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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Rochester Hills, 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 Rochester Hills, Michigan (the "City") as of and for the year ended December 31, 2011, 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. The financial statements of the Rochester-Avon Recreation Authority were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Rochester Hills, Michigan as of December 31, 2011 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedules for the General Fund and each major special revenue fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



To the Honorable Mayor and
Members of the City Council
City of Rochester Hills, Michigan

The other budgetary comparison schedules and combining statements, as identified in the table of contents as other supplemental information, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. These schedules, along with the budgetary comparison schedules for the General Fund and each major special revenue fund, have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2012 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, 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 read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

April 20, 2012

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Nonmajor Debt Service Funds

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

Road Improvement 2001 Fund – This fund accounts for payment of debt created for improvement to roads using Act 175 bonds. Revenue is generated from tax levies and expenditures are made for principal and interest.

Drain Fund – This fund accounts for payment of debt created for drain construction and maintenance. Revenue is generated from tax levies and expenditures are made for principal and interest.

Local Street Improvement 2001 and 2002 Funds – These funds account for payment of debt created for the improvement of local streets using Act 175 bonds. Revenue is generated from special assessment collections, and funds received under Act 51 are transferred to these funds from the Local Street Special Revenue Fund for the City's share. Expenditures are made for principal and interest.

Refunding OPC Building Bond Series 2010 – This fund accounts for payment of debt created for refunding of the OPC Building Bond 2001 Series callable portion. Revenue is generated from tax levies and expenditures are made for principal and interest.

~~X~~ **Municipal Building Bond Series 2002 Fund** – This fund accounts for payment of debt created from the construction of the municipal building addition. Revenue is generated from tax levies and expenditures are made for principal and interest.

~~X~~ **Municipal Building Refunding Bond Series 2010 Fund** – This fund accounts for payment of debt created for refunding of the Municipal Building Bond Series 2002 callable portion. Revenue is generated from tax levies and expenditures are made for principal and interest.

Refunding Bond, Capital Improvement Series 2011 – This fund accounts for payment of debt created for refunding of the Local Street Improvement 2002 Fund callable portion. Revenue is received under Act 51 and transferred from the Local Street Fund. Expenditures are made for principal and interest.

City of Rochester Hills, Michigan

	Road Improvement 2001 Fund	Local Street Improvement 2001 Fund	Drain Fund
Assets			
Cash and investments	\$ 548,696	\$ 404,190	\$ 2,121,123
Receivables:			
Property tax	-	-	637,680
Accounts	-	3,407	-
Accrued interest	-	-	2,218
Long-term receivables - Special assessments	-	123,975	-
 Total assets	 <u>\$ 548,696</u>	 <u>\$ 531,572</u>	 <u>\$ 2,761,021</u>
 Liabilities and Fund Balances			
Liabilities			
Other liabilities	\$ -	\$ -	\$ 31,227
Deferred revenue	-	125,044	1,215,262
 Total liabilities	 -	 125,044	 1,246,489
 Fund Balances			
Restricted - Debt service	<u>548,696</u>	<u>406,528</u>	<u>1,514,532</u>
 Total fund balances	 <u>548,696</u>	 <u>406,528</u>	 <u>1,514,532</u>
 Total liabilities and fund balances	 <u>\$ 548,696</u>	 <u>\$ 531,572</u>	 <u>\$ 2,761,021</u>

City of Rochester Hills, Michigan

**Nonmajor Governmental Funds Debt Service Funds
Combining Balance Sheet
December 31, 2011**

* Municipal Building Bond Series 2002 Fund	Local Street Improvement 2002 Fund	OPC Refunding Bond, Series 2010 Fund	* Municipal Building Refunding Bond, Series 2010 Fund	Refunding Bond, Capital Improvement Series 2011	Total Nonmajor Debt Service Funds
\$ -	\$ 1,141,691	\$ 544,301	\$ 5,050	\$ 7,348	\$ 4,772,399
-	-	384,909	-	-	1,022,589
-	-	-	-	-	3,407
-	1,936	-	-	-	4,154
-	-	-	-	-	123,975
<u>\$ -</u>	<u>\$ 1,143,627</u>	<u>\$ 929,210</u>	<u>\$ 5,050</u>	<u>\$ 7,348</u>	<u>\$ 5,926,524</u>
\$ -	\$ -	\$ 11,551	\$ -	\$ -	\$ 42,778
-	-	733,538	-	-	2,073,844
-	-	745,089	-	-	2,116,622
-	1,143,627	184,121	5,050	7,348	3,809,902
-	1,143,627	184,121	5,050	7,348	3,809,902
<u>\$ -</u>	<u>\$ 1,143,627</u>	<u>\$ 929,210</u>	<u>\$ 5,050</u>	<u>\$ 7,348</u>	<u>\$ 5,926,524</u>

