



City of Rochester Hills,
Michigan



Annual Comprehensive Financial Report

For year ended December 31, 2025



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CITY OF ROCHESTER HILLS, MICHIGAN
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2025

Prepared by Accounting and Fiscal Divisions



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CITY OF ROCHESTER HILLS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2025

ELECTED OFFICIALS

Mayor	Bryan K. Barnett
City Council President	Jason Carlock
City Council Vice-President	Theresa Mungoli
City Council Members	David J. Blair
	Bradley Limberg
	Diana Mannino
	Marvie Neubauer
	Mark Skelcy



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CITY OF ROCHESTER HILLS, MICHIGAN

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INTRODUCTORY SECTION



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Bryan K. Barnett
Mayor

April 27, 2026

City Council

Theresa Mungioli
At-Large

Marvie Neubauer
At-Large

Mark Skelcy
At-Large

Diana Mannino
District 1

David J. Blair
District 2

Jason Carlock
District 3

Bradley Limberg
District 4

Mayor, City Council Members,
and Residents of the City of Rochester Hills, Michigan:

We are pleased to submit the Annual Comprehensive Financial Report for the City of Rochester Hills (the "City") for the year ended December 31, 2025. As required by City Charter and State Laws, the basic financial statements as defined in the table of contents were audited by Rehmann Robson, LLC's certified public accountants. Their unmodified opinion follows this letter of transmittal. An unmodified opinion 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.

This report was prepared by a team of City Staff led by the Accounting Division and consists of management's representation of the City's financial condition. Responsibility for the accuracy, completeness, and fairness of the financial data, including all disclosures, rests with the administration and management of the City of Rochester Hills. To the best of our knowledge and belief, the contents of this Annual Comprehensive Financial Report and the information presented are accurate in all material aspects, and are presented in a manner that fairly presents the financial position of the City.

In accordance with generally accepted accounting principles (GAAP) and regulations by the Governmental Accounting Standards Board (GASB), the Treasurer of the State of Michigan, the City Charter, and the Government Finance Officers Association (GFOA), management's discussion and analysis (MD&A) accompany the basic financial statements in the form of a narrative introduction, an overview, and analysis. This letter of transmittal is intended to be read in conjunction and complement the MD&A.

The accuracy of the report depends on a reliable accounting system and adequate internal controls. A comprehensive internal control framework is designed to protect both the City's assets from losses, theft, or misuse, and to compile sufficient reliable information for the preparations of the financial statements of the City of Rochester Hills in conformity with GAAP. Since the cost of internal controls should be effective, the City's comprehensive internal control framework has been efficiently designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

Profile of the Government

The City of Rochester Hills was incorporated in 1984 and is located in Oakland County, Michigan. The Mayor and seven members of the City Council are elected to four-year staggered terms. Four of the council members are elected as district representatives, and three members are elected as at-large representatives.

The population of the City is approximately 78,800 and comprises an area of 32.2 square miles. The City employs approximately 260 full-time employees, 65 contracted law enforcement officers and 2 contracted police administration clerks. The City provides a full range of municipal services for the public's health, safety, welfare, and quality of life. City services include general administration, fire protection, contracted police protection, planning and zoning, engineering, building and code enforcement, cemetery operations and maintenance, park operations and maintenance, street construction and maintenance, storm drain improvements, and pedestrian pathway improvements and maintenance.

Water and sewer operations, maintenance, and capital improvements are provided from user charges that ensure adequate coverage of operating expenses, capital replacements, and payments on outstanding debt.

The City offers quality housing, two award-winning school districts, a hospital, major universities, a premium library, and a downtown offering a hometown atmosphere with excellent shopping and restaurants. The City has over 1,100 acres of parkland affording the community with endless recreation opportunities. The Older Person's Commission and the Rochester Avon Recreation Authority offer world-class senior citizen, youth and adult activities for our residents. The City has a diverse business community and is situated in Automation Alley, the State's premier technology cluster. The City's business cluster includes a concentration of automotive, robotic, computer-based, future fuel, and other research firms focused on advanced technologies.

Local Economy

The City of Rochester Hills is a desirable community and continues to be attractive to residents and businesses. The economic condition of the City is sound and the City has one of the lowest tax rates of communities in Oakland County.

The local tax base of the City of Rochester Hills is diversified with residential property comprising 79%, commercial property comprising 13%, industrial property representing 4%, and personal property (business equipment, furniture, and machinery) consisting of 4%. No one taxpayer exceeds 1 percent of the total tax roll, and the total of the top 10 taxpayers account for less than 5 percent of the total tax roll. The following table illustrates the specific diversity of the City's tax base:

Single-family homes	21,490 homes
Condominiums	3,472 units
Low-income/senior citizen (16 buildings)	2,108 units
Rental apartments (19 complexes)	5,470 units
Mobile home parks (2 locations)	1,392 sites
Shopping centers	47 centers
Hotel/motels (5 buildings)	553 rooms
Office space	109 buildings
Commercial	373 buildings
Light industrial	390 buildings

The principal source of the City's revenue is from property taxes. Property tax revenues are a result of applying the City's millage rate, set by City Council (within the restrictions of State Law), to the taxable value of real and personal property located within the City. The tables below illustrate the diversity of the City's current tax base, including the LDFA district, which were the basis for property tax revenue for the fiscal year 2025 budget:

	2024	
	Taxable Value	Percent
By Class:		
Real property	\$ 4,567,602,970	96.39%
Personal property	170,958,173	3.61%
Total	\$ 4,738,561,143	100.00%
By Use:		
Residential	\$ 3,764,683,250	79.45%
Commercial	632,589,100	13.35%
Industrial	170,330,620	3.59%
Personal property	170,958,173	3.61%
Total	\$ 4,738,561,143	100.00%

Long-range Financial Planning

The City continues to improve and build upon its long-range financial planning process. The City developed a long-term financial model that continues to be a valuable tool for financial planning. As part of the budgeting process, the Fiscal Division updates long-range forecasts of revenue and expenditures. The forecasts serve as the framework for budgetary decision-making by clarifying financial parameters, available resources, and options. The model provides historical data, current budgeted City programs, and future financial capacity based on a set of future assumptions and current adopted policies and procedures.

Major Initiatives

The following were among the initiatives that City Administration, City Council and staff dedicated their efforts in 2025.

- Public safety- protect the residents, businesses, and visitors by providing high quality public safety
- Fiscal management - establish fiscal responsibility to ensure short and long-term prosperity
- Infrastructure management - provide reliable, safe, and effective roadways, utilities, and buildings
- Effective Governance - provide clear policy direction to Administration for the efficient execution of City programs
- Community and neighborhoods - protect the family-oriented community

Capital Improvement Plan

In accordance with State of Michigan Planning Act 285, the Rochester Hills Planning Commission adopts an annual Capital Improvement Plan (CIP). The CIP is a planning tool that benefits the community and is meant to identify capital needs and goals of the City. The plan incorporates external infrastructure projects addressing major roads, local streets, parks, pathways, drainage, water and sewer, and city-owned facilities. The plan also includes internal infrastructure projects necessary for governmental operations that deliver services to our residents.

The 2026-2031 Capital Improvement Plan was adopted by the City of Rochester Hills Planning Commission. Currently, the Commission is reviewing the 2027-2032 Plan as part of the 2027-2029 budget process.

Financial Policies

The City has adopted the following financial policies to help guide financial decision-making, manage risk, and promote long and short-term strategies and best practices:

Budget Requirements	Long-term Planning
Balanced Budget	Capital Improvement Plan
Budgetary Control System	Debt
Budget Amendments	Revenue
Budget Adjustments	Investment
Strategic Budgeting	Fund Balance
Basis of Accounting	Capital Assets

Budget

Per the City Charter, the City's budget is to be adopted by November 1st, prior to the fiscal year beginning on January 1st. The departments submit their budgets by July 1st. Per the City Charter, the Mayor presents a comprehensive budget at the City Council's first meeting in August. After a budget workshop and a public hearing, the budget is legally adopted by November 1st. The budget is adopted by fund, with all governmental, proprietary, internal service, and fiduciary funds being included. The General Fund is adopted at the department-level.

Once the budget is adopted, quarterly budget amendments are presented to the City Council. All amendments to the approved budget require the approval of City Council. Management cannot overspend any department's total budget, without approval from City Council.

Tax Abatements

The City grants reduced property tax revenue to Low Income Housing programs (PA 346 of 1966). This helps ensure rent affordability for lower-income residents. The City also grants reduced property tax revenue to Industrial Facilities Tax exemption (PA 198 of 1974). This is used to promote construction of new industrial facilities, or to rehabilitate existing facilities.

Both the programs listed above benefit the City. The housing programs provide a needed benefit for lower income residents to continue to reside in the City. The industrial programs are attractive for businesses looking to establish themselves as a part of the City's industrial tax-base.

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 Rochester Hills for its Annual Comprehensive Financial Report for the fiscal year ended December 31, 2024. This was the 37th 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 Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current Annual Comprehensive Financial Report will continue to conform to the Certificate of Achievement Program requirements, and we will be submitting it to GFOA to determine its eligibility for another certificate.

The City has also received the GFOA Distinguished Budget Presentation Award for its three (3) year budget plan and the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR).

Acknowledgements

The preparation of this report in a timely basis could not have been accomplished without the efficient and dedicated staff of the Accounting Division, as well as invaluable support from the Fiscal Division and assistance from the Treasury Division. We would like to express appreciation to all staff members of all departments who have assisted in the preparation of this report. We would like to credit the Mayor and City Council for the continued support and dedication to maintain the highest standards of management of the City of Rochester Hills. We thank all of them for their efforts and support.

We also express our sincere appreciation to the accounting firm of Rehmann Robson, LLC which made a substantial contribution and assisted with the interpretation, guidance, review, and preparation of this document.

Respectfully submitted,



Michael McLaughlin
Accounting Manager



Joseph Snyder
Chief Financial Officer



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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Rochester Hills
Michigan**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2024

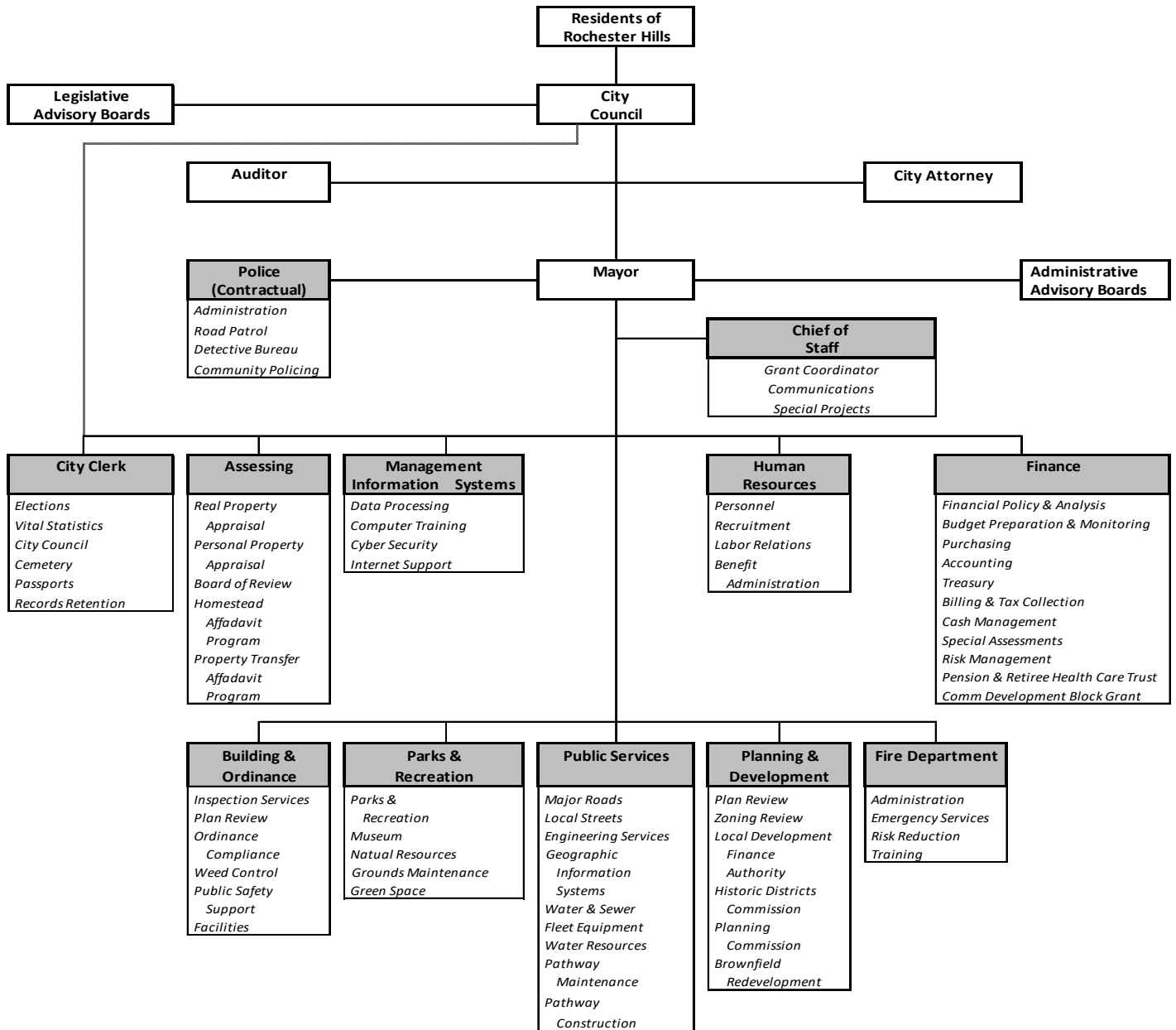
Christopher P. Morill

Executive Director/CEO

CITY OF ROCHESTER HILLS, MICHIGAN

Organization Chart

As of December 31, 2025



CITY OF ROCHESTER HILLS, MICHIGAN

List of Principal Officials

As of December 31, 2025

City Clerk	Leanne Scott
Fire Chief	Todd Gary
Director of Building	Mike Viazanko
Director of Assessing	Laurie Taylor
Director of Parks & Natural Resources	Ken Elwert
Director of Human Resources	Brooke Insana
Director of Management Information Systems	Rochelle Lyon
Command Officer, Oakland County Sheriff's Office - Captain of Rochester Hills Contingent	Paul Workman
Director of Planning & Development	Sara Roediger
Director of Public Services & Engineering	Tracey Balint
Chief Financial Officer	Joseph Snyder



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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

April 27, 2026

Honorable Mayor and City Council
City of Rochester Hills, Michigan

Report on the Audit of the Financial Statements

Opinions

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 Rochester Hills, Michigan** (the "City"), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our report and the report of the other auditors, the accompanying 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, as of December 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparisons for the general fund and each major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the following entity, which represents the indicated percentages of total aggregate discretely presented component units:

	Percent of Assets and Deferred Outflows of Resources	Percent of Revenues	Percent of Net Position
Older Persons' Commission	72.1%	79.4%	76.8%

Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the above entity, are based solely on the report of the other auditors.



Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Older Persons' Commission were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated April 27, 2026, 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 solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ROCHESTER HILLS, MICHIGAN

Management's Discussion and Analysis

As management of the City of Rochester Hills, Michigan (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2025. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

· Total Net Position	\$ 587,507,404
· Change in Total Net Position	17,426,782
· Fund Balances, Governmental Funds	101,581,663
· Change in Fund Balances, Governmental Funds	6,975,215
· Unassigned Fund Balance, General Fund	17,564,914
· Change in Fund Balance, General Fund	277,151
· Installment Debt Outstanding	19,343,889
· Change in Installment Debt	2,477,226

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community and economic development, and recreation and culture. The business-type activities of the City include water and sewer and solid waste management.

The government-wide financial statements include, not only the City itself (known as the primary government), but also seven legally separate entities in its financial statements: the Local Development Finance Authority, the Brownfield Redevelopment Authority - Legacy, the Brownfield Redevelopment Authority - Revolving, the Brownfield Redevelopment Authority - Rochester-Avon, the Rochester Hills Museum Foundation, the Rochester-Avon Recreation Authority, and the Older Persons' Commission for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The City of Rochester Hills Building Authority, although also legally separate, functions for all practical purposes as a department of the City, and therefore its activities have been included as an integral part of the primary government of the City.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

CITY OF ROCHESTER HILLS, MICHIGAN

Management's Discussion and Analysis

Governmental funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and six other major funds: Major Streets, Local Streets, Fire, Special Police Protection, Capital Improvements, and Fire Capital. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements following the required supplementary information.

The City adopts an annual budget in accordance with the General Appropriation Act for its General Fund, Special Revenue, Debt Service, Capital Improvement, Enterprise, Internal Services, Trust & Agency, Permanent, and Component Unit funds. Budgetary comparison statements or schedules have been provided for the governmental funds to demonstrate compliance with these budgets.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains two individual enterprise funds. The City's water and sewer fund is shown as a major enterprise fund and the solid waste management fund is shown as a nonmajor enterprise fund.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for facilities, management information systems, fleet equipment, and insurance.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund and the solid waste management fund. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide other postemployment benefits (OPEB) to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds, and custodial funds are presented immediately following the required supplementary information on the OPEB plan.

CITY OF ROCHESTER HILLS, MICHIGAN

Management's Discussion and Analysis

Government-wide Financial Analysis

Statement of Net Position - The City's combined net position increased 3.1 percent, or \$17.4 million, from \$570.1 million in 2024 to \$587.5 million in 2025.

The net position for the governmental activities increased from \$386.8 million in 2024 to \$398.6 million in 2025, or \$11.8 million. The primary change in the governmental activities is due to investment income of \$8.2 million, and increase in property tax revenues of \$2.9 million.

The net position of the business-type activities increased from \$183.3 million in 2024 to \$188.9 million in 2025, or \$5.6 million, primarily due to an increase in charges for services revenue of \$3.1 million.

The City's assets totaled \$685.4 million in 2025, up by \$35.2 million from 2024. There were significant additions to capital assets, including \$7.0 million for major renovations to the Fire and Police stations, and \$7.0 million in water/sewer additions. The City also earned \$10.2 million in investment income in 2025.

The City's total liabilities increased by approximately \$2.7 million, or 7.9 percent, from \$33.7 million in 2024 to \$36.4 million in 2025. This relates primarily to a \$3.9 million contractual obligation issued during 2025.

The City's deferred inflow of resources increased by \$15.1 million from \$46.5 million in 2024 to \$61.6 million in 2025, or 32.5 percent. This is due to an increase in property taxes for subsequent years of \$4.4 million as well as the public-private partnership agreement entered into by the City during the year.

In condensed format, the table below shows the comparison of net position as of December 31, 2025 to the prior year:

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 203,294,548	\$ 188,336,948	\$ 63,794,933	\$ 61,803,427	\$ 267,089,481	\$ 250,140,375
Capital assets, net	269,193,778	258,943,510	149,148,019	141,164,544	418,341,797	400,108,054
Total assets	472,488,326	447,280,458	212,942,952	202,967,971	685,431,278	650,248,429
Deferred outflows of resources	-	6,584	-	3,545	-	10,129
Long-term liabilities	2,647,086	2,815,150	19,440,770	16,438,830	22,087,856	19,253,980
Other liabilities	9,689,706	11,178,720	4,574,619	3,260,328	14,264,325	14,439,048
Total liabilities	12,336,792	13,993,870	24,015,389	19,699,158	36,352,181	33,693,028
Deferred inflows of resources	61,515,508	46,484,908	56,185	-	61,571,693	46,484,908
Net position:						
Net investment in capital assets	268,043,656	256,024,356	138,931,621	133,896,604	406,975,277	389,920,960
Restricted	46,821,155	44,891,109	160,965	94,859	46,982,120	44,985,968
Unrestricted	83,771,215	85,892,799	49,778,792	49,280,895	133,550,007	135,173,694
Total net position	\$ 398,636,026	\$ 386,808,264	\$ 188,871,378	\$ 183,272,358	\$ 587,507,404	\$ 570,080,622

CITY OF ROCHESTER HILLS, MICHIGAN

Management's Discussion and Analysis

Changes in Net Position - The City's total net position increased by \$17.4 million during the fiscal year ended December 31, 2025. The table below shows the comparison of changes in net position to the prior year:

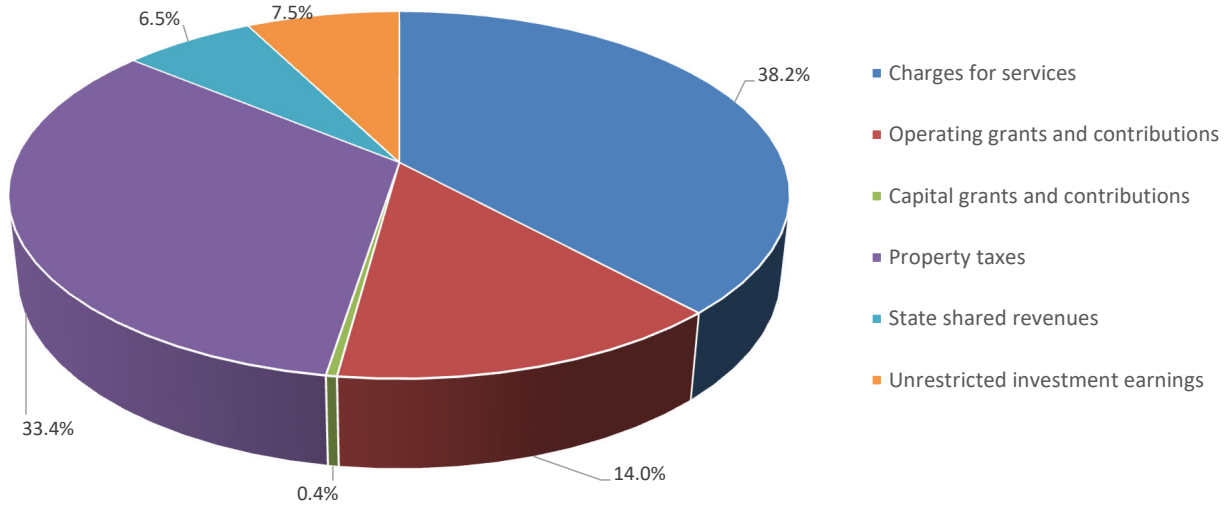
	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Program revenues:						
Charges for services	\$ 10,526,827	\$ 10,468,053	\$ 41,305,332	\$ 38,158,272	\$ 51,832,159	\$ 48,626,325
Operating grants	18,706,151	20,568,332	273,492	97,992	18,979,643	20,666,324
Capital grants	104,348	505,188	419,635	605,661	523,983	1,110,849
General revenues:						
Property taxes	45,506,110	42,648,127	-	-	45,506,110	42,648,127
State shared revenues	8,769,062	8,487,235	-	-	8,769,062	8,487,235
Unrestricted investment income	8,235,196	8,098,591	1,978,135	2,100,492	10,213,331	10,199,083
Gain on sale of capital assets	13,403	-	-	-	13,403	-
Total revenues	91,861,097	90,775,526	43,976,594	40,962,417	135,837,691	131,737,943
Expenses:						
General government	11,072,821	11,597,383	-	-	11,072,821	11,597,383
Public safety	32,735,381	30,998,024	-	-	32,735,381	30,998,024
Public works	24,219,763	19,673,457	-	-	24,219,763	19,673,457
Community and economic development	2,861,669	1,405,820	-	-	2,861,669	1,405,820
Recreation and culture	8,980,551	8,697,319	-	-	8,980,551	8,697,319
Interest on long-term debt	1,250	6,343	-	-	1,250	6,343
Water and sewer	-	-	38,070,062	35,675,551	38,070,062	35,675,551
Solid waste management	-	-	469,412	511,460	469,412	511,460
Total expenses	79,871,435	72,378,346	38,539,474	36,187,011	118,410,909	108,565,357
Change in net position, before transfers	11,989,662	18,397,180	5,437,120	4,775,406	17,426,782	23,172,586
Transfers	(161,900)	(177,050)	161,900	177,050	-	-
Change in net position	11,827,762	18,220,130	5,599,020	4,952,456	17,426,782	23,172,586
Net position - beginning	386,808,264	368,588,134	183,272,358	178,319,902	570,080,622	546,908,036
Net position - ending	\$ 398,636,026	\$ 386,808,264	\$ 188,871,378	\$ 183,272,358	\$ 587,507,404	\$ 570,080,622

CITY OF ROCHESTER HILLS, MICHIGAN

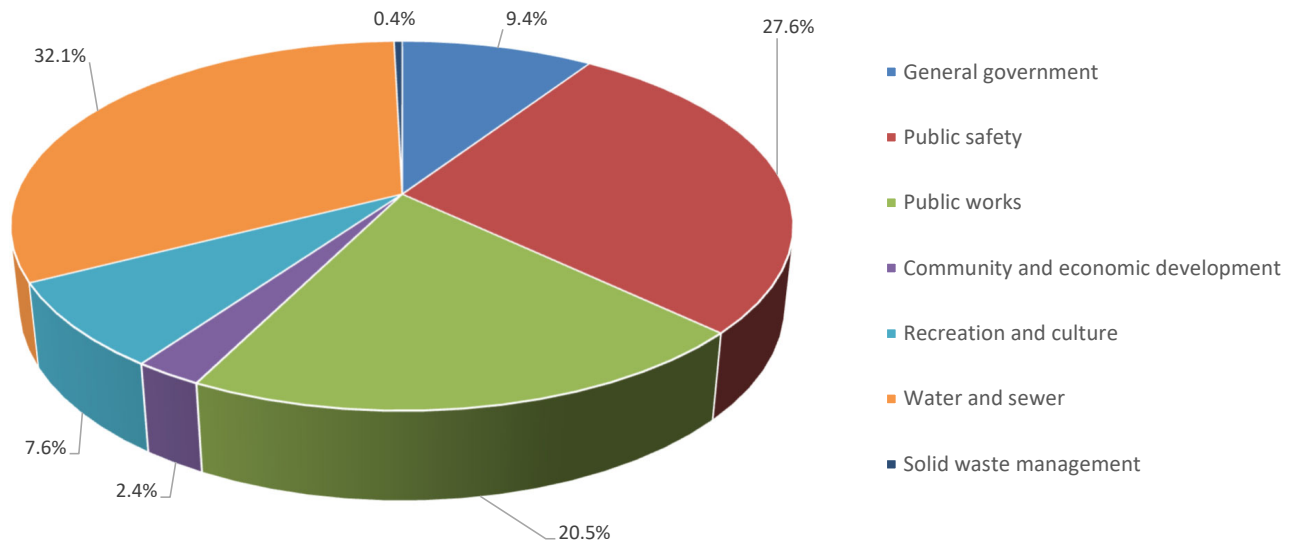
Management's Discussion and Analysis

The City's revenue for governmental activities exceeded annual expenses and transfers out by \$11.8 million. This can be primarily attributed to \$8.2 million in investment income being recorded in 2025. This resulted in an increase in net position as of December 31, 2025 to \$398.6 million. Annual revenue and transfers in for business-type activities exceeded expenses by \$5.6 million. This can be primarily attributed to a \$3.1 million increase in charges for services. This resulted in an increase in net position to \$188.9 million. The following graphs illustrate the primary sources of revenue and expenses for the total primary government of the City for the year ended December 31, 2025:

Revenues



Expenses



CITY OF ROCHESTER HILLS, MICHIGAN

Management's Discussion and Analysis

Governmental Activities - Of the City's total revenue generated for fiscal year 2025, property tax revenue comprises the largest segment, \$45.5 million, or 49.5 percent of the total governmental activities revenues. Property tax revenue increased from the prior year by \$2.9 million. Property taxable values increased while bottom line millage rate stayed the same. State-shared revenue also is a primary source of revenue of which the City received \$8.8 million. Of the grants and contributions revenue of \$18.8 million, \$10.0 million is associated with the State of Michigan Act 51 revenues for the City's Major Road and Local Street networks. Much of the remaining governmental revenue is associated with Fire, Police, Emergency Services, Building Department, and other charges for service of \$10.5 million and investment income of \$8.2 million.

The majority of governmental activities expense is associated with the public safety activities, which was \$32.7 million, or 41.0 percent of the total governmental activities expenses. Public safety includes Building, Ordinance Enforcement, Fire, and Police services. Public works expenses were \$24.2 million. Public works activity includes Major Roads, Local Streets, Storm Water, Forestry, Cemetery, and Pedestrian Pathway services. Recreation and cultural expenses totaled \$9.0 million, which related to Parks, Natural Resources, Environmental, and Museum services, as well as Youth and Senior Citizen programs. General government expenses total \$11.1 million.

Business-type Activities - The City's business-type activities are comprised of Water and Sewer services as well as Solid Waste Management activity. The City provides Water Commodity & Sanitary Sewer disposal purchased indirectly from the Great Lakes Water Authority (GLWA) to residents. Of the City's charges for service revenue, the majority is generated from charges passed on to residents, which is \$41.3 million. Charges for service are offset by water, sewer, and solid waste operational expenses of \$38.5 million. The increase in net position is \$5.6 million can be mostly attributed an increase in charges for services revenues of \$3.1 million. This can be attributed to an 11% increase in the water rates in 2025.

