(4,964)**
Cash and cash equivalents, beginning of year	4,186,770	180,727	112,998
Cash and cash equivalents, end of year	**$ 4,565,326**	**$ 146,914**	**$ 108,034**
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating loss	$ (384,334)	$ (77,120)	$ (15,125)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	-	-	-
Changes in assets and liabilities:			
Accounts receivable	16,833	847	491
Inventory	-	-	-
Accounts payable	-	17,029	1,456
Accrued liabilities	458,937	-	-
Total adjustments	**475,770**	**17,876**	**1,947**
Net cash provided (used) by operating activities	**$ 91,436**	**$ (59,244)**	**$ (13,178)**

City of Troy, Michigan
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2008

	Information Technology	Motor Equipment	Worker's Compensation	Total
Cash flows from operating activities				
Cash received from interfund services	$ 1,608,805	$ 4,251,368	$ 361,077	$ 12,735,475
Cash payments to employees	(703,362)	(1,596,922)	-	(8,031,036)
Cash payments to suppliers for goods and services	(648,713)	(1,793,520)	(364,077)	(3,570,769)
Net cash provided (used) by operating activities	**256,730**	**860,926**	**(3,000)**	**1,133,670**
Cash flows from capital and related financing activities				
Purchase of capital assets	(267,890)	(858,803)	-	(1,126,693)
Proceeds from sale of capital assets	-	146,054	-	146,054
Net cash (used)provided by capital and related financing activities	**(267,890)**	**(712,749)**	**-**	**(980,639)**
Cash flows from investing activities				
Proceeds from sale of investments	1,023,501	733,399	409,410	3,881,853
Purchase of investments	(1,008,914)	(716,342)	(386,761)	(3,761,565)
Investment income	53,984	221,947	97,829	628,530
Net cash provided by investing activities	**68,571**	**239,004**	**120,478**	**748,818**
Net increase in cash and cash equivalents	**57,411**	**387,181**	**117,478**	**901,849**
Cash and cash equivalents, beginning of year	858,764	3,384,637	1,544,167	10,268,063
Cash and cash equivalents, end of year	**$ 916,175**	**$ 3,771,818**	**$ 1,661,645**	**$ 11,169,912**
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	$ 22,109	$ (207,552)	$ (9,262)	$ (671,284)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	28,426	929,945	-	958,371
Changes in assets and liabilities:				
Accounts receivable	3,501	13,415	6,262	41,349
Inventory	-	(35,081)	-	(35,081)
Accounts payable	-	-	-	18,485
Accrued liabilities	202,694	160,199	-	821,830
Total adjustments	**234,621**	**1,068,478**	**6,262**	**1,804,954**
Net cash provided (used) by operating activities	**$ 256,730**	**$ 860,926**	**$ (3,000)**	**$ 1,133,670**

City of Troy, Michigan
Combining Statement of Net Assets
Fiduciary Funds
June 30, 2008

	Pension Trust Funds			
	Employees' Retirement System	Discretionary Fire Incentive Reserve Fund	Retiree Health Care Trust Fund	Total Pension Trust Funds
ASSETS				
Cash and cash equivalents	$ 4,021,833	$ 33,911	$ 2,018,125	$ 6,073,869
Interest receivable	464,640	11,730	4,822	481,192
Investments				
U.S. Government securities	17,557,911	5,227,524	-	22,785,435
Corporate bonds	34,152,628	-	-	34,152,628
Corporate equities, preferred	1,847,200	-	-	1,847,200
Corporate equities, common	76,516,924	-	-	76,516,924
Mutual funds	30,174,642	-	7,703,661	37,878,303
Other investments	-	-	507,161	507,161
Total assets	**164,735,778**	**5,273,165**	**10,233,769**	**180,242,712**
LIABILITIES				
Accounts payable	2,805	6,100	-	8,905
NET ASSETS				
Held in trust for pension benefits	122,094,552	5,267,065	-	127,361,617
Held in trust for postemployment healthcare benefits	42,638,421	-	10,233,769	52,872,190
Total net assets	**$ 164,732,973**	**$ 5,267,065**	**$ 10,233,769**	**$ 180,233,807**

City of Troy, Michigan
Combining Statement of Changes in Fund Net Assets - Fiduciary Funds
For the Year Ended June 30, 2008

	Pension Trust Funds			
	Employees' Retirement System	Discretionary Fire Incentive Reserve Fund	Retiree Health Care Trust Fund	Total
Additions				
Contributions				
Employer contributions	$ 273,341	$ 800,000	$ 2,922,655	$ 3,995,996
Employee contributions	319,127	-	-	319,127
Total contributions	**592,468**	**800,000**	**2,922,655**	**4,315,123**
Investment income				
Interest	2,849,464	266,707	61,618	3,177,789
Dividends	2,661,716	-	121,963	2,783,679
Net adjustment in fair value of investments	(14,331,432)	57,781	3,180	(14,270,471)
Total investment earnings (loss)	**(8,820,252)**	**324,488**	**186,761**	**(8,309,003)**
Total additions net of investment gains/(loss)	**(8,227,784)**	**1,124,488**	**3,109,416**	**(3,993,880)**
Deductions				
Benefits	8,086,519	1,523,118	-	9,609,637
Administrative expenses	61,602	15,255	-	76,857
Total deductions	**8,148,121**	**1,538,373**	**-**	**9,686,494**
Net increase (decrease) in plan net assets	**(16,375,905)**	**(413,885)**	**3,109,416**	**(13,680,374)**
Net assets held in trust, beginning of year for				
Pension benefits	136,504,745	5,680,950	-	142,185,695
Postemployment healthcare benefits	44,604,133	-	7,124,353	51,728,486
Total net assets held in trust, beginning of year	**181,108,878**	**5,680,950**	**7,124,353**	**193,914,181**
Net assets held in trust, end of year for				
Pension benefits	122,094,552	5,267,065	-	127,361,617
Postemployment healthcare benefits	42,638,421	-	10,233,769	52,872,190
Total net assets held in trust, end of year	**$ 164,732,973**	**$ 5,267,065**	**$ 10,233,769**	**$ 180,233,807**

City of Troy, Michigan
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2008

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and cash equivalents	$ 2,631,582	$ 224,444,222	$ (224,611,433)	$ 2,464,371
Investments	583,827	4,739,525	(4,896,055)	427,297
Taxes receivable	743,726	235,892,522	(235,780,753)	855,495
Interest receivable	13,569	4,062	(13,569)	4,062
Total assets	**$ 3,972,704**	**$ 465,080,331**	**$ (465,301,810)**	**$ 3,751,225**
Liabilities				
Accounts payable	$ 665	1,856,084	(1,854,653)	$ 2,096
Performance deposits	3,972,039	1,738,365	(1,961,275)	3,749,129
Total liabilities	**$ 3,972,704**	**$ 3,594,449**	**$ (3,815,928)**	**$ 3,751,225**

City of Troy, Michigan

Downtown Development Authority
Statement of Net Assets and
Governmental Funds Balance Sheet
June 30, 2008

	Operating	Debt Service	Total	Adjustments	Net Assets
Assets					
Cash and cash equivalents	$ 8,445,255	$ 3,750,981	$ 12,196,236	$ -	$ 12,196,236
Investments	2,122,313	-	2,122,313	-	2,122,313
Receivables					
Taxes receivable	73,855	-	73,855	-	73,855
Interest receivable	20,179	-	20,179	-	20,179
Total assets	**$ 10,661,602**	**$ 3,750,981**	**$ 14,412,583**	-	14,412,583
Liabilities					
Accounts payable	$ 11,099	$ -	$ 11,099	-	11,099
Due to primary government	-	67,485	67,485	-	67,485
Interest payable	-	-	-	212,764	212,764
Deferred revenue	73,855	-	73,855	(73,855)	-
Noncurrent liabilities					
Due within one year	-	-	-	1,850,000	1,850,000
Due after one year	-	-	-	26,070,000	26,070,000
Total liabilities	**84,954**	**67,485**	**152,439**	**28,058,909**	**28,211,348**
Fund balance					
Reserved					
Debt service	-	3,683,496	3,683,496	(3,683,496)	-
Unreserved	10,576,648	-	10,576,648	(10,576,648)	-
Total fund balances	**10,576,648**	**3,683,496**	**14,260,144**	**(14,260,144)**	**-**
Total liabilities and fund balance	**$ 10,661,602**	**$ 3,750,981**	**$ 14,412,583**		
Net (deficit)					
Unrestricted				(13,798,765)	(13,798,765)
Total net deficit				**$ (13,798,765)**	**$ (13,798,765)**