City of Rochester Hills, Michigan



	Road Improvement 2001 Fund	Local Street Improvement 2001 Fund	Drain Fund	Municipal Building Bond Series 2002 Fund
Revenue				
Property taxes	\$ -	\$ -	\$ 1,924,490	\$ -
Investment earnings	1,677	11,953	16,519	7
Special assessments	-	36,333	-	-
Other	-	-	5,791	-
Total revenue	1,677	48,286	1,946,800	7
Expenditures				
Principal retirement	200,000	175,000	1,769,040	400,000
Interest	60,488	60,250	225,941	8,600
Miscellaneous	275	550	19,361	138
Total expenditures	260,763	235,800	2,014,342	408,738
Excess of Revenue Over (Under)				
Expenditures	(259,086)	(187,514)	(67,542)	(408,731)
Other Financing Sources (Uses)				
Transfer in	145,290	134,400	-	380,320
Transfer out	-	-	-	(180)
Issuance of debt	-	-	-	-
Premium on refunding bond	-	-	-	-
Payment to refund bond escrow agent	-	-	-	-
Total other financing sources (uses)	145,290	134,400	-	380,140
Net Change in Fund Balance	(113,796)	(53,114)	(67,542)	(28,591)
Fund Balances - Beginning of year	662,492	459,642	1,582,074	28,591
Fund Balances - End of year	\$ 548,696	\$ 406,528	\$ 1,514,532	\$ -

City of Rochester Hills, Michigan

**Nonmajor Governmental Funds Debt Service Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
December 31, 2011**



Local Street Improvement 2002 Fund	OPC Refunding Bond Series 2010 Fund	Municipal Building Refunding Bond, Series 2010 Fund	Refunding Bond, Capital Improvement Series 2011	Total Nonmajor Debt Service Funds
\$ -	\$ 727,313	\$ -	\$ -	\$ 2,651,803
6,852	250	-	-	37,258
-	-	-	-	36,333
-	-	-	-	5,791
6,852	727,563	-	-	2,731,185
350,000	500,000	100,000	-	3,494,040
122,206	210,775	222,426	-	910,686
275	7,300	-	52,111	80,010
<u>472,481</u>	<u>718,075</u>	<u>322,426</u>	<u>52,111</u>	<u>4,484,736</u>
(465,629)	9,488	(322,426)	(52,111)	(1,753,551)
270,590	-	322,760	-	1,253,360
-	-	-	-	(180)
-	-	-	2,270,000	2,270,000
-	-	-	82,781	82,781
-	-	-	(2,293,322)	(2,293,322)
<u>270,590</u>	<u>-</u>	<u>322,760</u>	<u>59,459</u>	<u>1,312,639</u>
(195,039)	9,488	334	7,348	(440,912)
<u>1,338,666</u>	<u>174,633</u>	<u>4,716</u>	<u>-</u>	<u>4,250,814</u>
<u>\$ 1,143,627</u>	<u>\$ 184,121</u>	<u>\$ 5,050</u>	<u>\$ 7,348</u>	<u>\$ 3,809,902</u>