Financial Analysis of the City's Funds

An analysis of the City's major funds follows the government-wide financial statements. The fund level financial statements provide detailed information on the most significant funds, not the City as a whole. In addition to State of Michigan legislative requirements to maintain separate funds for State of Michigan's Act 51 Major Road and Local Street funding, the City creates funds to administer dedicated dollars and demonstrate accountability to the citizens for special tax millages voted by citizens, earmarked bond proceeds, debt activity, and capital equipment, construction, and improvement activity. The City's major funds for fiscal year 2025 include the General Fund, Major Streets Fund, Local Streets Fund, Fire Fund, Special Police Protection Fund, Capital Improvements Fund, and Fire Capital Fund.

The General Fund's fund balance increased by approximately \$0.3 million, from \$18.4 million in 2024 to \$18.7 million in 2025. This was a strategic effort to keep the General Fund in compliance with the City's adopted Governmental Fund Balance Policy range. Total General Fund revenues and transfers in were \$34.0 million, with the most significant revenue sources including property taxes of \$12.6 million and State-Shared revenue of \$8.9 million. Property tax values increased by 7%, while State-Shared revenue increased by 3%. Total General Fund expenditures and transfers out were \$33.7 million, including \$15.1 million in personnel services and \$7.9 million in other operating expenditures. \$10.7 million was transferred out to other funds, including \$9.0 million to the Capital Improvements Fund to help support future capital projects citywide.

The Major Streets Fund's fund balance increased by approximately \$0.8 million, from \$11.1 million in 2024 to \$11.9 million in 2025, primarily due to road construction projects in fiscal year 2025. Total Major Streets revenues and transfers in were \$8.9 million, a decrease of \$0.3 million from 2024. This was due to the transfer in from LDFA decreasing by \$0.4 million. The most significant revenue source was Act 51 funding of \$7.3 million. Total Major Streets expenditures and transfers out were \$8.1 million, a decrease of \$1.5 million from 2024. The 2025 expenditures and transfers included \$2.6 million in Major Streets operations including preservation, traffic control, and winter maintenance, \$1.9 million transferred out to the Local Streets Fund, and \$3.7 million in Major Streets construction projects, including Hampton Circle and Brewster Road.

The Local Streets Fund's fund balance increased by approximately \$0.9 million, from \$8.0 million in 2024 to \$8.9 million in 2025. Total Local Streets revenues and transfers in were \$10.6 million, a decrease of \$1.6 million from 2024. This can be attributed to a \$2.1 million refund from LDFA in 2024. There was no such refund in 2025. The most significant revenue resources were property taxes of \$5.0 million, Act 51 funding of \$2.7 million, and transfers in of \$2.0 million. Total Local Streets expenditures were \$9.6 million, a decrease of \$0.8 million from 2024. The 2025 expenditures included \$5.0 million in Local Streets operations including preservation, traffic control, and winter maintenance, and \$4.7 million in Local Streets construction projects, including the Local Streets Rehabilitation program.

CITY OF ROCHESTER HILLS, MICHIGAN

Management's Discussion and Analysis

The Fire Fund's fund balance increased by approximately \$1.2 million, from \$3.5 million in 2024 to \$4.7 million in 2025, primarily due to an increase in property tax revenues of \$0.8 million. Property tax values increased by 7% in 2025. Total Fire Fund revenues were \$16.5 million, with the most significant revenue sources including property taxes of \$12.6 million, and charges for services of \$3.3 million. Charges for services decreased slightly, by \$0.1 million, in 2025. Total Fire Fund expenditures and transfers out were \$15.2 million, including \$15.0 million in fire personnel services and operations. \$0.2 million was transferred out to the Fire Capital Fund to comply with the City's Governmental Fund Balance Policy target range, and will be used for future capital fire equipment and apparatus.

The Special Police Protection Fund's fund balance increased by approximately \$0.4 million, from \$4.4 million in 2024 to \$4.8 million in 2025. Total Special Police Protection Fund revenues were \$13.0 million, with the most significant revenue source including property taxes of \$11.3 million. Property tax revenues increased by \$1.4 million in 2025. Total Special Police Protection Fund expenditures were \$12.6 million, including \$12.2 million in contractual policing services via the Oakland County Sheriff's Office (OCSO). This represents a \$0.9

The Capital Improvements Fund's fund balance increased by approximately \$2.4 million, from \$18.3 million in 2024 to \$20.7 million in 2025. Total Capital Improvements Fund revenues and transfers in were \$9.8 million, with the most significant revenue sources including transfers in from the General Fund of \$9.0 million, and investment earnings of \$0.8 million. Total Capital Improvements Fund expenditures and transfers out were \$7.5 million, primarily comprised of funding transferred out to other funds (mostly the Facilities Fund), for capital projects citywide.

The Fire Capital Fund's fund balance decreased by approximately \$0.6 million from \$16.0 million in 2024 to \$15.4 million in 2025. Fire Capital Fund revenues and transfers in were \$0.9 million, with the most significant revenue source being investment earnings of \$0.8 million. Fire Capital Fund expenditures and transfers out were \$1.6 million, mostly consisting of the purchase of three (3) new ambulances during 2025, totaling \$1.1 million.

General Fund Budgetary Highlights

The Mayor and City Administration continuously monitor budget performance. Amendments to the budget are proposed to City Council on a quarterly basis to reflect the most current projections throughout the year.

The 2025 original budget for general fund revenue projection was \$31.3 million compared to the actual revenues of \$33.2 million. The primary reason for the additional revenue of approximately \$1.9 million is due to investment income of \$1.0 million greater than the original budget.

The General Fund's 2025 original budget for projected expenditures (including transfers out) was \$35.4 million compared to actual expenditures of \$33.7 million. The primary reason for the reduced expenditures of \$1.7 million is due to vacant position salary lapses coming in well under the original budgeted amounts. There was also a \$1.2 million increase in budgeted transfers out to other funds, to comply with the City's adopted Governmental Fund Balance Policy range.

CITY OF ROCHESTER HILLS, MICHIGAN

Management's Discussion and Analysis

Capital Assets and Long-term Financing Activity

Capital Assets

The City has \$418.3 million invested in a broad range of capital assets including land, right of way, construction in progress, roads, drain flowage rights, water and distributions systems, land improvements, buildings and improvements, vehicles, office furniture, subscription assets, and other tools and equipment for its governmental and business-type activities as of December 31, 2025. This reflects an increase in net capital assets of \$18.2 million during the year. For detailed information on Capital Assets, refer to Note 9.

	Capital Assets (net)					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 30,698,988	\$ 30,694,653	\$ 116,908	\$ 116,908	\$ 30,815,896	\$ 30,811,561
Right of way	50,029,900	50,029,900	-	-	50,029,900	50,029,900
Construction in progress	-	-	11,513,974	7,688,164	11,513,974	7,688,164
Roads	103,956,726	104,100,376	-	-	103,956,726	104,100,376
Drain flowage rights	6,765,879	7,443,945	-	-	6,765,879	7,443,945
Water and distribution systems	-	-	121,826,467	119,324,275	121,826,467	119,324,275
Land improvements	32,763,783	30,425,421	297,386	313,171	33,061,169	30,738,592
Buildings and improvements	29,687,556	23,875,514	12,949,258	13,204,223	42,636,814	37,079,737
Vehicles	9,216,885	7,905,116	-	-	9,216,885	7,905,116
Office furniture	665,460	243,297	-	-	665,460	243,297
Subscription assets	317,117	540,964	-	-	317,117	540,964
Other tools and equipment	5,091,484	3,684,324	2,444,026	517,803	7,535,510	4,202,127
Total	\$ 269,193,778	\$ 258,943,510	\$ 149,148,019	\$ 141,164,544	\$ 418,341,797	\$ 400,108,054

Long-term Financing Activity

The City's debt rating is excellent. Standard & Poor's issued a rating of AAA, Moody's issued a rating of Aaa, and Fitch Ratings affirmed a rating of AAA for the City. The City's total indebtedness for installment debt through contractual obligations at December 31, 2025 is \$19.3 million. For detail information on outstanding debt, refer to Note 10.

	Outstanding Debt					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Contractual obligations	\$ -	\$ 225,000	\$ 19,026,772	\$ 16,076,448	\$ 19,026,772	\$ 16,301,448
Unamortized premium	-	140	-	-	-	140
Subscription liabilities	317,117	565,075	-	-	317,117	565,075
Total	\$ 317,117	\$ 790,215	\$ 19,026,772	\$ 16,076,448	\$ 19,343,889	\$ 16,866,663

CITY OF ROCHESTER HILLS, MICHIGAN

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

The City's taxable value is expected to increase by 4.7% for fiscal year 2026 due to growth in the City's existing housing market, redevelopment, and new development. The City's total millage rate is set at 10.8888 mills for fiscal year 2026, which continues to be one of the lowest millage rates among all cities in Oakland County. Taxes are anticipated to account for 47 percent of governmental fund revenue and 40 percent of General Fund revenue in the fiscal year 2026 budget.

The General Fund's fund balance is planned to decrease by \$3.2 million in 2026, in an effort to strategically reduce the General Fund's fund balance level to 35% of annual operating expenditures by the year 2027. This is per the City's "Governmental Fund Balance Policy", recently updated in 2024. Over the course of fiscal year 2026 through fiscal year 2027, these funds will be transferred to the Capital Improvements Fund to support capital projects citywide. The Major Streets Fund's fund balance is planned to increase by \$0.4 million in 2026, to perform \$3.1 million in Major Streets construction, primarily the reconstruction of Adams Road near Nowicki Park. The Local Streets Fund's fund balance is planned to decrease by \$1.3 million in 2026, to perform \$7.0 million in Local Streets construction, as well as to maintain the Local Street Fund's fund balance level at 25% of annual operating expenditures, per the City's Governmental Fund Balance Policy. The Fire Fund's fund balance is planned to increase by \$0.1 million in 2026, to maintain the Fire Fund's fund balance level at 25% of annual operating expenditures, per the City's Governmental Fund Balance Policy. The Special Police Protection Fund's fund balance is planned to increase by \$1.2 million in 2026, to set the Special Police Protection Fund's fund balance level at 25% of annual operating expenditures, per the City's Governmental Fund Balance Policy. The Capital Improvements Fund's fund balance is planned to decrease by \$11.4 million in 2026, to help support \$17.9 million of capital projects citywide, most notably the construction of Nowicki Park. The Fire Capital Fund's fund balance is planned to decrease by \$5.2 million in 2026, to fund \$5.8 million of Fire Department capital projects.

Designed to be conservative, sustainable, and resilient, the fiscal year 2026 budget continues to keep operating expenditures within operating revenue streams by assessing service delivery systems and reducing costs where possible. By estimating both revenues and expenditures conservatively, the City is able to confidently plan for capital improvements by utilizing funds maintained in reserve, with no current plans to issue debt.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the City of Rochester Hills, Accounting Division, 1000 Rochester Hills Drive, Rochester Hills, MI 48309.

BASIC FINANCIAL STATEMENTS



innovative *by* nature

CITY OF ROCHESTER HILLS, MICHIGAN

Statement of Net Position

December 31, 2025

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 28,398,364	\$ 8,961,067	\$ 37,359,431	\$ 4,246,982
Investments	131,225,399	33,724,744	164,950,143	8,551,188
Receivables, net	42,824,047	9,537,630	52,361,677	2,056,695
Prepaid items and other assets	534,277	2,489,279	3,023,556	147,834
Restricted assets, cash	-	8,921,248	8,921,248	-
Net OPEB asset	312,461	160,965	473,426	-
Capital assets not being depreciated	80,728,888	11,630,882	92,359,770	3,370,244
Capital assets being depreciated/amortized, net	188,464,890	137,517,137	325,982,027	15,764,830
Total assets	472,488,326	212,942,952	685,431,278	34,137,773
Liabilities				
Accounts payable and accrued liabilities	9,689,706	4,574,619	14,264,325	389,363
Unearned revenue	-	-	-	349,586
Notes and other long-term liabilities:				
Due within one year	2,553,816	1,389,065	3,942,881	157,847
Due in more than one year	93,270	18,051,705	18,144,975	1,023,040
Total liabilities	12,336,792	24,015,389	36,352,181	1,919,836
Deferred inflows of resources				
Deferred OPEB amounts	109,064	56,185	165,249	-
Taxes levied for a subsequent period	49,637,407	-	49,637,407	1,808,369
Deferred lease amounts	716,067	-	716,067	498,329
Deferred public-private partnership amounts	11,052,970	-	11,052,970	-
Total deferred inflows of resources	61,515,508	56,185	61,571,693	2,306,698
Net position				
Net investment in capital assets	268,043,656	138,931,621	406,975,277	18,028,307
Restricted for:				
Streets and highways	21,261,286	-	21,261,286	-
Public safety	9,763,733	-	9,763,733	-
Public works	144,851	-	144,851	-
Recreation and culture	41,781	-	41,781	-
Grants	100,149	-	100,149	-
Capital projects	2,934,505	-	2,934,505	-
Tree conservation and maintenance	1,321,418	-	1,321,418	-
Other postemployment benefits	312,461	160,965	473,426	-
Permanent fund:				
Expendable	3,794,027	-	3,794,027	9,183
Non-expendable	7,146,944	-	7,146,944	-
Unrestricted	83,771,215	49,778,792	133,550,007	11,873,749
Total net position	\$ 398,636,026	\$ 188,871,378	\$ 587,507,404	\$ 29,911,239

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

CITY OF ROCHESTER HILLS, MICHIGAN

Statement of Activities

For the Year Ended December 31, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 11,072,821	\$ 6,590,346	\$ 4,425,889	\$ -	\$ (56,586)
Public safety	32,735,381	3,373,979	1,292,249	5,650	(28,063,503)
Public works	24,219,763	351,748	12,838,826	98,698	(10,930,491)
Community and economic development	2,861,669	-	-	-	(2,861,669)
Recreation and culture	8,980,551	210,754	149,187	-	(8,620,610)
Interest on long-term debt	1,250	-	-	-	(1,250)
Total governmental activities	79,871,435	10,526,827	18,706,151	104,348	(50,534,109)
Business-type activities:					
Water and sewer	38,070,062	40,636,042	273,492	419,635	3,259,107
Solid waste management	469,412	669,290	-	-	199,878
Total business-type activities	38,539,474	41,305,332	273,492	419,635	3,458,985
Total primary government	\$ 118,410,909	\$ 51,832,159	\$ 18,979,643	\$ 523,983	\$ (47,075,124)
Component units					
Brownfield Redevelopment Authority	\$ 857,129	\$ -	\$ 25,672	\$ -	\$ (831,457)
Local Development Finance Authority	208,980	-	533,717	-	324,737
Rochester Hills Museum Foundation	20	-	-	-	(20)
Rochester-Avon Recreation Authority	295,282	-	-	-	(295,282)
Older Persons' Commission	7,107,222	1,933,146	6,961,468	-	1,787,392
Total component units	\$ 8,468,633	\$ 1,933,146	\$ 7,520,857	\$ -	\$ 985,370

continued...

CITY OF ROCHESTER HILLS, MICHIGAN

Statement of Activities

For the Year Ended December 31, 2025

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (50,534,109)	\$ 3,458,985	\$ (47,075,124)	\$ 985,370
General revenues:				
Property taxes	45,506,110	-	45,506,110	1,500,377
State shared revenues	8,769,062	-	8,769,062	-
Unrestricted investment income	8,235,196	1,978,135	10,213,331	437,844
Miscellaneous	-	-	-	133,463
Gain on sale of capital assets	13,403	-	13,403	-
Transfers	(161,900)	161,900	-	-
Total general revenues and transfers	62,361,871	2,140,035	64,501,906	2,071,684
Change in net position	11,827,762	5,599,020	17,426,782	3,057,054
Net position, beginning of year	386,808,264	183,272,358	570,080,622	26,854,185
Net position, end of year	<u>\$ 398,636,026</u>	<u>\$ 188,871,378</u>	<u>\$ 587,507,404</u>	<u>\$ 29,911,239</u>

concluded.

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

CITY OF ROCHESTER HILLS, MICHIGAN

Balance Sheet

Governmental Funds
December 31, 2025

	Special Revenue Funds				
	General	Major Streets	Local Streets	Fire	Special Police Protection
Assets					
Cash and cash equivalents	\$ 4,634,665	\$ 3,333,744	\$ 1,745,122	\$ 1,351,717	\$ 2,236,183
Investments	21,527,274	7,412,830	9,469,171	10,608,929	11,504,200
Receivables:					
Taxes, net	6,518,348	-	2,502,836	6,416,936	6,762,918
Accounts	374,031	-	22,132	31,746	441,107
Due from other governments	1,520,190	1,179,430	444,977	-	-
Interest	432,036	210,378	59,062	37,579	56,491
Leases	-	-	-	704,067	-
Public-private partnership	11,052,970	-	-	-	-
Special assessments	-	-	204,250	-	-
Inventory	-	-	116,058	-	-
Prepaid items	130,322	1,864	4,035	38,829	-
Total assets	<u>\$ 46,189,836</u>	<u>\$ 12,138,246</u>	<u>\$ 14,567,643</u>	<u>\$ 19,189,803</u>	<u>\$ 21,000,899</u>
Liabilities					
Accounts payable	\$ 277,994	\$ 92,213	\$ 94,426	\$ 153,736	\$ 2,103,476
Accrued wages	587,807	24,276	81,361	384,979	-
Retainages payable	-	158,861	102,723	-	-
Deposits and escrow	2,099,966	-	10,000	203	-
Accrued and other liabilities	599	-	213	540	484
Total liabilities	<u>2,966,366</u>	<u>275,350</u>	<u>288,723</u>	<u>539,458</u>	<u>2,103,960</u>
Deferred inflows of resources					
Taxes levied for a subsequent period	13,394,726	-	5,142,114	13,183,797	13,895,687
Unavailable revenue	80,538	-	216,122	27,246	201,440
Deferred lease amounts	-	-	-	704,067	-
Deferred public-private partnership amounts	11,052,970	-	-	-	-
Total deferred inflows of resources	<u>24,528,234</u>	<u>-</u>	<u>5,358,236</u>	<u>13,915,110</u>	<u>14,097,127</u>
Fund balances					
Nonspendable	130,322	1,864	120,093	38,829	-
Restricted	-	11,861,032	8,800,591	4,696,406	4,799,812
Committed	1,000,000	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	17,564,914	-	-	-	-
Total fund balances	<u>18,695,236</u>	<u>11,862,896</u>	<u>8,920,684</u>	<u>4,735,235</u>	<u>4,799,812</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 46,189,836</u>	<u>\$ 12,138,246</u>	<u>\$ 14,567,643</u>	<u>\$ 19,189,803</u>	<u>\$ 21,000,899</u>

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

Capital Projects Funds			
Capital Improvements	Fire Capital	Nonmajor Governmental Funds	Total Governmental Funds
\$ 5,076,811	\$ 3,547,976	\$ 1,216,908	\$ 23,143,126
15,263,269	11,778,631	17,321,748	104,886,052
-	-	1,957,213	24,158,251
-	-	-	869,016
-	-	169,105	3,313,702
335,294	419,614	30,537	1,580,991
-	-	-	704,067
-	-	-	11,052,970
-	-	-	204,250
-	-	-	116,058
-	-	114,991	290,041
<u>\$ 20,675,374</u>	<u>\$ 15,746,221</u>	<u>\$ 20,810,502</u>	<u>\$ 170,318,524</u>
\$ -	\$ 321,664	\$ 270,159	\$ 3,313,668
-	-	8,336	1,086,759
-	-	42,987	304,571
-	-	-	2,110,169
-	-	68	1,904
-	321,664	321,550	6,817,071
-	-	4,021,083	49,637,407
-	-	-	525,346
-	-	-	704,067
-	-	-	11,052,970
-	-	4,021,083	61,919,790
-	-	7,261,935	7,553,043
-	-	8,308,864	38,466,705
-	15,424,557	897,070	17,321,627
20,675,374	-	-	20,675,374
-	-	-	17,564,914
<u>20,675,374</u>	<u>15,424,557</u>	<u>16,467,869</u>	<u>101,581,663</u>
<u>\$ 20,675,374</u>	<u>\$ 15,746,221</u>	<u>\$ 20,810,502</u>	<u>\$ 170,318,524</u>



innovative *by* nature

CITY OF ROCHESTER HILLS, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
December 31, 2025

Fund balances for governmental funds	\$ 101,581,663
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement.</p>	
Capital assets not being depreciated	55,801,583
Capital assets being depreciated/amortized, net	119,635,494
<p>The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred outflows in the governmental funds, and thus are not included in fund balance.</p>	
Deferred long-term receivables	525,346
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities.</p>	
	123,017,418
<p>Certain liabilities, such as compensated absences, are not due and payable in the current period, and therefore are not reported in the funds.</p>	
Compensated absences	(2,128,875)
<p>Certain other postemployment benefit-related amounts, such as the net other postemployment benefit liability and deferred amounts, are not due and payable in the current period or do not represent current financial resources, and therefore are not reported in the funds.</p>	
Net other postemployment benefit asset	312,461
Deferred inflows related to the net OPEB asset	(109,064)
	312,461
	(109,064)
Net position of governmental activities	\$ 398,636,026

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

CITY OF ROCHESTER HILLS, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2025

	Special Revenue Funds				
	General	Major Streets	Local Streets	Fire	Special Police Protection
Revenues					
Property taxes	\$ 12,624,569	\$ -	\$ 4,961,309	\$ 12,607,736	\$ 11,290,747
Licenses and permits	2,953,062	-	51,762	3,540	-
Federal grants	293,837	-	7,122	817	5,650
State grants	8,925,298	7,646,045	2,807,506	108,201	152,171
Contributions	-	41,000	-	-	641,858
Charges for services	6,590,221	98,447	116,424	3,262,551	111,428
Fines and forfeitures	54,586	-	-	13,145	346,331
Investment income	1,546,308	512,290	455,925	457,261	478,327
Special assessments	-	-	33,443	-	-
Refunds and other	174,494	69,366	155,897	5,313	14,878
Total revenues	33,162,375	8,367,148	8,589,388	16,458,564	13,041,390
Expenditures					
Current:					
General government	9,970,885	-	-	-	-
Public safety	3,820,583	-	-	15,040,837	12,617,141
Public works	1,697,207	2,567,152	4,947,959	-	-
Community and economic development	1,331,465	-	-	-	-
Recreation and culture	6,190,146	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	-	3,668,160	4,697,599	-	-
Total expenditures	23,010,286	6,235,312	9,645,558	15,040,837	12,617,141
Revenues over (under) expenditures	10,152,089	2,131,836	(1,056,170)	1,417,727	424,249
Other financing sources (uses)					
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	819,702	487,360	1,971,920	-	-
Transfers out	(10,694,640)	(1,862,500)	-	(167,670)	-
Total other financing sources (uses)	(9,874,938)	(1,375,140)	1,971,920	(167,670)	-
Net change in fund balances	277,151	756,696	915,750	1,250,057	424,249
Fund balances, beginning of year	18,418,085	11,106,200	8,004,934	3,485,178	4,375,563
Fund balances, end of year	\$ 18,695,236	\$ 11,862,896	\$ 8,920,684	\$ 4,735,235	\$ 4,799,812

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

Capital Projects Funds			
Capital Improvements	Fire Capital	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 4,021,749	\$ 45,506,110
-	-	-	3,008,364
-	-	118,775	426,201
-	-	2,360,102	21,999,323
-	-	-	682,858
-	-	347,756	10,526,827
-	-	-	414,062
778,460	760,636	1,771,731	6,760,938
-	-	-	33,443
-	5,995	11,268	437,211
<u>778,460</u>	<u>766,631</u>	<u>8,631,381</u>	<u>89,795,337</u>
-	-	-	9,970,885
-	100,802	-	31,579,363
-	-	3,241,061	12,453,379
-	-	-	1,331,465
-	-	2,654,603	8,844,749
-	-	225,000	225,000
-	-	2,656	2,656
29,647	1,444,279	384,688	10,224,373
<u>29,647</u>	<u>1,545,081</u>	<u>6,508,008</u>	<u>74,631,870</u>
<u>748,813</u>	<u>(778,450)</u>	<u>2,123,373</u>	<u>15,163,467</u>
-	34,518	-	34,518
9,046,360	167,670	2,163,030	14,656,042
(7,426,270)	(14,480)	(2,713,252)	(22,878,812)
<u>1,620,090</u>	<u>187,708</u>	<u>(550,222)</u>	<u>(8,188,252)</u>
2,368,903	(590,742)	1,573,151	6,975,215
<u>18,306,471</u>	<u>16,015,299</u>	<u>14,894,718</u>	<u>94,606,448</u>
<u>\$ 20,675,374</u>	<u>\$ 15,424,557</u>	<u>\$ 16,467,869</u>	<u>\$ 101,581,663</u>



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CITY OF ROCHESTER HILLS, MICHIGAN

Reconciliation

Net Change in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended December 31, 2025

Net change in fund balances - total governmental funds \$ 6,975,215

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/amortization expense.

Capital assets purchased/constructed	11,388,901
Depreciation/amortization expense	(11,517,769)
Proceeds from sale of capital assets	(34,518)
Gain on sale of capital assets	13,403

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.

Net change in deferred long-term receivables	(50,249)
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Proceeds from notes and other long-term liabilities provide current financial resources to governmental funds in the period issued, but issuing notes and other long-term liabilities increase long-term liabilities in the statement of net position. Repayment of notes and other long-term liabilities principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on notes and other long-term liabilities	225,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest payable on long-term liabilities	1,266
Amortization of premium	140
Change in net OPEB asset and related deferred amounts	20,647
Change in compensated absences	(282,597)

An internal service fund is used by management to charge the costs of certain services to individual governmental funds. The change in net position attributable to those funds is reported with governmental activities.

	<u>5,088,323</u>
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Change in net position of governmental activities \$ 11,827,762

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

CITY OF ROCHESTER HILLS, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 12,663,930	\$ 12,620,120	\$ 12,624,569	\$ 4,449
Licenses and permits	2,744,000	2,924,880	2,953,062	28,182
Federal grants	170,000	289,000	293,837	4,837
State grants	8,612,940	8,909,230	8,925,298	16,068
Charges for services	6,379,740	6,539,930	6,590,221	50,291
Fines and forfeitures	1,000	1,760	54,586	52,826
Investment income	547,970	1,542,000	1,546,308	4,308
Refunds and other	205,000	160,440	174,494	14,054
Total revenues	31,324,580	32,987,360	33,162,375	175,015
Expenditures				
Current:				
General government:				
City Council	295,210	265,620	224,760	(40,860)
City administration	5,873,010	6,140,770	5,658,082	(482,688)
Clerk	2,213,660	2,086,320	1,688,960	(397,360)
Assessing	1,427,560	1,302,590	1,215,524	(87,066)
Human resources	1,341,410	1,325,370	1,183,559	(141,811)
	<u>11,150,850</u>	<u>11,120,670</u>	<u>9,970,885</u>	<u>(1,149,785)</u>
Public safety:				
Building	4,646,530	4,109,750	3,741,703	(368,047)
Crossing guard	83,500	90,400	78,880	(11,520)
	<u>4,730,030</u>	<u>4,200,150</u>	<u>3,820,583</u>	<u>(379,567)</u>
Public works:				
Natural resources	1,298,830	1,317,510	1,198,693	(118,817)
Cemetery	621,800	556,390	498,514	(57,876)
	<u>1,920,630</u>	<u>1,873,900</u>	<u>1,697,207</u>	<u>(176,693)</u>
Community and economic development:				
Planning	1,346,070	1,194,250	1,097,125	(97,125)
Community development block grant	170,000	275,000	234,340	(40,660)
	<u>1,516,070</u>	<u>1,469,250</u>	<u>1,331,465</u>	<u>(137,785)</u>
Recreation and culture:				
Parks and recreation	5,008,790	5,010,600	4,731,919	(278,681)
Historic district commission	1,613,300	1,555,690	1,458,227	(97,463)
	<u>6,622,090</u>	<u>6,566,290</u>	<u>6,190,146</u>	<u>(376,144)</u>
Total expenditures	25,939,670	25,230,260	23,010,286	(2,219,974)
Revenues over expenditures	<u>5,384,910</u>	<u>7,757,100</u>	<u>10,152,089</u>	<u>2,394,989</u>

continued...

CITY OF ROCHESTER HILLS, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Other financing sources (uses)				
Transfers in	\$ 50,000	\$ 815,000	\$ 819,702	\$ 4,702
Transfers out	(9,449,730)	(10,694,640)	(10,694,640)	-
Total other financing sources (uses)	<u>(9,399,730)</u>	<u>(9,879,640)</u>	<u>(9,874,938)</u>	<u>4,702</u>
Net change in fund balance	(4,014,820)	(2,122,540)	277,151	2,399,691
Fund balance, beginning of year	<u>18,418,085</u>	<u>18,418,085</u>	<u>18,418,085</u>	<u>-</u>
Fund balance, end of year	<u>\$ 14,403,265</u>	<u>\$ 16,295,545</u>	<u>\$ 18,695,236</u>	<u>\$ 2,399,691</u>

concluded.

