

Comprehensive Annual Financial Report

**of the City of Rochester Hills
Oakland County, Michigan**

For the Fiscal Year Ended December 31, 2012

Elected Officials:

Mayor

Bryan K. Barnett

City Council President

Greg Hooper

City Council Vice-President

Michael Webber

City Council Members

Nathan Klomp

Adam Kochenderfer

James Rosen

Mark Tisdell

Ravi Yalamanchi

Prepared By: Accounting and Fiscal Divisions



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City of Rochester Hills, Michigan

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Introductory Section



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April 15, 2013

Bryan K. Barnett
Mayor

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

City Council

Ravi Yalamanchi
District 1

Adam Kochenderfer
District 2

Greg Hooper
District 3

Nathan Klomp
District 4

James Rosen
At-Large

Mark Tisdell
At-Large

Michael Webber
At-Large

We are pleased to submit the Comprehensive Annual Financial Report for the City of Rochester Hills (the "City") for the year ended December 31, 2012, in accordance with state law and the City Charter. 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 Comprehensive Annual Financial Report (CAFR) 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 principals (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 designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

Profile of 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 71,000 and comprises an area of 32.2 square miles. The City employs approximately 203 full-time employees and 57

contracted law enforcement officers. 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 1,000 acres of parkland affording the community with endless recreation opportunities. The Older Persons 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 and home to one of Michigan's eleven SmartZones. The City's business cluster includes a concentration of automotive, 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 new 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 economic environment has created many challenges as well as provided the City with many new opportunities. As it has in the past, the City continues to address the current economic environment by conservatively forecasting revenues and expenditures five years into the future and by establishing a three year budget.

Michigan's economy still faces many challenges especially with its current unemployment levels that are also putting excess stress on housing which has caused a decline in housing values. Michigan's economy is improving but may not see full recovery for several more years.

With the State of Michigan's economy still facing its own challenges it becomes even more difficult for the City to project revenue received from the State especially state shared revenue. However, in 2012 the City did see its state-shared revenue increase by \$179,835. This increase was due to increased sales tax revenue at the State level. Even through the City saw an increase in state shared revenue for 2012, it is still a total decline in state shared revenue since 2001 of over \$1.3 million, or 20 percent. The overall loss of state shared revenue (over past periods), housing value decline

and new building construction activities improving, but still at lower levels, has made it challenging for the City to continue to provide quality services with reduced revenue.

The local tax base of the City of Rochester Hills is diversified with residential property comprising 74.60 percent, commercial property comprising 14.84 percent, industrial property representing 4.67 percent, and personal property (business equipment, furniture, and machinery) consisting of 5.90 percent. No one taxpayer exceeds 1 percent of the total tax roll and the total of the top 10 taxpayers account for less than 6 percent of the total tax roll. The following table illustrates the specific diversity of the City's tax base:

Single-family homes	18,829 homes
Condominiums	4,061 units
Low-income/senior citizen (11 buildings)	1,415 units
Rental apartments (16 complexes)	4,590 units
Mobile home parks (2 locations)	1,392 sites
Shopping centers	46 centers
Hotel/motels (2 buildings)	236 rooms
Office space	103 buildings
Commercial	355 buildings
Light industrial	387 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 2012 budget:

	2011	
By Class	Taxable Value	Percent
Real Property	\$ 2,816,848,843	94.10%
Personal Property	176,466,320	5.90%
Total	<u>\$ 2,993,315,163</u>	<u>100.00%</u>
By Use		
Residential	\$ 2,232,908,563	74.60%
Commercial	444,293,600	14.83%
Industrial	139,646,680	4.67%
Personal Property	176,466,320	5.90%
Total	<u>\$ 2,993,315,163</u>	<u>100.00%</u>

Major Initiatives

Major Roads – Major road funding continues to plan, design, acquire right-of-way, construct, and improve the 38 actual miles of major road network and coordinate improvements with the Road Commission of Oakland County and the State of Michigan’s road systems within the City limits. In 2012, the Major Road Fund had expenditures of \$1.2 million in capital outlay.

Local Streets – Funding for the City’s local street system continues to be a challenge for the City. The residents of Rochester Hills approved a local street millage that generated \$1 million in tax revenue for the 2012 fiscal year. The City’s Administration, working with the City Council, continues to work toward a long-term local street funding strategy that will address future funding needs. The City has 219 actual miles of paved local streets and 24 actual miles of gravel streets. In 2012, the General Fund transferred over \$2.7 million and Major Road Fund transferred over \$1.4 million for local street preservation and winter maintenance.

Special Police - The City’s citizen funding committee is looking for funding solutions that will ensure a stable revenue source to support efficient and effective police services for the community. In 2012, based on recommendations of this committee, City Council put a ballot question before voters to replace the General Fund funding for Police Services with a dedicated millage. Voters approved the proposal and also renewed two mileages currently used to fund Police Services. Starting in Fiscal Year 2015, Police Services will be supported by their own dedicated millage and will no longer need General Fund’s support. In 2012, the General Fund transferred over \$4.7 million to the Special Police Fund to offset its operational expenditures.

Fire Fund – The Fire Fund continues to be committed to preserving life, protecting property, and preventing harm to our environment, for our residents, businesses, and visitors through “Excellence in Service.” The Fire Department continues to devote their efforts to community awareness, increased use of technology, staff training, and partnering with neighboring departments and agencies.

Capital Improvement Plan - In accordance with State of Michigan Planning Act 285, the Rochester Hills Planning Commission adopts a 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 drainage, major and local streets, parks, pathways, water and sewer, and city-owned facilities. The plan also includes internal infrastructure projects necessary to government operations that deliver services to our residents.

The 2013-2018 Capital Improvement Plan was adopted by the City of Rochester Hills Planning Commission. Currently, the commission is reviewing the 2014-2019 Plan as part of the 2014-16 budget process. Significant capital projects include:

- Drain extensions
- Pedestrian pathway rehabilitation and construction
- Major road construction
- Local street improvements and replacements
- Water and sewer rehabilitations and improvements
- Park improvements and development
- City-wide facilities
- Fleet and technology replacement

Long-range Financial Planning - The City will continue to improve and build upon its long-range financial planning process. In 1995, the City developed a five-year financial model that continues to be a valuable tool for the City. 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 and 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.

In addition to long-range financial planning, the City has adopted the following financial policies to help guide financial decision-making:

Debt Policy - Subject to applicable provisions of state statutes and the City Charter, the City Council, by resolution, may authorize the borrowing of money for any allowable purpose. The City's general obligation bonded debt is subject to a legal limitation of 10 percent of real and personal property state equalized value. In addition, under current state statutes, the City's special assessment bond debt is subject to a legal limitation of 12 percent of real and personal property state equalized value. The City Council has adopted a Debt Management Policy to help guide the issuance and management of current debt offerings.

Pension and Postemployment Benefits - The City provides pension benefits for substantially all its full-time employees, members of the City Council, and paid on-call firefighters, through a defined contribution plan. Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings on contributions. The City makes bi-weekly contributions to the plan and the plan is fully funded.

The City has established a retiree health care benefit program, which is comprised of a health savings plan and a supplemental benefit program. Full-time employees who have completed their probation period are eligible for the health savings plan. The City contributes to the health savings plan on a bi-weekly basis and the plan is fully funded. The City has established a Retiree Health Care Benefit Trust to provide

assistance for postemployment health care insurance premiums for certain eligible employees qualifying for the supplemental benefit program. As of the January 1, 2012 Actuarial Report, the City fully funded the supplemental benefit program.

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 Comprehensive Annual Financial Report for the fiscal year ended December 31, 2011. This was the 24th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current Comprehensive Annual 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.

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 Fiscal and assistance from the Treasury Department. 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 Plante & Moran, PLLC, which made a substantial contribution and assisted with the interpretation, guidance, review, and preparation of this document.

Respectfully submitted,



Pamela Lee
City Accountant



Keith Sawdon
Finance Director

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Rochester Hills
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

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



Christopher P. Moynell

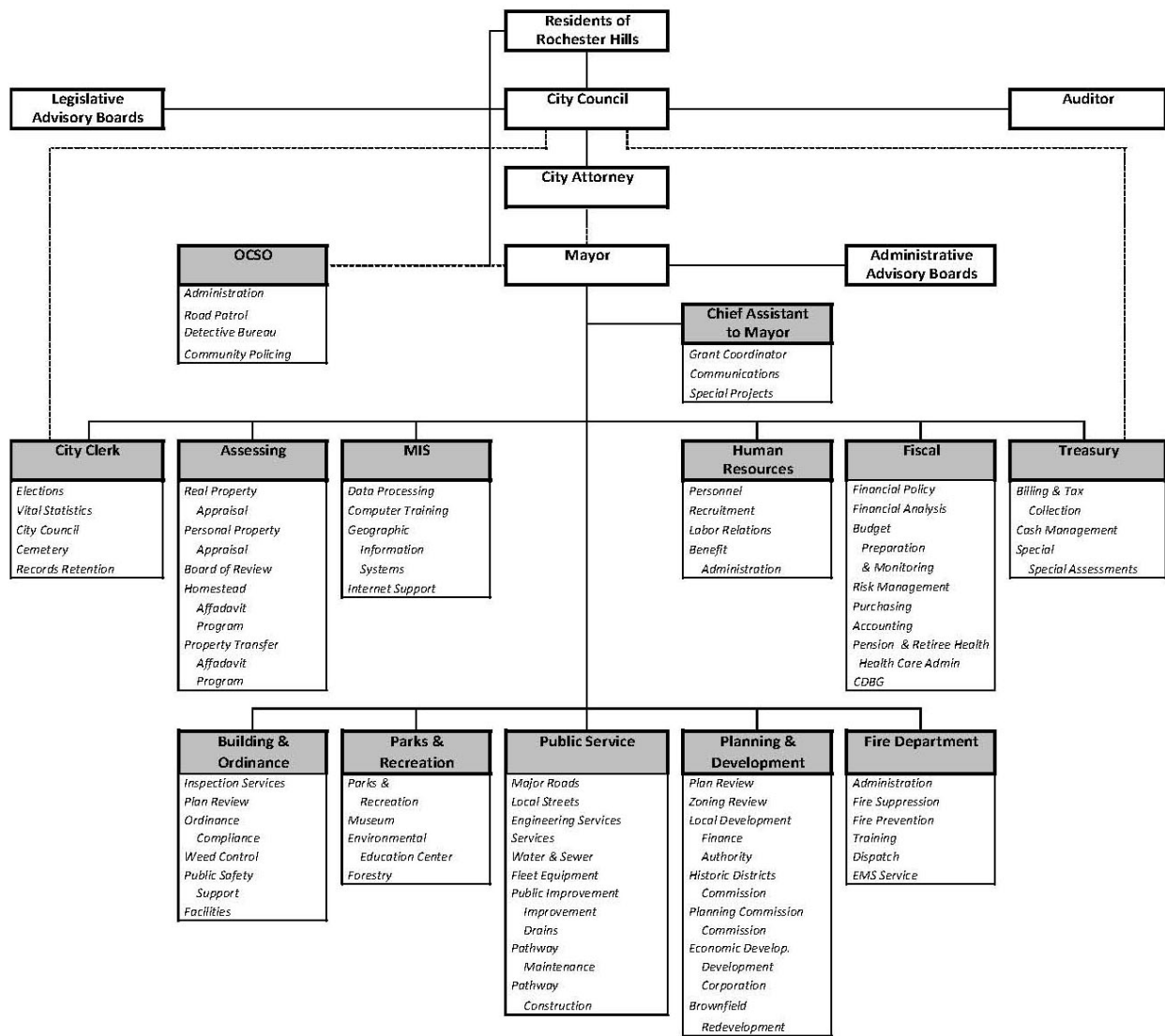
President

Jeffrey R. Egan

Executive Director

City of Rochester Hills, Michigan

Citywide Organizational Chart



City of Rochester Hills, Michigan

List of Principal Officials Year Ended December 31, 2012

Edward Anzek	Director of Planning & Development
Scott Cope	Director of Building
Ronald Crowell	Fire Chief
Kurt Dawson	Director of Assessing/City Treasurer
Pamela Gordon	Director of Human Resources
Bob Grace	Director of Management Information Systems
Michael Hartner	Director of Parks/Forestry
Captain Michael Johnson	Command Officer, Oakland County Sheriff's Office - Rochester Hills Contingent
Tina Barton	City Clerk
Keith Sawdon	Director of Finance
Allan Schneck	Director of Public Services/Engineering



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Financial Section



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rochester Hills, Michigan, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Rochester Hills, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Rochester-Avon Recreation Authority were not audited under Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rochester Hills, Michigan as of December 31, 2012, and the respective changes in its financial position, and, where applicable, cash flows, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the major fund budgetary comparison schedules on pages 73-78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rochester Hills, Michigan's basic financial statements. The combining nonmajor fund financial statements, introductory section, nonmajor fund budgetary comparison schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are 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. Such 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 nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, nonmajor fund budgetary comparison schedules, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 15, 2013 on our consideration of the City of Rochester Hills, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Rochester Hills, Michigan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

April 15, 2013

City of Rochester Hills, Michigan

Management's Discussion and Analysis

The City of Rochester Hills, Michigan's (the "City") management's discussion and analysis (MD&A) is a narrative overview of the City's financial activities and performance for the fiscal year ended December 31, 2012. Please read it in conjunction with the City's financial statements and notes to the financial statements.

Government-wide Statements

The MD&A is followed by the City's basic financial statements, which are comprised of two sections. The first two statements, entitled government-wide statement of net assets followed by the government-wide statement of activities, are financial statements that represent the City as a whole and provide a long-term perspective regarding the City's overall financial status. The statement of net assets includes all of the City's assets and liabilities as described in Notes 5 and 7, respectively, to the financial statements. The difference between the City's assets and liabilities is "net position," which is a way to measure the financial health of the City as it fluctuates from one year to the next. The statement of activities reports all of the current year's earned revenue and accrued expenses, regardless of when cash is received or paid and represents the change in net position from one year to the next.

The City's activities are separated into three categories: governmental and business-type activities, which represent the City's total financial performance, followed by the component unit financial information.

- The governmental activities column reports the City's basic services, including general administration, fire, police, public works, and parks and recreation.
- Business-type activities represent those activities for which the City charges fees to customers to cover the cost of services. The City's water and sewer system is the only business-type activity reported.
- The City has six discretely presented component units included in this report as follows: Local Development Finance Authority, Economic Development Corporation, Automation Alley SmartZone Authority, Brownfield Redevelopment Authority, Rochester-Avon Recreation Authority, and the Older Persons' Commission. Although legally separate, these component units are important because the City is financially accountable. Further information regarding the purpose of each component unit is found in Note 1 to the financial statements.

City of Rochester Hills, Michigan

Management's Discussion and Analysis

Fund Financial Statements

The City's fund financial statements are similar to the historical presentation; however, this section individually discloses only those funds designated as the City's "major" funds. All nonmajor funds are aggregated into one column. These statements provide a higher level of detail than the government-wide statements and continue to illustrate how the services provided by the City were financed in the short term as well as what remains for future spending. The City has three types of funds that are used to keep track of specific sources of funding and spending for particular purposes as follows:

- **Governmental Funds** - The majority of the City's basic services included in the governmental funds not only focus on how cash and other financial assets that can readily be converted to cash flow in and out, but also what year-end balances are available to finance future City programs. Because this information does not include the additional long-term focus of the government-wide statements, reconciliation statements are provided to explain the differences between the two methods of reporting. Pages 19 and 22 illustrate this concept.
- **Proprietary Funds** - Services for which the City charges customers fees are reported in this fund type. This fund type provides both the short and long-term financial information comparable to the business-type activity in the government-wide statements.

The City uses two types of proprietary funds. The Water and Sewer Fund is an Enterprise Fund, which typically charges residents usage fees and accounts for the cost of operations. The other proprietary fund type is Internal Service Funds, of which the City has four. These internal service funds are used to report activities that provide services to other City funds and activities, typically covered by charges to other City departments. Individual financial statements are presented for each fund in the section entitled "other supplemental information." The activity of the Internal Service Funds is eliminated in the government-wide statements to avoid duplicate reporting of revenues and expenses.

- **Fiduciary Funds** - The Trust Fund and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individual, private organizations, other governments and other city funds. The City is responsible for ensuring the assets reported in these funds are used for their intended purpose. The City's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. Fiduciary activities are excluded from the City's government-wide statements because these assets are not available to finance City operations.

City of Rochester Hills, Michigan

Management's Discussion and Analysis

Financial Analysis of the City as a Whole

Statement of Net Position - The City's combined net position increased 2.9 percent, or \$10.9 million, from \$370.8 million in 2011 to \$381.7 million in 2012. The net position for the governmental activity increased from \$234.3 million in 2011 to \$239.6 million in 2012, or \$5.3 million. The primary change in the governmental activities is due to an increase in current assets of \$5 million from \$127.6 million in 2011 to 132.6 million in 2012 and a reduction in long-term liabilities of \$3.4 million or 12.4 percent from \$27.4 million in 2011 to \$24 million in 2012. The governmental activities unrestricted net position increased from \$41.4 million in 2011 to \$44.3 million in 2012, or by \$3.2 million or 7 percent. The net position of the business-type activity increased from \$136.5 million in 2011 to \$142.1 million in 2012, or \$5.6 million. The increase is attributed to increase of \$8.5 million in current assets and an increase of long-term liabilities of \$1.3 million. The unrestricted net position increased by \$8.6 million, or 27.5 percent in the business-type activity.

The City's assets totaled \$447.9 million in 2012, up by \$8.6 million. This relates primarily to an increase in current assets of \$13.5 million or 8.3 percent. Capital assets decreased by \$4.8 million or 1.7 percent, which is attributed to the net of additions to capital assets of \$5.8 million and \$10.6 million of depreciation.

The City's total liabilities decreased \$2.3 million, or 3.4 percent, from \$68.5 million in 2011 to \$66.2 million in 2012. This relates to the reduction of bonded debt obligations in the governmental activities of \$3.4 and an increase in the business-type activity debt obligations of \$1.3 million.