City of Rochester Hills, Michigan

	Road Improvement 2001			Local Street Improvement 2001		
	Amended Budget	Actual	Variance with Amended Budget	Amended Budget	Actual	Variance with Amended Budget
	(Unaudited)			(Unaudited)		
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	1,850	1,677	(173)	10,580	11,953	1,373
Special assessments	-	-	-	29,450	36,333	6,883
Other	-	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-
Transfers in	<u>145,290</u>	<u>145,290</u>	<u>-</u>	<u>134,400</u>	<u>134,400</u>	<u>-</u>
Total revenue	147,140	146,967	(173)	174,430	182,686	8,256
Expenditures						
Principal retirement	200,000	200,000	-	175,000	175,000	-
Interest	60,490	60,488	2	60,250	60,250	-
Miscellaneous	280	275	5	550	550	-
Payment to refund bond escrow agent	-	-	-	-	-	-
Transfer out	-	-	-	-	-	-
Total expenditures	<u>260,770</u>	<u>260,763</u>	<u>7</u>	<u>235,800</u>	<u>235,800</u>	<u>-</u>
Excess of Revenue Over (Under) Expenditures	(113,630)	(113,796)	(166)	(61,370)	(53,114)	8,256
Fund Balances - Beginning of year	<u>662,492</u>	<u>662,492</u>	<u>-</u>	<u>459,642</u>	<u>459,642</u>	<u>-</u>
Fund Balances - End of year	<u>\$ 548,862</u>	<u>\$ 548,696</u>	<u>\$ (166)</u>	<u>\$ 398,272</u>	<u>\$ 406,528</u>	<u>\$ 8,256</u>

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Debt Service Funds
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Amended Budget and Actual
 Year Ended December 31, 2011



Drain Fund			Municipal Building Bond Series 2002			Local Street Improvement 2002		
Amended Budget (Unaudited)	Actual	Variance with Amended Budget	Amended Budget (Unaudited)	Actual	Variance with Amended Budget	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
\$ 1,923,860	\$ 1,924,490	\$ 630	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16,000	16,519	519	-	7	7	6,750	6,852	102
-	-	-	-	-	-	-	-	-
5,780	5,791	11	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	380,320	380,320	-	270,590	270,590	-
1,945,640	1,946,800	1,160	380,320	380,327	7	277,340	277,442	102
1,769,060	1,769,040	20	400,000	400,000	-	350,000	350,000	-
226,010	225,941	69	8,600	8,600	-	122,210	122,206	4
26,000	19,361	6,639	140	138	2	280	275	5
-	-	-	-	-	-	-	-	-
-	-	-	180	180	-	-	-	-
2,021,070	2,014,342	6,728	408,920	408,918	2	472,490	472,481	9
(75,430)	(67,542)	7,888	(28,600)	(28,591)	9	(195,150)	(195,039)	111
1,582,074	1,582,074	-	28,591	28,591	-	1,338,666	1,338,666	-
<u>\$ 1,506,644</u>	<u>\$ 1,514,532</u>	<u>\$ 7,888</u>	<u>\$ (9)</u>	<u>\$ -</u>	<u>\$ 9</u>	<u>\$ 1,143,516</u>	<u>\$ 1,143,627</u>	<u>\$ 111</u>

(Continued on next page)

City of Rochester Hills, Michigan



Municipal Building Refunding Bond, Series
2010

	OPC Refunding Bond, Series 2010			2010		
	Amended Budget (Unaudited)	Actual	Variance with Amended Budget	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue						
Property taxes	\$ 727,070	\$ 727,313	\$ 243	\$ -	\$ -	\$ -
Investment earnings	240	250	10	-	-	-
Special assessments	-	-	-	-	-	-
Other	-	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-
Transfers in	-	-	-	322,760	322,760	-
Total revenue	727,310	727,563	253	322,760	322,760	-
Expenditures						
Principal retirement	500,000	500,000	-	100,000	100,000	-
Interest	210,780	210,775	5	222,580	222,426	154
Miscellaneous	10,280	7,300	2,980	-	-	-
Payment to refund bond escrow agent	-	-	-	-	-	-
Transfer out	-	-	-	-	-	-
Total expenditures	721,060	718,075	2,985	322,580	322,426	154
Excess of Revenue Over (Under)						
Expenditures	6,250	9,488	3,238	180	334	154
Fund Balances - Beginning of year	174,633	174,633	-	4,716	4,716	-
Fund Balances - End of year	\$ 180,883	\$ 184,121	\$ 3,238	\$ 4,896	\$ 5,050	\$ 154

City of Rochester Hills, Michigan

**Nonmajor Governmental Funds Debt Service Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Amended Budget and Actual (Continued)
Year Ended December 31, 2011**