City of Troy, Michigan

Downtown Development Authority

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

June 30, 2008

Fund balances - total governmental funds	$	14,260,144
Amounts reported for governmental activities in the statement of net assets are different because:		
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.		
Add: deferred revenues		73,855
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Deduct: accrued interest payable		(212,764)
Deduct: bonds payable - current portion		(1,850,000)
Deduct: bonds payable - long-term portion		(26,070,000)
Net assets of governmental activitie	**$**	**(13,798,765)**

City of Troy, Michigan

Downtown Development Authority
Statement of Activities and
Governmental Fund Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended June 30, 2008

	Operating	Debt Service	Total	Adjustments	Net Assets
Revenues					
Property taxes	$ 3,747,729	$ -	$ 3,747,729	$ (81,786)	$ 3,665,943
Investment earnings	578,589	111,800	690,389	-	690,389
Total revenues	**4,326,318**	**111,800**	**4,438,118**	**(81,786)**	**4,356,332**
Expenditures/expenses					
Economic development	791,522	-	791,522	-	791,522
Debt service:					
Principal	-	1,725,000	1,725,000	(1,725,000)	-
Interest	-	1,307,648	1,307,648	(5,648)	1,302,000
Total expenditures/expenses	**791,522**	**3,032,648**	**3,824,170**	**(1,730,648)**	**2,093,522**
Revenues over (under) expenditures	**3,534,796**	**(2,920,848)**	**613,948**	**1,648,862**	**2,262,810**
Other financing sources (uses)					
Transfers in	-	3,032,648	3,032,648	-	3,032,648
Transfers out	(3,032,648)	-	(3,032,648)	-	(3,032,648)
Total other financing sources and (uses)	**(3,032,648)**	**3,032,648**	**-**	**-**	**-**
Net change in fund balances/ net assets	**502,148**	**111,800**	**613,948**	**1,648,862**	**2,262,810**
Fund balance/net assets (deficit), beginning of year	10,074,500	3,571,696	13,646,196	(29,707,771)	(16,061,575)
Fund balance/net assets (deficit), end of year	**$ 10,576,648**	**$ 3,683,496**	**$ 14,260,144**	**$ (28,058,909)**	**$ (13,798,765)**

City of Troy, Michigan

Downtown Development Authority
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balances - total governmental funds	$	613,948
Amounts reported for *governmental activities* in the statement of activities are different because:		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.		
Deduct: net difference in deferred revenue		(81,786)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net 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.		
Add: principal payments on long-term liabilities		1,725,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.		
Add: decrease in accrued interest expense		5,648
Change in net assets of governmental activities	**$**	**2,262,810**

City of Troy, Michigan

Local Development Financing Authority
Statement of Net Assets and
Governmental Funds Balance Sheet
June 30, 2008

	Operating	Adjustments	Net Assets
Assets			
Cash and cash equivalents	$ 131,431	$ -	$ 131,431
Investments	33,029	-	33,029
Receivables			
Taxes receivable	170	-	170
Interest receivable	314	-	314
Total assets	**$ 164,944**	**-**	**164,944**
Fund balance			
Unreserved	$ 164,944	(164,944)	-
Total fund balances	**$ 164,944**	**(164,944)**	**-**
Net assets			
Unrestricted		164,944	164,944
Total net assets		**$ 164,944**	**$ 164,944**

City of Troy, Michigan

Local Development Financing Authority
Statement of Activities and
Governmental Fund Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended June 30, 2008

	Operating	Adjustments	Net Assets
Revenues			
Property taxes	$ 296,552	$ -	$ 296,552
Investment earnings	9,065	-	9,065
Total revenues	**305,617**	**-**	**305,617**
Expenditures/expenses			
Economic development	263,509	-	263,509
Net change in fund balances/net assets	**42,108**	**-**	**42,108**
Fund balance/net assets, beginning of year	122,836	-	122,836
Fund balance/net assets, end of year	**$ 164,944**	**$ -**	**$ 164,944**

City of Troy, Michigan

Brownfield Redevelopment Authority
Statement of Net Assets and
Governmental Fund Balance Sheet
June 30, 2008

	Operating	Adjustments	Statement of Net Assets
Assets			
Cash	$ 1,542,870	$ -	$ 1,542,870
Investments	387,727	-	387,727
Taxes receivable	1,190	-	1,190
Interest receivable	3,687	-	3,687
Total assets	**$ 1,935,474**	**-**	**1,935,474**
Liabilities			
Accounts payable	$ 32,275	-	32,275
Fund balance			
Undesignated	1,903,199	(1,903,199)	-
Total liabilities and fund balance	**$ 1,935,474**		
Net Assets			
Unrestricted		1,903,199	1,903,199
Total net assets		**$ 1,903,199**	**$ 1,903,199**

City of Troy, Michigan

Brownfield Redevelopment Authority
Statement of Activities and
Governmental Fund Revenues, Expenditures, and
Changes in Fund Balance
For the Year Ended June 30, 2008

	Operating	Adjustments	Statement of Activities
Revenues			
Property taxes	$ 834,821	$ -	$ 834,821
Investment earnings	90,770	-	90,770
Total revenues	**925,591**	**-**	**925,591**
Expenditures/expenses			
Community and economic development	49,294	-	49,294
Other	5,113	-	5,113
Total expenditures/expenses	**54,407**	**-**	**54,407**
Net change in fund balance/net assets	**871,184**	**-**	**871,184**
Fund balance/net assets, beginning of year	1,032,015	-	1,032,015
Fund balance/net assets, end of year	**$ 1,903,199**	**$ -**	**$ 1,903,199**

STATISTICAL SECTION

CITY OF TROY, MICHIGAN

STATISTICAL SECTION
JUNE 30, 2008

This part of the City of Troy's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents **Page**

Financial Trends
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. 102

Revenue Capacity
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax. 107

Debt Capacity
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. 113

Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. 118

Operating Information
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. 120

Continuing Disclosure
Information contained herein complies with Rule 15c2-12,a federal regulation promulgated by the Securities and Exchange Commission, designed to improve disclosure practices in the municipal bond market. 126

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in the fiscal year ended 6/30/03; schedules presenting government-wide information include information beginning in that year.

CITY OF TROY, MICHIGAN

NET ASSETS BY COMPONENT
LAST FIVE FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year Ended				
	6/30/2004	6/30/2005	6/30/2006	6/30/2007	6/30/2008
Governmental activities					
Invested in capital assets, net of related debt	$ 116,110,302	$ 122,746,020	$ 159,749,955	$ 153,793,099	$ 157,447,608
Restricted	1,810,587	50,227,946	33,017,038	34,119,273	34,552,624
Unrestricted	81,355,650	32,494,032	34,533,448	33,414,001	31,970,878
Total governmental activities net assets	$ 199,276,539	$ 205,467,998	$ 227,300,441	$ 221,326,373	$ 223,971,110
Business-type activities					
Invested in capital assets, net of related debt	$ 100,797,007	$ 102,045,725	$ 102,621,738	$ 105,920,417	$ 107,889,998
Restricted	7,306,405	-	-	109	-
Unrestricted	33,240,135	40,036,148	42,421,282	43,142,406	46,259,322
Total business-type activities net assets	$ 141,343,547	$ 142,081,873	$ 145,043,020	$ 149,062,932	$ 154,149,320
Primary government					
Invested in capital assets, net of related debt	$ 216,907,309	$ 224,791,745	$ 262,371,693	$ 259,713,516	$ 265,337,606
Restricted	9,116,992	50,227,946	33,017,038	34,119,382	34,552,624
Unrestricted	114,595,785	72,530,180	76,954,730	76,556,407	78,230,200
Total primary government net assets	$ 340,620,086	$ 347,549,871	$ 372,343,461	$ 370,389,305	$ 378,120,430