City of Rochester Hills, Michigan

Management's Discussion and Analysis

In condensed format, the table below shows the comparison of net position (in millions) as of December 31, 2012 to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current assets	\$ 132.6	\$ 127.6	\$ 42.8	\$ 34.3	\$ 175.4	\$ 161.9
Long-term receivables	0.1	0.2	0.5	0.5	0.6	0.7
Restricted assets	-	-	0.5	0.5	0.5	0.5
Capital assets	<u>161.5</u>	<u>164.7</u>	<u>109.9</u>	<u>111.5</u>	<u>271.4</u>	<u>276.2</u>
Total assets	<u>294.2</u>	<u>292.5</u>	<u>153.7</u>	<u>146.8</u>	<u>447.9</u>	<u>439.3</u>
Liabilities						
Current liabilities	30.6	30.8	3.2	3.2	33.8	34.0
Long-term liabilities	<u>24.0</u>	<u>27.4</u>	<u>8.4</u>	<u>7.1</u>	<u>32.4</u>	<u>34.5</u>
Total liabilities	<u>54.6</u>	<u>58.2</u>	<u>11.6</u>	<u>10.3</u>	<u>66.2</u>	<u>68.5</u>
Net Position						
Net investment in capital assets	145.1	146.0	102.2	105.2	247.3	251.2
Restricted	50.2	47.2	-	-	50.2	47.2
Unrestricted	<u>44.3</u>	<u>41.1</u>	<u>39.9</u>	<u>31.3</u>	<u>84.2</u>	<u>72.4</u>
Total net position	<u>\$ 239.6</u>	<u>\$ 234.3</u>	<u>\$ 142.1</u>	<u>\$ 136.5</u>	<u>\$ 381.7</u>	<u>\$ 370.8</u>

City of Rochester Hills, Michigan

Management's Discussion and Analysis

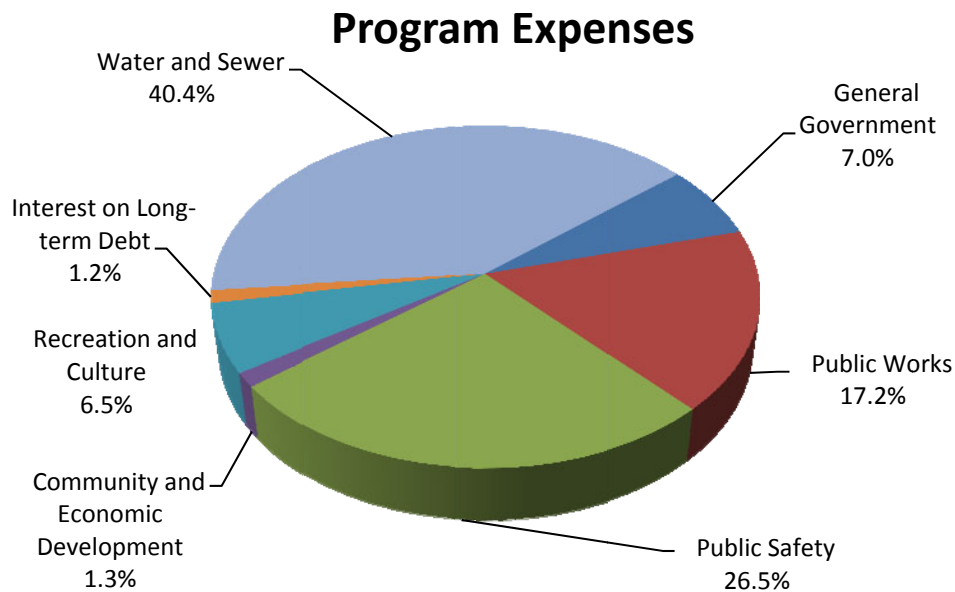
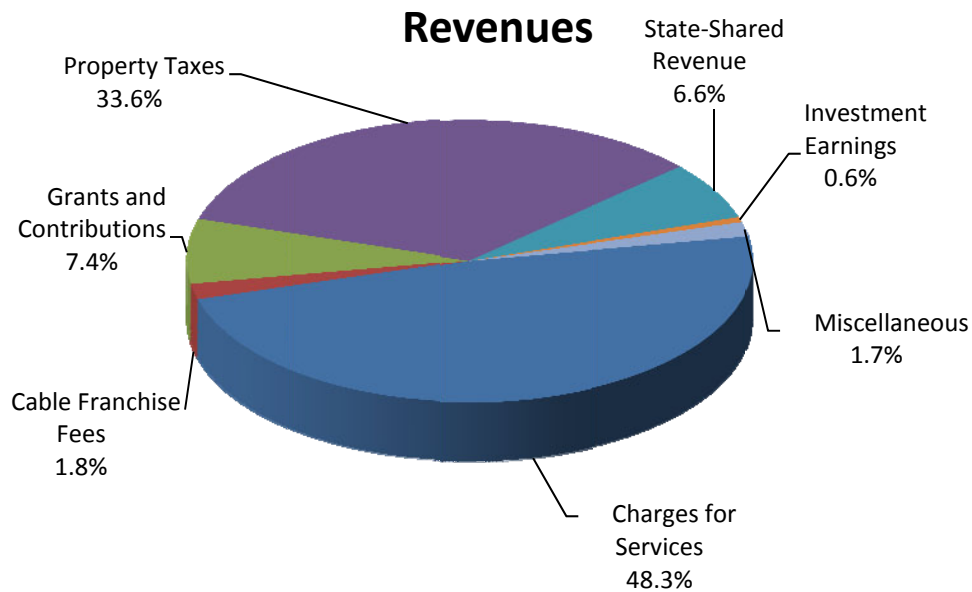
Changes in Net Position - The City's total net position increased by \$10.9 million during the fiscal year ended December 31, 2012. The table below shows the comparison of changes in net position (in millions) to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue						
Program revenue:						
Charges for services	\$ 5.5	\$ 5.5	\$ 32.4	\$ 30.0	\$ 37.9	\$ 35.5
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	4.8	4.4	-	-	4.8	4.4
General revenue:	-	-	-	-	-	-
Property taxes	26.4	28.2	-	-	26.4	28.2
State-shared revenue	5.2	5.1	-	-	5.2	5.1
Investment earnings	0.4	0.4	0.1	0.1	0.5	0.5
Cable franchise fees	1.4	1.3	-	-	1.4	1.3
Miscellaneous	1.3	0.9	-	-	1.3	0.9
Total revenue	45.6	46.7	32.9	30.7	78.5	77.4
Program Expenses						
General government	4.7	5.0	-	-	4.7	5.0
Public works	11.6	12.0	-	-	11.6	12.0
Public safety	17.9	17.9	-	-	17.9	17.9
Community and economic development	0.9	0.8	-	-	0.9	0.8
Recreation and culture	4.4	4.5	-	-	4.4	4.5
Interest on long-term debt	0.8	0.9	-	-	0.8	0.9
Water and sewer	-	-	27.3	27.2	27.3	27.2
Total program expenses	40.3	41.1	27.3	27.2	67.6	68.3
Change in Net Position	5.3	5.6	5.6	3.5	10.9	9.1
Net Position - Beginning of year	234.3	228.7	136.5	133.0	370.8	361.7
Net Position - End of year	\$ 239.6	\$ 234.3	\$ 142.1	\$ 136.5	\$ 381.7	\$ 370.8

City of Rochester Hills, Michigan

Management's Discussion and Analysis

The City's revenue for governmental activity exceeded annual expenses by \$5.3 million, resulting in an increase in net position as of December 31, 2012 to \$239.6 million. Annual revenue for business-type activity exceeded expenses by \$5.6 million, resulting in an increase in net position to \$142.1 million. The following graphs illustrate the primary sources of revenue and expenses for the total primary government of the City of Rochester Hills for the year ended December 31, 2012:



City of Rochester Hills, Michigan

Management's Discussion and Analysis

Governmental Activities - Of the City's total revenue generated for fiscal year 2012, property tax comprises the largest segment, \$26.4 million, or 57.9 percent. Property tax revenue decreased from the prior year by \$1.8 million, or 6.4 percent. Overall property taxable values have decreased while bottom line millage rates stayed the same. Of the grants and contributions revenue of \$5.4 million, \$4.4 million is associated with the State of Michigan Act 51 revenues for the major and local street systems. Much of the remaining revenue is associated with the governmental activity related to community and road system improvements in the amount of \$1 million. State-shared revenue is a primary source of revenue for the City of which it received \$5.2 million which is an increase from 2011 of approximately \$170,000.

The majority of governmental expense is associated with the public safety function, which is \$17.9 million, or 44.4 percent of the total governmental activity. Public safety includes building, ordinance enforcement, fire, and contracted police services. Public works expenses were \$11.6 million, or 28.8 percent of the governmental expenses. Public works activity includes roads, drains, forestry, cemetery and pedestrian pathway improvements. Recreation and cultural expenses totaled \$4.4 million, or 10.9 percent that is related to parks, environmental and museum operations as well as youth and senior citizen programs. General government expenses total \$4.7million, or 11.6 percent.

Business-type Activities - The City's business-type activities are recorded in the Water and Sewer Fund. The City provides water and sewer disposal purchased from the City of Detroit to residents. Of the City's charges for service revenue, the majority is generated from charges passed on to residents, which is \$32.4 million. Charges for service are offset by water and sewer operational expenses of \$27.3 million, or 40.2 percent of the City's total expenses, and after capital contributions, the business activity has an increased net change in position of \$5.6 million.

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 legislative requirements to maintain separate funds for Act 51 major and local street money, the City creates funds to administer certain dedicated dollars and demonstrate accountability to the citizens for special tax millages voted by citizens and earmarked bond proceeds. The City's major funds for fiscal year 2012 include the General Fund, the Major Road Fund, the Local Street Fund, the Fire Fund, and the Special Police Protection Fund.

The General Fund's fund balance increased from \$24.8 million to \$28.3 million or a total increase of \$3.5 million. The net increase is a combination of a decrease in property taxes, an increase in state-shared revenue and charges for service, decrease in expense activity and an increase in transfers to other funds.

City of Rochester Hills, Michigan

Management's Discussion and Analysis

The Major Road Fund fund's balance increased slightly from \$15.6 million in 2011 to \$15.8 million in 2012. The total revenues of \$3.8 million exceeded the totals expenses of \$2.5 million, or \$1.3 million.

The Local Street Fund fund's balance increased from \$4.0 million in 2011 to \$5.3 million in 2012. Local Street's expenses of \$4.7 million exceeded the revenues of \$2.4 million, or \$2.3 million. General Fund made a transfer of \$2.7 million and Major Road Fund made a transfer of \$1.4 million to the Local Street Fund for local street improvements and maintenance.

The Fire Fund fund's balance increased from \$3.1 million in 2011 to \$3.5 million in 2012. The revenues exceed the cost of fire operations by \$809,000. A transfer of approximately \$406,000 was made to the Fire Capital Fund in 2012.

The Special Police Protection Fund fund's balance increased approximately by \$323,000. The cost of police operations were \$8.4 million and the total revenue was \$9.1 million which included a transfer from General Fund of \$4.7 million.

The capital project funds had a combined capital outlay of approximately \$492,000 in 2012. The Pathway Construction Fund had capital outlay of \$478,000. Fund balance for the capital project funds increased by \$392,000 in 2012.

General Fund Budgetary Highlights - The Mayor and City Administration continuously monitor budget performance and the City Council amends the budget to reflect current projections throughout the year. The 2012 original budget for revenues exceeded the actual revenue collected and the actual expenses were below the original budget projections. At year-end the actual revenues of \$24.7 million exceeded the actual operation expenditures of \$12.9 million and transfers to other funds of \$8.3 million by approximately \$3.5 million.

Revenue projections were \$23.3 million compared to actual revenues of \$24.7 million, a difference of approximately \$1.4 million. The increase in actual revenues over budgeted was mainly due to increases in building permits and fees of approximately \$648,000 and a increase in projected state shared revenue of approximately \$812,000.

Overall, the General Fund expenditures were below the original budget by \$1.3 million or 9 percent. Personnel costs were down by \$606,000 or 6.2 percent, supplies and materials were down by \$70,000 or 22 percent, professional services and interfund charges were down by \$477,000 or 13 percent of the original budget. There was also a decrease of transfers out to the other funds of approximately \$250,000 or 2.9 percent of the original budget.

City of Rochester Hills, Michigan

Management's Discussion and Analysis

Capital Asset and Debt Administration - The City of Rochester Hills has \$271.4 million invested in a broad range of capital assets including land, building, fire equipment, operating equipment, water and sewer lines, and infrastructure for its governmental and business-type activities as of December 31, 2012. This reflects a decrease in net capital assets of \$4.8 million during the year. For detailed information on Capital Assets refer to Note 5.

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 21.2	\$ 21.2	\$ 5.0	\$ 5.0	\$ 26.2	\$ 26.2
Construction in progress	-	-	2.3	6.5	2.3	6.5
Right-of-way	46.7	46.6	-	-	46.7	46.6
Infrastructure	65.1	67.3	89.9	86.6	155.0	153.9
Building and land improvements	23.1	24.0	11.8	12.1	34.9	36.1
Vehicles	3.5	3.7	-	-	3.5	3.7
Furniture and equipment	1.9	1.9	0.9	1.3	2.8	3.2
Total	<u>\$ 161.5</u>	<u>\$ 164.7</u>	<u>\$ 109.9</u>	<u>\$ 111.5</u>	<u>\$ 271.4</u>	<u>\$ 276.2</u>

Debt Administration - The City of Rochester Hills' debt rating is excellent. Finch Ratings affirmed a rating of AAA for the City. Standard & Poor's recently issued a rating of AA+ for the City. The City's total bond indebtedness at December 31, 2012 is \$29.9 million. For detail information on outstanding debt refer to Note 7.

City of Rochester Hills Outstanding Debt (in millions of dollars)

	Governmental Activities	
	2012	2011
Governmental activities:		
General obligation bonds	\$ 15.3	\$ 16.8
County contractual obligations	5.5	7.1
Special assessment bonds	1.0	1.2
Total governmental activities	<u>\$ 21.8</u>	<u>\$ 25.1</u>
Business-type activities - County contractual obligations	<u>\$ 8.1</u>	<u>\$ 6.8</u>

Economic Factors and New Year's Budget and Rates – The City's taxable value is expected to decline by 1.2 percent or \$436,000 for fiscal year 2013 due to economic conditions. The City's total millage rate of 9.7060 is unchanged for fiscal year 2013. The City's total millage rate is the lowest in Oakland County. There was a slight increase in the General Fund's millage rate from 3.7465 mill in 2012 to 3.9132 mill for fiscal year 2013, an increase of 0.1667 mill. General Fund tax revenue is estimated at \$11.4 million for fiscal year 2013. The total Debt Funds millages

City of Rochester Hills, Michigan

Management's Discussion and Analysis

decreased from 0.6506 mill in 2012 to 0.4839 mill in 2013, a decrease of 0.1667 mill. Taxes account for 43 percent of governmental fund revenues and 46 percent of General Fund revenues in the fiscal year 2013 budget.

Per the 2013 Adopted Budget, the City's Major Road Fund anticipates utilizing an estimated \$2.1 million of fund balance for major road preservation, maintenance, and \$3.2 million in improvements to the major road system. The Local Street Fund continues to search for dedicated funding sources as City Council and Administration strive to develop a long-term road fund policy that will address future local street needs. For fiscal year 2013, a transfer of approximately \$4.3 million from the General Fund and \$1.1 million from the Major Road Fund will help support local street preservation, maintenance, and \$3.2 million in reconstruction activities. The Fire Fund is projected to transfer-out \$258,550 in fiscal year 2013 to the Fire Capital Fund to finance future fire capital expenditures. The Special Police Fund's fund balance is anticipated to be unchanged in fiscal year 2013 as a transfer from the General Fund of \$4.9 million is planned to support \$9.3 million in projected police service expenditures.

Capital projects for governmental-type funds for fiscal year 2013 include major roads, local streets, pathways, and fire-related capital equipment replacements.

Once again the Water and Sewer Fund's primary focus in fiscal year 2013 will be on effective operations and maintenance of the current water and sewer systems, and to utilize the City's Geographic Information System and the Asset Management system to determine lifecycle costs of water and sewer facilities.

In response to a continuing economic down turn, the fiscal year 2013 budget has brought expenditures in line with revenue streams by redesigning service delivery systems and reducing costs, including city-wide personnel costs.

Contacting the City's Management - 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.