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

CITY OF ROCHESTER HILLS, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Major Streets Special Revenue Fund

For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State grants	\$ 7,435,000	\$ 7,598,970	\$ 7,646,045	\$ 47,075
Contributions	550,000	41,000	41,000	-
Charges for services	123,600	92,270	98,447	6,177
Investment income	192,180	507,000	512,290	5,290
Refunds and other	37,300	69,000	69,366	366
Total revenues	<u>8,338,080</u>	<u>8,308,240</u>	<u>8,367,148</u>	<u>58,908</u>
Expenditures				
Current -				
Public works - streets	2,966,670	2,847,830	2,567,152	(280,678)
Capital outlay	4,715,000	4,477,520	3,668,160	(809,360)
Total expenditures	<u>7,681,670</u>	<u>7,325,350</u>	<u>6,235,312</u>	<u>(1,090,038)</u>
Revenues over expenditures	<u>656,410</u>	<u>982,890</u>	<u>2,131,836</u>	<u>1,148,946</u>
Other financing sources (uses)				
Transfers in	467,360	487,360	487,360	-
Transfers out	(1,767,500)	(1,862,500)	(1,862,500)	-
Total other financing sources (uses)	<u>(1,300,140)</u>	<u>(1,375,140)</u>	<u>(1,375,140)</u>	<u>-</u>
Net change in fund balance	(643,730)	(392,250)	756,696	1,148,946
Fund balance, beginning of year	<u>11,106,200</u>	<u>11,106,200</u>	<u>11,106,200</u>	<u>-</u>
Fund balance, end of year	<u>\$ 10,462,470</u>	<u>\$ 10,713,950</u>	<u>\$ 11,862,896</u>	<u>\$ 1,148,946</u>

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

CITY OF ROCHESTER HILLS, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Local Streets Special Revenue Fund

For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 4,970,980	\$ 4,959,890	\$ 4,961,309	\$ 1,419
Licenses and permits	30,000	50,760	51,762	1,002
Federal grants	-	7,000	7,122	122
State grants	2,850,980	2,806,060	2,807,506	1,446
Charges for services	188,440	115,150	116,424	1,274
Investment income	134,110	453,220	455,925	2,705
Special assessments	28,240	33,420	33,443	23
Refunds and other	22,500	155,170	155,897	727
Total revenues	8,225,250	8,580,670	8,589,388	8,718
Expenditures				
Current -				
Public works - streets	5,406,220	5,462,370	4,947,959	(514,411)
Capital outlay	5,985,000	5,090,220	4,697,599	(392,621)
Total expenditures	11,391,220	10,552,590	9,645,558	(907,032)
Revenues under expenditures	(3,165,970)	(1,971,920)	(1,056,170)	915,750
Other financing sources				
Transfers in	1,927,500	1,971,920	1,971,920	-
Net change in fund balance	(1,238,470)	-	915,750	915,750
Fund balance, beginning of year	8,004,934	8,004,934	8,004,934	-
Fund balance, end of year	\$ 6,766,464	\$ 8,004,934	\$ 8,920,684	\$ 915,750

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

CITY OF ROCHESTER HILLS, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Fire Special Revenue Fund

For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 12,632,120	\$ 12,604,160	\$ 12,607,736	\$ 3,576
Licenses and permits	4,000	3,510	3,540	30
Federal grants	-	810	817	7
State grants	97,750	108,200	108,201	1
Charges for services	3,215,840	3,248,920	3,262,551	13,631
Fines and forfeitures	3,000	9,820	13,145	3,325
Investment income	253,620	448,000	457,261	9,261
Refunds and other	1,000	4,810	5,313	503
Total revenues	16,207,330	16,428,230	16,458,564	30,334
Expenditures				
Current -				
Public safety	15,502,310	15,646,280	15,040,837	(605,443)
Revenues over expenditures	705,020	781,950	1,417,727	635,777
Other financing sources (uses)				
Proceeds from sale of capital assets	500	-	-	-
Transfers out	(609,970)	(167,670)	(167,670)	-
Total other financing sources (uses)	(609,470)	(167,670)	(167,670)	-
Net change in fund balance	95,550	614,280	1,250,057	635,777
Fund balance, beginning of year	3,485,178	3,485,178	3,485,178	-
Fund balance, end of year	\$ 3,580,728	\$ 4,099,458	\$ 4,735,235	\$ 635,777

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

CITY OF ROCHESTER HILLS, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Special Police Protection Special Revenue Fund

For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 11,312,270	\$ 11,287,580	\$ 11,290,747	\$ 3,167
Federal grants	-	5,650	5,650	-
State grants	131,660	152,160	152,171	11
Contributions	785,760	495,970	641,858	145,888
Charges for services	150,680	70,470	111,428	40,958
Fines and forfeitures	327,500	300,360	346,331	45,971
Investment income	257,200	459,000	478,327	19,327
Refunds and other	13,120	14,870	14,878	8
Total revenues	12,978,190	12,786,060	13,041,390	255,330
Expenditures				
Current - Public safety	13,144,020	13,170,290	12,617,141	(553,149)
Net change in fund balance	(165,830)	(384,230)	424,249	808,479
Fund balance, beginning of year	4,375,563	4,375,563	4,375,563	-
Fund balance, end of year	\$ 4,209,733	\$ 3,991,333	\$ 4,799,812	\$ 808,479

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

CITY OF ROCHESTER HILLS, MICHIGAN

Statement of Net Position

Proprietary Funds
December 31, 2025

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer	Nonmajor Solid Waste Management	Total	Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 8,884,697	\$ 76,370	\$ 8,961,067	\$ 5,255,238
Investments	33,093,901	630,843	33,724,744	26,339,347
Receivables:				
Accounts	7,893,376	694,110	8,587,486	382,012
Due from other governments	169,775	-	169,775	131,400
Interest	737,968	-	737,968	415,388
Leases	-	-	-	12,000
Inventory	672,442	-	672,442	-
Prepaid items	1,816,837	-	1,816,837	128,178
Total current assets	53,268,996	1,401,323	54,670,319	32,663,563
Noncurrent assets:				
Restricted assets	8,921,248	-	8,921,248	-
Long-term receivable	42,401	-	42,401	-
Net OPEB asset	160,965	-	160,965	-
Capital assets not being depreciated	11,630,882	-	11,630,882	24,927,305
Capital assets being depreciated/amortized, net	137,517,137	-	137,517,137	68,829,396
Total noncurrent assets	158,272,633	-	158,272,633	93,756,701
Total assets	211,541,629	1,401,323	212,942,952	126,420,264
Liabilities				
Current liabilities:				
Accounts payable	3,854,516	34,294	3,888,810	2,201,062
Accrued wages	174,123	-	174,123	108,203
Retainages payable	110,874	-	110,874	528,434
Deposits and escrow	199,310	140,000	339,310	-
Claims payable	-	-	-	34,936
Accrued interest	61,502	-	61,502	-
Notes and other long-term liabilities, current	975,067	-	975,067	223,847
Compensated absences	413,998	-	413,998	201,094
Total current liabilities	5,789,390	174,294	5,963,684	3,297,576
Noncurrent liabilities -				
Notes and other long-term liabilities, net of current portion	18,051,705	-	18,051,705	93,270
Total liabilities	23,841,095	174,294	24,015,389	3,390,846
Deferred inflows of resources				
Deferred OPEB amounts	56,185	-	56,185	-
Deferred lease amounts	-	-	-	12,000
Total deferred inflows of resources	56,185	-	56,185	12,000
Net position				
Net investment in capital assets	138,931,621	-	138,931,621	92,911,150
Restricted for other postemployment benefits	160,965	-	160,965	-
Unrestricted	48,551,763	1,227,029	49,778,792	30,106,268
Total net position	\$ 187,644,349	\$ 1,227,029	\$ 188,871,378	\$ 123,017,418

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

CITY OF ROCHESTER HILLS, MICHIGAN

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Solid Waste Management	Total	Internal Service Funds
Operating revenues				
Charges for services	\$ 40,631,677	\$ 669,290	\$ 41,300,967	\$ 10,080,228
Other	4,365	-	4,365	234,981
Total operating revenues	<u>40,636,042</u>	<u>669,290</u>	<u>41,305,332</u>	<u>10,315,209</u>
Operating expenses				
Cost of water produced/purchased	13,636,266	-	13,636,266	-
Cost of sewage treatment	8,858,134	-	8,858,134	-
Salaries and benefits	4,641,537	-	4,641,537	3,001,110
Professional services	4,903,965	121,215	5,025,180	3,217,043
Utilities	-	-	-	1,073,308
Material and supplies	604,829	-	604,829	318,670
Contractual services	-	348,197	348,197	-
Repairs and maintenance	42,376	-	42,376	1,246,723
Rentals	9,020	-	9,020	6,042
Other expenses	12,767	-	12,767	-
Depreciation/amortization	5,112,650	-	5,112,650	6,734,715
Total operating expenses	<u>37,821,544</u>	<u>469,412</u>	<u>38,290,956</u>	<u>15,597,611</u>
Operating income (loss)	<u>2,814,498</u>	<u>199,878</u>	<u>3,014,376</u>	<u>(5,282,402)</u>
Nonoperating revenues (expenses)				
State grants	273,492	-	273,492	628,348
Investment income	1,942,633	35,502	1,978,135	1,474,258
Interest expense	(248,518)	-	(248,518)	-
Gain on sale of capital assets	-	-	-	207,249
Total nonoperating revenues (expenses)	<u>1,967,607</u>	<u>35,502</u>	<u>2,003,109</u>	<u>2,309,855</u>
Income (loss) before capital contributions and transfers	<u>4,782,105</u>	<u>235,380</u>	<u>5,017,485</u>	<u>(2,972,547)</u>
Capital contributions	<u>419,635</u>	<u>-</u>	<u>419,635</u>	<u>-</u>
Transfers in	<u>161,900</u>	<u>-</u>	<u>161,900</u>	<u>8,060,870</u>
Change in net position	<u>5,363,640</u>	<u>235,380</u>	<u>5,599,020</u>	<u>5,088,323</u>
Net position, beginning of year	<u>182,280,709</u>	<u>991,649</u>	<u>183,272,358</u>	<u>117,929,095</u>
Net position, end of year	<u>\$ 187,644,349</u>	<u>\$ 1,227,029</u>	<u>\$ 188,871,378</u>	<u>\$ 123,017,418</u>

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

CITY OF ROCHESTER HILLS, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Solid Waste Management	Total	Internal Service Funds
Cash flows from operating activities				
Receipts from customers	\$ 40,150,546	\$ 295,981	\$ 40,446,527	\$ -
Internal activity - receipts from other funds	-	-	-	10,552,233
Other operating receipts	4,365	-	4,365	1,183,725
Payments to vendors	(27,015,145)	(502,319)	(27,517,464)	(7,089,798)
Payments to employees	(4,590,421)	-	(4,590,421)	(2,961,977)
Net cash from operating activities	8,549,345	(206,338)	8,343,007	1,684,183
Cash flows from noncapital financing activities				
State grants	273,492	-	273,492	628,348
Transfers in	161,900	-	161,900	8,060,870
Net cash from noncapital financing activities	435,392	-	435,392	8,689,218
Cash flows from capital and related financing activities				
Purchase of capital assets	(12,565,616)	-	(12,565,616)	(16,606,532)
Issuance of long-term liabilities	3,901,179	-	3,901,179	-
Principal paid on notes and other long-term liabilities	(950,855)	-	(950,855)	(247,958)
Interest paid on notes and other long-term liabilities	(240,057)	-	(240,057)	-
Proceeds from sale of capital assets	-	-	-	207,249
Net cash from capital and related financing activities	(9,855,349)	-	(9,855,349)	(16,647,241)
Cash flows from investing activities				
Purchase of investments	-	(367,759)	(367,759)	(476,683)
Sale of investments	237,127	-	237,127	5,911,892
Interest received on investments	1,960,030	44,905	2,004,935	1,518,084
Net cash from investing activities	2,197,157	(322,854)	1,874,303	6,953,293
Net change in cash and cash equivalents	1,326,545	(529,192)	797,353	679,453
Cash and cash equivalent balances, beginning of year	7,558,152	605,562	8,163,714	4,575,785
Cash and cash equivalent balances, end of year	\$ 8,884,697	\$ 76,370	\$ 8,961,067	\$ 5,255,238

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CITY OF ROCHESTER HILLS, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Solid Waste Management	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash from operating activities				
Operating income (loss)	\$ 2,814,498	\$ 199,878	\$ 3,014,376	\$ (5,282,402)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation/amortization	5,112,650	-	5,112,650	6,734,715
Changes in assets and liabilities:				
Receivables:				
Accounts	(843,587)	(373,309)	(1,216,896)	(369,924)
Due from other governments	(169,775)	-	(169,775)	1,328,000
Leases	-	-	-	23,480
Due from other funds	252,642	-	252,642	462,673
Inventory	108,132	-	108,132	-
Prepaid items	(4,295)	-	(4,295)	141,140
Long-term receivable	5,977	-	5,977	-
Net OPEB asset	(66,106)	-	(66,106)	-
Deferred OPEB amounts	3,545	-	3,545	-
Accounts payable	1,246,357	(32,907)	1,213,450	(749,765)
Accrued wages	5,876	-	5,876	16,696
Retainage payable	(37,370)	-	(37,370)	(537,094)
Deposits and escrow	13,000	-	13,000	-
Claims payable	-	-	-	(82,293)
Compensated absences	51,616	-	51,616	22,437
Deferred OPEB amounts	56,185	-	56,185	-
Deferred lease amounts	-	-	-	(23,480)
Net cash from operating activities	<u>\$ 8,549,345</u>	<u>\$ (206,338)</u>	<u>\$ 8,343,007</u>	<u>\$ 1,684,183</u>
Noncash capital financing activities				
Donated capital assets	\$ 419,635	\$ -	\$ 419,635	\$ -
Capital assets purchased with accounts payable	110,874	-	110,874	528,434
Total noncash activities	<u>\$ 530,509</u>	<u>\$ -</u>	<u>\$ 530,509</u>	<u>\$ 528,434</u>

concluded.

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

CITY OF ROCHESTER HILLS, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds

December 31, 2025

	Retiree Healthcare Benefit Trust Fund	Custodial Funds
Assets		
Cash and cash equivalents	\$ 38,795	\$ 3,432,144
Investments, at fair value - mutual funds	2,200,240	12,653,293
Receivables	-	3,090,774
Prepaid items	6	-
Total assets	<u>2,239,041</u>	<u>19,176,211</u>
Liabilities		
Accounts payable	61	-
Due to other governments	-	19,061,618
Total liabilities	<u>61</u>	<u>19,061,618</u>
Net position		
Restricted for:		
Other postemployment benefits	2,238,980	-
Individuals, organizations, and other governments	-	114,593
Total net position	<u>\$ 2,238,980</u>	<u>\$ 114,593</u>

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

CITY OF ROCHESTER HILLS, MICHIGAN

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended December 31, 2025

	Retiree Healthcare Benefit Trust Fund	Custodial Funds
Additions		
Investment income:		
Investment income	\$ 291,455	\$ 172,432
Less: investment expense	(3,488)	-
Total net investment income	<u>287,967</u>	<u>172,432</u>
Contributions - employer	7,800	-
Member contributions	-	26,508,325
Taxes collected for other governments	-	<u>125,221,538</u>
Total additions	<u>295,767</u>	<u>151,902,295</u>
Deductions		
Benefits	190,317	-
Administrative expenses	18,121	-
Payments on behalf of other governments:		
Professional services	-	38,487
Water purchases	-	26,661,525
Payments of taxes to other governments	-	<u>125,221,538</u>
Total deductions	<u>208,438</u>	<u>151,921,550</u>
Change in net position	87,329	(19,255)
Net position, beginning of year	<u>2,151,651</u>	<u>133,848</u>
Net position, end of year	<u>\$ 2,238,980</u>	<u>\$ 114,593</u>

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

CITY OF ROCHESTER HILLS, MICHIGAN

Combining Statement of Net Position

Discretely Presented Component Units

December 31, 2025

	Brownfield Redevelopment Authority			
	Legacy	Revolving	Rochester & Avon	Total
Assets				
Cash and cash equivalents	\$ 783	\$ 26,084	\$ 2,593	\$ 29,460
Investments	406,712	58,170	-	464,882
Receivables	250,370	-	21,451	271,821
Other assets	-	-	-	-
Capital assets not being depreciated	-	-	-	-
Capital assets being depreciated/ amortized, net	-	-	-	-
Total assets	657,865	84,254	24,044	766,163
Liabilities				
Accounts payable and accrued liabilities	-	-	-	-
Unearned revenue	-	-	-	-
Other long-term liabilities:				
Due within one year	-	-	-	-
Due in more than one year	-	-	-	-
Total liabilities	-	-	-	-
Deferred inflows of resources				
Taxes levied for a subsequent period	556,619	-	21,451	578,070
Deferred lease amounts	-	-	-	-
Total deferred inflows of resources	556,619	-	21,451	578,070
Net position				
Net investment in capital assets	-	-	-	-
Restricted	-	-	-	-
Unrestricted	101,246	84,254	2,593	188,093
Total net position	\$ 101,246	\$ 84,254	\$ 2,593	\$ 188,093

* As of September 30, 2025

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



Local Development Finance Authority	Rochester Hills Museum Foundation	Rochester- Avon Recreation Authority	Older Persons' Commission (*)	Total
\$ 563,702	\$ 536	\$ 114,100	\$ 3,539,184	\$ 4,246,982
3,688,295	13,790	1,125,640	3,258,581	8,551,188
460,724	-	504,099	820,051	2,056,695
28	-	41,525	106,281	147,834
-	-	280,000	3,090,244	3,370,244
-	-	1,950,604	13,814,226	15,764,830
<u>4,712,749</u>	<u>14,326</u>	<u>4,015,968</u>	<u>24,628,567</u>	<u>34,137,773</u>
5,265	-	141,546	242,552	389,363
-	-	119,284	230,302	349,586
-	-	-	157,847	157,847
-	-	-	1,023,040	1,023,040
<u>5,265</u>	<u>-</u>	<u>260,830</u>	<u>1,653,741</u>	<u>1,919,836</u>
1,230,299	-	-	-	1,808,369
-	-	498,329	-	498,329
<u>1,230,299</u>	<u>-</u>	<u>498,329</u>	<u>-</u>	<u>2,306,698</u>
-	-	2,230,604	15,797,703	18,028,307
-	-	-	9,183	9,183
<u>3,477,185</u>	<u>14,326</u>	<u>1,026,205</u>	<u>7,167,940</u>	<u>11,873,749</u>
<u>\$ 3,477,185</u>	<u>\$ 14,326</u>	<u>\$ 3,256,809</u>	<u>\$ 22,974,826</u>	<u>\$ 29,911,239</u>

CITY OF ROCHESTER HILLS, MICHIGAN

Combining Statement of Activities

Discretely Presented Component Units
For the Year Ended December 31, 2025

	Brownfield Redevelopment Authority			
	Legacy	Revolving	Rochester & Avon	Total
Expenses				
Community and economic development	\$ 826,773	\$ -	\$ 30,356	\$ 857,129
Recreation and culture	-	-	-	-
Total expenses	<u>826,773</u>	<u>-</u>	<u>30,356</u>	<u>857,129</u>
Program revenues				
Charges for services	-	-	-	-
Operating grants and contributions	-	25,672	-	25,672
Total program revenues	<u>-</u>	<u>25,672</u>	<u>-</u>	<u>25,672</u>
Net revenues (expenses)	<u>(826,773)</u>	<u>25,672</u>	<u>(30,356)</u>	<u>(831,457)</u>
General revenues				
Property taxes	825,367	-	32,872	858,239
Unrestricted investment income	13,431	2,874	18	16,323
Miscellaneous	-	-	-	-
Total general revenues	<u>838,798</u>	<u>2,874</u>	<u>32,890</u>	<u>874,562</u>
Change in net position	12,025	28,546	2,534	43,105
Net position, beginning of year	<u>89,221</u>	<u>55,708</u>	<u>59</u>	<u>144,988</u>
Net position, end of year	<u>\$ 101,246</u>	<u>\$ 84,254</u>	<u>\$ 2,593</u>	<u>\$ 188,093</u>

* Year ended September 30, 2025

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



Local Development Finance Authority	Rochester Hills Museum Foundation	Rochester- Avon Recreation Authority	Older Persons' Commission (*)	Total
\$ 208,980	\$ -	\$ -	\$ -	\$ 1,066,109
-	20	295,282	7,107,222	7,402,524
<u>208,980</u>	<u>20</u>	<u>295,282</u>	<u>7,107,222</u>	<u>8,468,633</u>
-	-	-	1,933,146	1,933,146
<u>533,717</u>	<u>-</u>	<u>-</u>	<u>6,961,468</u>	<u>7,520,857</u>
<u>533,717</u>	<u>-</u>	<u>-</u>	<u>8,894,614</u>	<u>9,454,003</u>
<u>324,737</u>	<u>(20)</u>	<u>(295,282)</u>	<u>1,787,392</u>	<u>985,370</u>
642,138	-	-	-	1,500,377
152,186	596	76,741	191,998	437,844
-	300	71,906	61,257	133,463
<u>794,324</u>	<u>896</u>	<u>148,647</u>	<u>253,255</u>	<u>2,071,684</u>
1,119,061	876	(146,635)	2,040,647	3,057,054
<u>2,358,124</u>	<u>13,450</u>	<u>3,403,444</u>	<u>20,934,179</u>	<u>26,854,185</u>
<u>\$ 3,477,185</u>	<u>\$ 14,326</u>	<u>\$ 3,256,809</u>	<u>\$ 22,974,826</u>	<u>\$ 29,911,239</u>



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NOTES TO FINANCIAL STATEMENTS

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Rochester Hills, Michigan (the "City") is a municipal corporation that is governed by an elected seven member council. The City provides the following services as authorized by its charter: public safety (fire protection and contracted police service), street maintenance, water and wastewater distribution, parks and recreation, public improvements, planning and zoning, and general administrative services.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the government's operations. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government (see discussion below for description).

Blended Component Unit. The individual component unit set forth below is included as a part of the primary government due to the significance of its operational and financial relationships with the City.

Building Authority. The Rochester Hills Building Authority is governed by a five-member board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public facilities.

Discretely Presented Component Units. The component units column in the government-wide financial statements includes the financial data of the City's other component units. They are reported in a separate column to emphasize that they are legally separate from the City. The following component units are included in the reporting entity because the officials of the primary government are financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's Board, and either (a) the ability to impose the will of the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Brownfield Redevelopment Authority - Legacy (the "BRA-Legacy"). The BRA-Legacy was created, pursuant to Public Act 381 of 1996, to promote revitalization of an environmentally distressed area at the corner of Hamlin Rd. and Adams Rd. The Brownfield Redevelopment Authority is governed by a seven member board, appointed by the Mayor, and confirmed by the City Council. The City has the ability to impose its will on the BRA-Legacy. In addition, the City Council sets the annual budget for the BRA-Legacy. There are no modifications needed to reflect the full accrual basis of reporting for the BRA-Legacy. The modified accrual financial statements presented also reflect the BRA-Legacy's accrual basis of reporting. No separate financial statements are issued for the BRA-Legacy.

Brownfield Redevelopment Authority - Revolving (the "BRA-Revolving"). The BRA-Revolving was created, pursuant to Public Act 381 of 1996, to promote revitalization of environmentally distressed areas within the 32.2 square mile boundary of the City. The Brownfield Redevelopment Authority is governed by a seven-member board, appointed by the Mayor, and confirmed by the City Council. The City has the ability to impose its will on the BRA-Revolving. In addition, the City Council sets the annual budget for the BRA-Revolving. There are no modifications needed to reflect the full accrual basis of reporting for the BRA-Revolving. The modified accrual financial statements presented also reflect the BRA-Revolving's accrual basis of reporting. No separate financial statements are issued for the BRA-Revolving.

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

Brownfield Redevelopment Authority - Rochester & Avon (the "BRA-Rochester & Avon"). The BRA-Rochester & Avon was created, pursuant to Public Act 381 of 1996, to promote revitalization of environmentally distressed area at the corner of Rochester Rd & Avon Rd. The Brownfield Redevelopment Authority is governed by a seven-member board, appointed by the Mayor, and confirmed by the City Council. The City has the ability to impose its will on the BRA-Rochester & Avon. In addition, the City Council sets the annual budget for the BRA-Rochester & Avon. There are no modifications needed to reflect the full accrual basis of reporting for the BRA-Rochester & Avon. The modified accrual financial statements presented also reflect the BRA-Rochester & Avon's accrual basis of reporting. No separate financial statements are issued for the BRA-Rochester & Avon.

Local Development Finance Authority (the "LDFA"). The LDFA is governed by a thirteen-member board, of which seven members are appointed by the Mayor and confirmed by the City Council while the other six members are appointed by the legislative bodies of other taxing authorities. The LDFA was created to provide a means for financing infrastructure improvements within a certain area of the City on behalf of the City and other entities. The City has the ability to impose its will upon the LDFA. In addition, the City Council sets the annual budget for the LDFA and the LDFA is presented as a modified accrual governmental fund. There are no modifications needed to reflect the full accrual basis of reporting for the LDFA. The financial statements presented also reflect the LDFA's accrual basis of reporting. No separate financial statements are issued for the LDFA.

Rochester Hills Museum Foundation (the "Foundation"). The Foundation was organized in 2014 as a 501(c)3 tax exempt organization and will receive and administer funds to promote and assist in the development of the Museum's educational activities and programs including the development of broad public, private and volunteer support to make the Museum's resources more accessible to the public and promote historic preservation in Rochester Hills and the surrounding area. The Foundation is governed by a nine-member board. Six of the Board Members will be at-large members and shall be appointed by the City Council. At least two of the at-large Board Members shall be residents of the City. The Mayor will nominate three of the six at-large Board Members to be confirmed by the City Council and the City Council shall nominate and appoint three of the six at-large members. The remaining Board Members are ex-officio members. The City Council sets the annual budget for the Foundation. The financial statements presented also reflect the Foundation's accrual basis of reporting. No separate financial statements are issued for the Foundation.

Rochester-Avon Recreation Authority (the "RARA"). The RARA was organized in 1971 for the purpose of providing extensive and varied recreational programs for residents residing within the jurisdiction of the participating governmental organizations. Along with the City, which is 43% of participating members, City of Rochester (29%), Rochester Community School District (14%) and Avondale School District (14%) are also member units of the RARA. The RARA is financially accountable to the City.

The governing body of the RARA consists of a total of seven members that include one Council member and two Council-appointed residents from the City, one Council member and one Council-appointed resident from the City of Rochester, one Board-appointed member from the Rochester Community Schools and one Board-appointed member from the Avondale School District. There is a financial benefit/burden relationship between the RARA and the City due to an interlocal agreement. It is agreed that on-going funding to the RARA for programs and activities will be based the taxation of properties by the governing bodies. City Council approves the annual budget. In addition, the recreational and cultural benefits provided by the RARA to the City would fall back on the City if the RARA discontinued operations. RARA's financial statements can be obtained from its administrative offices at 500 East Second Street, Rochester, MI 48307.

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

Older Persons' Commission (the "OPC"). The OPC was organized in 1983 for the purpose of providing activities and services for older persons residing within the jurisdiction of the participating governmental organizations. Along with the City, which is a 65% participating member, Oakland Township (23%) and the City of Rochester (12%) are also member units of the OPC. The OPC is fiscally accountable to the City because the City makes certain debt payments on behalf of the OPC.

The governing body of the OPC consists of a total of eight members including two City Council members and two Council-appointed older persons from the City, one City Council member, and one Council-appointed older person from the City of Rochester, and one Board Member and one Board-appointed older person from Oakland Township. There is a financial benefit/burden relationship between the OPC and the City due to an interlocal agreement between the OPC and the participating governments. It is agreed that on-going funding to the OPC for programs and activities will be based on the taxation of properties by the governing bodies. City Council approves the annual budget. In addition, the recreational and cultural benefits provided by the OPC to the City would fall back on the City if the OPC discontinued operations. The OPC's financial statements for year ending September 30, 2025 can be obtained from its administrative offices at 650 Letica Drive, Rochester, MI 48307.

Fiduciary Component Units

The *Retiree Healthcare Benefit Trust (the Plan)* is a single-employer defined benefit postemployment healthcare plan established and administered by the Retiree Healthcare Benefit Trust Board to provide medical and healthcare benefits for retirees and their beneficiaries covering certain full-time employees of the City. The Plan is included as a fiduciary component unit of the City because: (1) the Plan is a legally separate entity; (2) the City Council appoints a voting majority of the Board; and (3) the City makes contributions to the Plan on behalf of its participants. No separate financial statements are issued for the Plan.