CITY OF TROY, MICHIGAN

CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year Ended				
	6/30/2004	6/30/2005	6/30/2006	6/30/2007	6/30/2008
Expenses					
Governmental activities:					
General government	$ 13,685,948	$ 12,047,579	$ 11,734,897	$ 12,601,536	$ 9,719,442
Public safety	13,434,097	27,736,351	28,703,542	30,436,286	31,450,783
Public works	16,274,728	16,475,289	18,372,828	20,864,379	16,064,613
Sanitation	4,432,201	4,433,033	4,367,093	4,529,666	3,893,842
Community and economic development	601,017	519,845	2,058,782	149,357	2,013,127
Recreation and culture	13,579,188	16,059,077	15,924,318	15,189,313	14,209,839
Interest on long-term debt	4,410,719	3,222,419	1,686,805	1,618,860	1,572,470
Total governmental activities expenses	$ 66,417,898	$ 80,493,593	$ 82,848,265	$ 85,389,397	$ 78,924,116
Business-type activities:					
Water	$ 10,630,027	$ 13,307,382	$ 13,839,024	$ 13,951,978	$ 13,808,288
Sanitary sewer	10,168,039	8,980,641	9,682,048	9,705,247	9,576,883
Aquatic center	544,125	561,096	638,837	688,236	592,653
Sylvan Glen Golf course	1,207,337	1,106,041	1,109,119	1,085,421	1,110,038
Sanctuary Lake Golf course	47,076	1,751,721	1,730,874	1,683,553	1,624,625
Total business-type activities expenses	$ 22,596,604	$ 25,706,881	$ 26,999,902	$ 27,114,435	$ 26,712,487
Total primary government expenses	$ 89,014,502	$106,200,474	$109,848,167	$112,503,832	$105,636,603
Program revenues					
Charges for services:					
General government	$ 1,225,998	$ 3,213,382	$ 2,101,074	$ 2,245,026	$ 2,391,745
Public safety	2,930,182	2,694,665	2,925,740	3,059,322	3,132,235
Public works	2,757,644	1,380,977	1,361,164	1,927,982	1,613,717
Sanitation	154,047	1,410	44,765	2,275	3,510
Recreation and culture	4,081,620	4,080,652	4,338,069	4,546,308	4,617,520
Operating grants and contributions	517,704	491,224	1,079,243	932,693	979,113
Capital grants and contributions	13,463,732	9,469,923	6,527,476	6,552,433	6,870,969
Total governmental activities program revenues	$ 25,130,927	$ 21,332,233	$ 18,377,531	$ 19,266,039	$ 19,608,809
Business-type activities:					
Charges for services:					
Water	$ 10,897,059	$ 13,518,168	$ 15,595,766	$ 14,652,417	$ 15,684,590
Sanitary sewer	9,710,263	9,623,410	10,114,977	11,291,515	11,612,763
Aquatic center	370,256	278,125	310,428	322,111	438,432
Sylvan Glen Golf course	1,242,938	1,198,744	1,055,142	1,125,895	1,137,679
Sanctuary Lake Golf course	81,190	962,132	1,173,020	1,052,986	985,503
Capital grants and contributions	-	633,491	727,343	1,012,829	643,394
Total business-type activities program revenues	$ 22,301,706	$ 26,214,070	$ 28,976,676	$ 29,457,753	$ 30,502,361
Total primary government program revenues	$ 47,432,633	$ 47,546,303	$ 47,354,207	$ 48,723,792	$ 50,111,170

CITY OF TROY, MICHIGAN

CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS
(Accrual Basis of Accounting)

(Continued)	Fiscal Year Ended				
	6/30/2004	6/30/2005	6/30/2006	6/30/2007	6/30/2008
Net (Expense)/Revenue					
Governmental activities	$(41,286,971)	$ (59,161,360)	$ (64,470,734)	$ (66,123,358)	$ (59,315,307)
Business-type activities	(294,898)	507,189	1,976,774	2,343,318	3,789,874
Total primary government net expense	$(41,581,869)	$ (58,654,171)	$ (62,493,960)	$ (63,780,040)	$ (55,525,433)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Property taxes	$ 54,685,430	$ 50,570,501	$ 49,497,560	$ 50,488,216	$ 51,002,080
State-shared revenues	7,101,729	6,906,372	6,844,167	6,635,508	6,633,938
Grants & contrib. not restricted to specific programs	50	61,890	24,905	175,543	37,398
Interest and investment earnings	1,459,262	2,508,127	3,436,837	4,588,419	3,425,379
Miscellaneous	2,063,083	107,486	634,535	118,565	179,109
Transfers	-	830,140	758,500	(1,856,960)	682,140
Total governmental activities	$ 65,309,554	$ 60,984,516	$ 61,196,504	$ 60,149,291	$ 61,960,044
Business-type activities:					
Grants & contrib. Not restricted to specific programs	$ -	$ 196,561	$ 212,213	$ 215,292	$ 14,882
Interest and investment earnings	365,794	910,557	1,530,660	2,104,233	1,963,881
Miscellaneous	1,130,466	-	-	-	-
Transfers	-	(830,140)	(758,500)	(643,040)	(682,140)
Total business-type activities	$ 1,496,260	$ 276,978	$ 984,373	$ 1,676,485	$ 1,296,623
Total primary government	$ 66,805,814	$ 61,261,494	$ 62,180,877	$ 61,825,776	$ 63,256,667
Change in Net Assets					
Governmental activities	$ 24,022,583	$ 1,823,156	$ (3,274,230)	$ (5,974,067)	$ 2,644,737
Business-type activities	1,201,362	784,167	2,961,147	4,019,803	5,086,497
Total primary government	$ 25,223,945	$ 2,607,323	$ (313,083)	$ (1,954,264)	$ 7,731,234

CITY OF TROY, MICHIGAN

FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	For Fiscal Year Ended									
	6/30/1999	6/30/2000	6/30/2001	6/30/2002	6/30/2003	6/30/2004	6/30/2005	6/30/2006	6/30/2007	6/30/2008
General Fund										
Reserved	$ 1,387,895	$ 1,926,331	$ 3,177,624	$ 3,383,974	$ 3,524,927	$ 3,597,139	$ 708,988	$ 618,143	$ 695,992	$ 617,505
Unreserved	16,482,576	19,285,439	20,200,272	18,576,135	17,901,803	16,855,616	23,098,204	26,280,666	24,169,595	23,015,257
Total general fund	$ 17,870,471	$ 21,211,770	$ 23,377,896	$ 21,960,109	$ 21,426,730	$ 20,452,755	$ 23,807,192	$ 26,898,809	$ 24,865,587	$ 23,632,762
All other Governmental Funds										
Reserved	$ 45,779,128	$ 33,401,335	$ 37,052,869	$ 33,599,918	$ 34,669,982	$ 16,788,859	$ 11,218,690	$ 8,671,081	$ 4,531,948	$ 4,510,081
Unreserved, reported in:										
Special revenue funds	5,266,846	5,967,365	$ 8,677,209	$ 5,453,780	$ 5,166,988	$ 6,597,268	$ 12,288,180	$ 5,601,748	$ 6,375,447	$ 5,748,781
Capital projects funds	5,735,923	8,220,976	11,421,852	10,136,827	24,099,059	27,090,374	26,559,518	18,573,691	23,026,136	23,743,384
Debt service funds	-	-	-	-		613,290	-	-	-	347,630
Permanent fund	-	-	-	-	-	-	161,558	170,518	185,742	202,748
Total all other governmental funds	$ 56,781,897	$ 47,589,676	$ 57,151,930	$ 49,190,525	$ 63,936,029	$ 51,089,791	$ 50,227,946	$ 33,017,038	$ 34,119,273	$ 34,552,624

CITY OF TROY, MICHIGAN

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Assounting)