Refunding Bond, Capital Improvement, Series 2011			Total		
Amended Budget (Unaudited)	Actual	Variance with Amended Budget	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
\$ -	\$ -	\$ -	\$ 2,650,930	\$ 2,651,803	\$ 873
-	-	-	35,420	37,258	1,838
-	-	-	29,450	36,333	6,883
82,790	82,781	(9)	88,570	88,572	2
2,270,000	2,270,000	-	2,270,000	2,270,000	-
-	-	-	1,253,360	1,253,360	-
<u>2,352,790</u>	<u>2,352,781</u>	<u>(9)</u>	<u>6,327,730</u>	<u>6,337,326</u>	<u>9,596</u>
-	-	-	3,494,060	3,494,040	20
-	-	-	910,920	910,686	234
59,460	52,111	7,349	96,990	80,010	16,980
2,293,330	2,293,322	8	2,293,330	2,293,322	8
-	-	-	180	180	-
<u>2,352,790</u>	<u>2,345,433</u>	<u>7,357</u>	<u>6,795,480</u>	<u>6,778,238</u>	<u>17,242</u>
-	7,348	7,348	(467,750)	(440,912)	26,838
-	-	-	4,250,814	4,250,814	-
<u>\$ -</u>	<u>\$ 7,348</u>	<u>\$ 7,348</u>	<u>\$ 3,783,064</u>	<u>\$ 3,809,902</u>	<u>\$ 26,838</u>

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City of Rochester Hills, Michigan

Notes to Financial Statements
December 31, 2011

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General Obligation Bonds:					
* Building Authority Bonds, Series 2002 payable through 2011 with interest at 3.12% to 4.25%	\$ 400,000	\$ -	\$ (400,000)	\$ -	\$ -
* Building Authority Refunding Bonds, Series 2010 payable through 2021 with interest at 2.0% to 4.0%	6,775,000	-	(100,000)	6,675,000	545,000
Unamortized bond premium-Refunding Bond Series 2010	179,506	-	(16,319)	163,187	-
General Obligation Limited Tax Capital Improvement Bond, Series 2002 payable through 2012 with interest at 4%	2,900,000	-	(2,550,000)	350,000	350,000
General Obligation Limited Tax Capital Improvement Refunding Bond, Series 2011 payable through 2017 with interest at 2% to 4%	-	2,270,000	-	2,270,000	35,000
Unamortized bond premium-Refunding Bond Series 2011	-	82,781	(11,825)	70,956	-
General Obligation Unlimited Tax Refunding Bonds, OPC, Series 2010 payable through 2021 with interest at 2.0% to 4.5%	6,870,000	-	(500,000)	6,370,000	535,000
Unamortized bond premium-Refunding Bond Series 2010	131,861	-	(11,988)	119,873	-
Michigan Transportation Fund Bond, MTF-2001 Series payable through 2016 with interest at 4.25% to 4.6%	1,375,000	-	(200,000)	1,175,000	200,000
County Contractual Obligations:					
Crake Drain Refunding, payable through 2011 with interest at 1.50% to 3.55%	147,923	-	(147,923)	-	-
Lueders Drain, payable through 2011 with interest at 4.25% to 5%	382,630	-	(382,630)	-	-
Lueders Drain #2, payable through 2011 with interest at 4% to 6%	125,000	-	(125,000)	-	-
McIntyre Drain, payable through 2013 with interest at 2.75% to 5.20%	276,456	-	(88,860)	187,596	93,797
Hampton Drain, payable through 2013 with interest at 2.75% to 5.2%	197,008	-	(64,250)	132,758	64,243
Bishop Drain, payable through 2013 with interest at 2.8% to 5.3%	375,000	-	(125,000)	250,000	125,000
Chester Drain Refunding, payable through 2013 with interest at 1.25% to 2.75%	515,000	-	(185,000)	330,000	180,000
Unamortized bond premium-Refunding Bond Series 2003	2,724	-	(1,362)	1,362	-
Robert Huber Drain, payable through 2014 with interest at 3.3% to 2%	475,000	-	(125,000)	350,000	125,000
Unamortized bond premium-Refunding Bond Series 2004	1,115	-	(1,115)	-	-
Wolf Drain, payable through 2013 with interest at 4% to 4.7%	1,253,547	-	(395,390)	858,157	417,849
Rewold Drain, payable through 2025 with interest at 3% to 4.3%	2,595,000	-	(130,000)	2,465,000	135,000
Oakland County Building Authority, Building Authority Bonds, Series 2002A payable through 2020 with interest at 3.0% to 4.625%	2,755,000	-	(225,000)	2,530,000	250,000