Joint Ventures

The City is a member of the Paint Creek Trailways Commission, which was organized in 1981 for the purposes of owning, developing, maintaining, and otherwise operating certain non-motorized public trails within the jurisdiction of the participating governmental organizations. The participating communities, which include Orion Township (23%), City of Rochester (22%), City of Rochester Hills (24%), and Oakland Township (31%), provide annual funding for its operations. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The City does not have an equity interest in the joint venture. Complete financial statements for the Paint Creek Trailways Commission can be obtained from the administrative offices at 4393 Collins Road, Rochester, MI 48306.

The City is a member of the North Oakland County Water Authority (the "NOCWA"), which was organized in 2015 as a regional water authority for the purpose of increasing efficiency and containing water service costs for member communities.

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

The member communities are the City of Auburn Hills, the City of Rochester Hills, the Charter Township of Orion, and the Oakland County Water Resources Commission (who manages the City of Pontiac water system). The NOCWA was created out of collective concern regarding system reliability, decreased water pressure, rising Great Lakes Water Authority ("GLWA") water supplier rates, and overall operating expenses. The City acts as the NOCWA fiduciary by processing invoices owed by the NOCWA and in turn billing each of the member communities their predetermined share. The City still has monthly water expenses but instead at a lower rate negotiated by the NOCWA. The City has no equity interest in the NOCWA. Complete financial statements for the NOCWA can be obtained from the Fiscal Office at 1000 Rochester Hills Drive, Rochester Hills, MI 48309.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants which use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

Property taxes, intergovernmental revenues, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

The *major streets fund* accounts for the State of Michigan Public Act 51 monies that are used to construct and maintain the major road system.

The *local streets fund* accounts for the State of Michigan Public Act 51 monies and special millage, spread by the City, which are used to construct and maintain the local street system.

The *fire fund* accounts for all revenue and expenditures for City-wide fire operations, including millage collection.

The *special police protection fund* accounts for the special millage for City police protection contracted with Oakland County.

The *capital improvements fund* accounts for the capital purchases and construction by the City. Revenue is transferred from other City funds and expenditures in this fund are for capital purchases, construction or development.

The *fire capital fund* accounts for financial resources that are committed to expenditure for capital outlays for fire vehicles and equipment.

The government reports the following major proprietary fund -

The *water and sewer fund* accounts for the cost of maintenance and operations for water and sewer provided to City residents and businesses that is financed through user charges.

Additionally, the government reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The *debt service fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

The *permanent funds* are used to account for the resources that are permanently restricted to the extent that only earnings, and not principal, may be used for the benefit of the government or its citizenry.

The *enterprise fund* accounts for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Internal service funds account for the costs of operating and maintaining the land, building, machinery, equipment, technology, vehicles, and insurance used to allocate costs to the various funds on a full accrual basis, so that the full costs are recognized and allocated to the various funds in the year that the costs are incurred.

The *custodial funds* are used to account for monies held by the City in a custodial capacity for individuals, private organizations and other governments, specifically funds from licensing and trailer taxes, property tax collection, and resources held by the City on behalf of the NOCWA.

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 where the amounts are reasonably equivalent in value to the interfund services provided 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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities, Deferred Inflows of Resources, and Equity

Deposits and Investments

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. Investments are reported at fair value.

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments. The State's Pension Investment Act, as amended, authorizes the other employee benefit trust fund to invest in common stocks, real estate, and various other investment instruments, subject to certain limitations.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts, if any.

Property taxes are levied as of July 1st on property values assessed as of the same date. The City bills twice a year, on July 1st and December 1st. The July bill, which contains the school, community college and most of the City levy, is due without interest by July 31st, although taxpayers may pay the bill in two installments provided half the bill is paid by July 31st. The second half is due without penalty by October 31st. The December bill, which typically contains the county levy and a small City levy, is payable without interest by the following February 14th. The bills are considered past due on March 1st, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financials.

Restricted Assets

Assets have been restricted in the primary government, as they represent the assets held by Oakland County to be applied against future payment obligations of the City. See Note 14 for additional discussion.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

	Years
Buildings	20-50
Buildings improvements	10-15
Land improvements	10-15
Office furnishings	3-5
Other tools & equipment	5-10
Roads	20
Drainage flow rights	40
Vehicles	5-12
Water and sewer distribution systems	50

Leases

Lessor. The City is a lessor for noncancellable leases of land and buildings. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide, proprietary fund and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for prepaid lease payments received at lease inception. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The City uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

Public-Private Partnership Arrangements

The City has a Public-Private Partnership ("PPP") arrangement with a private operator for the management and improvement of a golf course. The City recognizes a PPP receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of the PPP, the City initially measures the PPP receivable at the present value of fixed payments expected to be received during the PPP term. Subsequently, the PPP receivable is reduced by the principal portion of PPP payments received. The deferred inflow of resources is initially measured as the initial amount of the PPP receivable, adjusted for prepaid payments received at PPP inception. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the PPP term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected PPP receipts to present value, (2) PPP term, and (3) PPP receipts. The City uses its estimated incremental borrowing rate as the discount rate for PPP. The PPP term includes the noncancellable period of the arrangement. PPP receipts included in the measurement of the PPP receivable are composed of fixed payments from the operator.

The PPP arrangement also requires the operator to perform significant capital improvements to the golf course as a condition of the contract. Because all assets associated with the arrangement are either existing City assets or will revert to City ownership at the conclusion of the PPP term, the City will recognize these assets as they are placed into service. Improvements to existing City assets will be recorded by the City at acquisition value. Improvements that result in new assets constructed by the operator will be recognized as a receivable, measured at the expected carrying value of the asset to be received upon termination of the contract. Upon recognition, the corresponding capital asset or receivable will be included in the deferred inflow of resources associated with the PPP arrangement.

The City monitors changes in circumstances that would require a remeasurement of its PPP arrangement and will remeasure the PPP receivable if certain changes occur that are expected to significantly affect the amount of the PPP receivable.

Subscription-Based Information Technology Arrangements (SBITA)

The City has a noncancellable subscription-based information technology arrangement. The City recognizes a subscription liability and an intangible right-to-use subscription asset in the government-wide and proprietary fund financial statements. The City recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a subscription, the City initially measures the subscription liability at the present value of payments expected to be made during the SBITA term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

Key estimates and judgments related to subscriptions include how the City determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) subscription term, and (3) subscription payments. The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs. The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price (if applicable) that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and subscription liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and annual leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred inflows of resources related to its other postemployment benefit asset. The governmental funds also report unavailable revenues, which arises only under a modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, deferred inflows of resources are reported in the government-wide and governmental fund financial statements for property taxes levied during the year that were intended to finance future periods. Finally, the statements of net position and governmental funds balance sheets report deferred inflows related to leases and public-private partnerships.

Fund Balances

The fund balance classifications are reported primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. The fund balances are classified as nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable fund balance represents amounts that are not in a spendable form. In the fund financial statements, governmental funds report restrictions on fund balances for amounts that are legally restricted by outside parties for a specific purpose. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Commission (the City's highest level of decision-making authority). A formal resolution of the City Commission is required to establish, modify, or rescind a fund balance commitment. Assigned fund balance consists of amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. The City Council has delegated the authority to assign fund balance to the Chief Financial Officer or his/her designee. Unassigned fund balance is the residual classification for the general fund. In other funds, the unassigned classification should be only used to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City Council has adopted, by ordinance, a budget stabilization fund in which the City Council may at its discretion set aside all or any part of a surplus generated in the general fund resulting from the excess of revenue in comparison to expenditures. The budget stabilization fund is included with the general fund for financial statement purposes. An appropriation from the budget stabilization fund would require an approved resolution by a two-thirds vote of the City Council. Per ordinance, the stabilization appropriation may be used for the following conditions: to cover a general fund deficit, to cover expense arising from a natural disaster or to prevent a reduction of staff any time in a fiscal year or during the budget preparations for the next fiscal year when revenues or estimated revenues do not cover actual or estimated expenditures.

To preserve a sound financial system and to provide a stable financial base, the City Council adopted a fund balance policy. At a minimum, the fund balance of the general fund and special revenue funds will be maintained at twenty percent of operating revenues. The City Council's fund balance policy included that fund equity of internal service funds will be maintained at a minimum of twenty percent of operating revenues and the water and sewer fund's unrestricted net position be maintained at a minimum of twenty five percent of operating revenue. Funds with a special purpose (debt service, perpetual care, tree fund, green space preservation and capital funds) are exempted from this policy due to the nature of their individual function. The City is in compliance with its fund balance policies.

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed, assigned, and finally unassigned fund balance.

Other Postemployment Benefits

For purposes of measuring the net other postemployment benefit asset, deferred outflows of resources and deferred inflows of resources related to the other postemployment benefit plan, and other postemployment benefit expenses, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 surplus or shortfall is as follows:

Cumulative shortfall at January 1, 2025	<u>\$ (59,620)</u>
Current year building permit revenue	<u>2,669,751</u>
Related expenditures:	
Direct costs	2,389,667
Estimated indirect costs	<u>358,450</u>
Total construction code expenditures	<u>2,748,117</u>
Net shortfall for the year ended December 31, 2025	<u>(78,366)</u>
Cumulative shortfall at December 31, 2025	<u><u>\$ (137,986)</u></u>

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

3. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at fiscal year end. During the year, the budget was amended in a legally permissible manner.

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

1. On or before the first Monday in July, each department director submits to the mayor a proposed operating budget for the next fiscal year.
2. The mayor prepares a comprehensive budget, which is presented to the City Council at their first meeting in August.
3. Public hearings are conducted to obtain residents' comments.
4. Prior to November 1, the budget is legally adopted by the City Council.
5. Supplemental appropriations to the City's budget require the approval of the City Council.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is at the department level for the general fund and the fund level for the other governmental funds.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Expenditures in Excess of Appropriations

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. Excess of expenditures or transfers out over appropriations in individual funds are as follows:

	Final Budget		Actual		Excess
Parks facilities special revenue fund	\$	-	\$	273	\$ 273

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

4. DEPOSITS AND INVESTMENTS

State of Michigan statutes authorize the City to invest in bonds and other direct and certain indirect obligations of the US Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a member of the Federal Deposit Insurance Corporation, or National Credit Union Administration; and commercial paper must be rated within the two highest classifications established by not less than two standard rating services. The City is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds comprised of investments as outlined above. The City's other postemployment benefit trust fund is allowed to invest in corporate stocks and bonds and mutual funds.

The City's investment policy allows for all of these types of investments. Investments of the healthcare benefit trust fund are subject to a number of restrictions as to type, quality and concentration of investments. Retiree healthcare investments are held in a trust fund invested by Transamerica.

At year-end the City's deposits and investments were reported in the basic financial statements in the following categories:

	Primary Government	Component Units	Totals
Statement of Net Position			
Cash and cash equivalents	\$ 37,359,431	\$ 4,246,982	\$ 41,606,413
Investments	164,950,143	8,551,188	173,501,331
Restricted assets	8,921,248	-	8,921,248
	<u>211,230,822</u>	<u>12,798,170</u>	<u>224,028,992</u>
Statement of Fiduciary Net Position			
Retiree healthcare benefit trust fund:			
Cash and cash equivalents	38,795	-	38,795
Investments	2,200,240	-	2,200,240
Custodial funds:			
Cash and cash equivalents	3,432,144	-	3,432,144
Investments	12,653,293	-	12,653,293
	<u>18,324,472</u>	<u>-</u>	<u>18,324,472</u>
Total	<u>\$ 229,555,294</u>	<u>\$ 12,798,170</u>	<u>\$ 242,353,464</u>

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

Deposits and investments

Bank deposits (checking/savings accounts and certificates of deposit):	
City	\$ 41,527,438
Older Persons' Commission	3,539,184
Restricted deposits at Oakland County	8,921,248
Investments:	
The Retiree Health Care Benefit Trust, Cemetery Perpetual Care Trust, and the Green Space Perpetual Care Trusts - Mutual funds	13,080,538
City investment pool:	
U.S. treasuries	36,202,429
Michigan CLASS government investment pool	97,916,253
Commercial paper	34,036,080
Huntington liquidity pool	3,832,438
Oakland County local investment pool	28,545
Older Persons' Commission investments - Mutual funds and securities	3,258,581
Cash on hand	<u>10,730</u>
Total	<u><u>\$ 242,353,464</u></u>

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 investment maturities for commercial paper to no more than 270 days after date of purchase. The City'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. The City's weighted average maturity dates are disclosed below:

	Fair Value	Weighted Average Maturity
The Retiree Health Care Benefit Trust, Cemetery Perpetual Care Trust, and the Green Space Perpetual Care Trusts: Mutual funds	\$ 13,080,538	9.58 years
City investment pool:		
U.S. treasuries	36,202,429	824 days
Michigan CLASS government investment pool:		
PRIME fund	86,143,105	40 days
EDGE fund	11,773,148	196 day
Commercial paper	34,036,080	236 days
Huntington liquidity pool	3,832,438	42 days
Oakland County local investment pool	<u>28,545</u>	315 days
Total	<u><u>\$ 185,096,283</u></u>	

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

Investment pool accounts, used for the City's operating portfolio, are Stable NAV Government Investment Pools that seek to preserve the value of the investment at \$1.00 per share. Using \$1.00 per share funds helps limit the City's risk exposure that the value of investments will decrease as a result of a rise in interest rates. Since the City began using the listed investment pools, their NAV's have maintained \$1.00 per share. The City also utilizes a medium-term investment pool account for operating reserves which are not needed for daily liquidity. This medium-term investment pool is managed to approximate a \$10.00 transactional share price.

The Retiree Health Care Benefit Trust, Cemetery Perpetual Care Trust, and the Green Space Perpetual Care Trusts' adopted investment policy statements ("IPS") place the maximum effective maturity of any single security at 30 years.

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 investments. Commercial paper must be rated within the two highest classifications established by not less than two standard rating services. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The City's investments in U.S. treasuries, Michigan CLASS, commercial paper, Huntington liquidity pool, and the Oakland County LGIP were as follows:

	Amount	Rating	Rating Agency
U.S. treasuries	\$ 36,202,429	AA+	S&P
Michigan CLASS government investment pool:			
PRIME fund	86,143,105	AAAm	S&P
EDGE fund	11,773,148	AAAf/S1	Fitch
Commercial paper	34,036,080	A-1 / P-1	S&P / Moody's
Huntington liquidity pool	3,832,438	AAAm	S&P
Oakland County local investment pool	28,545	N/A	N/A

The Retiree Health Care Benefit Trust, Cemetery Perpetual Care Trust, and the Green Space Perpetual Care Trusts' adopted IPS state that the general investment objectives of the Trusts are to attain a favorable relative rate of return for the Trusts with the primary emphasis upon (i) preservation of capital, (ii) anticipated liquidity needs, and (iii) a view towards long-term capital appreciation.

In addition, the IPS further defines its desired exposure to fixed income securities as being rated "BBB" (or its equivalent) or higher at the time of purchase by a nationally recognized statistical rating agency. The minimum dollar-weighted average credit quality rating of the fixed income portfolio must be "A". Asset backed securities, mortgage backed securities, and Collateralized Mortgage Obligations (CMOs) shall be rated "AAA" (or its equivalent) by a nationally recognized statistical rating agency at the time of purchase.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City's deposit policy for operating funds related to custodial credit risk, requires that all financial institutions utilized by the City maintain an office within the state of Michigan and meet certain other requirements. As of December 31, 2025, \$39,218,451 of the City's bank balance of \$41,238,527 was exposed to custodial credit risk because it was uninsured and uncollateralized.

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

The City believes whenever possible it is prudent to have FDIC insure the bulk of the City's bank deposits including its certificate of deposit portfolio. Due to the size and nature of the City's operating fund investment portfolio, it may be impractical at all times to insure all deposits. As a result, the City evaluates each financial institution with which it has funds on deposit 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. As of December 31, 2025, the City's pooled investments consisted of government obligations, commercial paper, pooled investments, and other assets totaling \$172,015,745. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's operating fund Investment Policy states that "The City will minimize custodial risk by: 1) Using financial institutions and brokers (custodians) meeting pre-established criteria and; 2) Holding all securities in the name of the City of Rochester Hills." The City's Annual Depository Resolution, for its operating portfolio, lists qualified Broker/Dealer/Safekeeping institutions for the purchase and safekeeping of commercial paper and US Government obligations. All security transactions entered into by the City, for its operating portfolio, are conducted on a delivery-versus-payment (DVP) basis, held by a third-party custodian, and evidenced by a safekeeping receipt. As of December 31, 2025, none of the City's investments were exposed to risk since the securities are held in the City's name by the counterparty.

For the Retiree Health Care Benefit Trust, Cemetery Perpetual Care Trust, and the Green Space Perpetual Care Trust, Custodial Risk is associated with the possible failure of the Trusts' safekeeping agent, where the Trusts would not be able to recover the value of its investments in the possession the Trusts' agent. The Trusts' Investment Policy Statements (IPS) requires that all investment transactions shall be conducted through a custodian that will act as the Trusts' third party. Securities shall be held by the custodian, as designated by the Trust Board through its selected investment provider and shall be evidenced by a custodial report. As of December 31, 2025, \$13,080,538 or 100%, of the investments were held in third party safekeeping, in the Trust's name.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy limits diversification by security issuer as follows:

Commercial paper	5%
Bankers acceptance	5%
Certificates of deposit	5%
U.S. agencies	20%
Individual pool accounts	50%
U.S. treasuries	100%

At December 31, 2025, the City's investment pool, Retiree Health Care Benefit Trust, Cemetery Perpetual Care Trust, and Green Space Perpetual Care Trusts were not concentrated.

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

Fair Value Measurements. The City categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs – other than quoted prices – included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable and are based on estimates and assumptions. These levels are determined by the management's review of the type and substance of investments held by the City.

The City had the following recurring fair value measurements as of December 31, 2025:

	Level 1	Level 2	Level 3	Total
The Retiree Health Care Benefit Trust, Cemetery Perpetual Care Trust, and the Green Space Perpetual Care Trusts - Mutual funds	\$ 13,080,538	\$ -	\$ -	\$ 13,080,538
City investment pool:				
U.S. treasuries	-	36,202,429	-	36,202,429
Commercial paper	-	34,036,080	-	34,036,080
Total investments at fair value	\$ 13,080,538	\$ 70,238,509	\$ -	83,319,047
Investments measured at NAV				
Investment pools:				
Michigan CLASS government investment pool				97,916,253
Huntington liquidity pool				3,832,438
Oakland County local government investment pool				28,545
Total investments measured at NAV				101,777,236
Total investments				\$ 185,096,283

The City holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

At December 31, 2025, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Carrying Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Michigan CLASS government investment pool	\$ 97,916,253	\$ -	N/A	None
Huntington liquidity pool	3,832,438	-	N/A	None
Oakland County local government investment pool	28,545	-	N/A	None
Total	<u>\$ 101,777,236</u>	<u>\$ -</u>		

The Michigan CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies.

The City's liquidity pool with Huntington is entirely invested in the State Street Institutional Treasury Plus Money Market fund. The investment objective of the Treasury Plus Fund is to seek a high level of current income consistent with preserving principal and liquidity and the maintenance of a stable \$1.00 per share net asset value ("NAV"). The Treasury Plus Fund attempts to meet its investment objective by investing only in U.S. Treasury bills, notes and bonds (which are direct obligations of the U.S. government) and repurchase agreements collateralized by these obligations. The Fund invests in accordance with regulatory requirements applicable to money market funds, which require, among other things, the Fund to invest only in short-term securities (generally, securities that have remaining maturities of 397 calendar days or less), to maintain a maximum dollar-weighted average maturity of sixty (60) days or less, and to meet requirements as to portfolio diversification and liquidity.

The private placement collective trust fund class includes investments in collective trusts that invest in investment-grade fixed-income securities and diversified sector/industry stocks. The trusts are managed and designed to match or exceed the performance of specific stock market indices. The fair value of the investments in this class have been estimated using the net asset value per share of the investments. Financial statements for Michigan CLASS may be obtained from the website: www.michiganclass.org. Financial statements for the Oakland County LGIP are included in Oakland County's ACFR and may be obtained from the website: www.oakgov.com.

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

5. PARTICIPATION WITH COMMUNITY FOUNDATION

The City has entered into several agreements with the Community Foundation of the Greater Rochester Area (the "Foundation") to establish a fund for the primary purpose of park development, museum operations and preservation, memorial and honorary programs, cemetery preservation and beautification, stewardship of green space initiative and miscellaneous community programs. The funds were created with contributions from donors. In order to encourage contributions, the City solicited donations and conducted fundraisers. The funds reside with the Foundation and disbursements from the funds are made to the City for the above stated purposes, along with other charitable projects upon approval from the Foundation. At December 31, 2025, the funds contained approximately \$2,125,645 which includes both endowed and nonendowed funds. The funds are recorded in the records of the Foundation.

6. RECEIVABLES, NET

Receivables, net are comprised of the following at year end:

	Governmental Activities	Business-type Activities	Component Units	Not Expected to be Collected Within One Year
Taxes	\$ 24,230,656	\$ -	\$ 700,910	\$ -
Accounts	1,251,028	8,587,486	825,821	122,471
Due from other governments	3,445,102	169,775	-	-
Interest	1,996,379	737,968	36,049	-
Leases	716,067	-	498,329	587,143
Public-private partnership	11,052,970	-	-	11,052,970
Special assessments	204,250	42,401	-	197,328
Less: allowance for uncollectibles (taxes)	(72,405)	-	(4,414)	-
	<u>\$ 42,824,047</u>	<u>\$ 9,537,630</u>	<u>\$ 2,056,695</u>	<u>\$ 11,959,912</u>

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following at year end:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 5,514,730	\$ 3,888,810	\$ 311,106
Accrued wages	1,194,962	174,123	1,432
Retainages payable	833,005	110,874	-
Deposits and escrow	2,110,169	339,310	-
Accrued and other liabilities	36,840	-	76,825
Accrued interest	-	61,502	-
	<u>\$ 9,689,706</u>	<u>\$ 4,574,619</u>	<u>\$ 389,363</u>

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

8. INTERFUND TRANSFERS

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Transferred from	Fund Transferred To	Amount
General	Major streets	\$ 467,360
	Capital improvements	9,046,360
	Nonmajor governmental	540,020
	Internal service	640,900
		<u>10,694,640</u>
Major streets	Local streets	<u>1,862,500</u>
	Fire capital	<u>167,670</u>
Capital improvements	Major streets	20,000
	Local streets	109,420
	Nonmajor governmental	965,000
	Water and sewer	161,900
	Internal service	6,169,950
	<u>7,426,270</u>	
Fire capital	Internal service	<u>14,480</u>
Nonmajor governmental	General	819,702
	Nonmajor governmental	658,010
	Internal service	1,235,540
	<u>2,713,252</u>	
		<u>\$ 22,878,812</u>

Transfers are used to: (1) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (3) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due.

The transfers from the general fund to the major streets fund and the facilities fund represent the use of unrestricted resources to finance those programs in accordance with budgetary authorizations. A transfer to the capital improvements fund in the amount of \$9.0 million from unrestricted resources from the general fund was made in accordance with the 2019 fund balance policy, and will be used to finance future capital improvements.

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

Transfers of \$6.2 million were made from the capital improvements fund to the facilities fund. These transfers were made for a variety of City parks and facilities projects.

The transfer from nonmajor governmental funds to the general fund, nonmajor governmental funds, and internal service funds represents the use of assigned resources for City projects.

9. CAPITAL ASSETS

Primary Government

Capital asset activity for the current year was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 30,694,653	\$ 4,335	\$ -	\$ 30,698,988
Right of way	50,029,900	-	-	50,029,900
	<u>80,724,553</u>	<u>4,335</u>	<u>-</u>	<u>80,728,888</u>
Capital assets, being depreciated/amortized:				
Roads	253,427,609	9,084,428	-	262,512,037
Drain flowage rights	31,196,106	-	-	31,196,106
Land improvements	59,167,395	5,698,589	-	64,865,984
Buildings and improvements	52,785,642	7,975,192	-	60,760,834
Vehicles	19,059,771	2,884,031	(1,265,498)	20,678,304
Office furniture	4,823,698	549,778	(126,295)	5,247,181
Subscription assets (Note 13)	895,389	-	-	895,389
Other tools and equipment	11,423,100	2,327,514	(223,873)	13,526,741
	<u>432,778,710</u>	<u>28,519,532</u>	<u>(1,615,666)</u>	<u>459,682,576</u>
Less accumulated depreciation/amortization for:				
Roads	(149,327,233)	(9,228,078)	-	(158,555,311)
Drain flowage rights	(23,752,161)	(678,066)	-	(24,430,227)
Land improvements	(28,741,974)	(3,360,227)	-	(32,102,201)
Buildings and improvements	(28,910,128)	(2,163,150)	-	(31,073,278)
Vehicles	(11,154,655)	(1,572,262)	1,265,498	(11,461,419)
Office furniture	(4,580,401)	(127,615)	126,295	(4,581,721)
Subscription assets (Note 13)	(354,425)	(223,847)	-	(578,272)
Other tools and equipment	(7,738,776)	(899,239)	202,758	(8,435,257)
	<u>(254,559,753)</u>	<u>(18,252,484)</u>	<u>1,594,551</u>	<u>(271,217,686)</u>
Total capital assets being depreciated/amortized, net	<u>178,218,957</u>	<u>10,267,048</u>	<u>(21,115)</u>	<u>188,464,890</u>
Governmental activities capital assets, net	<u>\$ 258,943,510</u>	<u>\$ 10,271,383</u>	<u>\$ (21,115)</u>	<u>\$ 269,193,778</u>

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 116,908	\$ -	\$ -	\$ 116,908
Construction in progress	7,688,164	3,825,810	-	11,513,974
	<u>7,805,072</u>	<u>3,825,810</u>	<u>-</u>	<u>11,630,882</u>
Capital assets, being depreciated:				
Water and sewer distribution systems	236,668,419	7,020,302	-	243,688,721
Land improvements	554,844	1,326	-	556,170
Buildings and improvements	19,035,280	152,817	-	19,188,097
Office furniture	513,304	-	-	513,304
Other tools and equipment	8,757,646	2,095,870	-	10,853,516
	<u>265,529,493</u>	<u>9,270,315</u>	<u>-</u>	<u>274,799,808</u>
Less accumulated depreciation:				
Water and sewer distribution systems	(117,344,144)	(4,518,110)	-	(121,862,254)
Land improvements	(241,673)	(17,111)	-	(258,784)
Buildings and improvements	(5,831,057)	(407,782)	-	(6,238,839)
Office furniture	(513,304)	-	-	(513,304)
Other tools and equipment	(8,239,843)	(169,647)	-	(8,409,490)
	<u>(132,170,021)</u>	<u>(5,112,650)</u>	<u>-</u>	<u>(137,282,671)</u>
Total capital assets being depreciated, net	<u>133,359,472</u>	<u>4,157,665</u>	<u>-</u>	<u>137,517,137</u>
Business-type activities capital assets, net	<u>\$ 141,164,544</u>	<u>\$ 7,983,475</u>	<u>\$ -</u>	<u>\$ 149,148,019</u>

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

Depreciation/amortization of governmental activities by function

General government	\$ 75,000
Public safety	683,089
Public works	10,759,680
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>6,734,715</u>

Total depreciation/amortization expense - governmental activities \$ 18,252,484

Depreciation of business-type activities by function

Water and sewer	<u>\$ 5,112,650</u>
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CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

Construction Commitments

The City has active construction projects as of December 31, 2025. The projects include various road infrastructure improvements, water and sewer projects, drain and pathway improvements, and facility improvements. At year end, the City's commitments with contractors are as follows:

	Total Contract Amount	Remaining Commitment
Road improvements	\$ 10,574,523	\$ 1,711,246
Drain and pathway improvements	1,812,584	1,311,225
Facility improvements	15,078,996	2,895,991
Fleet	1,324,790	773,269
Management information systems	384,275	34,953
Water and sewer infrastructure	15,171,147	6,066,123
Total	<u>\$ 44,346,315</u>	<u>\$ 12,792,807</u>

Discretely Presented Component Units

	Beginning Balance	Additions	Disposals	Ending Balance
Component Unit - RARA				
Capital assets, not being depreciated -				
Land	\$ 280,000	\$ -	\$ -	\$ 280,000
Capital assets, being depreciated:				
Buildings	1,166,502	-	-	1,166,502
Building improvements	2,462,023	115,532	-	2,577,555
Land improvements	80,475	75,202	-	155,677
Machinery and equipment	460,158	-	-	460,158
Office equipment and furniture	136,218	-	-	136,218
	<u>4,305,376</u>	<u>190,734</u>	<u>-</u>	<u>4,496,110</u>
Less accumulated depreciation for:				
Buildings	(729,063)	(58,325)	-	(787,388)
Building improvements	(1,069,492)	(147,450)	-	(1,216,942)
Land improvements	(32,440)	(11,759)	-	(44,199)
Machinery and equipment	(351,595)	(21,500)	-	(373,095)
Office equipment and furniture	(113,961)	(9,921)	-	(123,882)
	<u>(2,296,551)</u>	<u>(248,955)</u>	<u>-</u>	<u>(2,545,506)</u>
Total capital assets being depreciated, net	<u>2,008,825</u>	<u>(58,221)</u>	<u>-</u>	<u>1,950,604</u>
Component unit - RARA capital assets, net	<u>\$ 2,288,825</u>	<u>\$ (58,221)</u>	<u>\$ -</u>	<u>\$ 2,230,604</u>

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Ending Balance
Component Unit - Older Persons' Commission				
Capital assets, not being depreciated -				
Land	\$ 3,090,244	\$ -	\$ -	\$ 3,090,244
Capital assets, being depreciated/amortized:				
Buildings and improvements	16,635,946	1,495,928	-	18,131,874
Machinery and equipment	696,808	89,378	(48,247)	737,939
Vehicles	708,909	290,920	-	999,829
Lease building	1,273,674	-	-	1,273,674
Land improvements	1,057,248	-	-	1,057,248
	<u>20,372,585</u>	<u>1,876,226</u>	<u>(48,247)</u>	<u>22,200,564</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(6,418,210)	(380,787)	-	(6,798,997)
Machinery and equipment	(334,733)	(34,479)	48,247	(320,965)
Vehicles	(200,242)	(161,989)	-	(362,231)
Lease building	(106,140)	(127,367)	-	(233,507)
Land improvements	(635,396)	(35,242)	-	(670,638)
	<u>(7,694,721)</u>	<u>(739,864)</u>	<u>48,247</u>	<u>(8,386,338)</u>
Total capital assets being depreciated/amortized, net	<u>12,677,864</u>	<u>1,136,362</u>	<u>-</u>	<u>13,814,226</u>
Component unit - Older Persons' Commission capital assets, net	<u>\$ 15,768,108</u>	<u>\$ 1,136,362</u>	<u>\$ -</u>	<u>\$ 16,904,470</u>

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

10. NOTES AND OTHER LONG-TERM LIABILITIES

County contractual agreements are considered general obligations of the City. Notes and other long-term liabilities activity can be summarized as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Notes from direct borrowings and direct placements	\$ 225,000	\$ -	\$ (225,000)	\$ -	\$ -
Subscription liabilities (Note 13)	565,075	-	(247,958)	317,117	223,847
Unamortized premium	140	-	(140)	-	-
Compensated absences*	2,024,935	305,034	-	2,329,969	2,329,969
Total governmental activities	\$ 2,815,150	\$ 305,034	\$ (473,098)	\$ 2,647,086	\$ 2,553,816
Business-type Activities					
Notes from direct borrowings and direct placements	\$ 16,076,448	\$ 3,901,179	\$ (950,855)	\$ 19,026,772	\$ 975,067
Compensated absences*	362,382	51,616	-	413,998	413,998
Total business-type activities	\$ 16,438,830	\$ 3,952,795	\$ (950,855)	\$ 19,440,770	\$ 1,389,065
Component Unit - Older Persons' Commission					
Leases payable	\$ 1,195,469	\$ -	\$ (88,702)	\$ 1,106,767	\$ 97,810
Compensated absences*	92,536	-	(18,416)	74,120	60,037
Total component unit	\$ 1,288,005	\$ -	\$ (107,118)	\$ 1,180,887	\$ 157,847

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$201,094 of internal service funds compensated absences is included in the above governmental activities amounts.