City of Rochester Hills, Michigan

Statement of Net Position December 31, 2012

	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents (Note 3)	\$ 36,456,838	\$ 11,913,269	\$ 48,370,107	\$ 1,651,171
Investments (Note 3)	79,135,697	24,470,370	103,606,067	3,769,789
Receivables - Net:				
Property tax	13,616,198	-	13,616,198	-
Customers	660,598	6,392,278	7,052,876	32,060
Accrued interest	140,462	30,490	170,952	3,629
Due from other governmental units	1,769,004	9,199	1,778,203	651,908
Inventories	165,288	101,084	266,372	-
Long-term receivables	125,223	501,017	626,240	-
Net OPEB asset	41,684	6,819	48,503	-
Other assets	547,242	-	547,242	218,257
Restricted assets (Note 8)	-	460,024	460,024	-
Nondepreciable capital assets (Note 5)	67,798,154	7,292,538	75,090,692	3,070,244
Depreciable capital assets - Net (Note 5)	<u>93,700,628</u>	<u>102,594,985</u>	<u>196,295,613</u>	<u>13,805,397</u>
Total assets	294,157,016	153,772,073	447,929,089	23,202,455
Liabilities				
Accounts payable	2,033,880	2,967,776	5,001,656	159,703
Retainage payable	31,844	-	31,844	-
Accrued and other liabilities	876,258	143,653	1,019,911	98,497
Deposits and escrows	1,229,178	97,482	1,326,660	-
Unearned revenue (Note 4)	26,473,115	-	26,473,115	1,008,479
Noncurrent liabilities (Note 7):				
Due within one year - Debt	3,302,611	339,891	3,642,502	69,914
Due in more than one year - Debt	18,888,825	7,780,155	26,668,980	807,659
Due within one year - Other noncurrent liabilities	1,266,325	283,002	1,549,327	36,773
Due in more than one year - Other noncurrent liabilities	<u>500,379</u>	<u>17,056</u>	<u>517,435</u>	<u>23,719</u>
Total liabilities	<u>54,602,415</u>	<u>11,629,015</u>	<u>66,231,430</u>	<u>2,204,744</u>
Net Position				
Net investment in capital assets	145,142,346	102,227,501	247,369,847	15,998,068
Restricted:				
Streets and highways	21,135,236	-	21,135,236	-
Dedicated millages	12,741,916	-	12,741,916	-
Debt service	3,373,388	-	3,373,388	-
Capital projects	9,979,856	-	9,979,856	-
Cemetery	1,191,617	-	1,191,617	-
Tree preservation	1,641,439	-	1,641,439	-
Unrestricted	<u>44,348,803</u>	<u>39,915,557</u>	<u>84,264,360</u>	<u>4,999,643</u>
Total net position	<u>\$ 239,554,601</u>	<u>\$ 142,143,058</u>	<u>\$ 381,697,659</u>	<u>\$ 20,997,711</u>

City of Rochester Hills, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 4,695,356	\$ 282,168	\$ -	\$ 132,597
Public works	11,621,301	231,815	4,594,217	461,358
Public safety	17,920,001	4,087,803	38,315	-
Community and economic development	864,268	22,709	131,365	-
Recreation and culture	4,364,953	844,302	52,506	-
Interest on long-term debt	818,736	-	-	-
Total governmental activities	40,284,615	5,468,797	4,816,403	593,955
Business-type activities:				
Sewer	11,433,067	13,399,172	-	303,512
Water	15,913,193	18,975,945	-	137,572
Total business-type activities	27,346,260	32,375,117	-	441,084
Total primary government	\$ 67,630,875	\$ 37,843,914	\$ 4,816,403	\$ 1,035,039
Component units:				
Local Development Finance Authority	\$ 353,872	\$ -	\$ -	\$ -
Economic Development Corporation	278	-	-	-
Automation Alley SmartZone Authority	90,060	-	-	-
Rochester-Avon Recreation Authority	2,135,092	1,434,037	-	75,697
Older Persons' Commission	4,430,687	1,295,702	1,498,798	202,497
Total component units	\$ 7,009,989	\$ 2,729,739	\$ 1,498,798	\$ 278,194
General revenues:				
Property taxes				
Intergovernmental revenue				
State-shared revenues				
Unrestricted investment earnings				
Unrestricted cable franchise fees				
Miscellaneous				
Gain on disposal of capital assets				
Total general revenues				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

City of Rochester Hills, Michigan

Statement of Activities Year Ended December 31, 2012

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Units	
\$ (4,280,591)	\$ -	\$ (4,280,591)	\$ -	
(6,333,911)	-	(6,333,911)	-	
(13,793,883)	-	(13,793,883)	-	
(710,194)	-	(710,194)	-	
(3,468,145)	-	(3,468,145)	-	
<u>(818,736)</u>	<u>-</u>	<u>(818,736)</u>	<u>-</u>	
(29,405,460)	-	(29,405,460)	-	
-	2,269,617	2,269,617	-	
<u>-</u>	<u>3,200,324</u>	<u>3,200,324</u>	<u>-</u>	
<u>-</u>	<u>5,469,941</u>	<u>5,469,941</u>	<u>-</u>	
<u>\$ (29,405,460)</u>	<u>\$ 5,469,941</u>	<u>\$ (23,935,519)</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ (353,872)	
-	-	-	(278)	
-	-	-	(90,060)	
-	-	-	(625,358)	
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,433,690)</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,503,258)</u>	
26,417,474	-	26,417,474	641,519	
-	-	-	2,175,440	
5,247,035	-	5,247,035	-	
350,337	117,210	467,547	22,456	
1,359,968	-	1,359,968	-	
1,078,121	-	1,078,121	142,038	
<u>226,787</u>	<u>-</u>	<u>226,787</u>	<u>-</u>	
<u>34,679,722</u>	<u>117,210</u>	<u>34,796,932</u>	<u>2,981,453</u>	
5,274,262	5,587,151	10,861,413	478,195	
<u>234,280,339</u>	<u>136,555,907</u>	<u>370,836,246</u>	<u>20,519,516</u>	
<u>\$ 239,554,601</u>	<u>\$ 142,143,058</u>	<u>\$ 381,697,659</u>	<u>\$ 20,997,711</u>	

City of Rochester Hills, Michigan

	<u>General Fund</u>	<u>Major Road Fund</u>	<u>Local Street Fund</u>
Assets			
Cash and cash equivalents	\$ 8,400,255	\$ 2,970,979	\$ 3,034,721
Investments	26,474,366	12,493,926	2,498,337
Receivables:			
Property tax	5,971,890	-	540,694
Federal	-	-	-
State of Michigan	904,697	498,891	189,276
Oakland County	108,486	-	-
Accounts	529,970	17,933	22,048
Interest and other	52,593	26,114	3,082
Inventories	-	-	165,288
Long-term receivables	-	-	31,759
Other assets	-	280	229
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>\$ 42,442,257</u></u>	<u><u>\$ 16,008,123</u></u>	<u><u>\$ 6,485,434</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 195,768	\$ 127,200	\$ 33,980
Retainages payable	-	12,156	8,750
Accrued wages	290,220	28,078	46,486
Deposits and escrows	899,719	-	8,000
Deferred revenue	12,707,172	19,846	1,073,825
Other liabilities	62,466	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	14,155,345	187,280	1,171,041
Fund Balances			
Nonspendable			
Inventory	-	-	165,288
Restricted			
Road construction and maintenance	-	15,820,843	5,149,105
Fire service	-	-	-
Police protection	-	-	-
Pathway operations and maintenance	-	-	-
Drain improvements	-	-	-
Cemetery maintenance	-	-	-
Tree conservation and maintenance	-	-	-
Green space preservation	-	-	-
Debt service	-	-	-
Pathway construction	-	-	-
Fire vehicles and equipment	-	-	-
Committed			
Budget stabilization	1,000,000	-	-
Assigned			
Capital projects	-	-	-
Cemetery maintenance	-	-	-
Unassigned	27,286,912	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	28,286,912	15,820,843	5,314,393
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u><u>\$ 42,442,257</u></u>	<u><u>\$ 16,008,123</u></u>	<u><u>\$ 6,485,434</u></u>

City of Rochester Hills, Michigan

Governmental Funds Balance Sheet December 31, 2012

Fire Fund	Special Police Protection Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,731,210	\$ 4,080,854	\$ 9,494,168	\$ 31,712,187
2,749,262	-	21,334,734	65,550,625
2,984,227	1,842,635	2,276,752	13,616,198
-	-	23,091	23,091
-	-	-	1,592,864
-	-	-	108,486
13,046	43,242	2,425	628,664
5,933	-	33,945	121,667
-	-	-	165,288
-	-	93,464	125,223
<u>1,610</u>	<u>270</u>	<u>4,500</u>	<u>6,889</u>
<u>\$ 9,485,288</u>	<u>\$ 5,967,001</u>	<u>\$ 33,263,079</u>	<u>\$ 113,651,182</u>
\$ 53,183	\$ 1,305,618	\$ 5,151	\$ 1,720,900
-	-	5,275	26,181
178,331	6,202	10,667	559,984
-	-	321,459	1,229,178
5,752,547	3,621,151	4,494,950	27,669,491
<u>25,312</u>	<u>16,133</u>	<u>16,060</u>	<u>119,971</u>
6,009,373	4,949,104	4,853,562	31,325,705
-	-	-	165,288
-	-	-	20,969,948
3,475,915	-	-	3,475,915
-	1,017,897	-	1,017,897
-	-	126,228	126,228
-	-	3,028,107	3,028,107
-	-	1,191,617	1,191,617
-	-	1,641,439	1,641,439
-	-	5,093,769	5,093,769
-	-	3,373,388	3,373,388
-	-	1,609,849	1,609,849
-	-	8,370,007	8,370,007
-	-	-	1,000,000
-	-	3,966,203	3,966,203
-	-	8,910	8,910
-	-	-	<u>27,286,912</u>
<u>3,475,915</u>	<u>1,017,897</u>	<u>28,409,517</u>	<u>82,325,477</u>
<u>\$ 9,485,288</u>	<u>\$ 5,967,001</u>	<u>\$ 33,263,079</u>	<u>\$ 113,651,182</u>



innovative *by* nature

City of Rochester Hills, Michigan

Governmental Funds Reconciliation of Fund Balances to Statement of Net Position December 31, 2012

Total Fund Balances for Governmental Funds	\$ 82,325,477
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	121,518,737
Net OPEB assets are not available resources to pay current year expenditures	41,684
Special assessment receivables are not available to pay current year expenditures	125,224
Certain other receivables are expected to be collected over several years and are not available to pay for current year expenditures	1,071,152
Amortization of bond issuance costs are not reported in the funds	162,748
Accrued interest in governmental activities are not reported in the funds	(177,748)
Amortization of bond premiums are not reported in the funds	(313,884)
Compensated absences in governmental activities are not reported in the funds	(1,453,278)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(19,582,611)
Internal Service Funds are included as part of governmental activities	<u>55,837,100</u>
Net Position of Government Activities	<u><u>\$ 239,554,601</u></u>

City of Rochester Hills, Michigan

	General Fund	Major Road Fund	Local Street Fund
Revenue			
Property taxes	\$ 11,106,216	\$ -	\$ 1,046,301
Licenses and permits	2,554,188	-	17,400
Intergovernmental:			
State grants	5,211,578	3,177,395	1,207,343
Federal grants	88,428	90,113	-
Other governmental revenues	-	200,000	-
Charges for services	5,300,820	233,310	134,940
Fines and forfeitures	31,845	-	-
Investment earnings	90,734	56,026	11,153
Special assessments	-	-	16,678
Refunds and other revenue	229,544	30,193	6,748
	<u>24,613,353</u>	<u>3,787,037</u>	<u>2,440,563</u>
Total revenue	24,613,353	3,787,037	2,440,563
Expenditures			
Current:			
General government	6,438,938	-	-
Public works	824,317	-	-
Public safety	2,276,550	-	-
Community and economic development	796,056	-	-
Streets	-	1,359,245	2,851,277
Recreation and culture	2,553,174	-	-
Capital outlay	-	1,181,642	1,842,870
Debt service	-	-	-
	<u>12,889,035</u>	<u>2,540,887</u>	<u>4,694,147</u>
Total expenditures	12,889,035	2,540,887	4,694,147
Excess of Revenue Over (Under) Expenditures	11,724,318	1,246,150	(2,253,584)
Other Financing Sources (Uses)			
Transfers in	49,350	294,256	4,070,680
Transfers out	(8,280,286)	(1,361,250)	(547,650)
	<u>(8,230,936)</u>	<u>(1,066,994)</u>	<u>3,523,030</u>
Total other financing sources (uses)	(8,230,936)	(1,066,994)	3,523,030
Net Change in Fund Balance	3,493,382	179,156	1,269,446
Fund Balances - Beginning of year	<u>24,793,530</u>	<u>15,641,687</u>	<u>4,044,947</u>
Fund Balances - End of year	<u>\$ 28,286,912</u>	<u>\$ 15,820,843</u>	<u>\$ 5,314,393</u>

City of Rochester Hills, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balance Year Ended December 31, 2012

Fire Fund	Special Police Protection Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 5,775,345	\$ 3,566,945	\$ 4,922,667	\$ 26,417,474
5,542	-	-	2,577,130
488	37,827	-	9,634,631
-	-	23,091	201,632
-	253,796	-	453,796
1,561,409	161,137	72,986	7,464,602
20,412	325,990	-	378,247
19,097	6,621	108,276	291,907
-	-	30,508	47,186
<u>32,153</u>	<u>13,654</u>	<u>33,429</u>	<u>345,721</u>
7,414,446	4,365,970	5,190,957	47,812,326
-	-	-	6,438,938
-	-	832,297	1,656,614
6,605,880	8,406,230	-	17,288,660
-	-	-	796,056
-	-	-	4,210,522
-	-	1,568,796	4,121,970
-	-	515,528	3,540,040
<u>-</u>	<u>-</u>	<u>3,755,363</u>	<u>3,755,363</u>
<u>6,605,880</u>	<u>8,406,230</u>	<u>6,671,984</u>	<u>41,808,163</u>
808,566	(4,040,260)	(1,481,027)	6,004,163
-	4,720,680	3,449,718	12,584,684
<u>(405,990)</u>	<u>(357,243)</u>	<u>(1,694,518)</u>	<u>(12,646,937)</u>
<u>(405,990)</u>	<u>4,363,437</u>	<u>1,755,200</u>	<u>(62,253)</u>
402,576	323,177	274,173	5,941,910
<u>3,073,339</u>	<u>694,720</u>	<u>28,135,344</u>	<u>76,383,567</u>
<u>\$ 3,475,915</u>	<u>\$ 1,017,897</u>	<u>\$ 28,409,517</u>	<u>\$ 82,325,477</u>

City of Rochester Hills, Michigan

Governmental Funds

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance to the Statement of Activities Year Ended December 31, 2012

Net Change in Fund Balances - Total Governmental Funds	\$ 5,941,910
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Capital outlay expenditures	3,535,184
Depreciation expenses	(6,607,653)
The donation of capital assets is not considered a current financial resource and is not reported as revenue in the governmental funds	174,765
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(47,187)
Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds	30,634
Accrued interest payable is recorded when due in governmental funds; in addition, bond issuance costs are amortized during the life of the bond	63,674
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	3,005,904
The change in accumulated employee annual leave and vacation pay, as well as estimated general liability are recorded when earned in the statement of activities	(108,284)
The change in the net OPEB obligation is not included in governmental funds	42,145
Internal Service Funds are also included as governmental activities	<u>(756,830)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 5,274,262</u></u>

City of Rochester Hills, Michigan

Proprietary Fund Statement of Net Position Year Ended December 31, 2012

	Enterprise Fund - Water	
	and Sewer Fund	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 11,913,269	\$ 4,744,651
Investments	24,470,370	13,585,072
Receivables:		
Due from Federal Government	9,199	44,563
Accounts	6,392,278	-
Accrued interest	30,490	18,794
Inventories	101,084	-
Net OPEB asset	6,819	-
Prepaid costs and other assets	-	409,533
	42,923,509	18,802,613
Total current assets		
Noncurrent assets:		
Restricted assets - Assets held at the County	460,024	-
Capital assets - Net	109,887,523	39,980,045
Long-term receivable	501,017	-
	153,772,073	58,782,658
Total assets		
Liabilities		
Current liabilities:		
Accounts payable	2,967,776	312,980
Retainages payable	-	5,663
Accrued wages	94,444	62,509
Accrued vacation	178,255	145,286
Accrued annual leave	104,747	55,992
Deposits and escrows	97,482	-
Accrued and other liabilities	-	85,550
Payable related to debt obligations:		
Current portion of debt obligations	339,891	265,000
Accrued interest	49,209	17,578
	3,831,804	950,558
Total current liabilities		
Noncurrent liabilities:		
Long-term debt-net current portion	7,780,155	1,995,000
Other non-current liabilities	17,056	-
	7,797,211	1,995,000
Total noncurrent liabilities		
	11,629,015	2,945,558
Total liabilities		
Net Position		
Net Investment in capital assets	102,227,501	37,720,045
Unrestricted	39,915,557	18,117,055
	\$ 142,143,058	\$ 55,837,100
Total net position		

City of Rochester Hills, Michigan

Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Position Year Ended December 31, 2012

	Enterprise Fund - Water and Sewer Fund	Internal Service Fund
Operating Revenue		
Charges for service	\$ 32,369,704	\$ 5,844,409
Other charges for services	<u>5,413</u>	<u>506,741</u>
Total operating revenue	32,375,117	6,351,150
Operating Expenses		
Cost of water produced/purchased	9,720,963	-
Cost of sewage treatment	6,705,966	-
Salaries and wages	3,186,518	2,032,233
Professional services	3,467,852	2,089,872
Public utilities	-	589,039
Material and supplies	310,171	109,369
Repairs and maintenance	47,494	922,493
Rentals	6,598	4,006
Depreciation and amortization	<u>3,827,893</u>	<u>1,909,585</u>
Total operating expenses	<u>27,273,455</u>	<u>7,656,597</u>
Operating Income (Loss)	5,101,662	(1,305,447)
Nonoperating Revenue (Expenses)		
Investment income	117,210	68,043
Bond premium	437	-
Interest expense	(72,805)	(90,236)
Gain on disposal of capital assets	<u>-</u>	<u>208,665</u>
Total nonoperating revenue	<u>44,842</u>	<u>186,472</u>
Income (Loss) - Before contributions and transfers	5,146,504	(1,118,975)
Capital Contributions		
Federal grant	18,494	130,498
Capital and lateral charges	275,235	-
Other capital contributions	<u>146,918</u>	<u>169,394</u>
Total capital contributions	440,647	299,892
Transfers		
Transfers ins	-	859,503
Transfer outs	<u>-</u>	<u>(797,250)</u>
Total transfers	-	62,253
Change in Net Position	5,587,151	(756,830)
Net Position - Beginning of year	<u>136,555,907</u>	<u>56,593,930</u>
Net Position - End of year	<u><u>\$ 142,143,058</u></u>	<u><u>\$ 55,837,100</u></u>

City of Rochester Hills, Michigan

Proprietary Fund Statement of Cash Flows Year Ended December 31, 2012

	Enterprise - Water and Sewer	Internal Service Funds
Cash Flows from Operating Activities		
Cash received from customers	\$ 32,466,270	\$ 5,860,063
Cash payments for goods and services	(20,281,878)	(3,785,670)
Cash payments to employees	(3,191,422)	(1,999,850)
Other operating revenue	<u>11,721</u>	<u>564,921</u>
Net cash provided by operating activities	9,004,691	639,464
Cash Flows from Noncapital Financing Activities		
Transfers in from other funds	<u>-</u>	<u>384,190</u>
Net cash provided by noncapital financing activities	-	384,190
Cash Flows from Capital and Related Financing Activities		
Payment for capital acquisitions	(267,942)	(1,561,466)
Proceeds from sale of capital assets	-	208,665
Principal payments	(485,493)	(250,000)
Interest paid	(215,042)	(129,715)
Federal grants	18,494	130,498
Capital contributions	-	169,394
Collection of capital and lateral charges	275,235	-
Transfers in from other funds	-	438,913
Transfers out to other funds	<u>-</u>	<u>(760,850)</u>
Net cash used in capital and related financing activities	(674,748)	(1,754,561)
Cash Flows from Investing Activities		
Purchase of investment securities	(26,364,041)	(13,585,071)
Proceeds from maturities of investment securities	17,201,366	14,857,179
Receipts of interest and dividends	<u>112,822</u>	<u>68,961</u>
Net cash used in investing activities	<u>(9,049,853)</u>	<u>1,341,069</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(719,910)	610,162
Cash and Cash Equivalents - January 1, 2012	<u>12,633,179</u>	<u>4,134,489</u>
Cash and Cash Equivalents - December 31, 2012	<u>\$ 11,913,269</u>	<u>\$ 4,744,651</u>

(Continued on next page)

City of Rochester Hills, Michigan

Proprietary Fund Statement of Cash Flows (Continued) Year Ended December 31, 2012

	Enterprise - Water and Sewer	Internal Service Funds
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating income (loss)	\$ 5,101,662	\$ (1,305,447)
Adjustments to reconcile operating loss to net cash from operating activities - Changes in assets and liabilities:		
Depreciation expense	3,827,893	1,909,585
Decrease (increase) in accounts receivable	96,566	(43,619)
Decrease (increase) in other assets	(6,724)	99,762
Decrease in inventories	13,329	-
Decrease in accounts payable and other accrued expenses	(29,344)	(21,566)
Increase (decrease) in accrued wages, vacation, and annual leave	(4,904)	32,383
Increase (decrease) in other liabilities	<u>6,213</u>	<u>(31,634)</u>
Total adjustments	<u>3,903,029</u>	<u>1,944,911</u>
Net cash provided by operating activities	<u>\$ 9,004,691</u>	<u>\$ 639,464</u>

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2012, the Water and Sewer Fund received approximately \$147,000 of lines donated by developers. In addition, Oakland County constructed \$1.6 million of sewer lines for the Oakland Macomb Interceptor project and the City incurred long term debt of \$1.6 million. During the year \$1,975,000 of refunded bond proceeds were placed in trust for future payments for the Water and Sewer Funds as well as \$2,260,000 of refunded bond proceeds were placed in trust for future payments for an Internal Service Fund. The Water and Sewer Fund and the Internal Services Funds recognized \$3,489 and \$1,548, respectively, of unrealized loss in the market value of securities.