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2011

Note 7 - Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Special Assessment Bonds:					
Public Improvement City Share Bonds, 2001 Series payable through 2016 with interest at 2.6% to 4.7%	675,000	-	(100,000)	575,000	100,000
Public Improvement Special Assessment Bonds, 2001 Series payable through 2016 with interest at 3.0% to 4.7%	<u>675,000</u>	<u>-</u>	<u>(75,000)</u>	<u>600,000</u>	<u>100,000</u>
Total bond obligations	29,082,770	2,352,781	(5,961,662)	25,473,889	3,255,889
Tax Tribunal					
Net OPEB Obligations - General Fund and Fire Fund	523,315	240,740	(323,649)	440,406	-
Compensated absences - General Fund and Fire Fund	130,843	139,380	(269,762)	461	-
Compensated absences - Internal Service	1,353,621	1,327,898	(1,336,525)	1,344,994	1,072,222
	<u>171,370</u>	<u>181,779</u>	<u>(175,003)</u>	<u>178,146</u>	<u>150,395</u>
Total other long-term obligations	2,179,149	1,889,797	(2,104,939)	1,964,007	1,222,617
Total governmental activities	31,261,919	4,242,578	(8,066,601)	27,437,896	4,478,506
Business-type Activities					
Oakland County Water and Sewage Disposal System Bonds, Series 2005 payable through 2022 with interest at 4.0% to 4.4%	\$ 2,275,000	\$ -	\$ (150,000)	\$ 2,125,000	\$ 175,000
Oakland-Macomb Interceptor Drain Drainage District-Drain Bonds, Series 2010B payable through 2030 with interest at 1.15% to 5.9%	866,484	-	(24,572)	841,912	29,098
Oakland-Macomb Interceptor Drain Drainage District-Drain Bonds, Series 2010A payable through 2031 with interest at 2.5%	1,030,585	2,119,331	-	3,149,916	131,395
Oakland-Macomb Interceptor Drain Drainage District-Drain Bonds, Series 2011 payable through 2033 with interest at 2.5%	-	648,112	-	648,112	-
Net OPEB Obligations - Water and Sewer	26,155	27,906	(53,601)	460	-
Compensated absences - Water and Sewer	278,804	357,066	(327,785)	308,085	262,964
Total business-type activities	\$ 4,477,028	\$ 3,152,415	\$ (555,958)	\$ 7,073,485	\$ 598,457
Component Units					
Tax Tribunal	\$ 31,051	\$ 15,030	\$ (18,602)	\$ 27,479	\$ -
Compensated absences	36,859	40,652	(25,794)	51,717	29,021
Total component units	\$ 67,910	\$ 40,652	\$ (44,396)	\$ 79,196	\$ 29,021

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 3,255,889	\$ 847,141	\$ 4,103,030	\$ 335,493	\$ 285,100	\$ 620,593
2013	3,287,622	755,439	4,043,061	339,891	299,565	639,456
2014	2,545,000	667,104	3,212,104	503,198	288,439	791,637
2015	2,610,000	577,014	3,187,014	511,695	273,020	784,715
2016	2,715,000	483,758	3,198,758	545,837	256,587	802,424
2017-2021	9,850,000	1,171,283	11,021,283	2,314,985	696,773	3,011,758
2022-2026	855,000	74,616	929,616	1,309,835	295,749	1,605,584
2027-2031	-	-	-	904,006	94,519	998,525
	<u>\$ 25,118,511</u>	<u>\$ 4,576,355</u>	<u>\$ 29,694,866</u>	<u>\$ 6,764,940</u>	<u>\$ 2,489,752</u>	<u>\$ 9,254,692</u>

Note 7 - Long-term Debt (Continued)

The Oakland-Macomb Interceptor Drainage District (OMID) is a construction and rehabilitation project that began in 2010 and is projected to continue through 2014. The OMID Series 2010B bonds were issued as Federally Taxable Recovery Zone Economic Development Bonds and are eligible to recover tax credit payments from the United States Treasury equal to 45 percent of the interest payable on the bonds. The City's total tax credit over the next 20 years will be \$254,714.