* The change in compensated absences above is a net change for the year.

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

	Interest Rate	Year of Maturity	Original Amount	Outstanding Principal
Business-type activities - contractual obligations				
Oakland-Macomb Interceptor Drain				
Drainage District:				
Drain Bonds Series 2010A	2.50%	2031	\$ 3,372,305	\$ 1,193,679
Drain Bonds Series 2011	2.50%	2033	4,053,689	1,864,094
Drain Bonds Series 2013	2.00%	2034	8,845,714	4,416,067
Drain Bonds Series 2014A	2.00 - 3.125%	2034	1,293,344	673,933
Drain Bonds Series 2019	1.85%	2030	583,260	300,036
Clinton River Water Resource Facility				
Drainage District:				
CWSRF #5994-01	2.50%	2047	6,677,784	6,677,784
CWSRF #5835-01	1.88%	2046	3,901,179	3,901,179
				<u>\$ 19,026,772</u>

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

Year Ended December 31,	Business-type Activities	
	Notes from Direct Borrowings and Direct Placements	
	Principal	Interest
2026	\$ 975,067	\$ 246,127
2027	1,160,011	336,376
2028	1,447,421	357,208
2029	1,482,032	345,713
2030	1,517,312	312,050
2031-2035	5,725,701	1,093,203
2036-2040	2,672,180	640,341
2041-2045	2,989,841	322,334
2046-2047	1,057,207	33,443
	<u>\$ 19,026,772</u>	<u>\$ 3,686,795</u>

Debt service payments on the contractual obligations (CWSRF #5994-01 and #5835-01) of \$6,677,784 and \$3,901,179, respectively, issued by the County on behalf of the City include interest estimated based on the projected draw schedule. Actual interest accrued will be based on the timing of the future draw schedule and will change based on the timing of the construction project.

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

Business-type activities - The Oakland-Macomb Interceptor Drainage District (OMID) is a construction and rehabilitation project that began in 2010. The OMID Refunding Bond Series 2019 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.

OMID was also approved for loans from the Michigan State Revolving Fund (SRF) (OMID Series 2010A \$26 million, OMID Series 2011 \$25 million, OMID Series 2013 \$65 million, OMID Series 2014A \$20 million, and State of Michigan SAW \$10 million). No SRF draws were required for 2025.

Future Revenues Pledged for Debt Payment

County Contractual Obligations - Business-type Activities - The City has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the County for the above water and sewer obligations. Proceeds from the bonds issued by the County on the City's behalf provided financing for the extension of water and sewer mains and facilities. The resulting contractual obligations are payable from the net revenues of the water and sewer system. The remaining principal and interest to be paid on bonds totaled \$22,713,567 and is payable through April 2047. During the year, the net operating income (net of depreciation/amortization) of the system was approximately \$7,927,148 compared to the annual debt requirements of \$1,181,112.

Legal Debt Limit

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current legal debt limitation for the City is \$626,420,863 (10 percent of \$6,264,208,633 assessed valuation). The City's total debt subject to the 10 percent legal limit amounts to \$19,343,889 or 3.1 percent.

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

11. LEASES

Lessor - The City is involved in three agreements as a lessor that qualify as long-term lease agreements. Below is a summary of these agreements. These agreements qualify as long-term lease agreements as the City will not surrender control of the asset at the end of the term and the noncancelable term of the agreement surpasses one year. Total lease revenue for the year ended December 31, 2025 was \$300,879.

Asset Type	Remaining Term of Agreements
Land and buildings	1 - 20 years

12. PUBLIC-PRIVATE PARTNERSHIP AGREEMENT

During fiscal year 2025, the City entered into an agreement with a private third party operator which qualifies as a Public-Private Partnership (“PPP”) agreement in which the City serves as the transferor. Under the agreement, the operator has specific financial obligations to the City which are specified below. The operator will set, collect, and retain all fees associated with the management of the golf course.

The agreement includes two primary financial components. First, the operator is required to make future variable payments to the City for use of the golf course. Second, the operator is obligated to finance and complete significant capital improvements to the golf course. These improvements either represent existing City assets or assets for which ownership will revert to the City upon termination of the agreement.

Total PPP revenue for the year ended December 31, 2025 was \$7,827. This was entirely comprised of variable payments as the City receives 5.5% of gross receipts from the golf course operator under the terms of the contract.

Asset Type	Remaining Term of Agreement
Golf course	50 years

As of December 31, 2025, the operator had not placed into service any of the capital improvements required under the agreement. As specified in Note 1, improvements will be recognized either as a receivable or capital asset by the City along with a corresponding deferred inflow during the period they are placed into service by the operator.

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

13. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENT

The City is involved in one arrangement that qualifies as a long-term subscription-based information technology arrangement ("SBITA"). Below is a summary of the nature of this arrangement. This arrangement qualifies as an intangible, right-to-use subscription asset as the City has the control of the right to use another party's IT software and the noncancelable term of the arrangement surpasses one year. The present values are discounted using an interest rate of 4.53 percent based on the City's incremental borrowing rate.

The right-to-use asset and the related activity are included in Note 9, Capital Assets. The subscription liability and related activity are presented in Note 10, Notes and Other Long-term Liabilities.

Asset Type	Remaining Term of Arrangement
Subscription assets	2 years

The net present value of future minimum payments as of December 31, 2025, were as follows:

Year Ended December 31,	Principal	Interest
2026	\$ 223,847	\$ 8,638
2027	<u>93,270</u>	<u>952</u>
Total	<u><u>\$ 317,117</u></u>	<u><u>\$ 9,590</u></u>

14. RESTRICTED ASSETS

Restricted assets are comprised of the City's unspent portion of proceeds from contractual obligations or advanced payments from the City that are held by Oakland County for the improvement of the water and sewer system in the amount of \$8,921,248. 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.

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

15. 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.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The City estimates the liability for general claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. These estimates are reported in the insurance (internal service) fund. Changes in the estimated liability for the past two fiscal years were as follows:

	2025	2024
Balance at the beginning of year	\$ 117,229	\$ 101,353
Current year claims and changes in estimates	(54,041)	66,334
Claims paid	(28,252)	(50,458)
Balance at end of year	\$ 34,936	\$ 117,229
Estimated liability for claims reported	\$ -	\$ 4,011
Estimated liability for claims reserve	19,936	98,218
Estimated liability for claims incurred but not reported	15,000	15,000
	\$ 34,936	\$ 117,229

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

16. DEFINED CONTRIBUTION PENSION PLAN

The Rochester Hills Group Pension Plan, which is administered by the City through Transamerica Retirement Solutions, provides pension benefits for substantially all of its full-time employees, City Council members, and paid on-call firefighters through a defined contribution plan. As of year-end there were 274 active participants and 103 participants that were separated or retired, this totals to 377 participants in the pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment income. Employees over 18 years of age are eligible to participate after a six-month probationary period. As established by the pension contract, the City contributes 12 percent and 15 percent of employees' gross earnings, certain employee groups have an employee pretax mandatory contribution of 4 percent, and any participant can make contributions to the pension plan, up to applicable Internal Revenue Code limits. In accordance with these requirements, the City contributed \$3,620,191 during the current year, employees' mandatory contributions were \$972,521 and employee voluntary contributions were \$15,790. There were no forfeitures that reduced the City's pension contributions and there was no employer's liability outstanding as of December 31, 2025. The City's contributions for each employee (plus interest allocated to each employee's account) are fully vested after five years of continuous service.

17. OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan

Plan Description. The City provides retiree healthcare benefits to eligible retirees, retiree's spouse and qualified dependents through the City of Rochester Hills Retiree Health Benefit Program. Benefits are provided to all eligible retired employees by providing them with a funding source to assist with the reimbursement of healthcare benefits. The benefit program has two parts.

The first or primary component, the Retiree Health Savings Plan (RHS Plan), a defined contribution plan, is available to all eligible employees after they have completed six months of full-time service with the City. As of year-end there were 246 active participants and 191 participants that were separated or retired; this totals 437 participants in the primary component of the RHS Plan. This component allows retirees to receive reimbursement of eligible healthcare expenses. The City contributes 4%, while the employees contribute 1%. These rates are approved by the City Council when union contracts are approved. The City contributed \$962,436 and employees contributed \$240,608 to the RHS Plan during 2025 and there were no forfeitures or outstanding liabilities at the end of 2025.

The RHS Plan is a single employer defined contribution plan administered by the City through Transamerica Retirement Solutions. Benefits are provided to full-time non-union employees and employees covered through collective bargaining agreements. Benefits received under this plan are based on the accumulation of contributions and investment income to pay for healthcare expenses at retirement.

The second component, the Supplemental Benefit Plan, is a flat fixed dollar amount based on the years of service as of March 12, 2001. This is a closed program and is only available to employees who met certain criteria at March 12, 2001.

The Supplemental Benefit Plan is a single employer defined benefit plan administered by the Retiree Healthcare Benefit Trust Board as established and authorized through a Section 115 Trust Document. Investments for the Trust are managed through Transamerica Retirement Solutions.

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

Benefits Provided. The monthly benefit is provided to eligible participants who had 10 years of service as of March 12, 2001. Benefits under this program are defined fixed flat dollar amount payments, based on years of service with a maximum period of 25 years, to be used to cover healthcare insurance premiums. The participant is reimbursed this fixed amount for their healthcare premiums they pay for. Administrative costs are paid through the employer and/employee contributions. Below is formula for the benefit provided:

Years of Service	Fixed Amount
10	\$ 75
11	91
12	108
13	127
14	147
15	169
16	192
17	217
18	243
19	271
20	300
21	331
22	363
23	397
24	432
25+	469

Employees Covered by Benefit Terms. At December 31, 2024 (the date of the most recent actuarial report), the following employees were covered by the benefit terms:

Inactive employees/beneficiaries receiving benefits	75
Active employees	18
Total membership	93

Significant Accounting Policies. The plan is included in the City's financial statements as the retiree healthcare benefit trust fund. A stand-alone financial report has not been issued. The Plan's financial statements are prepared using information as of December 31, 2025. The plan's financial statements include contributions received and benefits paid through that date. At December 31, 2025, there were no investments in any one organization in excess of five percent of net position available for benefits.

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the 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 the plan. Administrative costs are financed through investment income.

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

Plan Administration. The City administers the Retiree Healthcare Benefit Trust (the "Trust"), a single-employer defined benefit other postemployment benefits (OPEB) plan that is used to provide a fixed dollar amount for a retiree to be reimbursed for healthcare premiums. City Council (seven elected members) approved the plan by City ordinance.

Contributions. The City is responsible to fund the Retiree Healthcare Benefit Trust. When the Trust was created, the City contributed approximately \$2 million and historically made contributions per the actuarially determined contribution, however, the City has no obligation to make contributions in advance. For the year ended December 31, 2025, the City made postemployment benefit payments to retiree plan members in the amount of \$190,317. The actuarially determined contribution (ADC), as reported in the required supplementary information, includes both a normal cost component and also annual amortization of past service costs related to the unfunded actuarial accrued liability, in compliance with Public Act 202 of 2017. The City contributed \$7,800 for the year ended December 31, 2025.

Rate of Return. For the year ended December 31, 2025, the annual money-weighted rate of return on investments, net of investment expense, was 14.48%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Asset

The City's net OPEB asset was measured as of December 31, 2025, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2024 (rolled forward to December 31, 2025).

Actuarial Assumptions. The total OPEB liability in the December 31, 2024 valuation was determined using the following actuarial assumptions, applied consistently to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age
Inflation	2.50%
Salary increases	2.50%
Investment rate of return	5.00%
Healthcare cost trend rate	n/a
Mortality rates	PubG-2010 Improved Generationally using MP-2020 Improvement Rates, weighted per MERS Experience Study dated February 14, 2020

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of December 31, 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Money-Weighted Rate of Return
Equities	55.00%	5.00%	2.75%
Fixed income	45.00%	5.00%	2.25%
	<u>100.00%</u>		<u>5.00%</u>

Discount Rate. The discount rate used to measure the total OPEB liability was 5.00%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Asset. The components of the change in the net OPEB asset are summarized as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (a) - (b)
Balances at December 31, 2024	\$ 1,880,626	\$ 2,151,651	\$ (271,025)
Changes for the year:			
Service cost	4,133	-	4,133
Interest on total OPEB liability	88,830	-	88,830
Differences between expected and actual experience	(17,718)	-	(17,718)
Employer contributions	-	7,800	(7,800)
Net investment income	-	287,967	(287,967)
Benefit payments	(190,317)	(190,317)	-
Administrative expense	-	(18,121)	18,121
Net changes	<u>(115,072)</u>	<u>87,329</u>	<u>(202,401)</u>
Balances at December 31, 2025	<u>\$ 1,765,554</u>	<u>\$ 2,238,980</u>	<u>\$ (473,426)</u>

The plan fiduciary net position as a percentage of the total OPEB liability is 126.81%.

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate. The following presents the net OPEB asset of the City, calculated using the discount rate of 5.00%, as well as what the City’s net OPEB asset would be if it were calculated using a discount rate that is 1% lower (4.00%) or 1% higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
City's net OPEB asset	\$ (385,505)	\$ (473,426)	\$ (554,017)

Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rate Assumption. The healthcare cost trends are not applicable to the Plan. The City does not pay for retiree healthcare premiums. The City reimburses a retiree a fixed dollar amount for premiums that the retiree has paid.

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB plan’s fiduciary net position is available in the statement of changes in fiduciary net position.

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2025, the City recognized OPEB benefit of \$19,223. At year end, the City reported deferred inflows of resources related to OPEB from the following source:

Net difference between projected and actual income on OPEB plan investments	<u>\$ (165,249)</u>
---	---------------------

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	Amount Amount
2026	\$ 12,099
2027	(87,557)
2028	(53,715)
2029	<u>(36,076)</u>
Total	<u>\$ (165,249)</u>

Payable to the OPEB Plan. At December 31, 2025, the City had no amount payable to the OPEB plan.

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

18. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of December 31, 2025, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Capital assets not being depreciated	\$ 80,728,888	\$ 11,630,882	\$ 3,370,244
Capital assets being depreciated/amortized, net	188,464,890	137,517,137	15,764,830
	<u>269,193,778</u>	<u>149,148,019</u>	<u>19,135,074</u>
Related debt:			
Contractual obligations	-	19,026,772	-
Leases payable	-	-	1,106,767
Subscription liabilities	317,117	-	-
Unspent proceeds from contractual obligations	-	(8,921,248)	-
Construction related payables	833,005	110,874	-
	<u>1,150,122</u>	<u>10,216,398</u>	<u>1,106,767</u>
Net investment in capital assets	<u><u>\$ 268,043,656</u></u>	<u><u>\$ 138,931,621</u></u>	<u><u>\$ 18,028,307</u></u>

19. TAX ABATEMENTS

The City granted reduced property tax revenue to Low Income Housing programs (PA 346 of 1966). Qualified low-income housing is exempt from property taxes but pay a fee in lieu of taxes based on a percentage of their rents. The amount of tax forgone was determined by subtracting the fee in lieu of taxes paid from the amount of tax that would have been calculated had PA 345 of 1966 not covered these properties.

The City granted reduced property tax revenue to Industrial Facilities Tax exemption (PA 198 of 1974). Industrial Facility Exemptions are intended to promote construction of new industrial facilities or to rehabilitate facilities. Under the new industrial facility exemption program the City's millage is reduced by 50 percent. Under the rehabilitation industrial facility exemption program the taxable value is frozen.

As of December 31, 2025, the City's property tax revenue was reduced by \$92,311 under these programs.

20. OPIOID SETTLEMENT

The City is part of various nationwide Opioid settlements reached by states and local political subdivisions against pharmaceutical distributors, manufacturers, and pharmacies. The terms of the settlements vary by entity; however, the City received installments beginning in 2023 and expects to receive future installments through 2030. The City currently expects the total amount of the settlement to be \$246,470. Settlement payments received during the year ended December 31, 2025 were \$16,031. The total receivable for all of the settlement agreements was recorded at the net present value, using a discount rate for payments to be received subsequent to 2025 of 3%. The net present value of the combined settlement payments to be received as of December 31, 2025 is \$138,595.

Additional settlements with other pharmacies and manufacturers may be forthcoming as well. However, as of December 31, 2025, the amounts to be allocated to and collected by the City were not able to be determined, and as such, no amounts have been reported related to these settlements in the financial statements.

CITY OF ROCHESTER HILLS, MICHIGAN

Notes to Financial Statements

21. FUND BALANCES

Following is a summary of the composition of fund balances as of December 31, 2025:

	General	Major Streets	Local Streets	Fire	Special Police Protection	Capital Improvements	Fire Capital	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:									
Inventory and prepaids items	\$ 130,322	\$ 1,864	\$ 120,093	\$ 38,829	\$ -	\$ -	\$ -	\$ 114,991	\$ 406,099
Permanent fund principal	-	-	-	-	-	-	-	7,146,944	7,146,944
	<u>130,322</u>	<u>1,864</u>	<u>120,093</u>	<u>38,829</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,261,935</u>	<u>7,553,043</u>
Restricted for:									
Road construction and maintenance	-	11,861,032	8,800,591	-	-	-	-	-	20,661,623
Fire service	-	-	-	4,696,406	-	-	-	-	4,696,406
Police protection	-	-	-	-	4,799,812	-	-	-	4,799,812
Park facilities	-	-	-	-	-	-	-	41,781	41,781
Pathway operation and maintenance	-	-	-	-	-	-	-	144,660	144,660
Tree conservation and maintenance	-	-	-	-	-	-	-	1,247,589	1,247,589
Green space preservation	-	-	-	-	-	-	-	57,703	57,703
EGLE	-	-	-	-	-	-	-	100,149	100,149
Pathway construction	-	-	-	-	-	-	-	2,922,955	2,922,955
Trusts	-	-	-	-	-	-	-	3,794,027	3,794,027
	<u>-</u>	<u>11,861,032</u>	<u>8,800,591</u>	<u>4,696,406</u>	<u>4,799,812</u>	<u>-</u>	<u>-</u>	<u>8,308,864</u>	<u>38,466,705</u>
Committed:									
Budget stabilization	1,000,000	-	-	-	-	-	-	-	1,000,000
Public improvements	-	-	-	-	-	-	-	897,070	897,070
Fire vehicles and equipment	-	-	-	-	-	-	15,424,557	-	15,424,557
	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,424,557</u>	<u>897,070</u>	<u>17,321,627</u>
Assigned -									
Capital projects	-	-	-	-	-	20,675,374	-	-	20,675,374
Unassigned									
	<u>17,564,914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,564,914</u>
Total fund balances	<u>\$ 18,695,236</u>	<u>\$ 11,862,896</u>	<u>\$ 8,920,684</u>	<u>\$ 4,735,235</u>	<u>\$ 4,799,812</u>	<u>\$ 20,675,374</u>	<u>\$ 15,424,557</u>	<u>\$ 16,467,869</u>	<u>\$ 101,581,663</u>





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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROCHESTER HILLS, MICHIGAN

Required Supplementary Information

Other Postemployment Benefits Plan

Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios

	Fiscal Year Ended December 31,			
	2025	2024	2023	2022
Total OPEB liability				
Service cost	\$ 4,133	\$ 7,429	\$ 7,075	\$ 12,577
Interest on total OPEB liability	88,830	93,748	99,157	99,075
Changes in benefit terms	-	-	-	80,899
Difference between expected and actual experience	(17,718)	(10,189)	(27,682)	(5,477)
Changes in assumptions	-	-	-	-
Benefit payments	(190,317)	(194,365)	(183,052)	(181,405)
Net change in total OPEB liability	(115,072)	(103,377)	(104,502)	5,669
Total OPEB liability, beginning of year	1,880,626	1,984,003	2,088,505	2,082,836
Total OPEB liability, end of year	1,765,554	1,880,626	1,984,003	2,088,505
Plan fiduciary net position				
Employer contributions	7,800	47,520	75,110	75,110
Net investment income (loss)	287,967	194,088	264,788	(375,013)
Benefit payments	(190,317)	(194,365)	(183,052)	(181,405)
Administrative expense	(18,121)	(13,545)	(13,355)	(9,441)
Other	-	-	-	1
Net change in plan fiduciary net position	87,329	33,698	143,491	(490,748)
Plan fiduciary net position, beginning of year	2,151,651	2,117,953	1,974,462	2,465,210
Plan fiduciary net position, end of year	2,238,980	2,151,651	2,117,953	1,974,462
Net OPEB liability (asset)	\$ (473,426)	\$ (271,025)	\$ (133,950)	\$ 114,043
Plan fiduciary net position as a percentage of total OPEB liability	126.81%	114.41%	106.75%	94.54%
Covered-employee payroll	\$ 23,064,417	\$ 22,938,821	\$ 21,300,518	\$ 20,324,375
Net OPEB liability (asset) as a percentage of covered-employee payroll	-2.05%	-1.18%	-0.63%	0.56%

Changes in assumptions. In 2018, 2019, and 2020, amounts reported as changes in assumptions resulted primarily from a change in the discount rate.



Fiscal Year Ended December 31,				
2021	2020	2019	2018	2017
\$ 11,978	\$ 2,303	\$ 3,804	\$ 3,262	\$ 3,349
103,241	110,608	108,711	117,707	102,677
-	-	-	-	-
(35,487)	(112,574)	(64,894)	-	10,148
-	(9,462)	(56,647)	349,701	-
<u>(158,904)</u>	<u>(147,580)</u>	<u>(135,994)</u>	<u>(131,552)</u>	<u>(136,717)</u>
(79,172)	(156,705)	(145,020)	339,118	(20,543)
<u>2,162,008</u>	<u>2,318,713</u>	<u>2,463,733</u>	<u>2,124,615</u>	<u>2,145,158</u>
<u>2,082,836</u>	<u>2,162,008</u>	<u>2,318,713</u>	<u>2,463,733</u>	<u>2,124,615</u>
218,130	75,110	75,110	-	-
197,896	129,620	338,189	(88,657)	278,839
(158,904)	(147,580)	(135,994)	(131,552)	(136,717)
(18,618)	(17,827)	(21,987)	(25,235)	-
<u>(308)</u>	<u>-</u>	<u>12,008</u>	<u>10</u>	<u>-</u>
238,196	39,323	267,326	(245,434)	142,122
<u>2,227,014</u>	<u>2,187,691</u>	<u>1,920,365</u>	<u>2,165,799</u>	<u>2,023,677</u>
<u>2,465,210</u>	<u>2,227,014</u>	<u>2,187,691</u>	<u>1,920,365</u>	<u>2,165,799</u>
<u>\$ (382,374)</u>	<u>\$ (65,006)</u>	<u>\$ 131,022</u>	<u>\$ 543,368</u>	<u>\$ (41,184)</u>
118.36%	103.01%	94.35%	77.95%	101.94%
\$ 19,063,880	\$ 18,142,589	\$ 17,116,176	\$ 16,391,372	\$ 15,444,492
-2.01%	-0.36%	0.77%	3.31%	-0.27%

CITY OF ROCHESTER HILLS, MICHIGAN

Required Supplementary Information

Other Postemployment Benefits Plan

Schedule of Contributions

Fiscal Year Ending December 31,	Actuarially Determined Contribution	Actual Contributions	Contribution Excess (Deficiency)	Covered-employee Payroll	Actual Contributions as Percentage of Covered-employee Payroll
2017	\$ 14,522	\$ 102,990	\$ 88,468	\$ 15,444,492	0.67%
2018	14,522	-	(14,522)	16,391,372	0.00%
2019	69,906	75,110	5,204	17,116,176	0.44%
2020	68,214	75,110	6,896	18,142,589	0.41%
2021	55,124	218,130	163,006	19,063,880	1.14%
2022	42,332	75,110	32,778	20,324,375	0.37%
2023	47,520	75,110	27,590	21,300,518	0.35%
2024	-	47,520	47,520	22,938,821	0.21%
2025	-	7,800	7,800	23,064,417	0.03%

Notes to Schedule of Contributions

Valuation Date December 31, 2024

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level dollar, closed
Remaining amortization period	15 years
Asset valuation method	5 year smoothed fair value
Inflation	2.50%
Investment rate of return	5.00%, net of OPEB plan investment expense, including inflation
Mortality	Municipal Employees' Retirement System Experience Study Report
Salary increases	2.50%
Health care trend rates	n/a

Note: The City does not provide healthcare coverage, retirees have to purchase their own and the City reimburses retirees a fixed dollar amount. Contributions are not based on a measure of payroll.

CITY OF ROCHESTER HILLS, MICHIGAN

Required Supplementary Information Other Postemployment Benefits Plan

Schedule of Investment Returns

Fiscal Year Ending December 31,	Annual Return ⁽¹⁾
2017	14.55%
2018	-4.46%
2019	18.42%
2020	12.87%
2021	8.84%
2022	-16.13%
2023	14.23%
2024	9.61%
2025	14.48%

⁽¹⁾ Annual money-weighted rate of return, net of investment expenses



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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

CITY OF ROCHESTER HILLS, MICHIGAN

Nonmajor Governmental Funds

Special Revenue Funds

Park Facilities Fund

Accounts for the special millage used primarily to maintain park facilities.

RARA Millage Fund

This fund accounts for the special millage for Rochester-Avon Recreation Authority (RARA) activities.

Pathway Fund

Accounts for the special millage used primarily to maintain pathways.

Tree Fund

Accounts for monies collected per the Tree Conservation Ordinance adopted by City Council. The monies can only be used for operations and maintaining trees on city property and street right-of way and preserving wooded areas.