	Fiscal Year									
	6/30/1999	6/30/2000	6/30/2001	6/30/2002	6/30/2003	6/30/2004	6/30/2005	6/30/2006	6/30/2007	6/30/2008
Revenues										
Property taxes	$ 40,335,494	$ 42,772,221	$ 45,093,163	$ 47,720,109	$ 49,445,596	$ 49,729,110	$ 51,455,237	$ 49,877,171	$ 50,696,911	$ 51,270,756
Licenses and permits	2,254,763	2,221,451	2,048,206	1,522,133	1,449,003	1,649,985	1,607,445	1,662,592	1,491,958	1,393,635
Intergovernmental - federal	418,053	205,639	307,050	569,310	437,061	415,609	2,928,690	961,366	551,965	1,279,824
Intergovernmental - state	11,883,491	15,460,750	13,012,679	17,169,346	15,946,030	19,579,823	12,944,756	12,073,497	11,805,209	11,990,426
Intergovernmental - local	99,781	107,585	118,646	159,268	142,450	241,418	165,154	891,705	765,823	758,058
Charges for services	2,856,612	3,009,779	3,996,793	3,667,536	5,870,215	6,310,960	8,594,731	7,895,033	8,338,480	8,109,915
Fines and forfeits	806,743	836,035	1,061,310	1,171,749	896,833	960,250	973,527	994,373	1,243,286	1,483,784
Investment income	4,428,158	5,140,688	5,406,554	2,687,564	109	1,198,874	2,213,067	2,947,672	3,942,955	2,782,486
Other	3,133,423	4,558,264	2,614,718	3,999,601	4,798,868	5,497,512	2,817,781	1,601,059	2,046,840	1,924,977
Total revenues	$ 66,216,518	$ 74,312,412	$ 73,659,119	$ 78,666,616	$ 78,986,165	$ 85,583,541	$ 83,700,388	$ 78,904,468	$ 80,883,427	$ 80,993,861
Expenditures										
General government	$ 6,371,802	$ 6,520,286	$ 7,134,820	$ 7,605,215	$ 8,217,477	$ 8,657,335	$ 8,978,687	$ 9,002,076	$ 9,118,399	$ 9,181,757
Public safety	21,591,628	21,609,992	22,787,828	24,721,059	25,229,356	26,313,278	27,203,034	27,973,275	29,575,908	30,764,667
Roads and Streets	3,119,250	2,955,145	3,458,730	3,321,820	3,822,154	3,944,998	5,074,870	4,755,184	4,754,166	5,600,748
Other Public Works	2,742,275	3,015,089	3,359,645	3,808,488	3,708,860	3,500,055	2,780,643	2,835,772	2,676,716	2,676,845
Sanitation	3,516,686	3,523,772	3,477,389	3,671,275	4,198,140	4,432,201	4,432,841	4,367,093	4,528,962	3,892,487
Community & Economic Dev.	780,067	782,293	397,874	675,157	120	553,242	474,591	2,011,275	116,091	115,981
Recreation and culture	8,070,484	8,403,068	8,991,175	10,287,719	11,893,754	12,524,550	13,263,560	13,376,722	13,412,739	14,431,267
Capital outlay	10,581,256	35,102,539	22,422,333	56,099,017	42,801,620	22,194,876	14,791,534	18,994,837	11,856,766	12,322,730
Debt service										
Principal	2,249,282	2,314,514	2,969,940	9,589,460	4,081,284	12,872,500	3,109,955	1,736,712	1,917,957	1,968,296
Interest and other charges	1,671,996	1,507,936	2,162,127	3,229,735	3,133,028	4,410,719	3,246,210	1,702,856	1,639,410	1,471,759
Total expenditures	$ 60,694,726	$ 85,734,634	$ 77,161,861	$ 123,008,945	$ 107,085,793	$ 99,403,754	$ 83,355,925	$ 86,755,802	$ 79,597,114	$ 82,426,537
Excess of revenues over (under) expenditures	$ 5,521,792	$ (11,422,222)	$ (3,502,742)	$ (44,342,329)	$ (28,099,628)	$ (13,820,213)	$ 344,463	$ (7,851,334)	$ 1,286,313	$ (1,432,676)
					$ 128					
Other Financing Sources (Uses)										
Proceeds from long-term debt	$ -	$ 5,571,300	$ 14,860,761	$ 34,181,247	$ 40,225,000	$ -		$ 81,089	$ 41,440	$ 3,505,000
Proceeds from sale of capital assets	-	-	-	-	-	-	74,985	905,292	748,221	47,902
Payments to escrow agents	-	-	-	-	-	-	-	-	-	(3,601,840)
Transfers in	8,109,657	8,524,878	11,612,967	19,623,039	23,611,663	22,746,919	16,529,331	12,767,350	13,965,781	12,260,233
Transfers out	(7,594,656)	(8,524,878)	(10,862,367)	(18,841,149)	(22,761,463)	(22,746,919)	(15,699,191)	(12,008,850)	(16,972,741)	(11,578,093)
Total other financing sources (uses)	$ 515,001	$ 5,571,300	$ 15,611,361	$ 34,963,137	$ 41,075,200	$ -	$ 905,125	$ 1,744,881	$ (2,217,299)	$ 633,202
Net change in fund balances	$ 6,036,793	$ (5,850,922)	$ 12,108,619	$ (9,379,192)	$ 12,975,572	$ (13,820,213)	$ 1,249,588	$ (6,106,453)	$ (930,986)	$ (799,474)
Debt service as a percentage of noncapital expenditures	7.8%	7.5%	9.4%	19.2%	11.2%	22.4%	9.3%	5.1%	5.3%	4.9%

CITY OF TROY, MICHIGAN

GENERAL GOVERNMENTAL TAX
REVENUE BY SOURCE
LAST TEN FISCAL YEARS

	Governmental Funds				
Fiscal Year Ended June 30	**General**	**Refuse**	**Capital**	**General Debt Service**	**Total All Property Taxes**
1999	$ 24,130,403	$ 3,607,699	$ 7,249,139	$ 2,278,911	$ 37,266,152
2000	25,073,487	3,565,556	6,460,426	4,102,123	39,201,592
2001	27,295,287	3,707,365	6,871,070	3,393,679	41,267,401
2002	29,085,526	3,636,077	7,506,099	3,548,012	43,775,714
2003	30,399,278	3,800,177	7,417,214	3,710,450	45,327,119
2004	30,985,387	3,886,714	7,586,118	3,512,091	45,970,310
2005	32,300,414	4,010,718	9,036,196	2,418,718	47,766,046
2006	35,229,232	4,120,154	8,041,747	2,486,038	49,877,280
2007	35,679,836	4,254,241	8,200,947	2,561,887	50,696,911
2008	36,667,821	3,563,759	8,385,316	2,653,860	51,270,756

CITY OF TROY, MICHIGAN

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections	Percentage of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections To Date	Ratio of Total Tax Collections To Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes To Total Tax Levy
1999	36,316,680	35,645,833	98.15	732,372	36,378,205	100.17	120,514	.33
2000	37,904,870	37,391,650	98.65	736,580	38,128,230	100.59	146,773	.38
2001	39,434,080	38,848,160	98.51	693,813	39,541,973	100.27	256,858	.65
2002	41,803,788	41,016,410	98.12	632,486	41,648,896	99.63	308,641	.74
2003	43,497,146	42,574,532	97.88	582,323	43,156,855	99.22	491,213	1.13
2004	44,251,910	43,440,583	98.17	672,473	44,113,056	99.68	296,928	.67
2005	45,666,420	44,814,456	98.13	637,527	45,451,983	99.53	214,437	.47
2006	46,913,799	45,924,486	97.89	726,792	46,651,278	99.44	65,394	.14
2007	48,338,412	47,306,612	97.87	923,002	48,229,614	99.78	108,773	.23
2008	48,667,887	47,589,455	97.79	1,037,838	48,627,293	99.92	107,492	.22

CITY OF TROY, MICHIGAN

PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(PER $1,000 OF ASSESSED VALUATION)