OMID was also approved for \$42 million of loans in which \$16 million of the debt will be federally forgiven and \$26 million are loans from the Michigan State Revolving Fund (SRF) (OMID Series 2010A and OMID Series 2011). During the year, the City's portion of SRF draws was \$2,767,444.

Advance and Current Refundings

During the year, the City issued \$2,270,000 in general obligation bonds with an average interest rate of 2.54 percent. The proceeds of this bond were used to advance refund \$2,220,000 of outstanding capital improvement general obligation bond with an average interest rate of 4.19 percent. The net proceeds of \$2,293,322 (after payment of \$59,459 in underwriting fees and other issuance costs) were used to purchase U.S. government securities (SLUGs). Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt payments on the old bonds. The refunding bonds net present value savings was 4.63 percent or \$101,887.

Additionally, in prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. At December 31, 2011, \$13,995,000 of prior bonds outstanding is considered defeased.

The total considered defeased as of December 31, 2011 is \$16,545,000. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2011

Note 7 - Long-term Debt (Continued)

Future Revenues Pledged for Debt Payment

County Contractual Obligations - The above contractual obligations to the County are the result of the County issuance of bonds on the City's behalf. The City has pledged to raise property taxes, to the extent permitted by law, if necessary to fund the obligation to repay the County. Proceeds from the County bonds provided financing for the construction of drains described above. The remaining principal and interest to be paid on the bonds is \$5,444,634. During the current year, net revenue generated by property tax millages was \$1,924,490 compared to the annual debt requirements of \$1,994,981.

Contract Bond - The City has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the above water and sewer contract bond. Proceeds from the bonds provided financing for the extension of water and sewer mains. The bonds are payable from the net revenues of the water and sewer system. The remaining principal and interest to be paid on bonds totaled \$7,783,329. During the year, net operating revenues of the system were approximately \$6,821,146 compared to the annual debt requirements of \$345,746.

Note 8 - Restricted Assets

Assets held at the County represent the City's unspent portion of bond proceeds held for the improvement of the water and sewer system in the amount of \$490,128. The County holds these monies to apply against future water and sewer system construction for the City. Oakland County has invested these monies and allocated interest earned as an increase to the amount due the City.

Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical claims and participates in the Michigan Municipal League risk pool program for workers' compensation claims and the Michigan Municipal Risk Management Authority risk pool for claims relating to general liability, motor vehicles, and comprehensive property damage. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

#4

Debt Capacity

These schedules contain trend 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.

City of Rochester Hills, Michigan

	2002	2003	2004	2005
Governmental Activities				
General obligation bonds	\$ 45,640,807	\$ 35,920,000	\$ 33,425,000	\$ 30,760,000
County contractual obligations	15,427,783	14,341,553	13,058,037	14,865,013
Special assessment bonds	4,925,000	4,445,000	3,940,000	3,535,000
Capital leases	-	5,025,000	4,850,000	4,650,000
Total	65,993,590	59,731,553	55,273,037	53,810,013
Business-type Activities				
County contractual obligations	7,500,807	-	-	3,800,000
Total debt of the government	<u>\$ 73,494,397</u>	<u>\$ 59,731,553</u>	<u>\$ 55,273,037</u>	<u>\$ 57,610,013</u>
Total taxable value	\$ 2,758,242,680	\$ 2,910,321,490	\$ 3,064,862,240	\$ 3,230,824,070
Ratio of total debt to taxable value	2.66%	2.05%	1.80%	1.78%
Total population	68,825	68,825	68,825	68,825
Total debt per capita based on taxable value	\$ 1,067.84	\$ 867.88	\$ 803.10	\$ 837.05