Public Improvement Fund

Accounts for storm water / drainage improvements.

Older Persons' Millage Fund

Accounts for the special millage for the Older Persons' Commission activities.

Green Space Preservation Fund

Accounts for grant funding received to permanently preserve natural green spaces and wildlife habitats, and protect woodlands, wetland, rivers, and streams.

EGLE Fund

Accounts for the grant funding received from the Michigan Department of Environment, Great Lakes, and Energy (EGLE).

CITY OF ROCHESTER HILLS, MICHIGAN

Nonmajor Governmental Funds

Debt Service Fund

Drain 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.

Capital Projects Fund

Pathway Construction Fund

Accounts for monies received from the special revenue pathway fund and private development to support major rehabilitation and construction of pedestrian pathway systems.

Permanent Funds

Cemetery Trust Fund

Accounts for monies collected from sale of cemetery lots and spaces and interest earned to be used to manage and preserve in perpetuity assets for the purpose of providing for general care, maintenance and improvements of the Cemetery.

Green Space Preservation Trust

Accounts for the general care, maintenance, protection of, and to improve pedestrian accessibility to and within the green spaces properties owned, acquired or controlled by the City.

CITY OF ROCHESTER HILLS, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2025

	Special Revenue Funds					
	Parks Facilities	RARA Millage	Pathway	Tree	Public Improvement	Older Persons' Millage
Assets						
Cash and cash equivalents	\$ 50	\$ -	\$ 11,177	\$ 287,792	\$ 5,354	\$ -
Investments	447,707	451,556	562,442	967,848	1,068,464	776,619
Receivables:						
Taxes	384,967	428,222	407,545	-	-	736,479
Due from other governments	-	-	5,936	-	-	-
Interest	-	-	-	8,033	-	-
Prepaid items	-	-	191	-	114,758	-
Total assets	<u>\$ 832,724</u>	<u>\$ 879,778</u>	<u>\$ 987,291</u>	<u>\$ 1,263,673</u>	<u>\$ 1,188,576</u>	<u>\$ 1,513,098</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ 3,606	\$ -	\$ 154,849	\$ -
Accrued wages	-	-	1,502	-	6,546	-
Retainages payable	-	-	-	16,084	15,353	-
Accrued and other liabilities	33	-	35	-	-	-
Total liabilities	<u>33</u>	<u>-</u>	<u>5,143</u>	<u>16,084</u>	<u>176,748</u>	<u>-</u>
Deferred inflows of resources						
Taxes levied for a subsequent period	790,910	879,778	837,297	-	-	1,513,098
Fund balances						
Nonspendable	-	-	191	-	114,758	-
Restricted	41,781	-	144,660	1,247,589	-	-
Committed	-	-	-	-	897,070	-
Total fund balances	<u>41,781</u>	<u>-</u>	<u>144,851</u>	<u>1,247,589</u>	<u>1,011,828</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 832,724</u>	<u>\$ 879,778</u>	<u>\$ 987,291</u>	<u>\$ 1,263,673</u>	<u>\$ 1,188,576</u>	<u>\$ 1,513,098</u>

Special Revenue Funds		Debt Service Fund	Capital Project Fund	Permanent Funds		Total Nonmajor Governmental Funds
Green Space Preservation	EGLE	Drain	Pathway Construction	Cemetery Trust	Green Space Preservation Trust	
\$ 46,187	\$ 20,694	\$ -	\$ 806,202	\$ 39,452	\$ -	\$ 1,216,908
1,696	4,111	-	2,139,729	3,596,285	7,305,291	17,321,748
-	-	-	-	-	-	1,957,213
63,583	99,586	-	-	-	-	169,105
-	-	-	22,504	-	-	30,537
42	-	-	-	-	-	114,991
<u>\$ 111,508</u>	<u>\$ 124,391</u>	<u>\$ -</u>	<u>\$ 2,968,435</u>	<u>\$ 3,635,737</u>	<u>\$ 7,305,291</u>	<u>\$ 20,810,502</u>
\$ 53,475	\$ 24,242	\$ -	\$ 33,930	\$ 57	\$ -	\$ 270,159
288	-	-	-	-	-	8,336
-	-	-	11,550	-	-	42,987
-	-	-	-	-	-	68
<u>53,763</u>	<u>24,242</u>	<u>-</u>	<u>45,480</u>	<u>57</u>	<u>-</u>	<u>321,550</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,021,083</u>
42	-	-	-	1,446,944	5,700,000	7,261,935
57,703	100,149	-	2,922,955	2,188,736	1,605,291	8,308,864
-	-	-	-	-	-	897,070
<u>57,745</u>	<u>100,149</u>	<u>-</u>	<u>2,922,955</u>	<u>3,635,680</u>	<u>7,305,291</u>	<u>16,467,869</u>
<u>\$ 111,508</u>	<u>\$ 124,391</u>	<u>\$ -</u>	<u>\$ 2,968,435</u>	<u>\$ 3,635,737</u>	<u>\$ 7,305,291</u>	<u>\$ 20,810,502</u>

CITY OF ROCHESTER HILLS, MICHIGAN

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended December 31, 2025

	Special Revenue Funds					
	Parks Facilities	RARA Millage	Pathway	Tree	Public Improvement	Older Persons' Millage
Revenues						
Property taxes	\$ 775,287	\$ 848,801	\$ 808,176	\$ -	\$ -	\$ 1,460,061
Federal grants	-	-	5,936	-	-	-
State grants	-	13,349	12,643	-	-	22,999
Charges for services	-	-	9,284	46,238	81,355	-
Investment income	30,218	-	25,823	56,214	17,567	-
Refunds and other	-	-	-	1,000	10,268	-
Total revenues	<u>805,505</u>	<u>862,150</u>	<u>861,862</u>	<u>103,452</u>	<u>109,190</u>	<u>1,483,060</u>
Expenditures						
Current:						
Public works	-	-	451,797	183,324	894,299	-
Recreation and culture	273	862,150	-	-	-	1,483,060
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>273</u>	<u>862,150</u>	<u>451,797</u>	<u>183,324</u>	<u>894,299</u>	<u>1,483,060</u>
Revenues over (under) expenditures	<u>805,232</u>	<u>-</u>	<u>410,065</u>	<u>(79,872)</u>	<u>(785,109)</u>	<u>-</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	1,505,020	-
Transfers out	(804,050)	-	(458,010)	-	-	-
Total other financing sources (uses)	<u>(804,050)</u>	<u>-</u>	<u>(458,010)</u>	<u>-</u>	<u>1,505,020</u>	<u>-</u>
Net change in fund balances	<u>1,182</u>	<u>-</u>	<u>(47,945)</u>	<u>(79,872)</u>	<u>719,911</u>	<u>-</u>
Fund balances, beginning of year	<u>40,599</u>	<u>-</u>	<u>192,796</u>	<u>1,327,461</u>	<u>291,917</u>	<u>-</u>
Fund balances, end of year	<u>\$ 41,781</u>	<u>\$ -</u>	<u>\$ 144,851</u>	<u>\$ 1,247,589</u>	<u>\$ 1,011,828</u>	<u>\$ -</u>

Special Revenue Funds		Debt Service Fund	Capital Project Fund	Permanent		Total Nonmajor Governmental Funds
Green Space Preservation	EGLLE	Drain	Pathway Construction	Cemetery Trust	Green Space Preservation Trust	
\$ -	\$ -	\$ 129,424	\$ -	\$ -	\$ -	\$ 4,021,749
112,839	-	-	-	-	-	118,775
-	2,095,536	1,825	213,750	-	-	2,360,102
-	-	-	125	210,754	-	347,756
1,655	30,911	987	116,867	507,798	983,691	1,771,731
-	-	-	-	-	-	11,268
<u>114,494</u>	<u>2,126,447</u>	<u>132,236</u>	<u>330,742</u>	<u>718,552</u>	<u>983,691</u>	<u>8,631,381</u>
-	1,711,641	-	-	-	-	3,241,061
292,406	-	-	-	5,651	11,063	2,654,603
-	-	225,000	-	-	-	225,000
-	-	2,656	-	-	-	2,656
-	-	-	384,688	-	-	384,688
<u>292,406</u>	<u>1,711,641</u>	<u>227,656</u>	<u>384,688</u>	<u>5,651</u>	<u>11,063</u>	<u>6,508,008</u>
<u>(177,912)</u>	<u>414,806</u>	<u>(95,420)</u>	<u>(53,946)</u>	<u>712,901</u>	<u>972,628</u>	<u>2,123,373</u>
200,000	-	-	458,010	-	-	2,163,030
-	(817,391)	(2,311)	-	(431,490)	(200,000)	(2,713,252)
<u>200,000</u>	<u>(817,391)</u>	<u>(2,311)</u>	<u>458,010</u>	<u>(431,490)</u>	<u>(200,000)</u>	<u>(550,222)</u>
22,088	(402,585)	(97,731)	404,064	281,411	772,628	1,573,151
<u>35,657</u>	<u>502,734</u>	<u>97,731</u>	<u>2,518,891</u>	<u>3,354,269</u>	<u>6,532,663</u>	<u>14,894,718</u>
<u>\$ 57,745</u>	<u>\$ 100,149</u>	<u>\$ -</u>	<u>\$ 2,922,955</u>	<u>\$ 3,635,680</u>	<u>\$ 7,305,291</u>	<u>\$ 16,467,869</u>

CITY OF ROCHESTER HILLS, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Capital Improvements Capital Projects Fund

For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Investment income	\$ 211,290	\$ 693,000	\$ 778,460	\$ 85,460
Expenditures				
Capital outlay	33,000	51,420	29,647	(21,773)
Revenues over expenditures	178,290	641,580	748,813	107,233
Other financing sources (uses)				
Transfers in	7,683,480	9,046,360	9,046,360	-
Transfers out	(3,729,360)	(7,426,270)	(7,426,270)	-
Total other financing sources (uses)	3,954,120	1,620,090	1,620,090	-
Net change in fund balances	4,132,410	2,261,670	2,368,903	107,233
Fund balance, beginning of year	18,306,471	18,306,471	18,306,471	-
Fund balance, end of year	<u>\$ 22,438,881</u>	<u>\$ 20,568,141</u>	<u>\$ 20,675,374</u>	<u>\$ 107,233</u>

CITY OF ROCHESTER HILLS, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Fire Capital Capital Projects Fund

For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Investment income	\$ 304,600	\$ 642,000	\$ 760,636	\$ 118,636
Refunds and other	-	2,590	5,995	3,405
Total revenues	<u>304,600</u>	<u>644,590</u>	<u>766,631</u>	<u>122,041</u>
Expenditures				
Current -				
Public safety	80,000	106,500	100,802	(5,698)
Capital outlay	2,031,390	1,479,640	1,444,279	(35,361)
Total expenditures	<u>2,111,390</u>	<u>1,586,140</u>	<u>1,545,081</u>	<u>(41,059)</u>
Revenues under expenditures	<u>(1,806,790)</u>	<u>(941,550)</u>	<u>(778,450)</u>	<u>163,100</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	101,570	34,510	34,518	8
Transfers in	609,970	167,670	167,670	-
Transfers out	(250,000)	(14,480)	(14,480)	-
Total other financing sources (uses)	<u>461,540</u>	<u>187,700</u>	<u>187,708</u>	<u>8</u>
Net change in fund balances	<u>(1,345,250)</u>	<u>(753,850)</u>	<u>(590,742)</u>	<u>163,108</u>
Fund balance, beginning of year	<u>16,015,299</u>	<u>16,015,299</u>	<u>16,015,299</u>	<u>-</u>
Fund balance, end of year	<u>\$ 14,670,049</u>	<u>\$ 15,261,449</u>	<u>\$ 15,424,557</u>	<u>\$ 163,108</u>

CITY OF ROCHESTER HILLS, MICHIGAN

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Parks Facilities Special Revenue Fund

For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 765,140	\$ 775,050	\$ 775,287	\$ 237
Investment income	20,000	29,000	30,218	1,218
Total revenues	785,140	804,050	805,505	1,455
Expenditures				
Current -				
Recreation and culture	-	-	273	273
Revenues over expenditures	785,140	804,050	805,232	1,182
Other financing uses				
Transfers out	(785,140)	(804,050)	(804,050)	-
Net change in fund balance	-	-	1,182	1,182
Fund balance, beginning of year	40,599	40,599	40,599	-
Fund balance, end of year	\$ 40,599	\$ 40,599	\$ 41,781	\$ 1,182

CITY OF ROCHESTER HILLS, MICHIGAN

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - RARA Millage Special Revenue Fund

For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 850,890	\$ 849,480	\$ 848,801	\$ (679)
State grants	13,770	13,340	13,349	9
Total revenues	864,660	862,820	862,150	(670)
Expenditures				
Current -				
Recreation and culture	864,660	862,820	862,150	(670)
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF ROCHESTER HILLS, MICHIGAN

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Pathway Special Revenue Fund

For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 809,850	\$ 807,920	\$ 808,176	\$ 256
Federal grants	-	5,000	5,936	936
State grants	13,110	12,640	12,643	3
Charges for services	8,000	6,970	9,284	2,314
Investment income	2,060	25,000	25,823	823
Total revenues	833,020	857,530	861,862	4,332
Expenditures				
Current -				
Public works	422,280	471,650	451,797	(19,853)
Revenues over expenditures	410,740	385,880	410,065	24,185
Other financing uses				
Transfers out	(409,210)	(458,010)	(458,010)	-
Net change in fund balance	1,530	(72,130)	(47,945)	24,185
Fund balance, beginning of year	192,796	192,796	192,796	-
Fund balance, end of year	\$ 194,326	\$ 120,666	\$ 144,851	\$ 24,185

CITY OF ROCHESTER HILLS, MICHIGAN

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Tree Special Revenue Fund

For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 50,000	\$ 46,230	\$ 46,238	\$ 8
Investment income	31,300	53,000	56,214	3,214
Investment income	-	1,000	1,000	-
Total revenues	81,300	100,230	103,452	3,222
Expenditures				
Current - Public works	204,000	195,000	183,324	(11,676)
Net change in fund balance	(122,700)	(94,770)	(79,872)	14,898
Fund balance, beginning of year	1,327,461	1,327,461	1,327,461	-
Fund balance, end of year	<u>\$ 1,204,761</u>	<u>\$ 1,232,691</u>	<u>\$ 1,247,589</u>	<u>\$ 14,898</u>

CITY OF ROCHESTER HILLS, MICHIGAN

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Public Improvement Special Revenue Fund

For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Licenses and permits	\$ 500	\$ -	\$ -	\$ -
Charges for services	101,000	72,540	81,355	8,815
Investment income	6,250	13,000	17,567	4,567
Refunds and other	13,000	10,260	10,268	8
Total revenues	120,750	95,800	109,190	13,390
Expenditures				
Current - Public works	1,366,840	1,677,440	894,299	(783,141)
Revenues under expenditures	(1,246,090)	(1,581,640)	(785,109)	796,531
Other financing sources				
Transfers in	1,246,090	1,505,020	1,505,020	-
Net change in fund balance	-	(76,620)	719,911	796,531
Fund balance, beginning of year	291,917	291,917	291,917	-
Fund balance, end of year	\$ 291,917	\$ 215,297	\$ 1,011,828	\$ 796,531

CITY OF ROCHESTER HILLS, MICHIGAN

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Older Persons' Millage Special Revenue Fund

For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,463,820	\$ 1,460,070	\$ 1,460,061	\$ (9)
State grants	30,740	22,990	22,999	9
Total revenues	1,494,560	1,483,060	1,483,060	-
Expenditures				
Current -				
Recreation and culture	1,494,560	1,483,060	1,483,060	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF ROCHESTER HILLS, MICHIGAN

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Green Space Preservation Special Revenue Fund

For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal grants	\$ -	\$ 110,000	\$ 112,839	\$ 2,839
Investment income	320	1,000	1,655	655
Total revenues	320	111,000	114,494	3,494
Expenditures				
Current -				
Recreation and culture	323,910	298,580	292,406	(6,174)
Revenues under expenditures	(323,590)	(187,580)	(177,912)	9,668
Other financing sources				
Transfers in	323,810	200,000	200,000	-
Net change in fund balance	220	12,420	22,088	9,668
Fund balance, beginning of year	35,657	35,657	35,657	-
Fund balance, end of year	<u>\$ 35,877</u>	<u>\$ 48,077</u>	<u>\$ 57,745</u>	<u>\$ 9,668</u>

CITY OF ROCHESTER HILLS, MICHIGAN

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - EGLE Special Revenue Fund

For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State grants	\$ 250,000	\$ 2,350,000	\$ 2,095,536	\$ (254,464)
Investment income	-	30,000	30,911	911
Total revenues	250,000	2,380,000	2,126,447	(253,553)
Expenditures				
Current -				
Public works	200,000	1,915,000	1,711,641	(203,359)
Revenues over expenditures	50,000	465,000	414,806	(50,194)
Other financing uses				
Transfers out	(50,000)	(852,520)	(817,391)	(35,129)
Net change in fund balance	-	(387,520)	(402,585)	(15,065)
Fund balance, beginning of year	502,734	502,734	502,734	-
Fund balance, end of year	<u>\$ 502,734</u>	<u>\$ 115,214</u>	<u>\$ 100,149</u>	<u>\$ (15,065)</u>

CITY OF ROCHESTER HILLS, MICHIGAN

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Drain Debt Service Fund

For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 128,520	\$ 129,390	\$ 129,424	\$ 34
State grants	-	1,820	1,825	5
Investment income	-	930	987	57
Total revenues	<u>128,520</u>	<u>132,140</u>	<u>132,236</u>	<u>96</u>
Expenditures				
Current -				
Public works	30	30	-	(30)
Debt service:				
Principal	225,000	225,000	225,000	-
Interest and fiscal charges	2,790	2,790	2,656	(134)
Total expenditures	<u>227,820</u>	<u>227,820</u>	<u>227,656</u>	<u>(164)</u>
Revenues under expenditures	(99,300)	(95,680)	(95,420)	260
Other financing uses				
Transfers out	-	(2,350)	(2,311)	(39)
Net change in fund balance	<u>(99,300)</u>	<u>(98,030)</u>	<u>(97,731)</u>	<u>299</u>
Fund balance, beginning of year	<u>97,731</u>	<u>97,731</u>	<u>97,731</u>	<u>-</u>
Fund balance, end of year	<u>\$ (1,569)</u>	<u>\$ (299)</u>	<u>\$ -</u>	<u>\$ 299</u>

CITY OF ROCHESTER HILLS, MICHIGAN

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Pathway Construction Capital Projects Fund

For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State grants	\$ -	\$ 42,750	\$ 213,750	\$ 171,000
Charges for services	-	-	125	125
Investment income	66,540	107,000	116,867	9,867
Refunds and other	-	15,000	-	(15,000)
Total revenues	66,540	164,750	330,742	165,992
Expenditures				
Capital outlay	722,500	814,040	384,688	(429,352)
Revenues under expenditures	(655,960)	(649,290)	(53,946)	595,344
Other financing sources				
Transfers in	409,210	458,010	458,010	-
Net change in fund balance	(246,750)	(191,280)	404,064	595,344
Fund balance, beginning of year	2,518,891	2,518,891	2,518,891	-
Fund balance, end of year	<u>\$ 2,272,141</u>	<u>\$ 2,327,611</u>	<u>\$ 2,922,955</u>	<u>\$ 595,344</u>

CITY OF ROCHESTER HILLS, MICHIGAN

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Cemetery Trust Permanent Fund

For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 184,600	\$ 183,320	\$ 210,754	\$ 27,434
Investment income	157,860	424,000	507,798	83,798
Total revenues	342,460	607,320	718,552	111,232
Expenditures				
Current -				
Recreation and culture	5,000	6,000	5,651	(349)
Revenues over expenditures	337,460	601,320	712,901	111,581
Other financing uses				
Transfers out	(875,000)	(431,490)	(431,490)	-
Net change in fund balance	(537,540)	169,830	281,411	111,581
Fund balance, beginning of year	3,354,269	3,354,269	3,354,269	-
Fund balance, end of year	<u>\$ 2,816,729</u>	<u>\$ 3,524,099</u>	<u>\$ 3,635,680</u>	<u>\$ 111,581</u>

CITY OF ROCHESTER HILLS, MICHIGAN

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Green Space Preservation Trust Permanent Fund

For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Investment income	\$ 290,090	\$ 826,000	\$ 983,691	\$ 157,691
Expenditures				
Current -				
Recreation and culture	16,000	16,000	11,063	(4,937)
Revenues over expenditures	274,090	810,000	972,628	162,628
Other financing uses				
Transfers out	(323,810)	(263,080)	(200,000)	(63,080)
Net change in fund balance	(49,720)	546,920	772,628	225,708
Fund balance, beginning of year	6,532,663	6,532,663	6,532,663	-
Fund balance, end of year	<u>\$ 6,482,943</u>	<u>\$ 7,079,583</u>	<u>\$ 7,305,291</u>	<u>\$ 225,708</u>



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CITY OF ROCHESTER HILLS, MICHIGAN

Internal Service Funds

Facilities Fund

Accounts for the costs of operating and maintaining the land and buildings of the City, excluding the water and sewer building.

Management Information Systems Fund

Accounts for the costs of data processing services provided to various City departments. The actual cost of materials and services is reimbursed to this fund by the user departments.

Fleet Equipment Fund

Accounts for the costs of acquiring and maintaining City-operated vehicles used by various City departments. The actual cost of labor and materials is reimbursed to this fund by the user departments.

Insurance Fund

Accounts for the City's self-insured premium payments for general liability, fleet, and property insurance. Recorded in this fund are the reserves and estimated IBNR liability.

CITY OF ROCHESTER HILLS, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

December 31, 2025

	Facilities	Management Information Systems	Fleet Equipment	Insurance	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 2,988,525	\$ 700,491	\$ 1,355,536	\$ 210,686	\$ 5,255,238
Investments	15,454,257	3,773,712	6,747,632	363,746	26,339,347
Receivables:					
Accounts	379,256	-	2,756	-	382,012
Due from other governments	131,400	-	-	-	131,400
Interest	221,429	76,315	117,644	-	415,388
Leases	12,000	-	-	-	12,000
Prepaid items	2,657	564	1,992	122,965	128,178
Total current assets	19,189,524	4,551,082	8,225,560	697,397	32,663,563
Noncurrent assets:					
Capital assets not being depreciated	24,927,305	-	-	-	24,927,305
Capital assets being depreciated/amortized, net	61,347,176	951,309	6,530,911	-	68,829,396
Total noncurrent assets	86,274,481	951,309	6,530,911	-	93,756,701
Total assets	105,464,005	5,502,391	14,756,471	697,397	126,420,264
Liabilities					
Current liabilities:					
Accounts payable	1,523,495	391,836	285,731	-	2,201,062
Accrued wages	46,391	29,080	32,732	-	108,203
Retainages payable	528,434	-	-	-	528,434
Claims payable	-	-	-	34,936	34,936
Other long-term liabilities, current	-	223,847	-	-	223,847
Compensated absences, current	101,663	58,960	40,471	-	201,094
Total current liabilities	2,199,983	703,723	358,934	34,936	3,297,576
Noncurrent liabilities -					
Other long-term liabilities, net of current portion	-	93,270	-	-	93,270
Total liabilities	2,199,983	796,993	358,934	34,936	3,390,846
Deferred inflows of resources					
Deferred lease amounts	12,000	-	-	-	12,000
Net position					
Net investment in capital assets	85,746,047	634,192	6,530,911	-	92,911,150
Unrestricted	17,505,975	4,071,206	7,866,626	662,461	30,106,268
Total net position	\$ 103,252,022	\$ 4,705,398	\$ 14,397,537	\$ 662,461	\$ 123,017,418

CITY OF ROCHESTER HILLS, MICHIGAN

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

Internal Service Funds

For the Year Ended December 31, 2025

	Facilities	Management Information Systems	Fleet Equipment	Insurance	Total
Operating revenues					
Charges for services	\$ 3,688,806	\$ 2,651,520	\$ 3,530,892	\$ 209,010	\$ 10,080,228
Other	1,420	431	22,583	210,547	234,981
Total operating revenues	<u>3,690,226</u>	<u>2,651,951</u>	<u>3,553,475</u>	<u>419,557</u>	<u>10,315,209</u>
Operating expenses					
Salaries and benefits	1,299,891	828,969	872,250	-	3,001,110
Professional services	1,380,245	821,465	608,134	407,199	3,217,043
Utilities	1,073,308	-	-	-	1,073,308
Materials and supplies	209,989	79,437	29,244	-	318,670
Repairs and maintenance	273,680	380,259	592,784	-	1,246,723
Rentals	2,512	-	3,530	-	6,042
Depreciation/amortization	5,139,909	349,973	1,244,833	-	6,734,715
Total operating expenses	<u>9,379,534</u>	<u>2,460,103</u>	<u>3,350,775</u>	<u>407,199</u>	<u>15,597,611</u>
Operating income (loss)	<u>(5,689,308)</u>	<u>191,848</u>	<u>202,700</u>	<u>12,358</u>	<u>(5,282,402)</u>
Nonoperating revenues (expenses)					
State grants	628,348	-	-	-	628,348
Investment income	915,328	187,611	348,282	23,037	1,474,258
Gain (loss) on sale of capital assets	815	5,383	201,051	-	207,249
Total nonoperating revenue (expenses)	<u>1,544,491</u>	<u>192,994</u>	<u>549,333</u>	<u>23,037</u>	<u>2,309,855</u>
Income (loss) before transfers	<u>(4,144,817)</u>	<u>384,842</u>	<u>752,033</u>	<u>35,395</u>	<u>(2,972,547)</u>
Transfers in	<u>8,060,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,060,870</u>
Change in net position	<u>3,916,053</u>	<u>384,842</u>	<u>752,033</u>	<u>35,395</u>	<u>5,088,323</u>
Net position, beginning of year	<u>99,335,969</u>	<u>4,320,556</u>	<u>13,645,504</u>	<u>627,066</u>	<u>117,929,095</u>
Net position, end of year	<u>\$ 103,252,022</u>	<u>\$ 4,705,398</u>	<u>\$ 14,397,537</u>	<u>\$ 662,461</u>	<u>\$ 123,017,418</u>

CITY OF ROCHESTER HILLS, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended December 31, 2025

	Facilities	Management Information Systems	Fleet Equipment	Insurance	Total
Cash flows from operating activities					
Internal activity - receipts from other funds	\$ 4,151,479	\$ 2,651,520	\$ 3,540,224	\$ 209,010	\$ 10,552,233
Other operating receipts	950,164	431	22,583	210,547	1,183,725
Payments to vendors	(4,824,121)	(789,900)	(982,945)	(492,832)	(7,089,798)
Payments to employees	(1,279,376)	(823,184)	(859,417)	-	(2,961,977)
Net cash from operating activities	(1,001,854)	1,038,867	1,720,445	(73,275)	1,684,183
Cash flows from noncapital financing activities					
State grants	628,348	-	-	-	628,348
Transfers in	8,060,870	-	-	-	8,060,870
Net cash from financing activities	8,689,218	-	-	-	8,689,218
Cash flows from capital and related financing activities					
Purchase of capital assets	(13,932,738)	(549,778)	(2,124,016)	-	(16,606,532)
Principal paid on other long-term liabilities	-	(247,958)	-	-	(247,958)
Proceeds from sale of capital assets	815	5,383	201,051	-	207,249
Net cash from capital and related financing activities	(13,931,923)	(792,353)	(1,922,965)	-	(16,647,241)
Net cash from investing activities					
Purchase of investments	-	(411,281)	(65,402)	-	(476,683)
Sale of investments	5,860,809	-	-	51,083	5,911,892
Interest and dividends on investments	984,909	173,150	336,988	23,037	1,518,084
Net cash from investing activities	6,845,718	(238,131)	271,586	74,120	6,953,293
Net change in cash and cash equivalents	601,159	8,383	69,066	845	679,453
Cash and cash equivalent balances, beginning of year	2,387,366	692,108	1,286,470	209,841	4,575,785
Cash and cash equivalent balances, end of year	\$ 2,988,525	\$ 700,491	\$ 1,355,536	\$ 210,686	\$ 5,255,238

continued...

CITY OF ROCHESTER HILLS, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended December 31, 2025

	Facilities	Management Information Systems	Fleet Equipment	Insurance	Total
Reconciliation of operating income (loss) to net cash from operating activities:					
Operating income (loss)	\$ (5,689,308)	\$ 191,848	\$ 202,700	\$ 12,358	\$ (5,282,402)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation/amortization	5,139,909	349,973	1,244,833	-	6,734,715
Changes in assets and liabilities:					
Receivables:					
Accounts	(379,256)	-	9,332	-	(369,924)
Due from other governments	1,328,000	-	-	-	1,328,000
Leases	23,480	-	-	-	23,480
Due from other funds	462,673	-	-	-	462,673
Prepaid items	117	142,689	1,674	(3,340)	141,140
Accounts payable	(1,347,410)	348,572	249,073	-	(749,765)
Accrued wages	6,423	4,204	6,069	-	16,696
Retainage payable	(537,094)	-	-	-	(537,094)
Accrued and other liabilities	-	-	-	(82,293)	(82,293)
Compensated absences	14,092	1,581	6,764	-	22,437
Deferred lease amounts	(23,480)	-	-	-	(23,480)
Net cash from operating activities	<u>\$ (1,001,854)</u>	<u>\$ 1,038,867</u>	<u>\$ 1,720,445</u>	<u>\$ (73,275)</u>	<u>\$ 1,684,183</u>
Noncash capital financing activities					
Capital assets purchased with accounts payable	<u>\$ 528,434</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 528,434</u>

concluded.