		Overlapping Governments						
Fiscal Year Ended June 30	**City of Troy**	**Troy School District**	**Oakland County**	**Oakland County Community College**	**Intermediate School Distirct**	**SMART**	**State Education**	**Total**
1999 H	9.48	11.71	4.66	1.65	2.12	0.33	6.00	35.95
1999 NH	9.48	21.62	4.66	1.65	2.12	0.33	6.00	45.86
2000 H	9.48	11.36	4.65	1.63	2.10	0.33	6.00	35.55
2000 NH	9.48	21.61	4.65	1.63	2.10	0.33	6.00	45.80
2001 H	9.48	10.71	4.65	109.00	2.08	0.32	6.00	142.24
2001 NH	9.48	21.32	4.65	1.61	2.08	0.32	6.00	45.46
2002 H	9.48	10.06	4.64	1.60	3.46	0.32	6.00	35.56
2002 NH	9.48	21.13	4.64	1.60	3.46	0.32	6.00	46.63
2003 H	9.45	9.73	4.65	1.61	3.42	0.60	6.00	35.46
2003 NH	9.45	21.14	4.65	1.61	3.42	0.60	6.00	46.87
2004 H	9.45	9.43	4.65	1.60	3.40	0.60	5.00	34.13
2004 NH	9.45	21.14	4.65	1.60	3.40	0.60	5.00	45.84
2005 H	9.45	10.16	4.65	1.60	3.38	0.60	6.00	35.84
2005 NH	9.45	22.13	4.65	1.59	3.38	0.60	6.00	47.80
2006 H	9.45	9.87	4.65	120.00	3.37	0.60	6.00	153.94
2006 NH	9.45	22.13	4.65	1.58	3.37	0.60	6.00	47.78
2007 H	9.43	9.87	4.65	1.58	3.37	0.59	6.00	35.49
2007 NH	9.43	22.13	4.65	1.58	3.37	0.59	6.00	47.75
2008 H	9.28	9.42	4.65	1.58	3.37	0.59	6.00	34.89
2008 NH	9.28	22.13	4.65	1.58	3.37	0.59	6.00	47.60

H - Homestead
NH - Non-Homestead

CITY OF TROY, MICHIGAN

ASSESSED VALUE AND TAXABLE VALUE OF PROPERTY LAST TEN FISCAL YEARS (IN THOUSANDS OF DOLLARS)

Fiscal Year Ended June 30,	Residential Property	Commercial Property	Industrial Property	Personal Property	Total Taxable Value	Total Direct Tax Rate	Assessed Value	Taxable Value as a Percentage of Assessed Value
1999	$ 2,005,462,063	$ 962,610,510	$ 411,725,710	$ 626,129,990	$ 4,005,928,273	$ 9.48	$ 4,284,960,814	93.49%
2000	2,095,364,383	1,004,504,303	417,195,414	666,496,353	4,183,560,453	9.48	4,696,926,183	89.07
2001	2,200,049,920	1,099,760,450	430,191,020	643,070,690	4,373,072,080	9.48	5,218,597,300	83.80
2002	2,341,626,570	1,239,570,810	455,491,350	649,562,212	4,686,250,942	9.48	5,652,563,942	82.90
2003	2,482,897,070	1,275,459,080	483,319,960	619,964,538	4,861,640,648	9.45	5,955,697,398	81.63
2004	2,592,381,651	1,333,873,080	467,772,010	584,236,696	4,978,263,437	9.45	6,188,084,256	80.45
2005	2,738,916,540	1,329,545,890	490,202,370	536,093,423	5,094,758,223	9.45	6,337,222,973	80.39
2006	2,892,925,590	1,369,954,040	497,974,250	503,497,670	5,264,351,550	9.45	6,526,074,330	80.67
2007	3,076,070,702	1,376,175,120	502,914,670	479,874,950	5,435,035,442	9.43	6,608,804,750	82.23
2008	3,187,596,017	1,388,201,850	510,504,920	464,213,650	5,550,516,437	9.28	6,422,659,810	86.42

Source: City of Troy Assessing records

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

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

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

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

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

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

CITY OF TROY, MICHIGAN

TOP TEN PRINCIPAL
TAX PAYERS
CURRENT YEAR AND TEN YEARS AGO

	6/30/1998			6/30/2008		
Taxpayer	**Taxable Value**	**Rank**	**Percentage of Total City Taxable Value**	**Taxable Value**	**Rank**	**Percentage of Total City Taxable Value**
Frankel Forbes/Cohen	$ 54,710,920	1	1.45%	$ 66,908,700	1	1.21%
K-Mart	50,749,240	2	1.34%			
Bellemead of Michigan	46,794,310	3	1.24%			
E. D. S.	41,854,480	4	1.11%			
Nykel Management	41,362,570	5	1.10%	40,726,630	3	0.73%
Liberty Property Limited	38,144,250	6	1.01%	43,202,080	2	0.78%
Detroit Edison	33,944,270	7	0.90%	33,584,420	5	0.61%
Oakland Mall, L.L.C.	31,026,600	8	0.82%	28,992,980	10	0.52%
Standard Federal Corporation	29,038,410	9	0.77%			
WRC Properties	28,632,180	10	0.76%			
888 W. Big Beaver Assoc.				33,826,600	4	0.61%
Osprey Troy Office Centre				32,578,810	6	0.59%
Kelly Services & Properties				31,360,640	7	0.57%
Riggs & Co. (Kirco Dev.)				30,719,090	8	0.55%
Macy's				29,435,560	9	0.53%

CITY OF TROY, MICHIGAN

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Taxable Value	Estimated Population	General Obligation & County Issued Bonds	Debt Service Fund Balance	Total	Percent of Net Bonded Debt to Taxable Value	Net Bonded Debt Per Capita
1999	$ 4,005,628,273	72,884	$ 10,552,551	$ 6,757,645	$ 3,794,906	0.1 %	$ 52.07
2000	4,183,560,453	72,884	13,203,273	9,895,404	3,307,869	0.1	45.39
2001	4,373,072,080	80,959	25,462,925	11,017,036	14,445,889	0.3	178.43
2002	4,686,250,942	80,959	41,864,521	12,716,625	29,147,896	0.6	360.03
2003	4,861,640,648	80,959	53,238,658	13,543,103	39,695,555	0.8	490.32
2004	4,978,263,437	80,959	42,498,315	4,820,818	37,677,497	0.8	465.39
2005	5,094,758,223	80,959	40,812,271	4,734,163	36,078,108	0.7	445.63
2006	5,264,351,550	80,959	39,156,648	4,776,501	34,380,147	0.7	424.66
2007	5,435,035,442	80,959	37,280,131	4,434,911	32,845,220	0.6	405.70
2008	5,550,516,437	80,959	35,333,976	4,318,695	31,015,281	0.6	383.10

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

CITY OF TROY, MICHIGAN

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

Fiscal Year Ended June 30	Principal	Interest and Fiscal Charges	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Government Expenditures
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
2005	1,579,955	1,753,162	3,333,117	68,279,944	4.88
2006	1,525,000	1,600,594	3,125,594	65,514,169	4.77
2007	1,700,000	1,542,756	3,242,756	67,425,737	4.81
2008	1,790,000	1,388,255	3,178,255	69,842,007	4.55

Includes General, Special Revenue and Debt Service Funds.

CITY OF TROY, MICHIGAN

COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2008

Jurisdiction	Net General Bonded Debt Outstanding	Percent Applicable to Troy	Amount Applicable to Troy
City of Troy	$ 31,015,281	100.00%	$ 31,015,281
Avondale School District	94,581,134	17.40	16,457,117
Birmingham School District	222,660,000	4.19	9,329,454
Bloomfield Hills School District	15,700,000	2.06	323,420
Lamphere School District	20,925,000	12.65	2,647,013
Royal Oak School District	87,173,000	2.40	2,092,152
Troy School District	150,495,000	100.00	150,495,000
Warren School District	135,318,000	8.24	11,150,203
Oakland County	109,962,280	8.57	9,423,767
Oakland Intermediate School District	53,730,000	8.02	4,309,146
Macomb Intermediate School District	1,500,000	1.15	17,250
Oakland County Community College	7,965,000	8.63	687,380
Total overlapping debt	900,009,414		206,931,902
Total direct and overlapping debt	$ 931,024,695		$237,947,183

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

CITY OF TROY, MICHIGAN

COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2008

Assessed Valuation at December 31, 2006	$ 6,422,659,810

		Legal Margin		
	Annual Net Debt	**Percentage of State Equalized Valuation**	**Amount**	**Legal Debt Margin**
General obligation debt	$ 42,220,000	10%	$ 642,265,981	$ 600,045,981
Emergency bonds	-	3/8	24,084,974	24,084,974
Special assessment bonds	-	12	770,719,177	770,719,177
Total debt	$ 42,220,000		$ 1,437,070,132	$ 1,394,850,132

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 ($6,422,659,810), 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 persuant to court order for sewage or garbage disposal systems.