City of Rochester Hills, Michigan

Fiduciary Funds Statement of Net Position December 31, 2012

	Retiree Health Care Benefit Trust	Agency Funds
Assets		
Cash	\$ 118,299	\$ 3,272,452
Investments - Mutual funds	2,602,810	-
Total assets	\$ 2,721,109	\$ 3,272,452
Liabilities		
Accounts payable	\$ 3,684	\$ 12,736
Due to other governments	-	3,123,078
Accrued and other liabilities	133	136,638
Total liabilities	3,817	\$ 3,272,452
Net Position - Held in trust for benefits	\$ 2,717,292	

City of Rochester Hills, Michigan

Fiduciary Funds – Trust Fund Statement of Changes in Fiduciary Net Position Year Ended December 31, 2012

	Retiree Health Care Benefit Trust
Additions	
Investment income	\$ 237,071
Contributions-Employer	<u>159,450</u>
Total additions	396,521
Deductions - Benefit payments and other expenses	<u>119,995</u>
Net Change in Net Position	276,526
Net Position - Beginning of year	<u>2,440,766</u>
Net Position - End of year	<u><u>\$ 2,717,292</u></u>

City of Rochester Hills, Michigan

Component Units Statement of Net Position December 31, 2012

	Local		Automation		Rochester-Avon		Total
	Development	Economic	Alley	Brownfield	Recreation	Older Persons'	
	Finance	Development	SmartZone	Redevelopment	Recreation	Commission	
	Authority	Corporation	Authority	Authority	Authority	Commission	
Assets							
Cash and investments	\$ 2,528,685	\$ 1,744	\$ 320,540	\$ 247,383	\$ 320,640	\$ 2,001,968	\$ 5,420,960
Due from other governmental units	546,546	-	-	35,699	1,000	68,663	651,908
Receivables - Accrued interest and other	1,526	-	-	-	635	33,528	35,689
Prepaid costs and other assets	-	-	-	-	73,646	144,611	218,257
Capital assets	-	-	-	-	2,066,819	14,808,822	16,875,641
Total assets	3,076,757	1,744	320,540	283,082	2,462,740	17,057,592	23,202,455
Liabilities							
Accounts payable	1,050	9	4,352	-	37,660	116,632	159,703
Accrued and other liabilities	1,857	-	-	-	29,778	66,862	98,497
Unearned revenue	546,547	-	-	35,699	154,305	271,928	1,008,479
Noncurrent liabilities:							
Due within one year - Capital lease	-	-	-	-	69,914	-	69,914
Due in more than one years - Capital lease	-	-	-	-	807,659	-	807,659
Due within one year - Other noncurrent liabilities	-	-	-	-	2,475	34,298	36,773
Due in more than one year - Other noncurrent liabilities	-	-	-	-	2,604	21,115	23,719
Total liabilities	549,454	9	4,352	35,699	1,104,395	510,835	2,204,744
Net Position							
Net investment in capital assets	-	-	-	-	2,066,819	14,808,822	16,875,641
Unrestricted	2,527,303	1,735	316,188	247,383	(708,474)	1,737,935	4,122,070
Total net position	\$ 2,527,303	\$ 1,735	\$ 316,188	\$ 247,383	\$ 1,358,345	\$ 16,546,757	\$ 20,997,711

City of Rochester Hills, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions
Local Development Finance Authority - Public service	\$ 353,872	\$ -	\$ -	\$ -
Economic Development Corporation	278	-	-	-
Automation Alley SmartZone Authority - Public service	90,060	-	-	-
Rochester-Avon Recreation Authority - Recreation and culture	2,135,092	1,434,037	-	75,697
Older Persons' Commission - Recreation and culture	<u>4,430,687</u>	<u>1,295,702</u>	<u>1,498,798</u>	<u>202,497</u>
Total governmental activities	<u>\$ 7,009,989</u>	<u>\$ 2,729,739</u>	<u>\$ 1,498,798</u>	<u>\$ 278,194</u>

General revenues:
 Property taxes
 Intergovernmental revenue
 Unrestricted investment earnings
 Miscellaneous

Total general revenues

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

City of Rochester Hills, Michigan

Component Units Statement of Activities Year Ended December 31, 2012

Net (Expense) Revenue and Changes in Net Assets						
Local Development Finance Authority	Economic Development Corporation	Automation Alley SmartZone Authority	Brownfield Redevelopme nt Authority	Rochester- Avon Recreation Authority	Older Persons' Commission	Total
\$ (353,872)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (353,872)
-	(278)	-	-	-	-	(278)
-	-	(90,060)	-	-	-	(90,060)
-	-	-	-	(625,358)	-	(625,358)
-	-	-	-	-	(1,433,690)	(1,433,690)
<u>\$ (353,872)</u>	<u>\$ (278)</u>	<u>\$ (90,060)</u>	<u>\$ -</u>	<u>\$ (625,358)</u>	<u>\$ (1,433,690)</u>	<u>\$ (2,503,258)</u>
592,817	-	9,505	39,197	-	-	641,519
-	-	-	-	650,907	1,524,533	2,175,440
8,777	-	470	170	5,117	7,922	22,456
-	-	-	-	17,982	124,056	142,038
<u>601,594</u>	<u>-</u>	<u>9,975</u>	<u>39,367</u>	<u>674,006</u>	<u>1,656,511</u>	<u>2,981,453</u>
247,722	(278)	(80,085)	39,367	48,648	222,821	478,195
<u>2,279,581</u>	<u>2,013</u>	<u>396,273</u>	<u>208,016</u>	<u>1,309,697</u>	<u>16,323,936</u>	<u>20,519,516</u>
<u>\$ 2,527,303</u>	<u>\$ 1,735</u>	<u>\$ 316,188</u>	<u>\$ 247,383</u>	<u>\$ 1,358,345</u>	<u>\$ 16,546,757</u>	<u>\$ 20,997,711</u>



innovative *by* nature

Notes to Financial Section



innovative *by* nature

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2012

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Rochester Hills, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Rochester Hills, Michigan:

Reporting Entity

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

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 percent), City of Rochester (22 percent), City of Rochester Hills (24 percent), and Oakland Township (31 percent), provide annual funding for its operations. During the current year, the City contributed \$18,673 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.

Blended Component Units - 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.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

Discretely Presented Component Units - The following component units are reported within the component unit column in the government-wide financial statements. They are reported in a separate column to emphasize that they are legally separate from the City.

- a. The Local Development Finance Authority (LDFA) is governed by a 13-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 LDFA. In addition, the City Council sets the annual budget for LDFA and LDFA is presented as a government fund type. There are no modifications needed to reflect the full accrual basis of reporting for the LDFA. The financial statements presented on pages 29 through 31 also reflect the LDFA's modified accrual basis of reporting. No separate financial statements are issued for the LDFA.
- b. The Economic Development Corporation (EDC) is governed by a 9-member board, appointed by the mayor and confirmed by the City Council. The EDC was created to provide a means and method for encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City. The City of Rochester Hills, Michigan has the ability to impose its will upon the EDC. The EDC may issue industrial revenue bonds as a means of providing financing for certain enterprises. In addition, the City Council sets the annual budget for EDC and EDC is presented as a government fund type. There are no modifications needed to reflect the full accrual basis of reporting for the EDC. The financial statements presented on pages 29 through 31 also reflect the EDC's modified accrual basis of reporting. No separate financial statements are issued for the EDC.
- c. The Rochester-Avon Recreation Authority (R.A.R.A.) 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 of Rochester Hills, Michigan, 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 R.A.R.A.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

The governing body of the R.A.R.A. consists of a total of 7 members that include one Council member and two Council-appointed residents from the City of Rochester Hills, one Council member and one Council-appointed resident from 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 R.A.R.A. and the City of Rochester Hills. R.A.R.A.'s financial statements can be obtained from its administrative offices at 500 East Second Street, Rochester, MI.

- d. The Older Persons' Commission (O.P.C.) 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 of Rochester Hills, Michigan, which is a 68% participating member, Oakland Township (20%) and the City of Rochester (12%) are also member units of the O.P.C.

The governing body of the O.P.C. consists of two City Council members and two Council-appointed older persons from the City of Rochester Hills, 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 O.P.C. and the City of Rochester Hills. O.P.C.'s financial statements can be obtained from its administrative offices at 650 Letica Dr., Rochester, MI.

- e. The Brownfield Redevelopment Authority (the "Brownfield Authority") 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 Brownfield Authority. In addition, the City Council sets the annual budget for the Brownfield Authority. There are no modifications needed to reflect the full accrual basis of reporting for the Brownfield Authority. The financial statements presented on pages 29 through 31 also reflect the Brownfield Authority's modified accrual basis of reporting. No separate financial statements are issued for the Brownfield Authority.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

- f. The Automation Alley SmartZone Authority was created to foster new economic growth and development by establishing clusters of technology companies. The program also seeks to develop relationships between these businesses and universities by providing businesses resources and accessibility to university facilities for the purpose of commercializing research. The Automation Alley SmartZone Authority is governed by a 13-member board, which is appointed by the mayor and confirmed by the City Council. The City of Rochester Hills has the ability to impose its will upon the Automation Alley SmartZone and the City Council sets the annual budget for the SmartZone. There were no modifications needed to reflect the full accrual basis of reporting. The financial statements presented on pages 29 through 31 also reflect the SmartZone Authority's modified accrual basis of reporting. No separate financial statements are issued for the SmartZone Authority.

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 non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally 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 is 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 revenue.

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 are reported as separate columns in the fund financial statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

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, fiduciary fund, and component unit financial statements. The agency fund has no measurement focus. Revenue is 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 revenue 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state gas and weight tax revenue, district court fines, franchise fees and interest associated with the current fiscal period. Conversely, special assessments, certain federal grants, and funds due from Oakland County will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- b. The Major Road Fund accounts for the State of Michigan Public Act 51 monies that are used to construct and maintain major road systems.
- c. The Local Street Fund accounts for the State of Michigan Public Act 51 monies that are used to construct and maintain local streets system.
- d. The Fire Fund accounts for all revenue and expenditures for citywide fire operations, including millage collection.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

- e. The Special Police Protection Fund accounts for the special millage for City police protection contracted with Oakland County.

The City reports the following major proprietary fund:

- a. The Water and Sewer Fund records maintenance and operations for water and sewer provided to City residents and businesses that is financed primarily through user charges.

Additionally, the City reports the following fund types:

- a. Internal Service Funds account for costs of operating and maintaining the land, buildings, machinery, equipment, technology, and vehicle purchases of the City, as well as risk management services provided to other departments of the City on a cost reimbursement basis.
- b. The Trust and Agency Funds account for assets held by the City in a trustee capacity for employee postemployment health care benefits and tax collections of the City and other taxing jurisdictions, as well as City payroll related liabilities. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. Capital and lateral charges are intended to recover the cost of the infrastructure and are recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The City's 2011 tax is levied and collectible on December 1, 2011 and is recognized as revenue in the year ended December 31, 2012, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2011 taxable valuation of the City totaled approximately \$3.0 billion (excluding Debt Service approximately \$41.5 million and \$800,000 is captured by the LDFA and Brownfield Authority, respectively), on which taxes are levied as follows:

<u>Function</u>	<u>Mills</u>	<u>Dollars</u>
General operating purposes	3.7465	\$ 11,072,360
Local Streets	0.3545	1,047,685
Fire operating services	1.9564	5,781,920
Police protection services	1.2083	3,570,995
OPC operating and transportation	0.3294	973,504
R.A.R.A. operating	0.1950	576,300
Pathway maintenance	0.1858	549,111
Debt service	0.6506	1,943,356
Green space preservation	0.2972	878,341

These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as tax revenue. In addition, the City acts as the billing and collection agent for the Rochester Hills Public Library and collects .7823 mills that are passed on to the Rochester Hills Public Library as received for their library operations. The library is not a part of the City's financial statement.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Investment income from pooled investments is generally allocated to each fund using a weighted average.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

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 8 for additional discussion.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, water and sewer mains, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

Compensated Absences (Vacation and Annual Leave) - It is the City's policy to permit employees to accumulate earned but unused vacation and annual leave pay benefits. Historically, these benefits have been liquidated by the General Fund or other operating funds to which each employee is assigned. All vacation and annual leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

Other Postemployment Benefit (OPEB) Costs – The City offers a retiree healthcare supplemental benefit to certain qualified retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual costs equal to the current year required contribution, adjusted for interest and “adjustment to the ARC” on the beginning of year unpaid amounts, if any.

Fund Equity – 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. The City’s nonspendable fund balance represents inventories. 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 represents funds formally set aside by resolution of the City Council for a particular purpose. The use of committed funds can only be rescinded by resolution of the City Council.

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 General Fund resulting from the excess of revenue in comparison to expenditures. 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Assigned fund balance represents the City Council's intent to use resources for an intended purpose. When a City expense is incurred for purposes for which both restricted and unrestricted net position or fund balance is available, the City's policy is to first apply unrestricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the City's policy to spend funds in this order: unassigned, assigned, committed and restricted.

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 General Fund and Special Revenue Funds will be maintained at twenty percent of operating revenues. The City Council's Fund Balance Policy included that retained earnings of Internal Service Funds will be maintained at a minimum of twenty percent of operating revenues and the Water and Sewer Fund's retained earnings 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.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2012

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Cumulative shortfall at January 1, 2012		\$	(4,885,454)
Building permit revenue			1,716,797
Related expenses:			
Direct expenses	\$	1,348,634	
Estimated indirect costs		<u>202,296</u>	
Total related expenses			<u>1,550,930</u>
Cumulative shortfall at December 31, 2012		\$	<u>(4,719,587)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. In addition, the Act allows the City to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, with maturities not exceeding more than 270 days from the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade at the time of purchase; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Legislation was passed and signed by the Governor that allows a Municipality the ability to invest in CDARS (Certificate of Deposit Registry Service). This program allows each public entity to have up to \$50 million of FDIC coverage of Certificate of Deposits (CD's) through one bank, at one rate and on one statement. A participating bank would accept a deposit and invest it in certificate of deposits in increments of under \$250,000 (principal and interest) with however many participating institutions it takes to maintain total FDIC insurance coverage. The funds remain local with the primary Michigan bank trading funding (CD) deposits with other banks across the country. This risk mitigation method came at a time when municipalities were seeking greater insured coverage of their investment assets.

Note 3 - Deposits and Investments (Continued)

The City has designated 14 banks for the deposit of its funds. The investment policy adopted by the City in accordance with Public Act 196 of 1997 has authorized investment in all investments permissible under Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended), as listed above. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Risk on Investments

The City's Investment Policy states that "The City will minimize custodial risk by: Using financial institutions and brokers meeting pre-established criteria; Holding all securities in the name of the City of Rochester Hills." The City's Annual Depository Resolution 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 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, 2012, \$48,917,704 in U.S. Government obligations are held in third-party safekeeping in the City's name. The City's two Investment Pool Accounts have their securities safe kept with a third-party selected by the counterparty. The balance in the accounts is \$19,986,731. The pool's securities are held in trust for the participants of the fund and are not available to the counterparty should the counterparty happen to fail.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires that all financial institutions utilized by the City maintain an office within the state of Michigan and meet certain requirements and financial criteria. At year-end, the City held two bank certificate of deposits (certificates of deposit, checking, and savings accounts) that was partially uninsured and uncollateralized in the aggregate amount of \$486,524. The City portion of this amount was \$365,597 and the LDFA portion, a component unit, of this amount was \$120,927. The City believes that due to the current economic climate and the availability of the CDARS program, it has become prudent to have FDIC insure the bulk of our Certificate of Deposits portfolio up to the \$50 million dollar limit.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2012

Note 3 - Deposits and Investments (Continued)

Bank of America participated in the FDIC Transaction Account Guarantee Program, which provided coverage for non-interest bearing transaction deposit accounts at FDIC insured institutions until December 31, 2012. Therefore, the City's non-interest bearing checking account was fully insured through December 31, 2012. Due to the size and nature of our investment portfolio, dollars amounts of cash deposits and the limits of FDIC insurance dollar amounts of cash deposits and the limits of FDIC insurance, it may be impractical at 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.