City of Rochester Hills, Michigan

Debt Capacity Information Ratios of Outstanding Debt

	2006	2007	2008	2009	2010	2011
\$	28,505,000	\$ 26,150,000	\$ 23,680,000	\$ 20,880,000	\$ 18,320,000	\$ 16,840,000
	13,263,953	11,602,935	9,903,228	8,180,811	6,342,564	4,573,511
	3,105,000	2,625,000	2,150,000	1,675,000	1,350,000	1,175,000
	<u>3,630,000</u>	<u>3,430,000</u>	<u>3,205,000</u>	<u>2,980,000</u>	<u>2,755,000</u>	<u>2,530,000</u>
	48,503,953	43,807,935	38,938,228	33,715,811	28,767,564	25,118,511
	<u>3,700,000</u>	<u>3,550,000</u>	<u>3,400,000</u>	<u>3,250,000</u>	<u>4,172,069</u>	<u>6,764,940</u>
\$	<u>52,203,953</u>	<u>47,357,935</u>	<u>42,338,228</u>	<u>36,965,811</u>	<u>32,939,633</u>	<u>31,883,451</u>
\$	3,401,975,910	\$ 3,602,018,960	\$ 3,727,386,610	\$ 3,742,654,190	\$ 3,600,917,135	\$ 3,194,661,270
	1.53%	1.31%	1.14%	0.99%	0.91%	1.00%
	69,405	69,183	68,120	69,014	70,995	70,995
\$	752.16	\$ 684.53	\$ 621.52	\$ 535.63	\$ 463.97	\$ <u>449.09</u>

*Debt
Per
Capita*

City of Rochester Hills, Michigan

Debt Capacity Information Ratios of General Bonded Debt Outstanding

Fiscal Year	State Equalization Value	Population	General Bonded Debt Obligation Outstanding (1)	Other General Bonded Debt Obligations Outstanding (2)	Total Debt General Bonded Debt Obligation Outstanding	Obligation Debt to Taxable Value	General Obligation Debt per Capita
2002	\$ 3,410,174,490	68,825	\$ 38,140,000	\$ 15,427,783	\$ 53,567,783	1.57%	\$ 778.32
2003	3,642,048,760	68,825	35,920,000	19,366,553	55,286,553	1.52%	803.29
2004	3,827,411,860	68,825	33,425,000	17,908,037	51,333,037	1.34%	745.85
2005	4,012,356,450	68,825	30,760,000	19,515,013	50,275,013	1.25%	730.48
2006	4,184,283,990	69,405	28,505,000	16,893,953	45,398,953	1.08%	654.12
2007	4,175,552,010	69,183	26,150,000	15,032,935	41,182,935	0.99%	595.28
2008	4,042,390,520	68,120	23,680,000	13,108,228	36,788,228	0.91%	540.05
2009	3,728,995,735	69,014	20,880,000	11,160,811	32,040,811	0.86%	464.27
2010	3,238,195,190	70,995	16,945,000	9,097,564	26,042,564	0.80%	366.82
2011	3,020,846,313	70,995	15,665,000	7,103,511	22,768,511	0.75%	320.71

Source: City of Rochester Hills

(1) General bonded debt includes all direct bonded debt with the exception of Special Assessment and Michigan Transportation Bonds.

(2) Other general bonded debt includes County contractual obligations.

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City of Rochester Hills, Michigan

Debt Capacity Information Direct and Overlapping Governmental Activities Debt

Governmental Unit	Net General Bonded Debt Outstanding Fiscal Year 2011	City Share as Percent of Gross	Net City Share Fiscal Year 2011
Direct debt - City of Rochester Hills	\$ 16,341,000	100.00	\$ 16,341,000
Overlapping debt:			
Rochester School District	168,920,000	60.02	101,385,784
Avondale School District	110,444,455	48.42	53,477,205
Oakland County at Large	91,921,359	5.88	5,404,976
Oakland Community College	5,075,000	5.91	299,933
Oakland Intermediate School District	<u>63,250,000</u>	5.89	<u>3,725,425</u>
Total overlapping debt	<u>439,610,814</u>		<u>164,293,323</u>
Total	<u>\$ 455,951,814</u>		<u>\$ 180,634,323</u>

General bonded debt includes all direct bonded debt with the exception of Special Assessment and Michigan Transportation Bonds.

Overlapping debt figures supplied by Municipal Advisory Council of Michigan.

The percentage of overlapping bonded debt applicable to each governmental unit is estimated using the taxable valuation of assessed property. Applicable percentages were estimated by determining the portion of each governmental unit's taxable property located within the boundaries of the City of Rochester Hills and dividing it by that governmental unit's total taxable value.