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CITY OF ROCHESTER HILLS, MICHIGAN

Custodial Funds

General Custodial Fund

Accounts for the collection of licensing and trailer taxes on behalf of other governmental agencies.

Tax Collection Fund

Accounts for the collection and disbursement of taxes on behalf of other taxing authorities.

North Oakland County Water Authority

Accounts for resources to purchase water for four local governmental communities.

CITY OF ROCHESTER HILLS, MICHIGAN

Combining Statement of Fiduciary Net Position

Custodial Funds

December 31, 2025

	General Custodial	Tax Collection	North Oakland County Water Authority	Total
Assets				
Cash and cash equivalents	\$ 12,100	\$ 982,264	\$ 2,437,780	\$ 3,432,144
Investments	240,730	9,925,540	2,487,023	12,653,293
Receivables	-	-	3,090,774	3,090,774
Total assets	252,830	10,907,804	8,015,577	19,176,211
Liabilities				
Due to other governments	252,830	10,907,804	7,900,984	19,061,618
Net position				
Restricted for individuals, organizations, and other governments	\$ -	\$ -	\$ 114,593	\$ 114,593

CITY OF ROCHESTER HILLS, MICHIGAN

Combining Statement of Changes in Fiduciary Net Position

Custodial Funds

For the Year Ended December 31, 2025

	General Custodial	Tax Collection	North Oakland County Water Authority	Total
Additions				
Investment income	\$ -	\$ -	\$ 172,432	\$ 172,432
Member contributions	-	-	26,508,325	26,508,325
Taxes collected for other governments	252,745	124,968,793	-	125,221,538
Total additions	<u>252,745</u>	<u>124,968,793</u>	<u>26,680,757</u>	<u>151,902,295</u>
Deductions				
Payments on behalf of other governments:				
Professional services	-	-	38,487	38,487
Water purchases	-	-	26,661,525	26,661,525
Payments of taxes to other governments	252,745	124,968,793	-	125,221,538
Total deductions	<u>252,745</u>	<u>124,968,793</u>	<u>26,700,012</u>	<u>151,921,550</u>
Change in net position	-	-	(19,255)	(19,255)
Net position, beginning of year	-	-	133,848	133,848
Net position, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,593</u>	<u>\$ 114,593</u>



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STATISTICAL SECTION



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CITY OF ROCHESTER HILLS, MICHIGAN

Statistical Section Table of Contents

This part of the City’s Annual Comprehensive 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.	138
Revenue Capacity Information	These schedules contain trend information to help the reader assess the factors affecting the City’s ability to generate its property taxes.	146
Debt Capacity Information	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.	152
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 and to help make comparisons over time and with other governments.	160
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.	165

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Report for the relevant year.

CITY OF ROCHESTER HILLS, MICHIGAN

Financial Trends

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ended December 31,			
	2016	2017	2018	2019
Governmental activities:				
Net investment in capital assets	\$ 177,708,691	\$ 184,459,969	\$ 195,331,781	\$ 211,153,977
Restricted	44,123,537	45,526,396	50,588,307	50,607,434
Unrestricted	45,331,918	47,761,149	47,598,858	49,503,641
Total governmental activities net position	<u>267,164,146</u>	<u>277,747,514</u>	<u>293,518,946</u>	<u>311,265,052</u>
Business-type activities:				
Net investment in capital assets	101,078,584	107,947,768	108,318,647	106,170,218
Restricted	-	-	-	-
Unrestricted	51,454,349	48,934,910	52,675,843	56,787,054
Total business-type activities net position	<u>152,532,933</u>	<u>156,882,678</u>	<u>160,994,490</u>	<u>162,957,272</u>
Primary government:				
Net investment in capital assets	278,787,275	292,407,737	303,650,428	317,324,195
Restricted	44,123,537	45,526,396	50,588,307	50,607,434
Unrestricted	96,786,267	96,696,059	100,274,701	106,290,695
Total primary government net position	<u>\$ 419,697,079</u>	<u>\$ 434,630,192</u>	<u>\$ 454,513,436</u>	<u>\$ 474,222,324</u>

* In 2023, restricted net position/fund balance related to the fire capital projects fund was reclassified to unrestricted/committed. The 2022 balances were reclassified for comparison purposes.

Fiscal Year Ended December 31,					
2020	2021	2022*	2023	2024	2025
\$ 218,112,676	\$ 227,899,053	\$ 238,219,453	\$ 245,084,374	\$ 256,024,356	\$ 268,043,656
53,386,545	52,815,733	48,082,140	39,743,810	44,891,109	46,821,155
53,625,447	54,600,215	59,373,806	83,759,950	85,892,799	83,771,215
<u>325,124,668</u>	<u>335,315,001</u>	<u>345,675,399</u>	<u>368,588,134</u>	<u>386,808,264</u>	<u>398,636,026</u>
107,229,739	121,604,540	124,082,017	125,885,431	113,896,604	138,931,621
-	-	2,629,264	3,050,238	8,940,737	160,965
61,017,893	49,723,985	47,844,194	49,384,233	40,435,017	49,778,792
<u>168,247,632</u>	<u>171,328,525</u>	<u>174,555,475</u>	<u>178,319,902</u>	<u>163,272,358</u>	<u>188,871,378</u>
325,342,415	349,503,593	362,301,470	370,969,805	369,920,960	406,975,277
53,386,545	52,815,733	50,711,404	42,794,048	53,831,846	46,982,120
114,643,340	104,324,200	107,218,000	133,144,183	126,327,816	133,550,007
<u>\$ 493,372,300</u>	<u>\$ 506,643,526</u>	<u>\$ 520,230,874</u>	<u>\$ 546,908,036</u>	<u>\$ 550,080,622</u>	<u>\$ 587,507,404</u>

CITY OF ROCHESTER HILLS, MICHIGAN

Financial Trends

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ended December 31,			
	2016	2017	2018	2019
Expenses				
Governmental activities:				
General government	\$ 5,082,314	\$ 5,312,761	\$ 6,413,943	\$ 6,340,087
Public safety	20,592,228	21,817,641	22,574,963	22,772,369
Public works	13,997,482	14,499,490	15,165,501	16,683,411
Community and economic development	1,093,173	872,321	1,131,100	1,154,043
Recreation and culture	5,594,209	5,284,571	5,563,807	5,953,116
Interest on long-term debt	386,740	308,220	254,583	140,421
Total governmental activities expenses	46,746,146	48,095,004	51,103,897	53,043,447
Business-type activities:				
Total primary government expenses	78,262,100	81,343,496	84,665,117	86,932,659
Program Revenues				
Governmental activities:				
General government	188,077	224,608	1,754,372	1,842,577
Public safety	4,389,477	5,486,646	5,286,891	5,903,254
Public works	929,380	715,086	502,458	1,029,157
Community and economic development	40,424	67,367	52,378	86,393
Recreation and culture	941,015	866,734	861,220	806,350
Charges for services	6,488,373	7,360,441	8,457,319	9,667,731
Operating grants and contributions	6,046,650	7,884,257	11,156,561	8,991,523
Capital grants and contributions	604,843	1,285,335	5,235,517	5,135,936
Total governmental activities program revenues	13,139,866	16,530,033	24,849,397	23,795,190
Business-type activities:				
Charges for services	34,937,052	34,388,137	35,214,531	33,918,742
Operating grants and contributions	-	-	22,347	-
Capital grants and contributions	2,518,382	2,716,642	1,575,978	674,007
Total business-type activities program revenues	37,455,434	37,104,779	36,812,856	34,592,749
Total primary government program revenues	50,595,300	53,634,812	61,662,253	58,387,939
Net (Expense)/Revenue				
Governmental activities	(33,606,280)	(31,564,971)	(26,254,500)	(29,248,257)
Business-type activities	5,939,480	3,856,287	3,251,636	703,537
Total primary government net expense	(27,666,800)	(27,708,684)	(23,002,864)	(28,544,720)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	30,474,096	31,456,850	32,507,605	34,169,331
State shared revenues	5,660,822	6,089,238	6,272,050	4,031,463
Unrestricted investment income	853,266	2,180,879	1,799,789	6,523,340
Unrestricted cable franchise fees	-	1,619,020	-	-
Gain on sale of capital assets	815,804	244,852	157,747	-
Miscellaneous	1,660,239	547,260	1,150,553	2,140,418
Transfers	266,925	-	-	-
Contribution to permanent fund	41,437	10,240	115,136	129,811
Special item	-	-	-	-
Total governmental activities	39,772,589	42,148,339	42,002,880	46,994,363
Business-type activities:				
Unrestricted investment income	221,170	477,369	883,973	1,219,779
Gain (loss) on sale of capital assets	(2,459,916)	173	-	-
Miscellaneous	4,221	15,916	30,029	39,466
Transfers	-	-	-	-
Total business-type activities	(2,234,525)	493,458	914,002	1,259,245
Total primary government	37,538,064	42,641,797	42,916,882	48,253,608
Change in Net Position				
Governmental activities	6,166,309	10,583,368	15,748,380	17,746,106
Business-type activities	3,704,955	4,349,745	4,165,638	1,962,782
Total primary government	\$ 9,871,264	\$ 14,933,113	\$ 19,914,018	\$ 19,708,888

Schedule 2
UNAUDITED

Fiscal Year Ended December 31,					
2020	2021	2022	2023	2024	2025
\$ 8,884,918	\$ 8,501,049	\$ 9,316,273	\$ 10,549,495	\$ 11,597,383	\$ 11,072,821
23,618,974	27,711,429	27,999,859	28,978,480	30,998,024	32,735,381
17,117,205	17,697,875	17,926,019	19,732,689	19,673,457	24,219,763
1,047,865	1,186,912	1,298,859	1,361,926	1,405,820	2,861,669
6,279,948	7,348,656	7,879,531	8,797,800	8,697,319	8,980,551
84,579	446	15,048	10,898	6,343	1,250
57,033,489	62,446,367	64,435,589	69,431,288	72,378,346	79,871,435
34,280,057	34,928,269	36,073,594	36,504,840	36,187,011	38,539,474
91,313,546	97,374,636	100,509,183	105,936,128	108,565,357	118,410,909
4,312,499	5,512,685	3,870,616	6,002,717	6,311,936	6,590,346
5,755,953	5,777,468	6,398,524	3,299,798	3,556,062	3,373,979
608,679	737,700	446,167	687,134	365,970	351,748
44,170	47,595	39,304	-	-	-
547,016	822,944	855,816	179,434	234,085	210,754
11,268,317	12,898,392	11,610,427	10,169,083	10,468,053	10,526,827
11,312,638	10,021,463	10,579,516	21,406,167	20,568,332	18,706,151
1,884,591	2,378,310	2,721,280	1,897,442	505,188	104,348
24,465,546	25,298,165	24,911,223	33,472,692	31,541,573	29,337,326
36,731,423	34,705,354	36,989,046	36,355,325	38,158,272	41,305,332
219,482	-	-	1,104,060	97,992	273,492
1,817,531	3,145,803	1,712,496	762,276	605,661	419,635
38,768,436	37,851,157	38,701,542	38,221,661	38,861,925	41,998,459
63,233,982	63,149,322	63,612,765	71,694,353	70,403,498	71,335,785
(32,567,943)	(37,148,202)	(39,524,366)	(35,958,596)	(40,836,773)	(50,534,109)
4,488,379	2,922,888	2,627,948	1,716,821	2,674,914	3,458,985
(28,079,564)	(34,225,314)	(36,896,418)	(34,241,775)	(38,161,859)	(47,075,124)
35,652,025	37,363,654	38,616,603	40,522,735	42,648,127	45,506,110
6,493,552	7,554,613	9,267,828	8,517,300	8,487,235	8,769,062
2,631,768	1,070,959	536,030	7,551,864	8,098,591	8,235,196
-	-	-	-	-	-
320,949	454,704	755,884	380,681	-	13,403
1,183,247	629,641	419,496	-	-	-
-	(7,200)	-	(168,500)	(177,050)	(161,900)
132,706	167,548	149,241	-	-	-
103,169	104,616	139,682	-	-	-
46,517,416	47,338,535	49,884,764	56,804,080	59,056,903	62,361,871
696,859	141,222	597,293	1,879,106	2,100,492	1,978,135
68	4,429	-	-	-	-
15,198	5,154	1,709	-	-	-
-	7,200	-	168,500	177,050	161,900
712,125	158,005	599,002	2,047,606	2,277,542	2,140,035
47,229,541	47,496,540	50,483,766	58,851,686	61,334,445	64,501,906
13,949,473	10,190,333	10,360,398	20,845,484	18,220,130	11,827,762
5,200,504	3,080,893	3,226,950	3,764,427	4,952,456	5,599,020
\$ 19,149,977	\$ 13,271,226	\$ 13,587,348	\$ 24,609,911	\$ 23,172,586	\$ 17,426,782

CITY OF ROCHESTER HILLS, MICHIGAN

Financial Trends

Fund Balances - Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	Fiscal Year Ended December 31,			
	2016	2017	2018	2019
General fund				
Nonspendable	\$ 62,631	\$ 54,007	\$ 36,208	\$ 33,204
Committed	1,000,000	1,000,000	1,000,000	1,000,000
Assigned	1,650,000	1,137,000	11,353,150	22,270
Unassigned	25,014,387	28,414,652	19,971,462	19,674,120
Total general fund	<u>27,727,018</u>	<u>30,605,659</u>	<u>32,360,820</u>	<u>20,729,594</u>
All other governmental funds				
Nonspendable	8,970,872	8,168,210	7,434,723	8,645,570
Restricted	35,152,665	37,358,186	42,894,641	41,646,421
Committed	-	-	-	1,769,978
Assigned	1,419,293	1,105,105	1,074,206	10,012,787
Total all other governmental funds	<u>45,542,830</u>	<u>46,631,501</u>	<u>51,403,570</u>	<u>62,074,756</u>
Total governmental funds	<u>\$ 73,269,848</u>	<u>\$ 77,237,160</u>	<u>\$ 83,764,390</u>	<u>\$ 82,804,350</u>

* In 2023, restricted net position/fund balance related to the fire capital capital projects fund was reclassified to unrestricted/committed. The 2022 balances were reclassified for comparison purposes.

Schedule 3
UNAUDITED

Fiscal Year Ended December 31,					
2020	2021	2022*	2023	2024	2025
\$ 95,007	\$ 379,441	\$ 351,324	\$ 304,184	\$ 226,884	\$ 130,322
1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
318,860	-	-	-	-	-
<u>20,819,992</u>	<u>19,349,403</u>	<u>19,904,537</u>	<u>24,480,336</u>	<u>17,191,201</u>	<u>17,564,914</u>
<u>22,233,859</u>	<u>20,728,844</u>	<u>21,255,861</u>	<u>25,784,520</u>	<u>18,418,085</u>	<u>18,695,236</u>
7,455,802	7,441,302	7,554,659	7,543,183	7,524,045	7,422,721
45,005,709	45,000,339	26,673,637	31,700,291	34,188,776	38,466,705
1,855,404	1,266,291	14,047,773	17,387,009	16,169,071	16,321,627
<u>11,404,651</u>	<u>16,881,155</u>	<u>7,958,712</u>	<u>16,784,635</u>	<u>18,306,471</u>	<u>20,675,374</u>
<u>65,721,566</u>	<u>70,589,087</u>	<u>56,234,781</u>	<u>73,415,118</u>	<u>76,188,363</u>	<u>82,886,427</u>
<u>\$ 87,955,425</u>	<u>\$ 91,317,931</u>	<u>\$ 77,490,642</u>	<u>\$ 99,199,638</u>	<u>\$ 94,606,448</u>	<u>\$ 101,581,663</u>

CITY OF ROCHESTER HILLS, MICHIGAN

Financial Trends

Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ended December 31,			
	2016	2017	2018	2019
Revenues				
Property taxes	\$ 30,474,096	\$ 31,456,850	\$ 32,463,955	\$ 34,039,772
Licenses and permits	2,882,128	3,468,554	3,155,713	4,001,609
Federal grants	108,715	406,800	198,288	203,940
State grants	11,264,159	13,848,971	15,247,482	14,925,639
Contributions	587,520	479,207	2,576,607	285,611
Charges for services	8,382,094	8,788,247	8,633,500	9,212,599
Fines and forfeitures	490,366	524,960	614,932	578,972
Investment income (loss)	764,247	1,980,149	1,446,275	3,593,502
Special assessments	-	-	-	-
Refunds and other	833,410	720,588	3,454,515	5,817,638
Total revenues	<u>55,786,735</u>	<u>61,674,326</u>	<u>67,791,267</u>	<u>72,659,282</u>
Expenditures				
Current:				
General government	7,472,521	7,218,933	7,599,399	7,717,191
Public safety	20,518,990	21,011,581	21,681,250	22,160,827
Public works	7,038,328	7,338,777	7,343,894	8,330,815
Community and economic development	932,725	825,439	1,066,025	1,061,934
Recreation and culture	4,821,917	5,088,384	5,073,941	5,549,520
Debt service:				
Principal payments	2,425,000	2,035,000	1,550,000	1,660,000
Interest and fiscal charges	381,364	302,932	242,051	186,413
Capital outlay	11,417,735	12,339,009	14,063,715	20,928,841
Total expenditures	<u>55,008,580</u>	<u>56,160,055</u>	<u>58,620,275</u>	<u>67,595,541</u>
Revenue over expenditures	<u>778,155</u>	<u>5,514,271</u>	<u>9,170,992</u>	<u>5,063,741</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	48,007	145,207	46,018	19,489
Transfers in	7,362,323	7,565,307	6,146,101	32,901,630
Transfers out	(11,998,064)	(9,257,473)	(8,835,881)	(38,944,900)
Total other financing sources (uses)	<u>(4,587,734)</u>	<u>(1,546,959)</u>	<u>(2,643,762)</u>	<u>(6,023,781)</u>
Net change in fund balances	<u>\$ (3,809,579)</u>	<u>\$ 3,967,312</u>	<u>\$ 6,527,230</u>	<u>\$ (960,040)</u>
Debt service as a percentage of noncapital expenditures	6.44%	5.34%	4.02%	2.77%

Schedule 4
UNAUDITED

Fiscal Year Ended December 31,					
2020	2021	2022	2023	2024	2025
\$ 35,652,025	\$ 37,363,654	\$ 38,640,305	\$ 40,522,735	\$ 42,648,127	\$ 45,506,110
3,971,398	3,512,892	3,672,659	3,069,036	3,094,798	3,008,364
2,372,122	1,120,913	643,869	2,323,230	153,323	426,201
15,094,642	16,372,339	18,660,785	19,553,477	19,489,630	21,999,323
362,422	487,164	2,360,612	1,229,809	1,132,320	682,858
8,775,554	9,331,984	9,497,200	10,169,083	10,468,053	10,526,827
394,103	373,354	333,544	377,047	373,288	414,062
2,375,774	949,603	(22,121)	6,478,815	6,648,229	6,760,938
129,169	-	-	34,766	25,279	33,443
1,154,578	657,361	531,643	775,667	3,303,889	437,211
<u>70,281,787</u>	<u>70,169,264</u>	<u>74,318,496</u>	<u>84,533,665</u>	<u>87,336,936</u>	<u>89,795,337</u>
8,429,115	8,373,715	9,537,244	9,298,152	10,456,314	9,970,885
23,528,280	24,608,077	25,450,882	26,775,466	28,985,763	31,579,363
8,172,449	9,357,352	9,843,062	8,994,344	9,969,075	12,453,379
996,679	1,104,175	1,196,546	1,248,346	1,291,516	1,331,465
5,294,815	5,612,109	5,819,555	7,982,303	7,952,789	8,844,749
1,665,000	1,775,000	200,000	210,000	220,000	225,000
122,639	53,563	16,188	12,087	7,650	2,656
<u>12,591,845</u>	<u>11,142,735</u>	<u>16,009,655</u>	<u>9,275,109</u>	<u>12,906,789</u>	<u>10,224,373</u>
<u>60,800,822</u>	<u>62,026,726</u>	<u>68,073,132</u>	<u>63,795,807</u>	<u>71,789,896</u>	<u>74,631,870</u>
9,480,965	8,142,538	6,245,364	20,737,858	15,547,040	15,163,467
47,227	95,854	12,559	19,385	12,000	34,518
15,038,910	15,513,406	14,434,613	13,587,333	22,644,549	14,656,042
<u>(19,326,171)</u>	<u>(20,389,292)</u>	<u>(26,063,403)</u>	<u>(23,159,253)</u>	<u>(42,796,779)</u>	<u>(22,878,812)</u>
<u>(4,240,034)</u>	<u>(4,780,032)</u>	<u>(11,616,231)</u>	<u>(9,552,535)</u>	<u>(20,140,230)</u>	<u>(8,188,252)</u>
<u>\$ 5,240,931</u>	<u>\$ 3,362,506</u>	<u>\$ (5,370,867)</u>	<u>\$ 11,185,323</u>	<u>\$ (4,593,190)</u>	<u>\$ 6,975,215</u>
3.71%	3.61%	0.42%	0.41%	0.39%	0.36%

CITY OF ROCHESTER HILLS, MICHIGAN

Revenue Capacity Information

Taxable Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Tax Year	Residential	Commercial	Industrial	Personal	Total Value
2016	2015	\$ 2,441,920,790	\$ 424,514,630	\$ 121,165,740	\$ 194,546,970	\$ 3,182,148,130
2017	2016	2,505,199,360	432,989,870	122,630,670	164,474,500	3,225,294,400
2018	2017	2,594,226,970	445,250,270	124,249,200	157,288,180	3,321,014,620
2019	2018	2,718,934,350	466,108,360	128,338,890	153,832,650	3,467,214,250
2020	2019	2,854,037,170	489,620,610	133,293,890	156,018,590	3,632,970,260
2021	2020	2,974,188,690	505,294,150	136,569,340	169,374,066	3,785,426,246
2022	2021	3,085,480,780	513,842,200	139,500,570	164,929,300	3,903,752,850
2023	2022	3,266,480,780	544,198,700	147,103,400	166,178,760	4,123,961,640
2024	2023	3,508,811,160	584,481,600	159,372,050	168,347,700	4,421,012,510
2025	2024	3,764,683,250	632,589,100	170,330,620	170,958,173	4,738,561,143

Source: City of Rochester Hills

Note: Under Michigan law, the revenue base is referred to as "taxable value." This amount represents assessed value (50 percent of true cash value), limited for each property by the lower of 5 percent or inflation.

Taxes levied in a particular "tax year" become revenue of the subsequent fiscal year.

Schedule 5
UNAUDITED

Tax Rate (Mills)	Estimated Actual Value	Taxable Value as a Percentage Actual
10.4605	\$ 7,371,956,560	43.17%
10.4605	7,892,784,340	40.86%
10.4605	8,192,682,240	40.54%
10.4605	8,438,938,740	41.09%
10.4605	8,926,981,580	40.70%
10.5510	9,447,020,552	40.07%
10.5510	9,814,749,680	39.77%
10.5510	10,293,634,460	40.06%
10.4573	11,248,245,900	39.30%
10.8473	12,528,417,266	37.82%

CITY OF ROCHESTER HILLS, MICHIGAN

Revenue Capacity Information

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Tax Year	Millage Rates - Direct City Taxes				Overlapping Taxes							
	General Operating	Special Purpose	Debt	Total Direct Taxes	Oakland County Operating	Huron/Clinton Metro Authority	County Parks	Zoo Authority	Art Institute	Oakland Transit	Oakland Community College	
2016												
Homestead	2.1136	8.0707	0.2762	10.4605	4.0400	0.2146	0.2392	0.0990	0.1981	0.0000	1.5707	
Nonhomestead	2.1136	8.0707	0.2762	10.4605	4.0400	0.2146	0.2392	0.0990	0.1981	0.0000	1.5707	
2017												
Homestead	2.2561	7.9366	0.2678	10.4605	4.0400	0.2140	0.2368	0.0980	0.1961	0.0000	1.5555	
Nonhomestead	2.2561	7.9366	0.2678	10.4605	4.0400	0.2140	0.2368	0.0980	0.1961	0.0000	1.5555	
2018												
Homestead	2.4959	7.6968	0.2528	10.4455	4.0400	0.2129	0.2349	0.0982	0.1945	0.0000	1.5431	
Nonhomestead	2.4959	7.6968	0.2528	10.4455	4.0400	0.2129	0.2349	0.0982	0.1945	0.0000	1.5431	
2019												
Homestead	2.6582	7.5751	0.2272	10.4605	4.0400	0.2117	0.2329	0.0973	0.1929	0.0000	1.5303	
Nonhomestead	2.6582	7.5751	0.2272	10.4605	4.0400	0.2117	0.2329	0.0973	0.1929	0.0000	1.5303	
2020												
Homestead	2.6909	7.6577	0.2024	10.5510	4.0200	0.2104	0.3500	0.0965	0.1913	0.0000	1.5184	
Nonhomestead	2.6909	7.6577	0.2024	10.5510	4.0200	0.2104	0.3500	0.0965	0.1913	0.0000	1.5184	
2021												
Homestead	2.7457	7.7700	0.0353	10.5510	4.0132	0.2089	0.3470	0.0956	0.1897	0.0000	1.5057	
Nonhomestead	2.7457	7.7700	0.0353	10.5510	4.0132	0.2089	0.3470	0.0956	0.1897	0.0000	1.5057	
2022												
Homestead	2.8285	7.6895	0.033	10.5510	3.9686	0.2070	0.3431	0.0945	0.1945	0.9500	1.4891	
Nonhomestead	2.8285	7.6895	0.033	10.5510	3.9686	0.2070	0.3431	0.0945	0.1945	0.9500	1.4891	
2023												
Homestead	2.8157	7.6106	0.031	10.4573	3.9686	0.2070	0.3431	0.0945	0.1945	0.9500	1.4891	
Nonhomestead	2.8157	7.6106	0.031	10.4573	3.9686	0.2070	0.3431	0.0945	0.1945	0.9500	1.4891	
2024												
Homestead	2.6872	8.1326	0.0275	10.8473	3.9539	0.2062	0.6500	0.0941	0.1937	0.9464	1.4836	
Nonhomestead	2.6872	8.1326	0.0275	10.8473	3.9539	0.2062	0.6500	0.0941	0.1937	0.9464	1.4836	
2025												
Homestead	2.7416	8.5337	-	11.2753	3.9301	0.2050	0.6461	0.0935	0.1925	0.9407	1.4747	
Nonhomestead	2.7416	8.5337	-	11.2753	3.9301	0.2050	0.6461	0.0935	0.1925	0.9407	1.4747	

Michigan law restricts the maximum millage (reduced by Headlee) that may be levied by the City without a vote of our residents as follows:

Fiscal Year	Operating	Purpose	Debt
2025	3.6259	9.2030	No Limit

Source: City Assessing Department

Oakland Intermediate School District	Overlapping Taxes								Total Direct and Overlapping Rates by Resident's School District	
	Rochester Community School District				Avondale School District				Rochester Community Schools	Avondale Schools
	State Education Tax	Operating	Sinking	Debt	State Education Tax	Operating	Sinking	Debt		
3.3398	6.0000	-	0.0000	5.9000	6.0000	-	0.8000	7.3000	32.0619	34.2619
3.3398	6.0000	18.0000	0.0000	5.9000	6.0000	18.0000	0.8000	7.3000	50.0619	52.2619
3.3079	6.0000	-	0.0000	6.0000	6.0000	-	0.8000	7.3000	32.1088	34.2088
3.3079	6.0000	18.0000	0.0000	6.0000	6.0000	18.0000	0.8000	7.3000	50.1088	52.2088
3.2813	6.0000	-	0.0000	6.0100	6.0000	-	0.8000	7.3000	32.0754	34.1654
3.2813	6.0000	18.0000	0.0000	6.0100	6.0000	18.0000	0.8000	7.3000	50.0754	52.1654
3.2539	6.0000	-	0.0000	5.3000	6.0000	-	0.8000	7.3000	31.3195	34.1195
3.2539	6.0000	18.0000	0.0000	5.3000	6.0000	18.0000	0.8000	7.3000	49.3195	52.1195
3.2280	6.0000	-	1.4874	3.4800	6.0000	-	0.8000	7.3000	31.1330	34.2656
3.2280	6.0000	18.0000	1.4874	3.4800	6.0000	18.0000	0.8000	7.3000	49.1330	52.2656
3.2012	6.0000	-	1.4732	1.6400	6.0000	-	0.8000	7.3000	29.2255	34.2123
3.2012	6.0000	18.0000	1.4732	1.6400	6.0000	18.0000	0.8000	7.3000	47.2255	52.2123
3.1658	6.0000	-	1.4630	1.7600	6.0000	-	0.8000	7.3000	30.1866	35.0636
3.1658	6.0000	18.0000	1.4630	1.7600	6.0000	18.0000	0.8000	7.3000	48.1866	53.0636
3.1658	6.0000	-	1.4630	1.7600	6.0000	-	0.8000	7.3000	30.0929	30.0929
3.1658	6.0000	18.0000	1.4630	1.7600	6.0000	18.0000	0.8000	7.3000	34.9699	34.9699
3.1541	6.0000	-	1.4561	1.5200	6.0000	-	0.8000	7.3000	30.5054	35.6293
3.1541	6.0000	18.0000	1.4561	1.5200	6.0000	18.0000	0.8000	7.3000	48.5054	53.6293
3.1349	6.0000	-	1.4425	1.5200	6.0000	-	0.8000	7.3000	30.8553	35.9928
3.1349	6.0000	18.0000	1.4425	1.5200	6.0000	18.0000	0.8000	7.3000	48.8553	53.9928