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. The City's investment policy does not restrict investment maturities to the extent the funds are matched to a specific cash flow other than commercial paper that can only be purchased to a maximum maturity of 270-days. Unless matched to a specific cash flow, the City will directly invest in securities maturing no more than two years from the date of purchase. The City's investment policy minimizes the risk that the market value of the securities in the portfolio will fall due to changes in the general interest rate by structuring the maturities of the portfolio to meet cash requirements of ongoing operations, thereby avoiding the need to liquidate securities prior to maturity. This is done by investing operating funds primarily in short-term securities and investment pools and only purchasing securities with the intent to hold to maturity. At year-end, the average maturities of investments are as follows:

<u>Investments</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
Government agency securities	\$ 48,971,140	348 days
MI CLASS Investment Pool	12,317,888	1 day
Federated Investment Pool	7,668,843	1 day
Commercial Paper	4,493,025	185 days

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy minimizes credit risk by limiting investments to the safest types of securities, pre-qualifying the financial institutions and intermediaries with which the City does business, and diversifying the portfolio so potential losses on individual securities will be minimized. All of the investment pool accounts are Stable NAV Government Investment Pools that seek to preserve the value of the investment at \$1.00 per share. Since the City began using the listed investment pools, the NAV's have been \$1.00 per share. As of year-end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investments</u>	<u>Market Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Government agency securities	\$ 48,971,140	AA+	Standard and Poor's
MI CLASS Investment Pool	12,317,888	AAAm	Standard and Poor's
Federated Investment Pool	7,668,843	AAAm	Standard and Poor's
Commercial Paper	4,493,025	A1+	Standard and Poor's

Concentration of Credit Risk

The City's investment policy minimizes the risk inherent in placing a large portion of the portfolio with a single security issuer by limiting such placement to a percentage of the total portfolio, defined as securities plus deposits and cash equivalents. The diversification by security issuer is limited to: 5% for Commercial Paper issuers; 5% for Banks and Savings & Loan issuers; 20% for U.S. Government Agency issuers; 25% for Individual Pool Accounts; and, 100% for U.S. Treasury Obligations.

Investments – Retiree Health Care Benefit Trust Fund

The investments of the Retiree Health Care Benefit Trust Fund (Trust) are made in accordance with Act 55 of the Michigan Public Acts of 1982, as amended, and are limited to no more than 65 percent in common stock. The general goal of the Trust, as defined by its Investment Policy Statement (IPS), is to have 60 percent in equities and 40 percent in fixed income investments including cash equivalents. In addition, no investments, loans, or leases are with parties related to the Trust.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2012

Note 3 - Deposits and Investments (Continued)

Investments for the Trust are made through the use of registered mutual funds which are selected and retained by the Retiree Health Care Benefit Trust Board. The mutual funds selected by the Board are used by the Trust until such a time that their replacement is necessary due to changes in the mutual fund's investment objectives, the fund's investment performance or changes in the requirements of the Trust. At December 31, 2012, the Trust was holding three mutual funds: three asset allocation funds. One of the asset allocation funds was a conservative allocation fund, another asset allocation fund was a moderate allocation fund and the last asset allocation fund is a growth allocated fund. Investment strategies for the asset allocation funds are to seek proper exposure of varying asset classes as defined by their investment objectives. The mutual fund investments are held in the name of the Trust by the safekeeping agent under a formal trust agreement.

As of December 31, 2012, the Trust was holding the following registered mutual fund investment types:

Investment Type	Fair Value	Percentage	Average Duration	Symbol
Delaware Foundation Conservative Fund	\$ 886,243	34.0%	N/A	DFIRX
Delaware Foundation Moderate Fund	1,052,900	40.5%	N/A	DFBRX
Vantagepoint MP Long-Term Growth	663,667	25.5%	N/A	DFGRX
	<u>\$ 2,602,810</u>	100.0%		

Credit Risk

The Board's adopted IPS states that the general investment objectives of the Trust are to attain a favorable relative rate of return for the Trust 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. As of December 31, 2012, debt obligation investments held by the Trust, in all four mutual funds had the following ratings:

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2012

Note 3 - Deposits and Investments (Continued)

Type	% Bonds
AAA	35.3%
AA	6.0%
A	10.1%
BBB	29.3%
BB	5.9%
B	8.4%
Below B	2.1%
Not Rated	2.9%
TOTAL	100.0%
Average Credit Quality	A

Custodial Credit Risk

This risk is associated with the failure of the safekeeping agent where the Trust would not be able to recover the value of its investments in the possession of another side party. The Trust's IPS requires that all investment transactions shall be conducted through a custodian that will act as the Trust's third party. Securities shall be held by the custodian, as designated by the Board through its selected investment provider, and shall be evidenced by a custodial report. As of December 31, 2012, \$2,607,804 or 100 percent of the investments were held in third party safekeeping in the Trust's name.

Concentration of Credit Risk

The Board's adopted IPS states that no more than 5 percent of the assets of the Trust's portfolio may be invested in any individual equity security and no more than 15 percent of the market value of the portfolio may be invested in countries not represented in the MSCI EAFE index plus Canada.

Fixed income securities of a single issuer or issue, with the exception of U.S. Government and Agency securities, are limited to no more than 10 percent of the market value of the portfolio. In addition, no more than 20 percent of the market value of the fixed income portfolio may be invested in zero coupon bonds.

CMOs are limited to securities that are currently paying interest, receiving principal pay downs and do not contain leverage. The allocation to CMOs is limited to 10 percent of the market value of the manager's portfolio. For the purpose of this restriction, commercial mortgage backed securities are considered within the CMO category.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2012

Note 3 - Deposits and Investments (Continued)

As of December 31, 2012, as reported by the mutual funds, no holdings exceed any of the Board's adopted IPS limits.

Interest Rate Risk

The Board's adopted IPS does place the maximum effective maturity of any single security at 30 years. As the schedule of investments listed below indicates, the Trust's fixed income investments had an average duration that fell in the 7 to 10 year range which is reasonable given the long-term nature of the Trust. The mutual funds within the portfolio of the Trust were holding fixed income investments at year end that did exceed the 30 year limitation but given the reasonable nature of the average duration the Trust was comfort with those positions. A reasonable duration reduces the Trust's risk exposure to rapidly adjusting interest rates. The following table shows the bond maturity breakdown:

Bond Maturity Breakdown	% Bonds
1 to 3 Years	6.04%
3 to 5 Years	12.98%
5 to 7 Years	15.20%
7 to 10 Years	30.68%
10 to 15 Years	6.02%
15 to 20 Years	5.93%
20 to 30 Years	11.30%
Over 30 Years	11.85%
TOTAL	100.00%
Average Duration	7 to 10 years

Foreign Currency Risk

Foreign Currency Risk is the possibility that changes (up or down) in exchange rates will adversely affect the fair value of an investment. Many factors can affect foreign currencies including: political, economic, legal, regulatory, and operational uncertainties; differing accounting and financial reporting standards and limited availability of information. These risks may be greater with respect to securities of companies located in emerging market countries. Investments in securities of issuers located in emerging market countries tend to be more volatile than investments in securities of issuers located in developed foreign countries.

Note 3 - Deposits and Investments (Continued)

The Trust's IPS does place limitations on the Trust's foreign currency exposure including: equities of foreign domiciled companies that are traded in the U.S. may be purchased so long as the securities are registered (or filed) with the Securities and Exchange Commission and traded on a recognized national exchange or over-the counter market; currency hedging is not permitted; at least three countries must be represented in the portfolio and investments in non-U.S. dollar denominated securities are not permitted. In addition, investments in American Depository Receipts (ADRs) will be designated as foreign securities for asset allocation purposes.

At December 31, 2012 the asset allocation mutual fund's equity holdings in developed versus emerging countries was as follows:

<u>Market Classification</u>	<u>Percentage</u>
Developed Markets	91.8%
Emerging Markets	8.2%
TOTAL	100.0%

Security Lending Transactions

The Trust's adopted IPS places no limitation on the lending of securities within the Trust's holdings.

Under current provisions of State statutes, the Trust could lend U.S. government securities, corporate bonds, and common stock, to broker and/or dealers in exchange for collateral that will be returned for the same securities in the future. The custodial bank does not have the ability to pledge or sell collateral securities unless the borrower was to default. Borrowers are required to deliver collateral for each loan equal to but not less than 102 percent of the market value of the loaned securities. The summary prospectus for the four mutual funds, used by the Trust, were silent related to their security lending practices.

Collateralized Mortgage Obligations (CMOs)

Collateralized Mortgage Obligations (CMOs) are U.S. government or corporate-issued asset-backed certificates.

The Trust's adopted IPS places the following limits on these securities: must be currently paying interest, receiving principal pay downs and do not contain leverage.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2012

Note 3 - Deposits and Investments (Continued)

The allocation to CMOs is limited to 10 percent of the market value of the manager's portfolio. For the purpose of this restriction, commercial mortgage backed securities are considered within the CMO category.

At December 31, 2012 the fixed income portion of the four mutual funds were holding just over 17 percent of their portfolio in securitized instruments but none in the CMO area.

<u>Securitized</u>	<u>Total</u>
Agency Mortgage-Backed	13.08
Non-Agency Residential MBS	1.72
Commercial MBS	1.21
Asset-Backed	1.23
Covered Bond	-
Total	17.24

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds and the governmental activities also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes	\$ -	\$ 26,256,908
Special assessments	125,224	-
State-shared revenue	904,697	-
Federal grant	65,135	-
Other	<u>101,320</u>	<u>216,207</u>
Total deferred revenue	<u>\$ 1,196,376</u>	<u>\$ 26,473,115</u>

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2012

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance		Disposals and	Balance
Governmental Activities	<u>January 1, 2012</u>	<u>Additions</u>	<u>Adjustments</u>	<u>December 31, 2012</u>
Capital assets not being depreciated:				
Land	\$ 21,120,918	\$ -	\$ -	\$ 21,120,918
Right of way	<u>46,553,126</u>	<u>124,110</u>	<u>-</u>	<u>46,677,236</u>
Subtotal	67,674,044	124,110	-	67,798,154
Capital assets being depreciated:				
Roads	113,132,885	3,057,319	-	116,190,204
Drain flowage rights	30,772,175	-	-	30,772,175
Land improvements	18,031,273	608,173	-	18,639,446
Building and Building improvements	29,853,490	243,621	1,957	30,095,154
Vehicles	11,082,684	685,371	1,077,810	10,690,245
Office furnishings	5,786,618	76,084	592,316	5,270,386
Other tools and equipment	<u>5,486,223</u>	<u>476,739</u>	<u>69,862</u>	<u>5,893,100</u>
Subtotal	214,145,348	5,147,307	1,741,945	217,550,710
Accumulated depreciation:				
Roads	61,811,326	4,525,093	-	66,336,419
Drain flowage rights	14,788,958	747,390	-	15,536,348
Land improvements	11,556,833	943,375	-	12,500,208
Building improvements	12,258,971	877,657	1,957	13,134,671
Vehicles	7,321,260	869,372	1,077,810	7,112,822
Office furnishings	5,452,252	126,597	592,316	4,986,533
Other tools and equipment	<u>3,885,187</u>	<u>427,756</u>	<u>69,862</u>	<u>4,243,081</u>
Subtotal	<u>117,074,787</u>	<u>8,517,240</u>	<u>1,741,945</u>	<u>123,850,082</u>
Net capital assets being depreciated	<u>97,070,561</u>	<u>(3,369,933)</u>	<u>-</u>	<u>93,700,628</u>
Net capital assets	<u>\$ 164,744,605</u>	<u>\$ (3,245,823)</u>	<u>\$ -</u>	<u>\$ 161,498,782</u>

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2012

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance	Additions	Disposals and	Balance
	January 1, 2012		Adjustments	December 31, 2012
Capital assets not being depreciated:				
Land	\$ 4,958,172	\$ -	\$ -	\$ 4,958,172
Construction in progress	<u>6,491,940</u>	<u>1,544,226</u>	<u>5,701,800</u>	<u>2,334,366</u>
Subtotal	11,450,112	1,544,226	5,701,800	7,292,538
Capital assets being depreciated:				
Water and sewer distribution systems	153,987,919	6,350,995	-	160,338,914
Land improvements	205,331	-	-	205,331
Building and building improvements	13,790,775	-	-	13,790,775
Office furnishings	105,600	-	-	105,600
Other tools and equipment	<u>8,287,000</u>	<u>34,065</u>	<u>-</u>	<u>8,321,065</u>
Subtotal	176,376,625	6,385,060	-	182,761,685
Accumulated depreciation:				
Water and sewer distribution systems	67,391,103	3,088,292	-	70,479,395
Land improvements	196,291	789	-	197,080
Building improvements	1,681,357	282,430	-	1,963,787
Office furnishings	85,237	19,089	-	104,326
Other tools and equipment	<u>6,984,819</u>	<u>437,293</u>	<u>-</u>	<u>7,422,112</u>
Subtotal	76,338,807	3,827,893	-	80,166,700
Net capital assets being depreciated	<u>100,037,818</u>	<u>2,557,167</u>	<u>-</u>	<u>102,594,985</u>
Net capital assets	<u>\$ 111,487,930</u>	<u>\$ 4,101,393</u>	<u>\$ 5,701,800</u>	<u>\$ 109,887,523</u>

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2012

Note 5 - Capital Assets (Continued)

Capital asset activity for the City of Rochester Hills' component units for the year was as follows:

Component units	Balance <u>January 1, 2012</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>December 31, 2012</u>
Capital assets not being depreciated:				
Land	\$ 2,790,244	\$ 280,000	\$ -	\$ 3,070,244
Capital assets being depreciated:				
Buildings	12,673,141	1,166,502	-	13,839,643
Building improvements	1,228,583	595,025	44,867	1,778,741
Land improvement	18,847	-	-	18,847
Machinery and equipment	1,955,492	324,365	74,771	2,205,086
Vehicles	1,021,665	336,649	92,608	1,265,706
Office equipment and furniture	<u>89,472</u>	<u>36,141</u>	<u>6,617</u>	<u>118,996</u>
Subtotal	16,987,200	2,458,682	218,863	19,227,019
Less accumulated depreciation	<u>4,973,227</u>	<u>636,459</u>	<u>188,064</u>	<u>5,421,622</u>
Net capital assets being depreciated	<u>12,013,973</u>	<u>1,822,223</u>	<u>30,799</u>	<u>13,805,397</u>
Net capital assets	<u>\$ 14,804,217</u>	<u>\$ 2,102,223</u>	<u>\$ 30,799</u>	<u>\$ 16,875,641</u>

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

Governmental Activities:		
General government	\$	933,641
Public works		6,219,956
Public safety		916,161
Recreation and culture		<u>447,482</u>
Total Governmental activities	\$	<u>8,517,240</u>
Business-type Activities:		
Water	\$	2,176,476
Sewer		<u>1,651,417</u>
Total Business-type activities	\$	<u>3,827,893</u>

Construction Commitments - The City has active projects at year-end. The projects include various road infrastructure improvements, water and sewer projects, drain and pathway improvements, facility improvements and technology projects. At year-end, the City's commitments are as follows:

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2012

Note 5 - Capital Assets (Continued)

	Total Contract Amount	Remaining Commitment
Road improvements	\$ 4,176,522	\$ 505,004
Drain and pathway improvements	203,755	42,027
Facility improvements	343,000	233,224
Management information systems	83,070	61,770
Water and sewer infrastructure	<u>194,615</u>	<u>107,364</u>
Total	<u>\$ 5,000,962</u>	<u>\$ 949,389</u>

Note 6 - Interfund Receivables, Payables, and Transfers

As of year-end the City had no interfund receivables or payables.