City of Rochester Hills, Michigan

	2002	2003	2004	2005
Debt Limit				
State equalized valuation	\$ 3,410,174,490	\$ 3,642,048,760	\$ 3,827,411,860	\$ 4,012,356,450
Debt limit (10 percent of State equalized valuation)	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>
 Total debt limit	 341,017,449	 364,204,876	 382,741,186	 401,235,645
Debt Subject to Debt Limit				
Total debt	65,993,590	59,731,553	55,273,037	57,610,013
Less deduction:				
Special Assessment Bonds	4,925,000	4,445,000	3,940,000	3,555,000
Michigan Transportation Highway Fund Bonds	<u>3,680,000</u>	<u>3,210,000</u>	<u>2,695,000</u>	<u>2,125,000</u>
 Total amount of debt subject to limit	 <u>57,388,590</u>	 <u>52,076,553</u>	 <u>48,638,037</u>	 <u>51,930,013</u>
 Legal Debt Margin	 <u>\$ 283,628,859</u>	 <u>\$ 312,128,323</u>	 <u>\$ 334,103,149</u>	 <u>\$ 349,305,632</u>
 Net Debt Subject to Limit as Percentage of Debt Limit	 16.83%	 14.30%	 12.71%	 12.94%

City of Rochester Hills, Michigan

Debt Capacity Information Legal Debt Margin

2006	2007	2008	2009	2010	2011
\$ 4,184,283,990	\$ 4,175,552,010	\$ 4,042,390,520	\$ 3,728,995,735	\$ 3,238,195,190	\$ 3,020,846,313
<u>10.00</u>	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>
418,428,399	417,555,201	404,239,052	372,899,574	323,819,519	302,084,631
52,203,953	47,357,935	42,338,228	36,965,811	32,936,633	32,012,812
3,105,000	2,625,000	2,150,000	1,675,000	1,350,000	1,175,000
<u>2,025,000</u>	<u>1,875,000</u>	<u>1,725,000</u>	<u>1,575,000</u>	<u>1,375,000</u>	<u>1,175,000</u>
47,073,953	42,857,935	38,463,228	33,715,811	30,211,633	29,662,812
<u>\$ 371,354,446</u>	<u>\$ 374,697,266</u>	<u>\$ 365,775,824</u>	<u>\$ 339,183,763</u>	<u>\$ 293,607,886</u>	<u>\$ 272,421,819</u>
11.25%	10.26%	9.51%	9.04%	9.33%	9.82%

Limit

Debt subject to Limit

Available Debt

City of Rochester Hills, Michigan

Water and Sewer Revenue						
Fiscal Year	Operating Revenue	Operating	Net	Debt Service		Coverage
		Expenses (Less Depreciation)	Operating - Income (Loss)	Principal	Interest	
2002	\$15,813,734	\$16,398,796	\$ (585,062)	\$ 2,384,069	\$ 172,155	(0.29)
2003	17,744,197	17,036,763	707,434	2,300,807	34,264	0.05
2004	17,797,289	16,436,274	1,361,015	-	-	-
2005	20,516,429	19,955,285	561,144	-	26,630	0.05
2006	24,457,874	20,406,353	4,051,521	100,000	131,115	0.03
2007	25,985,763	23,983,445	2,002,318	150,000	152,781	0.08
2008	24,910,422	22,174,326	2,736,096	150,000	146,781	0.05
2009	25,904,015	22,692,599	3,211,416	150,000	140,781	0.04
2010	29,010,706	22,995,479	6,015,227	150,000	133,636	0.02
2011	30,055,678	23,299,258	6,756,420	174,572	171,425	0.03

Note: Details regarding outstanding debt can be found in Note 7 of the financial statements.

City of Rochester Hills, Michigan

Debt Capacity Information Pledged-revenue Coverage

Special Assessment Bonds				
Debt Service				
Special Assessment Collections	Principal	Interest	Coverage	
\$ 405,365	\$ 700,000	\$ 277,669	0.68	
297,126	650,000	244,944	0.82	
213,212	505,000	209,690	0.98	
164,366	405,000	184,884	1.12	
103,190	430,000	165,724	1.61	
90,333	480,000	145,093	1.61	
95,057	475,000	122,020	1.28	
84,006	475,000	99,050	1.18	
68,032	325,000	77,125	1.13	
55,074	175,000	60,250	1.09	