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

CITY OF TROY, MICHIGAN

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
JUNE 30, 2008

	Fiscal Year				
	1999	**2000**	**2001**	**2002**	**2003**
Debt Limit	$ 428,496,081	$ 469,692,618	$ 521,859,730	$ 565,256,394	$ 595,569,740
Total net debt applicable to limit	(9,018,300)	(6,402,240)	(19,332,300)	(33,840,000)	(58,875,000)
Legal debt margin	**$ 419,477,781**	**$ 463,290,378**	**$ 502,527,430**	**$ 531,416,394**	**$ 536,694,740**
Total net debt applicable to the limit as a percentage of debt limit	2.10%	1.36%	3.70%	5.99%	9.89%

	Fiscal Year				
	2004	**2005**	**2006**	**2007**	**2008**
Debt Limit	$ 618,808,426	$ 633,722,297	$ 652,607,433	$ 660,880,475	$ 642,265,981
Total net debt applicable to limit	(48,680,000)	(47,405,000)	(45,855,000)	(44,130,000)	(42,220,000)
Legal debt margin	**$ 570,128,426**	**$ 586,317,297**	**$ 606,752,433**	**$ 616,750,475**	**$ 600,045,981**
Total net debt applicable to the limit as a percentage of debt limit	7.87%	7.48%	7.03%	6.68%	6.57%

CITY OF TROY, MICHIGAN

PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

	Building Authority bonds				
		Debt Service			
Fiscal Year Ended	Collections	Principal	Interest	Total	Coverage (1)
1999	$ -	$ -	$ -	$ -	%
2000	-	-	-	-	-
2001	-	-	-	-	-
2002	-	-	-	-	-
2003	-	-	511,294	511,294	0.000%
2004	-	-	557,770	557,770	0.000%
2005	962,132	-	557,770	557,770	1.725%
2006	1,173,020	200,000	554,520	109	1.555%
2007	1,057,265	200,000	547,307	747,307	1.415%
2008	985,813	300,000	539,038	839,038	1.175%

	Michigan Transportation Fund Bonds				
		Debt Service			
Fiscal Year Ended	Collections (2)	Principal	Interest	Total	Coverage
1999	$ -	$ -	$ -	$ -	-
2000	-	-	-	120.00	-
2001	2,206,234	1,100,000	342,238	1,442,238	1.530%
2002	2,389,260	1,200,000	221,538	1,421,538	1.681%
2003	2,433,431	1,300,000	164,538	1,464,538	1.662%
2004	2,627,194	125,000	103,438	228,438	11.501%
2005	2,548,178	150,000	97,438	247,438	10.298%
2006	2,529,103	175,000	90,088	265,088	9.541%
2007	2,502,483	175,000	81,338	256,338	9.762%
2008	2,461,676	175,000	72,588	247,588	9.943%

	Special Assessment Bonds				
		Debt Service			
Fiscal Year Ended	Collections	Principal	Interest	Total	Coverage (3)
1999	$ 47,903	$ 30,000	$ 17,903	$ 47,903	1.000%
2000	41,081	25,000	16,081	41,081	1.000%
2001	39,413	25,000	14,413	39,413	1.000%
2002	37,738	25,000	12,738	37,738	1.000%
2003	36,056	25,000	11,056	36,056	1.000%
2004	34,369	25,000	9,369	34,369	1.000%
2005	32,675	25,000	7,675	32,675	1.000%
2006	55,125	50,000	5,125	55,125	1.000%
2007	51,713	50,000	1,713	51,713	1.000%
2008	-	-	-	-	-

(1) Capitalized Interest 2003, 2004.

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

(3) Customers may choose to make special assessment payments up-front to avoid paying interest to the City, which creates uneven payment streams over the life of the assessment.

CITY OF TROY, MICHIGAN

DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Population (1)	Number of Households	Median Household Effective Buying Income (3)	School Enrollment (4)	Unemployment Rate (%)(6)	Median Age (6)	Personal Income (000's)	Education Age 25 or Older: High School	Education Age 25 or Older: Bachelor Degree	Education Age 25 or Older: Graduate or Professional Degree
1999	84,549	30,434	$ 60,004	12,066	1.6	*	$ *	* %	* %	* %
2000	85,124	30,721	61,806	12,079	1.6	37.0	36	83	28	22
2001	80,959 (2)	30,872	65,642	12,101	2.3	38.1	*	*	*	*
2002	84,531	31,371	70,342	12,043	3.2	38.1	*	*	*	*
2003	84,841	31,504	65,625	12,092	3.2	38.1	*	*	*	*
2004	85,956	31,944	62,862	12,059	3.2	38.1	*	*	*	*
2005	86,740	32,281	64,630	12,005	4.7	38.0	*	*	*	*
2006	87,159	32,431	*	12,131	4.9	38.1	*	*	*	*
2007	87,594	32,596	*	12,192	4.8	41.7	43	*	*	*
2008	87,956	32,802	*	12,165	5.6	37.0	*	*	*	*

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
(6) U.S. Census 2006 American Community Survey
* Information not available.
** Change in the calculation method.

CITY OF TROY, MICHIGAN

PRINCIPAL EMPLOYERS
BY INDUSTRY
CURRENT AND PREVIOUS FOUR YEARS*

	2004			2005			2006			2007			2008		
Industry	**Number of Parcels**	**Rank**	**Percent of Total Parcels**	**Number of Parcels**	**Rank**	**Percent of Total Parcels**	**Number of Parcels**	**Rank**	**Percent of Total Parcels**	**Number of Parcels**	**Rank**	**Percent of Total Parcels**	**Number of Parcels**	**Rank**	**Percent of Total Parcels**
Industrial, Light Manufacturing	636	1	40.80%	638	1	40.56%	654	1	41.24%	647	1	40.90%	638	1	39.49%
Office	266	2	17.06%	268	2	17.04%	267	2	16.83%	266	2	16.81%	266	2	16.46%
Retail Store (Mall, Plaza, Market, Whse, Discount)	137	3	8.79%	140	3	8.90%	143	3	9.02%	144	3	9.10%	149	3	9.22%
Engineering	85	4	5.45%	84	4	5.34%	86	4	5.42%	83	4	5.25%	79	5	4.89%
Apartments	66	5	4.23%	65	6	4.13%	75	6	4.73%	76	6	4.80%	64	7	3.96%
Medical Office	63	7	4.04%	72	5	4.58%	66	5	4.16%	65	5	4.11%	80	4	4.95%
Restaurant & Fast Food	64	6	4.11%	64	7	4.07%	62	7	3.91%	61	7	3.86%	65	6	4.02%
Warehouse (Storage, Distribution, Transit)	54	8	3.46%	54	109	3.43%	56	8	3.53%	55	8	3.48%	50	9	3.09%
Service (Station, Garage, Booth, Convenience)	52	9	3.34%	52	9	3.31%	39	10	2.46%	42	9	2.65%	56	8	3.47%
Loft (Multi Tenant Industrial)	39	10	2.50%	39	10	2.48%	42	9	2.65%	41	10	2.59%	42	10	2.60%
Bank	24	11	1.54%	24	11	1.53%	24	11	1.51%	28	11	1.77%	28	11	1.73%
Auto Dealership	15	12	0.96%	16	12	1.02%	16	12	1.01%	17	12	1.08%	17	12	1.05%
All other	58		3.72%	57		3.62%	56		3.53%	57		3.60%	82	13	5.07%
Total commercial/industrial parcels	1,559		100.00%	1,573		100.00%	1,586		100.00%	1,582		100.00%	1,616		100.00%