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2012

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

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

<u>Fund Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General Fund	Major Road Fund	\$ 294,256
	Local Street Fund	2,709,430
	Special Police Fund	4,720,680
	Nonmajor governmental funds	185,000
	Internal Service - Facilities Fund	<u>370,920</u>
	Total General Fund	8,280,286
Major Road Fund	Local Road Fund	1,361,250
Local Street Fund	Nonmajor governmental funds	547,650
Fire Fund	Nonmajor governmental funds	405,990
Special Police Fund	Internal Service - Facilities Fund	357,243
Nonmajor governmental funds	General Fund	12,950
	Nonmajor governmental funds	1,550,228
	Internal Service - Facilities Fund	<u>131,340</u>
	Total nonmajor governmental funds	1,694,518
Internal Service	General Fund	36,400
	Nonmajor governmental funds	<u>760,850</u>
	Total Internal Service	<u>797,250</u>
	Total	<u><u>13,444,187</u></u>

The transfers from the General Fund and non-major governmental funds to the Major Roads and Local Street Funds, Special Police Protection Fund, additional non-major governmental funds, and Facilities Fund represent the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations; the transfer from Major Road Fund to the Local Street Fund represents a transfer for local streets improvement and maintenance; the transfer from the Local Street Fund to non-major governmental funds and Special Police Fund to Facilities Fund represents the movement of resources to be used to service debt; the transfer from nonmajor governmental funds to other non-major governmental and internal service funds represents resources for equipment, pathway improvements and to service debt; and the transfer from Facilities to nonmajor governmental funds is to service debt.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2012

Note 7 - Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General Obligation Bonds:					
Building Authority Refunding Bonds, Series 2010 payable through 2021 with interest at 2.0% to 4.0%	\$ 6,675,000	\$ -	\$ (545,000)	\$ 6,130,000	\$ 535,000
Unamortized bond premium-Refunding Bond Series 2010	163,187	-	(16,319)	146,868	-
General Obligation Limited Tax Capital Improvement Bond, Series 2002 payable through 2012 with interest at 4%	350,000	-	(350,000)	-	-
General Obligation Limited Tax Capital Improvement Refunding Bond, Series 2011 payable through 2017 with interest at 2% to 4%	2,270,000	-	(35,000)	2,235,000	390,000
Unamortized bond premium-Refunding Bond Series 2011	70,956	-	(11,826)	59,130	-
General Obligation Unlimited Tax Refunding Bonds, OPC, Series 2010 payable through 2021 with interest at 2.0% to 4.5%	6,370,000	-	(535,000)	5,835,000	555,000
Unamortized bond premium-Refunding Bond Series 2010	119,873	-	(11,987)	107,886	-
Michigan Transportation Fund Bond, MTF-2001 Series payable through 2016 with interest at 4.25% to 4.6%	1,175,000	-	(200,000)	975,000	225,000
County Contractual Obligations:					
McIntyre Drain, payable through 2013 with interest at 2.75% to 5.20%	187,596	-	(93,800)	93,796	93,796
Hampton Drain, payable through 2013 with interest at 2.75% to 5.2%	132,758	-	(64,250)	68,508	68,508
Bishop Drain, payable through 2013 with interest at 2.8% to 5.3%	250,000	-	(125,000)	125,000	125,000
Chester Drain Refunding, payable through 2013 with interest at 1.25% to 2.75%	330,000	-	(180,000)	150,000	150,000
Unamortized bond premium-Refunding Bond Series 2003	1,362	-	-	-	-
Robert Huber Drain, payable through 2014 with interest at 3.3% to 2%	350,000	-	(125,000)	225,000	115,000
Wolf Drain, payable through 2013 with interest at 4% to 4.7%	858,157	-	(417,850)	440,307	440,307
Rewold Drain, payable through 2025 with interest at 3% to 4.3%	2,465,000	-	(135,000)	2,330,000	140,000
Oakland County Building Authority, Building Authority Bonds, Series 2002A payable through 2020 with interest at 3.0% to 4.625%	2,530,000	-	(2,530,000)	-	-
Oakland County Building Authority, Building Authority Refunding Bonds Series 2012 payable through 2020 with interest at 2.0%	-	2,260,000	-	2,260,000	265,000
Unamortized bond premium-Refunding Bond Series 2012	-	34,941	-	34,941	-
Special Assessment Bonds:					
Public Improvement City Share Bonds, 2001 Series payable through 2016 with interest at 2.6% to 4.7%	575,000	-	(100,000)	475,000	100,000
Public Improvement Special Assessment Bonds, 2001 Series payable through 2016 with interest at 3.0% to 4.7%	600,000	-	(100,000)	500,000	100,000
Total bond obligations	25,473,889	2,294,941	(5,576,032)	22,191,436	3,302,611

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2012

Note 7 - Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Tax Tribunal	440,406	68,688	(396,949)	112,145	-
Compensated absences - Governmental activities	1,344,994	1,504,932	(1,396,648)	1,453,278	1,120,452
Compensated absences - Internal Service	<u>178,146</u>	<u>204,963</u>	<u>(181,831)</u>	<u>201,278</u>	<u>145,873</u>
Total other long-term obligations	<u>1,963,546</u>	<u>1,778,583</u>	<u>(1,975,428)</u>	<u>1,766,701</u>	<u>1,266,325</u>
Total governmental activities	<u>27,437,435</u>	<u>4,073,524</u>	<u>(7,551,460)</u>	<u>23,958,137</u>	<u>4,568,936</u>
Business-type Activities					
Oakland County Water and Sewage Disposal System Bonds, Series 2005 payable through 2022 with interest at 4.0% to 4.4%	\$ 2,125,000	\$ -	\$ (2,125,000)	\$ -	\$ -
Oakland County Water and Sewage Disposal System Refunding Bonds, Series 2012 payable through 2022 with interest at 1.5 % to 2.75%	-	1,975,000	-	1,975,000	175,000
Unamortized bond premium-Refunding Bond Series 2012	-	17,088	-	17,088	-
Oakland-Macomb Interceptor Drain Drainage District-Drain Bonds, Series 2010B payable through 2030 with interest at 1.15% to 5.9%	841,912	-	(29,098)	812,814	29,745
Oakland-Macomb Interceptor Drain Drainage District-Drain Bonds, Series 2010A payable through 2031 with interest at 2.5%	3,149,916	112,210	(131,395)	3,130,731	135,146
Oakland-Macomb Interceptor Drain Drainage District-Drain Bonds, Series 2011 payable through 2033 with interest at 2.5%	648,112	1,100,336	-	1,748,448	-
Oakland-Macomb Interceptor Drain Drainage District-Drain Bonds, Series 2012 payable through 2031 with interest at 2.5%	-	435,965	-	435,965	-
Compensated absences - Water and Sewer	<u>308,085</u>	<u>344,735</u>	<u>(352,762)</u>	<u>300,058</u>	<u>283,002</u>
Total business-type activities	<u>\$ 7,073,025</u>	<u>\$ 3,985,334</u>	<u>\$ (2,638,255)</u>	<u>\$ 8,420,104</u>	<u>\$ 622,893</u>
Component Units					
Tax Tribunal	\$ 27,479	\$ 7,288	\$ (27,765)	\$ 7,002	\$ -
Capital Lease	-	900,000	(22,427)	877,573	69,914
Compensated absences	<u>51,717</u>	<u>36,539</u>	<u>(34,766)</u>	<u>53,490</u>	<u>36,773</u>
Total component units	<u>\$ 79,196</u>	<u>\$ 36,539</u>	<u>\$ (84,958)</u>	<u>\$ 938,065</u>	<u>\$ 106,687</u>

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

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 3,302,611	\$ 706,850	\$ 4,009,461	\$ 339,891	\$ 262,740	\$ 602,631
2014	2,560,000	619,448	3,179,448	523,198	252,546	775,744
2015	2,620,000	534,558	3,154,558	526,695	241,249	767,944
2016	2,720,000	446,946	3,166,946	555,837	228,882	784,719
2017	2,320,000	359,572	2,679,572	559,979	215,565	775,544
2018-2022	7,665,000	768,583	8,433,583	2,925,148	861,614	3,786,762
2023-2027	655,000	42,621	697,621	1,339,660	513,674	1,853,334
2028-2031	-	-	-	896,626	113,243	1,009,869
2032-2033	-	-	-	<u>435,924</u>	<u>18,856</u>	<u>454,780</u>
	<u>\$ 21,842,611</u>	<u>\$ 3,478,578</u>	<u>\$ 25,321,189</u>	<u>\$ 8,102,958</u>	<u>\$ 2,708,369</u>	<u>\$ 10,811,327</u>

The Oakland-Macomb Interceptor Drainage District (OMID) is a construction and rehabilitation project that began in 2010 and is a projected to continue through 2014. The OMID Series 2010B bonds were issued as Federally Taxable Recovery Zone

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2012

Note 7 - Long-term Debt (Continued)

Economic Development Bonds and are eligible to recover tax credit payments from the United States Treasury equal to 45 percent of the interest payable on the bonds. The City's total tax credit over the next 20 years will be \$254,714.

OMID was also approved for \$42 million of loans in which \$16 million of the debt was federally forgiven and \$26 million will be loans from the Michigan State Revolving Fund (SRF) (OMID Series 2010A, OMID Series 2011 and OMID Series 2012). During the year, the City's portion of SRF draws was \$1,648,511.

Advance and Current Refundings

During the year the Oakland County refunded, on behalf of the City, two general obligation bonds.

The Building Authority Refunding Bond issued was \$2,260,000 with an interest rate of 2.0 percent. The proceeds of this bond were used to advance refund \$2,280,000 of outstanding Oakland County Building Authority Bond - Rochester Hills Substation with interest rates ranging from 4.0 percent to 4.625 percent. The net proceeds of \$2,298,029 (after payment of \$16,146 in bond issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for future debt payments. The refunding bonds net present value savings was 11.17 percent or \$254,658. The refunding reduced total debt payments of the next years by approximately \$272,523.

The Water Supply and Sewerage Disposal Systems Refunding bond was \$1,975,000 with an average interest rate of 2.0 percent. The proceeds of this bond were used to advance refund \$1,950,000 of outstanding capital general obligation bond with an average interest rate of 4.16 percent. The net proceeds of \$1,993,844 (after payment of \$42,526 in bond issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for future debt payments. The refunding bonds net present value savings was 8.67 percent or \$169,199. The refunding reduced total debt payments of the next years by approximately \$183,764.

Additionally, in prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt payments on old bonds. At December 31, 2012 \$14,895,000 of prior bonds outstanding is considered defeased. The total considered defeased as of December 31, 2012 is \$19,125,000. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements.

Note 7 - Long-term Debt (Continued)

Future Revenues Pledged for Debt Payment

County Contractual Obligations - The above contractual obligations to the County are the result of the County issuance of bonds on the City's behalf. The City has pledged to raise property taxes, to the extent permitted by law, if necessary to fund the obligation to repay the County. Proceeds from the County bonds provided financing for the construction of drains described above. The remaining principal and interest to be paid on the bonds is \$4,139,497. During the current year, net revenue generated by property tax millages was \$1,437,764 compared to the annual debt requirements of \$1,209,364.

Contract Bond - The City has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the above water and sewer contract bond. Proceeds from the bonds provided financing for the extension of water and sewer mains. The bonds are payable from the net revenues of the water and sewer system. The remaining principal and interest to be paid on bonds totaled \$8,102,958. During the year, net operating revenues of the system were approximately \$8,948,049 compared to the annual debt requirements of \$550,535.

Note 8 - Restricted Assets

Assets held at the County represent the City's unspent portion of bond proceeds held for the improvement of the water and sewer system in the amount of \$460,024. The County holds these monies to apply against future water and sewer system construction for the City. Oakland County has invested these monies and allocated interest earned as an increase to the amount due the City.

Note 9 - Risk Management

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

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2012

Note 9 - Risk Management (Continued)

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:

	<u>2012</u>	<u>2011</u>
Estimated liability - Beginning of year	\$ 95,535	\$ 53,182
Estimated claims incurred, including changes in estimates	74,979	46,932
Claims payments	<u>(119,905)</u>	<u>(4,579)</u>
Estimated liability - End of year	<u>\$ 50,609</u>	<u>\$ 95,535</u>
Estimated liability for claims reported	\$ 35,609	\$ 80,535
Estimated liability for claims incurred but not reported	<u>15,000</u>	<u>15,000</u>
Total estimated liability	<u>\$ 50,609</u>	<u>\$ 95,535</u>

Note 10 - Defined Contribution Pension Plan

The Rochester Hills Group Pension Plan, which is administered by the City, 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 279 active participants and 57 participants that were terminated or retired, this totals to 336 participants in the pension plan. In a defined contribution plan, benefits

Note 10 - Defined Contribution Pension Plan (Continued)

depend solely on amounts contributed to the plan plus investment earnings. 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 to 14 percent of employees' gross earnings, certain employee groups have an employee pretax mandatory contribution of 1 or 3 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 \$1,930,311 during the current year, employees' mandatory contributions were \$381,499, and employee voluntary contributions were \$14,251. There were no forfeitures that reduced the City's pension expense and there were no employer's liability outstanding as of 12/31/2012. The City's contributions for each employee (plus interest allocated to each employee's account) are fully vested after five years of continuous service.

Note 11 - Other Postemployment Benefits

Plan description: The City provides retiree health care benefits to eligible retirees, retiree's spouse and qualified dependents through the City of Rochester Hills Retiree Health Benefit Program (the Plan). Benefits are provided to all eligible retired employees by providing them with a funding source to assist with the reimbursement of health care benefits.

The Plan consists of two parts. The primary component, the Retiree Health Savings Plan (RHS Plan), a defined contribution program, 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 202 active participants and 54 participants that were terminated or retired, this totals 256 participants in the primary component of the RHS Plan. This component allows retirees to receive reimbursement of eligible health care expenses. The second component, the Supplemental Benefit Plan, is a closed program and is only available to employees who met certain criteria at March 12, 2001. As of year-end there are 82 active participants and 30 participants that are terminated or retired and receiving the benefit.

The RHS Plan is single employer defined contribution plan administered by the City through Diversified Investment Advisors. Benefits are provided to non-union employees and employees covered through collective bargaining agreements. Benefits received under this plan are based on the accumulation of contributions and investment earnings to pay for health care expenses at retirement.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2012

Note 11 - Other Postemployment Benefits (Continued)

The Supplemental Benefit Plan is a single employer defined benefit plan administered by the Retiree Health Care Benefit Trust Board as established and authorized through a Section 115 Trust Document. Investments for the Trust are managed through Diversified Investment Advisors. Benefits are provided to eligible retirees that have met certain criteria at March 12, 2001. Benefits under this program are defined payments, based on years of service, made to cover health care insurance premiums.

Both the RHS Plan and the Supplemental Benefit Plan do not issue separate stand-alone financial statements and administrative costs are paid through employer and or employee contributions.

Funding policy: The RHS Plan is funded by City contributions and tax-free mandatory employee contributions. The value of participant accounts is dependent on the accumulation of employer and employee contributions as well as investment earnings of each participants directed investments. The City contributes to the health savings plan on a bi-weekly basis, a minimum of 3 percent of gross earnings. Certain employee groups who have accrued more than 40 unused annual leave hours must contribute the equivalent of up to 16 hours per year to the RHS Plan and other groups have a mandatory percent contribution. Benefits paid out depend solely on amounts contributed to the plan plus investment earnings. During the year the City contributed, from various funds, \$500,299 to the RHS Plan and employee mandatory contributions were \$91,229.

The City has established a Retiree Health Care Benefit Trust per P.A. 149 to assist with prefunding the Supplemental Benefit Plan and the Implicit Rate Subsidy for retiree health care benefits. The Retiree Health Care Benefit Trust is administered by the Retiree Health Care Benefit Trust Board as established and authorized through a Section 115 Trust Document. Investments for the Trust are managed through Diversified Investment Advisors. The investment fiduciaries shall invest the Retiree Health Care Benefit Trust in accordance with P.A. 314 of 1965, as amended. The City contributed the Annual Required Contribution (ARC) for the Supplemental Benefit Plan following a one year schedule and the ARC payment for the implicit rate subsidy, following a thirty year schedule. All future benefits required under the Supplemental Benefit Plan, including administrative, will come from the Trust Fund. Expenditures for postemployment healthcare costs for employees participating in the supplemental benefit plan are paid as the applicable costs are incurred. During fiscal year 2012, this amounted to \$75,686.

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2012

Note 11 - Other Postemployment Benefits (Continued)

Funding progress: The City has made contributions in 2012 following the thirty year schedule of the actuarial valuation. Approximately \$159,450 was contributed to the Trust during the year which includes the current year ARC plus additional amounts to cover previous year underpayments of the ARC. The last actuarial valuation was completed in 2012 with a planned updated actuarial report to be completed in 2014.

The valuation's computed contributions and funding are summarized as follows:

Actual Funding	Governmental Activities	Water & Sewer Fund	Total
Annual required contribution	\$ 90,712	\$ 19,329	\$ 110,041
Interest on the prior year's net OPEB Obligation	23	23	46
Adjustment to the ARC	<u>(30)</u>	<u>(31)</u>	<u>(61)</u>
Annual OPEB cost	90,705	19,321	110,026
Amounts contributed:			
Amounts funded	<u>132,850</u>	<u>26,600</u>	<u>159,450</u>
Decrease in net OPEB obligation	(42,145)	(7,279)	(49,424)
OPEB obligation - Beginning of year	<u>461</u>	<u>460</u>	<u>921</u>
OPEB asset - End of year	<u>\$ (41,684)</u>	<u>\$ (6,819)</u>	<u>\$ (48,503)</u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current year is as follows:

OPEB Costs	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Annual required contribution	\$ 2,129,343	\$ 155,700	\$ 159,436	\$ 159,436	\$ 110,041
Annual OPEB Costs	2,129,343	241,863	156,938	157,073	110,026
Employer contributions	(91,026)	2,124,480	155,640	313,150	159,450
Percentage of ARC contributed	4.3%	1364.4%	97.6%	196.4%	145.0%
Percentage of OPEB costs contributed	4.3%	878.4%	99.0%	199.4%	144.9%
Net OPEB obligation	<u>\$ 2,038,317</u>	<u>\$ 155,700</u>	<u>\$ 156,998</u>	<u>\$ 921</u>	<u>\$ (48,503)</u>

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2012

Note 11 - Other Postemployment Benefits (Continued)

The funding progress of the plan as of the most recent valuation date is as follows:

Funding progress

Valuation as of:	<u>12/31/2008</u>	<u>1/1/2010</u>	<u>1/1/2012</u>		
Actuarial value of assets	\$ -	\$ 2,039,331	\$ 2,440,766		
Actuarial accrued liability	<u>3,509,633</u>	<u>3,475,690</u>	<u>3,245,483</u>		
Unfunded AAL	<u>\$ 3,509,633</u>	<u>\$ 1,436,359</u>	<u>\$ 804,717</u>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Fund ratio	0%		59%		75%
Annual covered payroll	<u>\$ 16,500,598</u>	<u>\$ 15,721,458</u>	<u>\$ 14,587,949</u>	<u>\$ 13,548,800</u>	<u>\$ 13,307,285</u>
Ratio of UAAL to covered payroll	21.27%	22.33%	9.85%	10.61%	6.05%

Actuarial methods and assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses), that is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and the health care cost trend rate assumed a 10 percent annual rate for inflation reducing by .5 percent increments to an ultimate rate of 6 percent in year 2020. The UAAL is being amortized using a level dollar over an open thirty year period for the implicit rate subsidy related to the RHS plan.

Note 12 – Change in Accounting

During the current year, the City adopted GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. As a result, “Net assets” have now been re-labeled as “Net position.”

Note 13 – Upcoming Accounting Pronouncements

In March 2012, the GASB issued GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the City’s 2013 fiscal year.

In June 2012, the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City will evaluate the impact this standard will be implemented for the City’s 2015 fiscal year.