Revenue Capacity Information

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2025			2016		
	(2024 Taxable Value)	Percentage of Total	Rank	(2015 Taxable Value)	Percentage of Total	Rank
Detroit Edison	\$ 40,206,190	0.85%	1	\$ 26,119,290	0.82%	1
Singh Properties	32,817,380	0.69%	2	24,721,800	0.78%	2
Vorh Assoc. LLC (The Village RH)	31,166,300	0.66%	3	21,225,210	0.67%	3
New Plan (Hampton Village Center)	23,755,570	0.50%	5	18,639,980	0.59%	4
Consumers Power	22,966,440	0.48%	4	13,290,830	0.42%	5
Ramco / Winchester Center LLC	16,555,010	0.35%	6	13,217,040	0.42%	6
Stuart Frankel	16,100,160	0.34%	8	12,063,880	0.38%	7
Good Will Co Inc. (Meijer)	15,263,090	0.32%	7			
Associate Estates Realty: Apartments	14,207,870	0.30%	9	11,411,010	0.36%	9
1185 River Oaks North, LLC (Solomon Properties)	13,698,020	0.29%	10			
Webasto Sunroof				11,837,640	0.37%	8
FANUC Robotics				10,119,270	0.32%	10
Subtotal	226,736,030	4.78%		162,645,950	5.11%	
Other	4,511,825,113	95.22%		3,019,502,180	94.89%	
Total	<u>\$ 4,738,561,143</u>	<u>100%</u>		<u>\$ 3,182,148,130</u>	<u>100%</u>	

Source: City Assessing Department

Revenue Capacity Information

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Levy	Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Percent of Levy Collected
2016	\$ 30,639,950	\$ 29,881,577	97.5%	\$ 592,519	\$ 30,474,096	99.46%
2017	31,700,451	30,867,846	97.4%	589,004	31,456,850	99.23%
2018	32,641,256	31,832,950	97.5%	631,005	32,463,955	99.46%
2019	34,078,209	33,372,612	97.9%	667,160	34,039,772	99.89%
2020	35,671,045	34,959,544	98.0%	692,481	35,652,025	99.95%
2021	37,487,833	36,560,159	97.5%	803,495	37,363,654	99.67%
2022	38,679,430	37,894,895	98.0%	745,410	38,640,305	99.90%
2023	40,891,966	39,823,770	97.4%	698,965	40,522,735	99.10%
2024	42,981,084	41,896,645	97.5%	753,482	42,650,127	99.23%
2025	47,967,508	45,506,110	94.9%	1,092,414	46,598,524	97.15%

Source: City of Rochester Hills

CITY OF ROCHESTER HILLS, MICHIGAN

Debt Capacity Information

Ratios of Outstanding Debt

Last Ten Fiscal Years

	2016	2017	2018	2019	2020
Governmental Activities					
General obligation bonds	\$ 7,785,000	\$ 5,925,000	\$ 4,550,000	\$ 3,065,000	\$ 1,585,000
County contractual obligations	2,870,000	2,400,000	1,910,000	1,430,000	1,045,000
Subscription liabilities	-	-	-	-	-
Unamortized premium on refunding bonds/notes	175,567	131,804	99,866	67,928	35,989
Total	10,830,567	8,456,804	6,559,866	4,562,928	2,665,989
Capital Leases					
Capital lease-office equipment	26,842	5,426	-	-	-
Business-type Activities					
County contractual obligations	17,439,513	16,448,824	15,439,589	14,423,670	13,364,642
Unamortized premium on refunding bonds/notes	10,257	8,545	6,836	5,127	3,418
Total	17,449,770	16,457,369	15,446,425	14,428,797	13,368,060
Total debt of the government	\$ 28,307,179	\$ 24,919,599	\$ 22,006,291	\$ 18,991,725	\$ 16,034,049
Total taxable value	\$ 3,182,148,130	\$ 3,225,294,400	\$ 3,321,014,620	\$ 3,467,214,250	\$ 3,632,970,260
Ratio of total debt to taxable value	0.890%	0.773%	0.663%	0.548%	0.441%
Total population	72,791	74,334	74,556	74,764	75,013

Schedule 9
UNAUDITED

2021	2022	2023	2024	2025
\$ -	\$ -	\$ -	\$ -	\$ -
855,000	655,000	445,000	225,000	-
-	-	773,143	565,075	317,117
560	420	280	140	-
<u>855,560</u>	<u>655,420</u>	<u>1,218,423</u>	<u>790,215</u>	<u>317,117</u>
-	-	-	-	-
12,282,586	11,236,450	10,328,357	16,076,448	19,026,772
1,709	-	-	-	-
<u>12,284,295</u>	<u>11,236,450</u>	<u>10,328,357</u>	<u>16,076,448</u>	<u>19,026,772</u>
<u>\$ 13,139,855</u>	<u>\$ 11,891,870</u>	<u>\$ 11,546,780</u>	<u>\$ 16,866,663</u>	<u>\$ 19,343,889</u>
\$ 3,785,426,246	\$ 3,903,385,710	\$ 4,123,961,640	\$ 4,421,012,510	\$ 4,738,561,143
0.347%	0.305%	0.280%	0.382%	0.408%
76,300	76,300	76,300	77,186	78,820

Debt Capacity Information

Ratios of Debt Outstanding

Last Ten Fiscal Years

Fiscal Year	Tax Year	State Equalization Value	Population	General Bonded Debt Obligations Outstanding (1)	Other Debt Obligations Outstanding (2)	Total Debt Obligation Outstanding	Obligation Debt to Taxable Value	Obligation Debt per Capita
2016	2015	\$ 3,685,978,280	72,791	\$ 7,938,349	\$ 2,892,218	\$ 10,830,567	0.29%	\$ 148.79
2017	2016	3,946,392,170	74,334	6,038,219	2,418,585	8,456,804	0.21%	113.77
2018	2017	4,096,310,520	74,556	4,634,914	1,924,952	6,559,866	0.16%	87.99
2019	2018	4,219,469,370	74,764	3,132,928	1,430,000	4,562,928	0.11%	61.03
2020	2019	4,463,490,790	76,300	1,620,989	1,045,000	2,665,989	0.06%	34.94
2021	2020	4,723,510,276	76,300	-	855,560	855,560	0.02%	11.21
2022	2021	4,907,374,840	76,300	-	655,420	655,420	0.01%	8.59
2023	2022	5,146,817,230	76,300	-	1,218,423	1,218,423	0.02%	15.97
2024	2023	5,624,122,950	77,186	-	790,215	790,215	0.01%	10.24
2025	2024	6,264,208,633	78,820	-	317,117	317,117	0.01%	4.02

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 debt obligations outstanding includes County contractual obligations and subscription liabilities.

Debt Capacity Information

Direct and Overlapping Governmental Activities Debt
As of December 31, 2025

Government Unit	Debt Outstanding Fiscal Year 2025	City Share as Percentage of Gross	Net City Share Fiscal Year 2025
Direct debt:			
Subscription liabilities	\$ 317,117	100.00%	\$ 317,117
Overlapping debt:			
Rochester School District	47,040,000	56.59%	26,619,936
Avondale School District	126,547,427	48.53%	61,413,466
Oakland County at Large	120,305,128	5.85%	7,037,850
Oakland Intermediate School District	36,680,000	5.89%	2,160,452
Total overlapping debt	330,572,555		97,231,704
Total	<u>\$ 330,889,672</u>		<u>\$ 97,548,821</u>

Direct debt is the outstanding long-term debt of the City.

Overlapping debt figures supplied by Municipal Advisory Council of Michigan.

The percentage of overlapping 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 and dividing it by that governmental unit's total taxable value.

CITY OF ROCHESTER HILLS, MICHIGAN

Debt Capacity Information

Legal Debt Margins

Last Ten Fiscal Years

	2016	2017	2018	2019
Debt Limit				
State equalized valuation	\$ 3,685,978,280	\$ 3,946,392,170	\$ 4,096,310,520	\$ 4,219,469,370
Debt limit (10 percent of State equalized valuation)	10%	10%	10%	10%
Total debt limit	<u>368,597,828</u>	<u>394,639,217</u>	<u>409,631,052</u>	<u>421,946,937</u>
Debt Subject to Debt Limit				
Total debt	<u>28,307,179</u>	<u>24,919,649</u>	<u>22,006,291</u>	<u>18,991,725</u>
Legal Debt Margin	\$ 340,290,649	\$ 369,719,568	\$ 387,624,761	\$ 402,955,212
Net Debt Subject to Limit as Percentage of Debt Limit	7.68%	6.31%	5.37%	4.50%

Schedule 12
UNAUDITED

2020	2021	2022	2023	2024	2025
\$ 4,463,490,790 10%	\$ 4,723,510,276 10%	\$ 4,907,374,840 10%	\$ 5,146,817,230 10%	\$ 5,624,122,950 10%	\$ 6,264,208,633 10%
<u>446,349,079</u>	<u>472,351,028</u>	<u>490,737,484</u>	<u>514,681,723</u>	<u>562,412,295</u>	<u>626,420,863</u>
<u>16,034,049</u>	<u>13,139,855</u>	<u>11,891,870</u>	<u>11,891,870</u>	<u>16,866,663</u>	<u>19,343,889</u>
\$ 430,315,030	\$ 459,211,173	\$ 478,845,614	\$ 502,789,853	\$ 545,545,632	\$ 607,076,974
3.59%	2.78%	2.42%	2.31%	3.00%	3.09%

CITY OF ROCHESTER HILLS, MICHIGAN

Debt Capacity Information

Pledged-revenue Coverage

Last Ten Fiscal Years

Fiscal Year	Water and Sewer Revenue						Coverage
	Operating Revenue	Operating Expenses (1)	Net Operating Income	Debt Service			
				Principal	Interest		
2016	\$ 34,941,271	\$ 27,139,135	\$ 7,802,136	\$ 978,184	\$ 423,212	5.57	
2017	34,402,344	28,553,493	5,848,851	990,689	409,257	4.18	
2018	35,246,493	28,789,418	6,457,075	1,009,235	386,690	4.63	
2019	33,956,499	29,039,484	4,917,015	1,022,385	364,092	3.55	
2020	36,269,975	28,866,349	7,403,626	1,059,028	312,378	5.40	
2021	34,080,448	29,476,772	4,603,676	1,082,056	289,527	3.36	
2022	36,356,551	30,519,980	5,836,571	1,046,136	265,686	4.45	
2023	35,707,594	30,826,284	4,881,310	908,093	244,924	4.23	
2024	37,361,411	30,404,130	6,957,281	929,693	225,049	6.02	
2025	40,636,042	32,708,894	7,927,148	950,855	230,257	6.71	

(1) Operating expenses net of depreciation.

Note: Details regarding outstanding debt can be found in Note 10 of the financial statements.

Schedule 13
 UNAUDITED



Special Assessment Bonds				
Special Assessment Collections	Debt Service		Coverage	
	Principal	Interest		
\$ 18,024	\$ 275,000	\$ 12,925	0.06	
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

Demographic and Economic Information

Housing Profile

Last Ten Fiscal Years

Fiscal Year	Population		Personal Income (in Thousands)	Per Capita Personal Income	Annual Unemployment Rate		City Housing Profile Number of Units (4)
2016	72,791	(2)	(1)	(1)	3.5	(6)	31,227
2017	74,334	(2)	(1)	(1)	2.6	(5)	31,380
2018	74,556	(2)	(1)	(1)	2.7	(5)	31,786
2019	74,764	(2)	(1)	(1)	2.4	(5)	31,703
2020	76,300	(3)	(1)	(1)	6.6	(5)	31,970
2021	76,300	(3)	(1)	(1)	2.7	(5)	32,036
2022	76,300	(3)	(1)	(1)	2.1	(5)	31,969
2023	76,300	(3)	(1)	(1)	2.2	(5)	34,169
2024	77,186	(2)	(1)	(1)	3.1	(5)	35,375
2025	78,820	(2)	(1)	(1)	3.1	(5)	35,404

(1) Information not available

(2) Source: SEMCOG Monthly Population and Households Estimated Growth Population'

(3) Source: U.S. Bureau of the Census (2020 is the most recent year data is available)

(4) Source: Rochester Hills Assessing Department

(5) Source: U.S. Department of Labor-Bureau of Labor Statistics

(6) Source: Michigan Department of Technology, Management, and Budget

Demographic and Economic Information

Principal Employers

Current Year and Nine Years Ago

2025 Rank	Principal Employers	2025 Employees	Percentage of Total	2016 Employees	Percentage of Total	2016 Rank
1	Oakland University	2,349	6.22%	2,330	6.08%	1
2	Rochester Community Schools	1,900	5.03%	1,341	3.50%	2
3	Henry Ford Rochester Hospital	1,900	5.03%	1,115	2.91%	3
4	FANUC America Corp.	878	2.32%	900	2.35%	4
5	A. Raymond Group	462	1.22%	425	1.11%	6
6	Molex	396	1.05%			
7	City of Rochester Hills	286	0.76%			
8	Kostal Kontakt	181	0.48%			
9	3 Dimensional Services	175	0.46%	252	0.66%	9
10	Prefix Corporation	138	0.37%			
	AIR-Rochester	121	0.32%			
	Webasto Roof Systems			538	1.40%	5
	Wright & Filippis			321	0.84%	7
	Lear Corporation			280	0.73%	8
	Henry Ford Health System			280	0.73%	8
	Accurate Gauge			222	0.58%	10
	Total Employed	37,775				

Source: City Planning Department & Bureau of Labor & Statistics

Demographic and Economic Information

Construction Activity
Last Ten Fiscal Years

Fiscal Year	Total Building Permits	Total Construction Valuation
2016	757	\$ 165,000,000
2017	1,027	181,448,139
2018	709	108,692,609
2019	669	104,140,209
2020	728	129,124,278
2021	1,242	219,794,297
2022	1,343	163,014,097
2023	1,100	91,757,700
2024	1,465	106,448,231
2025	1,929	118,823,853

Source: City Building Department

Demographic and Economic Information

Miscellaneous Demographics

Population (1)		2020 Industry (2)	
2020 U.S. Census	76,300	Natural Resources, Mining & Construction	1,710
2010 U.S. Census	70,995	Manufacturing	4,998
2000 U.S. Census	68,825	Wholesale trade	2,056
1990 U.S. Census	61,766	Retail trade	5,170
		Transportation, warehousing, and utilities	1,024
		Information & Financial Activities	4,522
		Professional & Technical Services & Corporate HQ	4,081
		Administrative, Support & Waste Services	2,539
		Education Services	2,431
		Healthcare Services	6,112
		Leisure & Hospitality	2,858
		Other Services	2,091
		Public administration	226
		Total	39,818

2020 Income Characteristics (2)		2020 Educational Characteristics (2)	
Household Income	Number of Households	Years of School Completed	Persons 25 and Over
Less than \$10,000	668	Did not graduate high school	3.20%
\$10,000 - \$14,999	425	High school graduate	15.00%
\$15,000 - \$24,999	1,529	Some college, no degree	14.70%
\$25,000 - \$34,999	1,653	Associate's degree	8.20%
\$35,000 - \$49,999	2,358	Bachelor's degree	31.80%
\$50,000 - \$74,999	3,775	Graduate or professional degree	27.10%
\$75,000 - \$99,999	4,049		
\$100,000 - \$149,999	6,166		
\$150,000 - \$199,999	3,641		
\$200,000 or more	4,502		

2020 Residential Characteristics (2)		2020 Age Statistics (2)		2020 Race and Hispanic Statistics (2)	
		Years		Non-Hispanic	
Single Family	66.70%	Under 5	6.50%	White	72.00%
Multi Family	28.80%	5 to 19	20.10%	Black	3.60%
Mobile Homes	4.50%	20 to 24	5.80%	Asian	15.10%
		25 to 44	26.40%	Multi-Racial	4.00%
		45 to 64	26.30%	Other	0.60%
		Over 64	14.90%	Hispanic	4.70%

Note: 2020 is the most recent year data is available

(1) U.S. Census Bureau

(2) SEMCOG Community Profiles



innovative *by* nature

Operating Information

Full-time Equivalent Government Employees
Last Ten Fiscal Years

Function/Program	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General government:										
Mayor	11	11	13	13	13	13	14	15	14	15
Clerks and election	7	7	7	6	6	8	8	8	8	8
Accounting	8	8	8	8	7	8	7	8	8	8
Assessing	7	6	6	6	5	7	7	7	5	7
Human resources	4	4	3	4	5	5	5	5	5	5
Treasury	3	3	3	3	3	3	3	3	3	3
Planning and zoning	5	5	4	6	6	6	6	6	5	5
Parks and museum	14	14	14	14	10	10	12	12	13	13
Management information systems	8	8	5	7	6	8	7	7	5	6
Cemetery	1	2	2	2	2	2	2	2	2	2
Public safety:										
Police services (contracted officers)	58	58	60	60	60	60	62	63	65	65
Police administration (contracted)	2	2	2	2	2	2	2	2	2	2
Fire and EMS	43	51	49	47	60	60	60	60	69	70
Building	13	13	11	12	13	14	16	15	14	14
Ordinance enforcement	5	5	5	5	5	3	5	5	5	7
Public works:										
Department of public service	57	58	59	58	59	63	61	62	64	67
Natural resources	4	4	6	6	6	6	6	6	6	6
Grounds maintenance	-	-	-	-	5	5	5	7	7	8
Fleet	7	6	7	8	7	7	7	8	6	8
Facilities	7	8	7	8	8	8	9	8	8	9
Total	264	273	271	275	288	298	304	309	314	328

Source: City Accounting Division

CITY OF ROCHESTER HILLS, MICHIGAN

Operating Information

Operating Indicators by Function

Last Ten Fiscal Years

Function/Program	2016	2017	2018	2019	2020	2021
Election:						
Number of elections	3	1	2	2	3	1
Registered voters	53,454	52,712	53,209	54,492	58,225	57,794
New registrations	5,537	1,934	1,393	416	3,733	707
Building:						
Permits issued	6,811	5,429	3,361	3,784	3,574	5,030
Inspections	12,428	17,522	15,157	13,173	11,560	16,648
Parks and recreation:						
Park vehicle counts	313,290	331,980	406,173	354,289	488,073	528,945
Clinton River & Paint Creek Trail Person Counts	-	-	-	-	-	-
Museum vehicle counts	61,279	58,290	66,546	84,573	30,840	20,616
Forestry - Tree inventory	19,081	19,208	19,348	19,440	19,594	20,068
Major roads:						
Winter material applied - Salt (in tons)	1,944	1,674	1,505	1483.78	1158.80	1156.23
Other material applied to major roads (in tons)	40	78	97	49.36	43.11	35.29
Linear feet of ditches cleaned - Major roads	-	290	-	60.00	80.00	0.00
Local streets:						
Pothole repair - Solvex applied (in tons)	38	45	39	31	42.17	13.98
Other material applied to local streets (in tons)	109	232	189	418.22	454.86	149.70
Winter material applied (in tons)	1,317	1,435	1,266	1337.48	1403.57	1139.17
Fire:						
Fire inspections & Reviews	882	1,227	1,140	661	1,267	2,210
Number of fires	136	146	113	102	124	110
Number of rescues and Emergency Medical Service	4,781	5,553	5,961	6,183	5,701	6,330
Number of community education programs	622	430	1,609	202	388	559
Number of participants in education programs	6,480	7,062	6,410	8,337	5,083	6,966
Police (contracted services) - Dispatched calls for service	33,489	33,614	34,579	34,354	30,740	36,162
Patrol investigators -						
Criminal activity - New cases	1,350	1,354	1,081	1,026	977	1,031
Uniformed patrol -						
Criminal activity - New cases	628	626	744	687	505	524
Crime statistics:						
Part A crimes	1,427	1,311	1,249	1,211	998	1,016
Part B crimes	343	501	445	366	315	245
Part C crimes (Miscellaneous)	31,414	30,490	32,059	30,827	30,956	36,023
Water and sewer:						
Water and sewer utility billings	143,667	144,823	146,299	147,185	145,488	145,689
Water sales (million cubic feet)	333	306	308	284	321	285
Meter reads	206,757	206,997	210,832	212,394	213,905	215,521
Meter installations	733	967	1,316	1,488	653	625
Water purchased (million cubic feet)	356	325	326	302	348	314

Source: City of Rochester Hills

Schedule 19
UNAUDITED

2022	2023	2024	2025
2	1	3	1
59,356	59,121	60,933	59,562
848	3,946	5,448	4,354
5,332	4,284	5,100	1,831
17,969	16,950	16,550	14,735
478,705	523,101	576,879	695,063
-	-	-	272,640
34,918	33,487	24,411	29,666
20,209	19,684	20,586	20,206
1178.41	1212.74	734.53	1574.92
30.62	29.23	25.08	43.41
350.00	0.00	0.00	0.00
20.00	12.45	19.16	18.10
195.33	32.00	88.19	311.31
1000.48	763.34	817.95	2212.57
1,508	1,696	2,284	2,432
107	109	95	108
6,653	7,080	7,588	7,003
240	662	338	174
4,048	10,760	8,578	8,460
39,256	43,089	43,529	37,398
1,077	1,086	1,143	1,132
594	607	497	585
1,247	1,377	1,125	1,144
469	564	380	268
36,427	40,687	41,796	37,714
147,576	146,797	146,803	146,044
311	290	279	317
217,003	218,478	219,307	219,691
623	441	439	517
346	321	324	341

CITY OF ROCHESTER HILLS, MICHIGAN

Operating Information

Capital Asset Statistics

Last Ten Fiscal Years

Function/Program	2016	2017	2018	2019	2020	2021
General government:						
Buildings - City Hall	1	1	1	1	1	1
Cemetery	1	1	1	1	1	1
Acreage	55.14	55.14	55.14	55.30	55.30	55.75
Public safety:						
Police station	1	1	1	1	1	1
Fire:						
Stations	5	5	5	5	5	5
Fire response vehicles	22	22	22	22	22	22
Emergency response vehicles	10	10	10	10	10	10
Public works:						
Buildings	3	3	3	3	3	3
Streets (miles):						
Miles of major roads (actual)	38.61	38.61	47.80	47.84	47.84	48.68
Miles of local streets (actual)	219.14	219.61	240.33	240.46	240.59	240.34
Water:						
Mains (miles)	434	435	438	442	442.36	444.37
Gate valves	4696	4,658	4,745	4,755	4,768.00	4,797
Hydrants	5002	5,020	5,068	5,071	5,084.00	5,116
Sewer:						
Miles of sanitary sewers	325.25	326.40	327.50	328	328.93	330.36
Miles of storm sewers	49.43	49.90	50.80	53.03	54.84	55.80
Manholes - Sanitary	8009	8,062	8,065	8,083	8,104	8,193
Manholes - Storm	767	767	769	802	817	820
Inlets and catch basins	5329	5,363	5,367	5,465	5,532	5,552
Parks and recreation:						
Major/Community parks:						
Buildings	19	19	19	19	19	19
Acreage	582.7	582.7	582.7	582.7	582.7	582.7
Developed parks/playgrounds	8	8	8	8	8	8
Developed fields (soccer, baseball, etc.)	21	21	21	21	21	21
Neighborhood parks:						
Acreage	23.6	23.6	23.6	23.6	24.1	24.1
Developed parks/playgrounds	1	1	1	1	2	2
Developed fields (soccer, baseball, etc.)	2	2	2	2	2	2
Buildings	-	-	-	-	1	1
Special use parks:						
Buildings	9	9	9	9	9	9
Acreage	318.17	318.17	318.17	318.17	318.17	318.17
Museums	1	1	1	1	1	1
Education centers	1	1	1	1	1	1
Golf courses	1	1	1	1	1	1
Veteran's Memorial Pointe	1	1	1	1	1	1
Linear Parks:	71.8	71.8	71.8	71.8	71.8	71.8
Natural Resource Areas:	122.80	122.80	127.24	127.24	127.24	127.24
Total park acreage	1,119.05	1,119.05	1,123.49	1,123.49	1,123.99	1,123.99
Number of parks	11	11	11	11	15	15

Source: City Departments

Schedule 20
UNAUDITED

2022	2023	2024	2025
1	1	1	1
1	1	3	3
55.75	55.75	55.75	55.75
1	1	1	1
5	5	5	5
22	22	22	18
10	10	10	17
3	3	3	3
49.04	49.04	49.04	49.36
240.42	240.42	240.44	240.12
445.63	446.10	446.50	446.57
4,816	4,832	4,841	4,850
5,133	5,156	5,205	5,207
331.18	331.43	331.49	331.72
56.13	61.76	62.23	62.42
8,212	8,216	8,220	8,226
820	1,009	1,009	1,011
5,559	5,710	5,715	5,745
19	20	20	23
582.7	582.7	582.68	582.68
8	9	9	9
21	21	21	21
24.1	35.5	44.90	44.90
2	2	2	3
2	2	2	2
1	1	1	1
9	9	9	10
318.17	325.26	326.21	326.21
1	1	1	1
1	1	1	1
1	1	1	1
1	1	1	1
71.8	71.8	71.80	71.80
137.43	142.04	142.04	142.04
1,134.18	1,157.30	1,167.63	1,167.63
15	15	15	16

Operating Information

State-shared Revenue and Gas and Weight Tax
Last Ten Fiscal Years

State-shared Revenue				
Fiscal Year Ended December 31	Modified Accrual Basis of Accounting		Accrual Basis of Accounting	
2016	\$	5,606,535	\$	5,660,822
2017		6,069,401		6,089,238
2018		6,272,050		6,272,050
2019		6,523,340		6,523,340
2020		6,506,665		6,506,665
2021		7,554,613		7,554,613
2022		9,267,828		9,267,828
2023		8,517,300		8,517,300
2024		8,487,235		8,487,235
2025		8,765,306		8,765,306

Gas and Weight Tax					
Fiscal Year Ended December 31	Type of Street			Total Gas and Weight Tax (Act 51) Receipts	
	Major	Local			
2016	\$	3,564,630	\$	1,359,222	\$ 4,923,852
2017		4,646,727		1,772,992	6,419,719
2018		5,011,557		1,906,176	6,917,733
2019		5,570,879		2,119,903	7,690,782
2020		5,619,647		2,137,492	7,757,139
2021		6,237,786		2,363,471	8,601,257
2022		6,663,776		2,505,091	9,168,867
2023		7,207,969		2,723,152	9,931,121
2024		7,331,068		2,739,444	10,070,512
2025		7,312,074		2,739,440	10,051,514

Source: City Accounting Division

Operating Information

Labor Agreements

Name	Contract Expiration Date	Full-Time Employees Covered
Union Employees		
Office/Technical/Public Works Employees AFSCME, Local 2491, Council 25	12/31/2027	131
Public Works/Parks-Supervisory AFSCME, Local 1917.28, Council 25	12/31/2025	11
Fire Fighters International Association of Fire Fighters, Local 3472	12/31/2027	65
Paid on Call / Part-Time Fire Fighters Michigan Association of Fire Fighters	12/31/2025	5
Non-union Employees		
Mayor	N/A	1
Department Directors	N/A	10
Technical/Professional/Management	N/A	43

Source: Fiscal Division



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INTERNAL CONTROL AND COMPLIANCE



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

April 27, 2026

Honorable Mayor and City Council
City of Rochester Hills, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Rochester Hills, Michigan** (the "City"), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 27, 2026. Our report includes a reference to other auditors who audited the financial statements of the Older Persons' Commission, a component unit of the City, as described in our report on the City's financial statements. The financial statements of the Older Persons' Commission were not audited in accordance with *Government Auditing Standards*.

Report on Internal Control Over Financial Reporting

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

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

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



Report on Compliance and Other Matters

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

Purpose of this Report

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

Rehmann Johnson LLC