* Information was not compiled prior to the 2003 assessment roll

CITY OF TROY, MICHIGAN

OPERATION INDICATORS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

	Fiscal Year Ended June 30									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Building Inspection										
Permits issued	2,196	2,190	1,946	1,938	1,867	2,110	2,136	1,927	1,696	1,588
Plans reviewed	1,450	1,051	1,450	1,029	1,053	1,200	1,716	1,600	1,059	920
Executive Administration										
City Manager's Office										
GFOA awards/submittals	3	3	3	3	3	3	3	3	3	3
City Attorney's Office										
District court appearances	5,414	5,559	5,071	5,953	4,910	6,484	6,425	6,531	6,368	N/A
Engineering										
Engineering										
Soil erosion inspections	1,100	348	400	500	900	2,500	2,983	4,570	4,001	1,422
Machine traffic counts	165	165	162	140	138	140	128	125	136	136
Finance										
Accounting/Risk Management										
Payroll checks processed	21,797	22,544	24,675	22,811	23,224	23,250	23,851	23,800	24,116	27,717
Invoices issued	1,950	2,002	2,234	2,259	2,193	120	1,651	1,800	2,200	2,000
Liability claims processed	219	194	181	161	162	161	139	129	114	143
Insurance certificates approved	223	236	278	287	307	400	357	350	386	379
Assessing										
Residential appraisals	1,232	1,200	1,500	1,200	1,500	1,200	1,200	1,600	1,500	1,273
Reinspections	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,250	1,000	800
City Clerk's Office										
Dog licenses issued	5,352	5,351	6,500	5,256	5,013	5,020	2,330	1,690	2,043	1,870
Registered voters	56,734	56,024	55,329	54,712	54,273	54,122	54,188	53,792	54,355	56,774
Human Resources										
Applications processed	615	1,007	1,550	1,552	1,340	128	1,156	1,500	1,117	1,762
Job postings	51	66	52	50	44	50	44	50	45	39
Labor contracts settled	N/A	N/A	3	2	2	1	1	4	0	1
Purchasing										
Value of goods/services purchased	$24.0 mil	$24.0 mil	$27.0 mil	$23.6 mil	$24.4 mil	$29.0 mil	$26.3 mil	$29.0 mil	$30.4 mil	$29.6 mil
% of awards without dispute	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
City Treasurer's Office										
Tax bills processed	61,851	62,687	63,241	63,086	64,000	64,000	65,480	66,220	65,740	66,907
Water bills processed	96,076	101,128	98,476	98,747	N/A	N/A	104,771	106,369	102,000	104,784
Community Affairs										
New resident packets distributed	N/A	N/A	N/A	761	770	760	775	775	950	830
Press releases sent	N/A	N/A	N/A	315	330	340	412	440	450	465

CITY OF TROY, MICHIGAN

OPERATION INDICATORS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

	Fiscal Year Ended June 30									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Fire										
Fire Department responses	1,336	1,333	1,347	1,182	1,204	1,358	1,188	1,475	1,338	1,154
Inspections performed	2,183	2,093	2,093	1,974	2,465	2,000	2,196	2,000	2,210	2,440
Other General Government										
Building Operations										
Requests for service	2,975	3,478	3,478	3,478	6,200	11,472	14,472	16,750	18,900	19,200
Planning										
Site plan reviews	37	43	27	31	33	18	19	21	14	21
Special use requests	13	7	8	7	7	7	6	10	22	13
Parks & Recreation										
ROW trees trimmed	2,400	3,000	1,160	3,000	3,200	1,000	1,000	116	3,215	1,968
Nature Center program attendance	4,308	4,034	3,176	3,176	4,660	4,090	4,995	4,765	4,890	5,089
Police										
Part 1 Crimes	2,411	2,387	2,316	2,061	2,107	1,979	2,044	2,088	1,890	2,021
Operate while impaired	448	469	469	442	306	431	453	448	520	503
Public Works										
Streets & Drains Division										
Requests for service	1,197	1,172	1,151	905	870	1,100	1,293	744	860	1,602
Traffic signs repaired/replaced	2,161	2,262	1,761	1,825	1,650	1,800	1,650	1,680	1,250	1,123
Water & Sewer Division										
Requests for service	2,841	2,048	2,414	2,653	2,414	2,650	2,650	2,637	2,244	2,147
Sanitry sewers cleaned in feet	867,390	661,683	1,079,417	1,918,932	1,671,089	1,670,000	1,670,000	2,067,000	1,610,795	2,100,000
Fleet Maintenance										
Work orders	5,126	4,593	4,593	3,098	3,849	4,000	4,137	4,050	4,072	4,000
Vehicle tires replaced	524	489	489	403	355	400	791	600	648	594
Refuse/Resource Recovery										
Tons of refuse collected	46,536	48,460	49,524	48,793	49,263	54,000	48,308	54,500	44,637	35,313
Tons of compost collected	3,533	3,953	4,957	4,989	6,303	6,500	7,804	9,984	7,917	10,753
Information Technology										
Help desk requests	639	1,293	1,049	1,250	1,407	1,400	1,620	1,800	2,062	2,136
Golf Course										
Sylvan Glen rounds of golf	67,074	63,362	57,115	55,982	53,410	55,560	51,060	50,820	45,032	42,451
Sanctuary Lake rounds of golf	-	-	-	-	-	4,010	18,463	25,833	23,729	23,664
Aquatic Center										
Admissions	45,148	44,825	48,664	53,140	38,578	48,000	55,348	50,240	54,519	48,460

CITY OF TROY, MICHIGAN

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Fire										
Stations	6	6	6	6	6	6	6	6	6	6
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Streets										
Miles of improved	362.2	362.2	362.2	366	370	371	410	423	437	443
Miles of unimproved	9.9	9.9	9.9	7	7.4	6.5	4.9	4.9	4.8	4
								109		
Sewers										
Miles of combination storm/sanitary	2.27	2.27	2.3	2	10	10	10	10	10	10
Miles of sanitary	300.8	300.8	374.5	377	382.5	384.7	386	384	386	394.5
Miles of storm	240.3	240.3	273.9	278	366	397	488	510	542	543
Street Lights										
Detroit Edison owned poles	712	712	712	712	579	577	577	564	564	582
City owned poles	1,119	1,119	1,119	1,122	1,669	1,707	1,707	1,558	1,558	956
Water								120		
Annual distribution in million cubic feet	679.3	679.7	564.9	574.6	641	643	595	663	614	561
Miles of watermains	490.2	490.2	532.8	536	538.8	543.5	547	536	538	539
Number of hydrants	5,498	5,498	5,442	5,467	5,492	5,561	5,610	5,759	5,782	5,830
Parks and Recreation										
Number of developed parks	14	14	14	14	14	14	14	14	14	14
Acres of public parks	832	832	832	896	735	735	735	735	880	880
Number of tennis courts	44	18	18	18	18	18	18	18	18	18
Outdoor education center/farm	1	1	1	1	1	1	1	1	1	1
18-hole golf course	1	1	1	1	1	2	2	128	2	2
Community center	1	1	1	1	1	1	1	1	1	1
Aquatic center	1	1	1	1	1	1	1	1	1	1

CITY OF TROY, MICHIGAN

BUILDING CONSTRUCTION
LAST TEN FISCAL YEARS

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
2004 - 2005	2,136	permits		143,697,564	estimated value
2005 - 2006	1,927	permits		114,459,317	estimated value
2006 - 2007	1,696	permits		113,160,162	estimated value
2007 - 2008	1,588	permits		103,420,413	estimated value