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Required Supplemental Information



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City of Rochester Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule – General Fund Year Ended December 31, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 10,980,880	\$ 11,107,900	\$ 11,106,216	\$ (1,684)
Federal sources	131,850	159,550	88,428	(71,122)
State sources	4,400,000	5,200,000	5,211,578	11,578
Fees and permits	1,906,580	2,542,310	2,554,188	11,878
Fines and forfeitures	8,000	31,540	31,845	305
Charges for services	5,538,460	5,134,150	5,300,820	166,670
Investment earnings	155,100	95,000	90,734	(4,266)
Other	144,380	209,720	228,035	18,315
Sale of assets	-	1,500	1,509	9
Transfer in other funds	<u>12,410</u>	<u>49,350</u>	<u>49,350</u>	<u>-</u>
Total revenues	23,277,660	24,531,020	24,662,703	131,683
Expenditures				
General government:				
City Council	177,360	212,640	191,615	21,025
City administration	3,778,300	3,664,540	3,544,139	120,401
Clerk	1,340,050	1,300,330	1,219,018	81,312
Assessing	1,153,420	986,050	832,969	153,081
Human resources	612,370	586,930	554,623	32,307
Support services	167,270	117,150	96,574	20,576
Public works:				
City development	610,310	616,840	580,537	36,303
Cemetery	255,950	264,220	243,780	20,440
Public safety:				
Building	2,495,580	2,319,690	2,225,845	93,845
Crossing guard	50,370	51,710	50,705	1,005
Community and economic development:				
Planning	746,130	695,950	657,946	38,004
Community development block grant	131,850	159,550	138,110	21,440
Recreation and culture:				
Parks and recreation	2,626,510	2,627,610	2,545,192	82,418
Historic district commission	10,710	10,960	7,982	2,978
Transfers to other funds	<u>8,530,480</u>	<u>8,279,530</u>	<u>8,280,286</u>	<u>(756)</u>
Total expenditures	<u>22,686,660</u>	<u>21,893,700</u>	<u>21,169,321</u>	<u>724,379</u>
Excess of Revenue Over Expenditures	591,000	2,637,320	3,493,382	856,062
Fund Balance - Beginning of year	<u>21,799,869</u>	<u>24,793,530</u>	<u>24,793,530</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 22,390,869</u>	<u>\$ 27,430,850</u>	<u>\$ 28,286,912</u>	<u>\$ 856,062</u>

City of Rochester Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule – Major Road Fund Year Ended December 31, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
State sources	\$ 2,820,570	\$ 3,155,170	\$ 3,177,395	\$ 22,225
Federal grant	-	90,110	90,113	3
Other governmental sources	200,000	200,000	200,000	-
Charges for services	228,500	230,430	233,310	2,880
Investment earnings	108,100	55,000	56,026	1,026
Other	35,500	47,200	30,193	(17,007)
Transfer from other funds	<u>293,500</u>	<u>293,500</u>	<u>294,256</u>	<u>756</u>
Total revenues	3,686,170	4,071,410	4,081,293	9,883
Expenditures - Public works				
Street maintenance	1,897,610	1,735,500	1,359,245	376,255
Capital outlay	1,370,720	1,985,530	1,181,642	803,888
Transfers to other funds	<u>1,361,250</u>	<u>1,361,250</u>	<u>1,361,250</u>	<u>-</u>
Total expenditures	<u>4,629,580</u>	<u>5,082,280</u>	<u>3,902,137</u>	<u>1,180,143</u>
Excess of Revenue Over (Under) Expenditures	(943,410)	(1,010,870)	179,156	1,190,026
Fund Balance - Beginning of year	<u>13,731,951</u>	<u>15,641,687</u>	<u>15,641,687</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 12,788,541</u>	<u>\$ 14,630,817</u>	<u>\$ 15,820,843</u>	<u>\$ 1,190,026</u>

City of Rochester Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule – Local Street Fund Year Ended December 31, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 1,043,490	\$ 1,046,400	\$ 1,046,301	\$ (99)
State sources	1,087,050	1,190,000	1,207,343	17,343
Licenses and permits	10,000	17,500	17,400	(100)
Charges for services	98,820	116,030	134,940	18,910
Special assessment	7,910	13,710	16,678	2,968
Investment earnings	40,770	10,430	11,153	723
Other	10,000	6,320	6,748	428
Transfers from other funds	<u>4,322,300</u>	<u>4,070,680</u>	<u>4,070,680</u>	<u>-</u>
Total revenues	6,620,340	6,471,070	6,511,243	40,173
Expenditures - Public works				
Street maintenance	3,974,860	3,744,680	2,851,277	893,403
Capital outlay	2,097,830	2,143,740	1,842,870	300,870
Transfers to other funds	<u>547,650</u>	<u>547,650</u>	<u>547,650</u>	<u>-</u>
Total expenditures	<u>6,620,340</u>	<u>6,436,070</u>	<u>5,241,797</u>	<u>1,194,273</u>
Excess of Revenue Over (Under) Expenditures	-	35,000	1,269,446	1,234,446
Fund Balance - Beginning of year	<u>3,502,928</u>	<u>4,044,947</u>	<u>4,044,947</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 3,502,928</u></u>	<u><u>\$ 4,079,947</u></u>	<u><u>\$ 5,314,393</u></u>	<u><u>\$ 1,234,446</u></u>

City of Rochester Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule – Fire Fund Year Ended December 31, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 5,759,010	\$ 5,775,680	\$ 5,775,345	\$ (335)
State sources	-	480	488	8
Licenses and permits	8,000	5,480	5,542	62
Fines and forfeitures	5,000	20,020	20,412	392
Charges for services	1,528,250	1,515,900	1,561,409	45,509
Investment earnings	37,300	20,000	19,097	(903)
Other	7,450	48,050	28,906	(19,144)
Sale of assets	<u>500</u>	<u>2,830</u>	<u>3,247</u>	<u>417</u>
Total revenue	7,345,510	7,388,440	7,414,446	26,006
Expenditures				
Public safety - Fire	6,987,250	6,982,450	6,605,880	376,570
Transfers to other funds	<u>-</u>	<u>405,990</u>	<u>405,990</u>	<u>-</u>
Total expenditures	<u>6,987,250</u>	<u>7,388,440</u>	<u>7,011,870</u>	<u>376,570</u>
Excess of Revenue Over Expenditures	358,260	-	402,576	402,576
Fund Balance - Beginning of year	<u>2,645,409</u>	<u>3,073,339</u>	<u>3,073,339</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 3,003,669</u>	<u>\$ 3,073,339</u>	<u>\$ 3,475,915</u>	<u>\$ 402,576</u>

City of Rochester Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule – Special Police Fund Year Ended December 31, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 3,556,850	\$ 3,566,920	\$ 3,566,945	\$ 25
State sources	31,000	37,800	37,827	27
Other governmental sources	250,140	250,140	253,796	3,656
Fines and forfeitures	371,000	314,000	325,990	11,990
Charges for services	159,700	161,000	161,137	137
Investment earnings	17,070	7,000	6,621	(379)
Other	-	12,730	13,654	924
Transfers from other funds	<u>4,712,010</u>	<u>4,720,680</u>	<u>4,720,680</u>	<u>-</u>
Total revenues	9,097,770	9,070,270	9,086,650	16,380
Expenditures				
Public safety - Police	8,739,930	8,713,330	8,406,230	307,100
Transfers to other funds	<u>357,840</u>	<u>357,840</u>	<u>357,243</u>	<u>597</u>
Total expenditures	<u>9,097,770</u>	<u>9,071,170</u>	<u>8,763,473</u>	<u>307,697</u>
Excess of Revenue Over Expenditures	-	(900)	323,177	324,077
Fund Balance - Beginning of year	<u>563,609</u>	<u>694,720</u>	<u>694,720</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 563,609</u>	<u>\$ 693,820</u>	<u>\$ 1,017,897</u>	<u>\$ 324,077</u>

City of Rochester Hills, Michigan

Notes to Required Supplemental Information

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all City funds except that operating transfers and debt proceeds have been included in the “revenue” and “expenditures” categories, rather than as “other financing sources (uses).” 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 fund level.

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.

Excess of Expenditures Over Appropriations in Budgeted Funds - The City had no significant expenditure budget variances for the year.

Other Supplemental Information

City of Rochester Hills, Michigan

Other Supplemental Information Combining Balance Sheet – All Fund Types Nonmajor Governmental Funds December 31, 2012

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Assets				
Cash and investments	\$ 12,820,081	\$ 4,081,997	\$ 13,926,824	\$ 30,828,902
Receivables:				
Property tax	1,536,392	740,361	-	2,276,753
Federal	23,091	-	-	23,091
Accounts	-	2,425	-	2,425
Accrued interest	11,867	2,754	19,323	33,944
Long-term receivables - Special assessments	-	93,464	-	93,464
Other assets	4,500	-	-	4,500
Total assets	\$ 14,395,931	\$ 4,921,001	\$ 13,946,147	\$ 33,263,079
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 2,795	\$ 2,268	\$ 88	\$ 5,151
Retainage payable	5,275	-	-	5,275
Accrued wages	10,667	-	-	10,667
Deposits and escrows	321,459	-	-	321,459
Deferred revenue	2,959,216	1,535,734	-	4,494,950
Other liabilities	6,449	9,611	-	16,060
Total liabilities	3,305,861	1,547,613	88	4,853,562
Fund Balances				
Restricted				
Pathway operations and maintenance	126,228	-	-	126,228
Drain improvements	3,028,107	-	-	3,028,107
Cemetery maintenance	1,191,617	-	-	1,191,617
Tree conservation and maintenance	1,641,439	-	-	1,641,439
Green space preservation	5,093,769	-	-	5,093,769
Debt service	-	3,373,388	-	3,373,388
Pathway construction	-	-	1,609,849	1,609,849
Fire vehicles and equipment	-	-	8,370,007	8,370,007
Assigned				
Capital projects	-	-	3,966,203	3,966,203
Cemetery maintenance	8,910	-	-	8,910
Total fund balances	11,090,070	3,373,388	13,946,059	28,409,517
Total liabilities and fund balances	\$ 14,395,931	\$ 4,921,001	\$ 13,946,147	\$ 33,263,079

City of Rochester Hills, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances – All Fund Types Nonmajor Governmental Funds Year Ended December 31, 2012

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Revenue				
Federal grant	\$ 23,091	\$ -	\$ -	\$ 23,091
Property taxes	2,973,449	1,949,218	-	4,922,667
Charges for services	72,986	-	-	72,986
Investment earnings	33,548	19,998	54,730	108,276
Special assessments	-	30,508	-	30,508
Other	9,680	10,625	1,023	21,328
Sale of assets	-	-	12,101	12,101
Total revenue	3,112,754	2,010,349	67,854	5,190,957
Expenditures				
Public works	831,321	-	976	832,297
Parks and recreation	1,568,796	-	-	1,568,796
Capital outlay	23,793	-	491,735	515,528
Debt service:				
Principal retirement	-	3,005,889	-	3,005,889
Interest and fiscal charges	-	746,836	-	746,836
Paying agent and other	-	2,638	-	2,638
Total expenditures	2,423,910	3,755,363	492,711	6,671,984
Excess of Revenue Over (Under)				
Expenditures	688,844	(1,745,014)	(424,857)	(1,481,027)
Other Financing Sources (Uses)				
Transfers in	-	2,348,038	1,101,680	3,449,718
Transfers out	(370,500)	(1,039,538)	(284,480)	(1,694,518)
Total other financing sources (uses)	(370,500)	1,308,500	817,200	1,755,200
Net Change in Fund Balance	318,344	(436,514)	392,343	274,173
Fund Balances - Beginning of year	10,771,726	3,809,902	13,553,716	28,135,344
Fund Balances - End of year	\$ 11,090,070	\$ 3,373,388	\$ 13,946,059	\$ 28,409,517



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Nonmajor Special Revenue Funds

Special Revenue Funds account for resources legally restricted to expenditures for specified current operating purposes or to the acquisition of furniture, equipment, land, or other relatively minor or comparatively short-lived assets.

R.A.R.A. Millage Fund - This fund accounts for the special millage for the Rochester-Avon Recreation Authority (R.A.R.A.) activities.

Pathway Fund – This fund accounts for the special millage used primarily to maintain pathways.

Public Improvement Fund – This fund accounts for storm water / drainage improvements.

Older Persons' Millage Fund – This fund accounts for the special millage for the Older Persons' Commission activities.

Stoney Creek Perpetual Care Fund – This fund accounts for the monies collected from sales of cemetery lots and spaces. The monies in this fund can only be used for cemetery maintenance and improvements.

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

Green Space Preservation Fund – This fund accounts for the special millage to permanently preserve natural green spaces and wildlife habitats, and protect woodlands, wetland, rivers, and streams.

City of Rochester Hills, Michigan

	R.A.R.A. Millage Fund	Pathway Fund	Public Improvement Fund
Assets			
Cash and investments	\$ 275,411	\$ 393,114	\$ 3,015,035
Receivables:			
Property tax	297,394	283,361	-
Federal	-	-	23,091
Accrued interest	-	-	756
Other assets	-	-	4,500
	<u>572,805</u>	<u>676,475</u>	<u>3,043,382</u>
Total assets	\$ 572,805	\$ 676,475	\$ 3,043,382
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ 746	\$ 1,182
Retainage payable	-	-	5,275
Accrued wages	-	1,246	8,818
Deposits and escrows	-	-	-
Deferred revenue	572,805	545,774	-
Other liabilities	-	2,481	-
	<u>572,805</u>	<u>550,247</u>	<u>15,275</u>
Total liabilities	572,805	550,247	15,275
Fund Balances			
Restricted			
Pathway operations and maintenance	-	126,228	-
Drain improvements	-	-	3,028,107
Cemetery maintenance	-	-	-
Tree conservation and maintenance	-	-	-
Green space preservation	-	-	-
Assigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	-	126,228	3,028,107
Total liabilities and fund balances	\$ 572,805	\$ 676,475	\$ 3,043,382

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Special Revenue Funds Combining Balance Sheet December 31, 2012

Older Persons' Millage Fund	Stoney Creek Perpetual Care Fund	Tree Fund	Green Space Preservation	Total Nonmajor Special Revenue Funds
\$ 465,209	\$ 1,199,845	\$ 1,959,641	\$ 5,511,826	\$ 12,820,081
502,348	-	-	453,289	1,536,392
-	-	-	-	23,091
-	682	3,257	7,172	11,867
-	-	-	-	4,500
<u>\$ 967,557</u>	<u>\$ 1,200,527</u>	<u>\$ 1,962,898</u>	<u>\$ 5,972,287</u>	<u>\$ 14,395,931</u>
\$ -	\$ -	\$ -	\$ 867	\$ 2,795
-	-	-	-	5,275
-	-	-	603	10,667
-	-	321,459	-	321,459
967,557	-	-	873,080	2,959,216
-	-	-	3,968	6,449
967,557	-	321,459	878,518	3,305,861
-	-	-	-	126,228
-	-	-	-	3,028,107
-	1,191,617	-	-	1,191,617
-	-	1,641,439	-	1,641,439
-	-	-	5,093,769	5,093,769
-	8,910	-	-	8,910
-	<u>1,200,527</u>	<u>1,641,439</u>	<u>5,093,769</u>	<u>11,090,070</u>
<u>\$ 967,557</u>	<u>\$ 1,200,527</u>	<u>\$ 1,962,898</u>	<u>\$ 5,972,287</u>	<u>\$ 14,395,931</u>

City of Rochester Hills, Michigan

	R.A.R.A Millage Fund	Pathway Fund	Public Improvement Fund
Revenue			
Property taxes	\$ 575,560	\$ 548,398	\$ -
Federal grant	-	-	23,091
Charges for services	-	2,670	44,036
Investment earnings	-	172	2,747
Other	-	36	9,356
	<u>575,560</u>	<u>551,276</u>	<u>79,230</u>
Total revenue	575,560	551,276	79,230
Expenditures			
Public works	-	209,096	601,024
Parks and recreation	575,560	-	-
Capital outlay	-	-	23,793
	<u>575,560</u>	<u>209,096</u>	<u>624,817</u>
Total expenditures	575,560	209,096	624,817
Excess of Revenue Over (Under) Expenditures	-	342,180	(545,587)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	(351,690)	-
	<u>-</u>	<u>(351,690)</u>	<u>-</u>
Total other financing sources (uses)	-	(351,690)	-
Net Change in Fund Balance	-	(9,510)	(545,587)
Fund Balances - Beginning of year	-	135,738	3,573,694
Fund Balances - End of year	\$ -	\$ 126,228	\$ 3,028,107

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Special Revenue Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances December 31, 2012

Older Persons' Millage Fund	Stoney Creek Perpetual Care Fund	Tree Fund	Green Space Preservation	Total Nonmajor Special Revenue Funds
\$ 972,212	\$ -	\$ -	\$ 877,279	\$ 2,973,449
-	-	-	-	23,091
-	25,620	660	-	72,986
-	4,595	8,783	17,251	33,548
-	-	288	-	9,680
972,212	30,215	9,731	894,530	3,112,754
-	-	21,201	-	831,321
972,212	-	-	21,024	1,568,796
-	-	-	-	23,793
<u>972,212</u>	<u>-</u>	<u>21,201</u>	<u>21,024</u>	<u>2,423,910</u>
-	30,215	(11,470)	873,506	688,844
-	-	-	-	-
-	(5,860)	(12,950)	-	(370,500)
<u>-</u>	<u>(5,860)</u>	<u>(12,950)</u>	<u>-</u>	<u>(370,500)</u>
-	24,355	(24,420)	873,506	318,344
-	1,176,172	1,665,859	4,220,263	10,771,726
<u>\$ -</u>	<u>\$ 1,200,527</u>	<u>\$ 1,641,439</u>	<u>\$ 5,093,769</u>	<u>\$ 11,090,070</u>

City of Rochester Hills, Michigan

	R.A.R.A. Millage Fund			Pathway Fund		
	Amended Budget		Variance with	Amended Budget		Variance with
	(Unaudited)	Actual	Amended Budget	(Unaudited)	Actual	Amended Budget
Revenue						
Property taxes	\$ 576,080	\$ 575,560	\$ (520)	\$ 548,530	\$ 548,398	\$ (132)
Federal grant	-	-	-	-	-	-
Charges for services	-	-	-	780	2,670	1,890
Investment earnings	-	-	-	100	172	72
Other	-	-	-	-	36	36
Total revenue	576,080	575,560	(520)	549,410	551,276	1,866
Expenditures						
Public works	-	-	-	252,720	209,096	43,624
Parks and recreation	576,080	575,560	520	-	-	-
Capital outlay	-	-	-	-	-	-
Transfers out	-	-	-	351,690	351,690	-
Total expenditures	576,080	575,560	520	604,410	560,786	43,624
Excess of Revenue Over (Under) Expenditures	-	-	-	(55,000)	(9,510)	45,490
Fund Balances - Beginning of year	-	-	-	135,738	135,738	-
Fund Balances - End of year	\$ -	\$ -	\$ -	\$ 80,738	\$ 126,228	\$ 45,490