CITY OF TROY, MICHIGAN

FULL AND PART-TIME
CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Full and Part Time Employees as of June 30																			
	1999		2000		2001		2002		2003		2004		2005		2006		2007		2008	
	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
Function/Program																				
Building Inspection																				
Building Inspection	20	2	21	1	21	1	22	0	22	0	22	0	22	0	21	2	21	2	21	2
Executive Administration																				
City Manager's Office	6	0	6	0	6	0	6	0	6	0	6	0	6	0	6	0	5	0	4.5	0
City Attorney's Office	7	1	7	2	7	2	7	2	8	1	8	1	8	1	8	1	8	1	8	1
Engineering																				
Engineering	22	6	22	7	23	7	23	109	23	7	23	7	23	7	23	6	23	6	22	6
Finance																				
Accounting/Risk Management	9	0	11	0	11	0	11	0	11	0	11	0	10.5	0	10.5	0	10.5	0	10.5	0
Assessing	10	0	10	0	10	0	10	0	10	0	10	0	8	2	8	2	8	2	8	2
City Clerk's Office	5	1	5	1	6	1	6	1	6	2	7	2	6	2	6	2	6	2	6	2
Human Resources	6	1	5	1	4	1	4	1	4	1	4	1	4	1	4	1	4	1	4	1
Purchasing	2	1	3	1	3	1	3	1	3	1	3	1	3	1	3	1	3	1	3	1
City Treasurer's Office	6	0	6	0	5	0	5	0	5	0	5	0	4.5	0	4.5	0	4.5	0	4.5	0
Community Affairs	3	3	4	3	4	4	3	6	3	6	3	8	3	9	3	6	3	6	3	6
Fire																				
Fire	11	2	12	2	12	2	14	2	14	2	14	2	14	2	14	2	14	2	14	2
Library/Museum																				
Library	16	80	17	79	17	80	20	66	20	85	20	86	20	88	20	88	17	98	16	98
Museum	0	0	0	0	0	0	3	4	3	5	3	5	2	9	2	9	2	9	2	9
Other General Government																				
Real Estate & Development	6	0	6	0	5	1	5	1	5	1	5	1	5	1	5	1	4	1	3.5	0
Building Operations	9	2	10	2	10	2	11	128	12	2	12	2	12	2	12	2	12	2	12	2
Planning	5	0	5	0	5	0	5	0	5	0	5	0	5	0	5	0	5	0	5	0
Police																				
Police	194	9	193	11	194	11	194	11	194	13	194	13	194	13	194	13	193	14	192	18

CITY OF TROY, MICHIGAN

FULL AND PART-TIME
CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Full and Part Time Employees as of June 30																			
	1999		2000		2001		2002		2003		2004		2005		2006		2007		2008	
	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
Parks & Recreation																				
Parks & Recreation	32	20	33	20	34	20	34	43	35	116	35	128	35	128	35	128	34	128	34	122
Public Works																				
Streets & Drains Division	29	15	29	15	32.5	18	34.5	18	34.5	19	34.5	19	34.5	19	32.5	18	31.5	18	31.5	18
Water & Sewer Division	33.5	7	37.5	7	35	6	35	6	35	6	35	6	35	6	35	6	34	7	34	7
Fleet Maintenance	18	2	18	2	18	2	18	2	18	2	18	2	18	2	18	2	18	2	18	2
Refuse/Resource Recovery	1.5	1	1.5	1	1.5	1	1.5	1	1.5	1	1.5	1	1.5	1	1.5	1	1.5	1	1.5	1
Information Technology																				
Information technology	5	0	8	0	8	0	8	0	9	0	9	0	9	0	9	0	9	0	9	0
Golf Course																				
Golf course	4	19	4	20	4	20	4	35	4	37	3	36	5	54	5	72	5	72	5	71
Aquatic Center																				
Aquatic center	0	0	0	0	0	0	0	0	0	74	0	74	0	74	0	74	0	74	0	74
Total Employees	**460**	**172**	**474**	**175**	**476**	**180**	**487**	**437**	**491**	**381**	**491**	**395**	**488**	**422**	**485**	**437**	**476**	**449**	**472**	**445**

CITY OF TROY, MICHIGAN

STATE SHARED REVENUES
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	State Shared Revenue
1999	$ 7,221,013
2000	7,426,315
2001	8,129,105
2002	8,348,727
2003	7,618,966
2004	7,101,729
2005	6,906,372
2006	6,844,167
2007	6,635,508
2008	6,633,938

GAS AND WEIGHT TAXES
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Type of Street		Total Gas and Weight Tax (Act 51) Receipts
	Major Road	Local Road	
1999	$ 2,996,940	$ 1,208,558	$ 4,205,498
2000	3,144,944	1,282,803	4,427,747
2001	3,129,740	1,282,727	4,412,467
2002	3,415,410	1,363,109	4,778,519
2003	3,479,968	1,386,893	4,866,861
2004	3,751,867	1,502,521	5,254,388
2005	3,647,503	1,448,852	5,096,355
2006	3,628,794	1,429,411	5,058,205
2007	3,587,980	1,416,986	5,004,966
2008	3,529,518	1,393,834	4,923,352

Source: City of Troy

CITY OF TROY, MICHIGAN

LABOR AGREEMENTS

Name	Expiration Date	Number of Employees Covered
American Federation of State, County, and Municipal Employees, AFSCME - Public Works Employees	6/30/2009	83
Michigan Association of Police - Clerical, Police Services Aides	6/30/2010	55
Troy Command Officers Association - Command Police Officers	6/30/2008	34
Troy Police Officers Associtation - Police Officers	6/30/2008	94
Troy Firestaff Officers Association - Fire Career Professionals	6/30/2009	11

SINGLE AUDIT SECTION

REHMANN ROBSON
Certified Public Accountants
A member of THE REHMANN GROUP
An Independent Member of Baker Tilly International

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

December 11, 2008

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

We have audited the financial statements of the governmental activities, the business-type activities, the discreetly presented component units, each major fund, and the aggregate remaining fund information of the ***City of Troy, Michigan*** (the "City") as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 11, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies

in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the City in a separate letter dated December 11, 2008.

This report is intended solely for the information and use of the City Council, management, others within the organization, 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.

Rehmann Robson

REHMANN ROBSON
Certified Public Accountants
A member of THE REHMANN GROUP
An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

December 11, 2008

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

Compliance

We have audited the compliance of the **City of Troy, Michigan** (the City) 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, 2008. The City's major federal programs are identified in the summary of auditors' 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'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'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 on the City's compliance with those requirements.

In our opinion, the City 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, 2008.

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'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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A *material weakness* is a significant deficiency, or combination or significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, management, others in the organization, 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.

Rehmann Lohan

City of Troy, Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Cooperative Forestry Assistance Act of 1978:		
Pass through Michigan Department of Natural Resources		
Emerald Ash Borer Tree Planting Grant 05-034	10.664	$ 10,000
U.S. Department of Housing and Urban Development:		
Pass through Oakland County, Michigan		
Community Development Block Grant	14.218	115,980
U.S. Department of Justice:		
Secure Our Schools	16.710	19,426
Pass through Michigan Department of Community Health		
Internet Crimes Against Children	16.543	56
Total U.S. Department of Justice		19,482
U.S. Department of Transportation:		
Pass through Michigan State Department of Transportation		
Highway Planning & Construction		
RR5218	20.205	266,144
YY259	20.205	1,446
RR5240	20.205	5,200
RR6189	20.205	191,002
RR4527	20.205	141,957
RR4528	20.205	496,206
UB2037	20.205	17,832
Total U.S. Department of Transportation		1,119,787
U.S. Department of Transportation Highway Safety Funds:		
Pass through Michigan Office of Highway Safety Planning		
Youth Alcohol Enforcement Grant AL-07-26	20.601	8,172
Safe Communities Grant - Youth Alcohol Enforcment JJ-08-04	20.601	6,405
		14,577
Total Expenditures of Federal Awards		**$ 1,279,826**

THE CITY OF TROY, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2008

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1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Troy, Michigan (the City) and is presented on the same basis of accounting as the basic financial statements.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

*** * * * * ***

THE CITY OF TROY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2008

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	No
Identification of major programs:	20.205 Highway Planning & Construction
Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	Yes

THE CITY OF TROY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

SECTION IV – PRIOR YEAR FINDINGS

None noted

REHMANN ROBSON
Certified Public Accountants
A member of THE REHMANN GROUP
An Independent Member of Baker Tilly International

December 11, 2008

To the Honorable Mayor
and Members of the City Council
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** (the "City") for the year ended June 30, 2008, and have issued our report thereon dated December 11, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated September 18, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered 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.

As part of obtaining reasonable assurance about whether the City'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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the ***U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*** applicable to each of its major federal programs for the purpose of expressing an opinion on the City's compliance with those

requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 18, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 11, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Rehmann Robson

City of Troy, Michigan

Comments and Recommendations

For the Year Ended June 30, 2008

In planning and performing our audit of the financial statements of the City of Troy, Michigan as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Other Matters

2008-1 Estimated Lives of Depreciable Assets

During our audit we noted that the depreciable lives used for new asset additions did not conform to the City's established depreciable life policy. The City subsequently adjusted the depreciable lives and recalculated the depreciation expense based on the revised calculation.

We would recommend that the City consider a review process of depreciable lives of capital assets during the year end closing process. We believe that this will strengthen the City's internal controls over financial reporting.

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