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Special Revenue Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Amended Budget and Actual Year Ended December 31, 2012

Public Improvement Fund			Older Persons' Millage Fund		
Amended Budget (Unaudited)	Actual	Variance with Amended Budget	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
\$ -	\$ -	\$ -	\$ 973,100	\$ 972,212	\$ (888)
45,500	23,091	(22,409)	-	-	-
41,700	44,036	2,336	-	-	-
3,500	2,747	(753)	-	-	-
<u>9,360</u>	<u>9,356</u>	<u>(4)</u>	<u>-</u>	<u>-</u>	<u>-</u>
100,060	79,230	(20,830)	973,100	972,212	(888)
634,190	601,024	33,166	-	-	-
-	-	-	973,100	972,212	888
55,500	23,793	31,707	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>689,690</u>	<u>624,817</u>	<u>64,873</u>	<u>973,100</u>	<u>972,212</u>	<u>888</u>
(589,630)	(545,587)	44,043	-	-	-
<u>3,573,694</u>	<u>3,573,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 2,984,064</u>	<u>\$ 3,028,107</u>	<u>\$ 44,043</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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City of Rochester Hills, Michigan

	Stoney Creek Perpetual Care Fund			Tree Fund		
	Amended Budget		Variance with	Amended Budget		Variance with
	(Unaudited)	Actual	Amended Budget	(Unaudited)	Actual	Amended Budget
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grant	-	-	-	-	-	-
Charges for services	18,880	25,620	6,740	440	660	220
Investment earnings	4,500	4,595	95	9,000	8,783	(217)
Other	-	-	-	280	288	8
Total revenue	23,380	30,215	6,835	9,720	9,731	11
Expenditures						
Public works	-	-	-	40,000	21,201	18,799
Parks and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Transfers out	5,860	5,860	-	12,950	12,950	-
Total expenditures	5,860	5,860	-	52,950	34,151	18,799
Excess of Revenue Over (Under) Expenditures	17,520	24,355	6,835	(43,230)	(24,420)	18,810
Fund Balances - Beginning of year	1,176,172	1,176,172	-	1,665,859	1,665,859	-
Fund Balances - End of year	<u>\$ 1,193,692</u>	<u>\$ 1,200,527</u>	<u>\$ 6,835</u>	<u>\$ 1,622,629</u>	<u>\$ 1,641,439</u>	<u>\$ 18,810</u>

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Special Revenue Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Amended Budget and Actual (Continued) Year Ended December 31, 2012

Green Space Preservation			Total		
Amended Budget (Unaudited)	Actual	Variance with Amended Budget	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
\$ 877,400	\$ 877,279	\$ (121)	\$ 2,975,110	\$ 2,973,449	\$ (1,661)
-	-	-	45,500	23,091	(22,409)
-	-	-	61,800	72,986	11,186
18,000	17,251	(749)	35,100	33,548	(1,552)
-	-	-	9,640	9,680	40
895,400	894,530	(870)	3,127,150	3,112,754	(14,396)
-	-	-	926,910	831,321	95,589
44,510	21,024	23,486	1,593,690	1,568,796	24,894
-	-	-	-	-	-
-	-	-	370,500	370,500	-
44,510	21,024	23,486	2,946,600	2,794,410	152,190
850,890	873,506	22,616	180,550	318,344	137,794
4,220,263	4,220,263	-	10,771,726	10,771,726	-
<u>\$ 5,071,153</u>	<u>\$ 5,093,769</u>	<u>\$ 22,616</u>	<u>\$ 10,952,276</u>	<u>\$ 11,090,070</u>	<u>\$ 137,794</u>



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Nonmajor Debt Service Funds

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

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

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

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

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

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

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

City of Rochester Hills, Michigan

	Road Improvement 2001 Fund	Local Street Improvement 2001 Fund	Drain Fund
Assets			
Cash and investments	\$ 433,484	\$ 342,884	\$ 1,788,161
Receivables:			
Property tax	-	-	360,158
Accounts	-	2,425	-
Accrued interest	-	-	1,679
Long-term receivables - Special assessments	-	93,464	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>\$ 433,484</u></u>	<u><u>\$ 438,773</u></u>	<u><u>\$ 2,149,998</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 1,590
Other liabilities	-	-	6,431
Deferred revenue	-	95,020	700,852
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	-	95,020	708,873
Fund Balances			
Restricted - Debt service	<u>433,484</u>	<u>343,753</u>	<u>1,441,125</u>
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>433,484</u>	<u>343,753</u>	<u>1,441,125</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u><u>\$ 433,484</u></u>	<u><u>\$ 438,773</u></u>	<u><u>\$ 2,149,998</u></u>

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Debt Service Funds Combining Balance Sheet December 31, 2012

Local Street Improvement 2002 Fund	OPC Refunding Bond, Series 2010 Fund	Municipal Building Refunding Bond, Series 2010 Fund	Refunding Bond, Capital Improvement Series 2011	Total Nonmajor Debt Service Funds
\$ -	\$ 547,716	\$ 4,800	\$ 964,952	\$ 4,081,997
-	380,203	-	-	740,361
-	-	-	-	2,425
-	-	-	1,075	2,754
-	-	-	-	93,464
<u>\$ -</u>	<u>\$ 927,919</u>	<u>\$ 4,800</u>	<u>\$ 966,027</u>	<u>\$ 4,921,001</u>
\$ -	\$ 678	\$ -	\$ -	\$ 2,268
-	3,180	-	-	9,611
-	739,862	-	-	1,535,734
-	743,720	-	-	1,547,613
-	184,199	4,800	966,027	3,373,388
-	184,199	4,800	966,027	3,373,388
<u>\$ -</u>	<u>\$ 927,919</u>	<u>\$ 4,800</u>	<u>\$ 966,027</u>	<u>\$ 4,921,001</u>

City of Rochester Hills, Michigan

	Road Improvement 2001 Fund	Local Street Improvement 2001 Fund	Drain Fund	Local Street Improvement 2002 Fund
Revenue				
Property taxes	\$ -	\$ -	\$ 1,215,691	\$ -
Investment earnings	150	7,172	8,626	2,906
Special assessments	-	30,508	-	-
Other	-	-	8,678	-
Total revenue	150	37,680	1,232,995	2,906
Expenditures				
Principal retirement	200,000	200,000	1,140,889	350,000
Interest	52,287	53,075	164,225	14,000
Miscellaneous	275	550	1,288	275
Total expenditures	252,562	253,625	1,306,402	364,275
Excess of Revenue Over (Under) Expenditures	(252,412)	(215,945)	(73,407)	(361,369)
Other Financing Sources (Uses)				
Transfer in	137,200	153,170	-	257,280
Transfer out	-	-	-	(1,039,538)
Total other financing sources (uses)	137,200	153,170	-	(782,258)
Net Change in Fund Balance	(115,212)	(62,775)	(73,407)	(1,143,627)
Fund Balances - Beginning of year	548,696	406,528	1,514,532	1,143,627
Fund Balances - End of year	\$ 433,484	\$ 343,753	\$ 1,441,125	\$ -

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Debt Service Funds Combining Statement of Revenue, Expenditures, and Changes in Fund Balances December 31, 2012

OPC Refunding Bond Series 2010 Fund	Municipal Building Refunding Bond, Series 2010 Fund	Refunding Bond, Capital Improvement Series 2011	Total Nonmajor Debt Service Funds
\$ 733,527	\$ -	\$ -	\$ 1,949,218
279	-	865	19,998
-	-	-	30,508
<u>1,947</u>	<u>-</u>	<u>-</u>	<u>10,625</u>
735,753	-	865	2,010,349
535,000	545,000	35,000	3,005,889
200,425	216,100	46,724	746,836
250	-	-	<u>2,638</u>
<u>735,675</u>	<u>761,100</u>	<u>81,724</u>	<u>3,755,363</u>
78	(761,100)	(80,859)	(1,745,014)
-	760,850	1,039,538	2,348,038
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,039,538)</u>
<u>-</u>	<u>760,850</u>	<u>1,039,538</u>	<u>1,308,500</u>
78	(250)	958,679	(436,514)
<u>184,121</u>	<u>5,050</u>	<u>7,348</u>	<u>3,809,902</u>
<u><u>\$ 184,199</u></u>	<u><u>\$ 4,800</u></u>	<u><u>\$ 966,027</u></u>	<u><u>\$ 3,373,388</u></u>

City of Rochester Hills, Michigan

	Road Improvement 2001			Local Street Improvement 2001		
	Amended		Variance with	Amended		Variance with
	Budget	Actual	Amended	Budget	Actual	Amended
	(Unaudited)		Budget	(Unaudited)		Budget
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	100	150	50	6,330	7,172	842
Special assessments	-	-	-	24,510	30,508	5,998
Other	-	-	-	-	-	-
Transfers in	<u>137,200</u>	<u>137,200</u>	<u>-</u>	<u>153,170</u>	<u>153,170</u>	<u>-</u>
Total revenue	137,300	137,350	50	184,010	190,850	6,840
Expenditures						
Principal retirement	200,000	200,000	-	200,000	200,000	-
Interest	52,290	52,287	3	53,080	53,075	5
Miscellaneous	280	275	5	550	550	-
Transfer out	-	-	-	-	-	-
Total expenditures	<u>252,570</u>	<u>252,562</u>	<u>8</u>	<u>253,630</u>	<u>253,625</u>	<u>5</u>
Excess of Revenue Over (Under)						
Expenditures	(115,270)	(115,212)	58	(69,620)	(62,775)	6,845
Fund Balances - Beginning of year	<u>548,696</u>	<u>548,696</u>	<u>-</u>	<u>406,528</u>	<u>406,528</u>	<u>-</u>
Fund Balances - End of year	<u>\$ 433,426</u>	<u>\$ 433,484</u>	<u>\$ 58</u>	<u>\$ 336,908</u>	<u>\$ 343,753</u>	<u>\$ 6,845</u>

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Debt Service Funds Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Amended Budget and Actual Year Ended December 31, 2012

Drain Fund			Local Street Improvement 2002			OPC Refunding Bond, Series 2010		
Amended Budget (Unaudited)	Actual	Variance with Amended Budget	Amended Budget (Unaudited)	Actual	Variance with Amended Budget	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
\$ 1,215,730	\$ 1,215,691	\$ (39)	\$ -	\$ -	\$ -	\$ 739,540	\$ 733,527	\$ (6,013)
9,000	8,626	(374)	10,073	2,906	(7,167)	200	279	79
-	-	-	-	-	-	-	-	-
(8,000)	8,678	16,678	-	-	-	(4,030)	1,947	5,977
-	-	-	<u>257,280</u>	<u>257,280</u>	-	-	-	-
<u>1,216,730</u>	<u>1,232,995</u>	<u>16,265</u>	<u>267,353</u>	<u>260,186</u>	<u>(7,167)</u>	<u>735,710</u>	<u>735,753</u>	<u>43</u>
1,140,900	1,140,889	11	350,000	350,000	-	535,000	535,000	-
164,280	164,225	55	14,000	14,000	-	200,430	200,425	5
2,500	1,288	1,212	280	275	5	280	250	30
-	-	-	<u>1,046,700</u>	<u>1,039,538</u>	<u>7,162</u>	-	-	-
<u>1,307,680</u>	<u>1,306,402</u>	<u>1,278</u>	<u>1,410,980</u>	<u>1,403,813</u>	<u>7,167</u>	<u>735,710</u>	<u>735,675</u>	<u>35</u>
(90,950)	(73,407)	17,543	(1,143,627)	(1,143,627)	-	-	78	78
<u>1,514,532</u>	<u>1,514,532</u>	<u>-</u>	<u>1,143,627</u>	<u>1,143,627</u>	<u>-</u>	<u>184,121</u>	<u>184,121</u>	<u>-</u>
<u>\$ 1,423,582</u>	<u>\$ 1,441,125</u>	<u>\$ 17,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,121</u>	<u>\$ 184,199</u>	<u>\$ 78</u>

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City of Rochester Hills, Michigan

	OPC Refunding Bond, Series 2010			Municipal Building Refunding Bond, Series		
	Amended		Variance with	Amended		Variance with
	Budget		Amended	Budget		Amended
	(Unaudited)	Actual	Budget	(Unaudited)	Actual	Budget
Revenue						
Property taxes	\$ 739,540	\$ 733,527	\$ (6,013)	\$ -	\$ -	\$ -
Investment earnings	200	279	79	-	-	-
Special assessments	-	-	-	-	-	-
Other	(4,030)	1,947	5,977	-	-	-
Transfers in	-	-	-	760,640	760,850	210
Total revenue	735,710	735,753	43	760,640	760,850	210
Expenditures						
Principal retirement	535,000	535,000	-	545,000	545,000	-
Interest	200,430	200,425	5	216,130	216,100	30
Miscellaneous	280	250	30	-	-	-
Transfer out	-	-	-	-	-	-
Total expenditures	735,710	735,675	35	761,130	761,100	30
Excess of Revenue Over (Under) Expenditures	-	78	78	(490)	(250)	240
Fund Balances - Beginning of year	<u>184,121</u>	<u>184,121</u>	-	<u>5,050</u>	<u>5,050</u>	-
Fund Balances - End of year	<u>\$ 184,121</u>	<u>\$ 184,199</u>	<u>\$ 78</u>	<u>\$ 4,560</u>	<u>\$ 4,800</u>	<u>\$ 240</u>

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Debt Service Funds Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Amended Budget and Actual (Continued) Year Ended December 31, 2012

Refunding Bond, Capital Improvement, Series			Total		
Amended Budget (Unaudited)	Actual	Variance with Amended Budget	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
\$ -	\$ -	\$ -	\$ 1,955,270	\$ 1,949,218	\$ (6,052)
-	865	865	25,703	19,998	(5,705)
-	-	-	24,510	30,508	5,998
-	-	-	(12,030)	10,625	22,655
<u>1,046,700</u>	<u>1,039,538</u>	<u>(7,162)</u>	<u>2,354,990</u>	<u>2,348,038</u>	<u>(6,952)</u>
1,046,700	1,040,403	(6,297)	4,348,443	4,358,387	9,944
35,000	35,000	-	3,005,900	3,005,889	11
47,010	46,724	286	747,220	746,836	384
-	-	-	3,890	2,638	1,252
-	-	-	<u>1,046,700</u>	<u>1,039,538</u>	<u>7,162</u>
<u>82,010</u>	<u>81,724</u>	<u>286</u>	<u>4,803,710</u>	<u>4,794,901</u>	<u>8,809</u>
964,690	958,679	(6,011)	(455,267)	(436,514)	18,753
<u>7,348</u>	<u>7,348</u>	<u>-</u>	<u>3,809,902</u>	<u>3,809,902</u>	<u>-</u>
<u>\$ 972,038</u>	<u>\$ 966,027</u>	<u>\$ (6,011)</u>	<u>\$ 3,354,635</u>	<u>\$ 3,373,388</u>	<u>\$ 18,753</u>



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Nonmajor Capital Projects Funds

Capital Projects Funds account for the purchase and replacement of major equipment, improvements, and the construction of major capital replacements that are not financed by proprietary funds.

Capital Improvement Fund – This 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.

Pathway Construction Fund – This fund accounts for monies received from the Special Revenue Pathway Fund and private development to support major rehabilitation and construction of pedestrian pathway systems.

Fire Capital Fund – This fund accounts for monies received from the Special Revenue Fire Fund and is used for the purchase and replacement of major fire department capital items.

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Capital Projects Funds

Combining Balance Sheet

December 31, 2012

	Capital Improvement Fund	Pathway Construction Fund	Fire Capital Fund	Total Nonmajor Capital Project Funds
Assets				
Cash and investments	\$ 3,961,504	\$ 1,608,846	\$ 8,356,474	\$ 13,926,824
Receivables:				
Accrued interest	4,699	1,091	13,533	19,323
Total assets	<u>\$ 3,966,203</u>	<u>\$ 1,609,937</u>	<u>\$ 8,370,007</u>	<u>\$ 13,946,147</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ 88	\$ -	\$ 88
Total liabilities	-	88	-	88
Fund Balances				
Restricted				
Pathway construction	-	1,609,849	-	1,609,849
Fire vehicles and equipment	-	-	8,370,007	8,370,007
Assigned - Capital projects	<u>3,966,203</u>	<u>-</u>	<u>-</u>	<u>3,966,203</u>
Total fund balances	<u>3,966,203</u>	<u>1,609,849</u>	<u>8,370,007</u>	<u>13,946,059</u>
Total liabilities and fund balances	<u>\$ 3,966,203</u>	<u>\$ 1,609,937</u>	<u>\$ 8,370,007</u>	<u>\$ 13,946,147</u>

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Capital Projects Funds Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2012

	Capital Improvement Fund	Pathway Construction Fund	Fire Capital Fund	Total Nonmajor Capital Project Funds
Revenue				
Investment earnings	\$ 18,651	\$ 7,007	\$ 29,072	\$ 54,730
Other	-	115	908	1,023
Sale of assets	-	1	12,100	12,101
	<u>18,651</u>	<u>7,123</u>	<u>42,080</u>	<u>67,854</u>
Total revenue	18,651	7,123	42,080	67,854
Expenditures				
Capital outlay	-	478,435	13,300	491,735
Miscellaneous	976	-	-	976
	<u>976</u>	<u>478,435</u>	<u>13,300</u>	<u>492,711</u>
Total Expenditures	976	478,435	13,300	492,711
Excess of Revenue Over (Under)				
Expenditures	17,675	(471,312)	28,780	(424,857)
Other Financing Sources				
Transfers in	185,000	510,690	405,990	1,101,680
Transfers out	(284,480)	-	-	(284,480)
Total other financing sources (uses)	<u>(99,480)</u>	<u>510,690</u>	<u>405,990</u>	<u>817,200</u>
Net Change in Fund Balance	(81,805)	39,378	434,770	392,343
Fund Balances - Beginning of year	<u>4,048,008</u>	<u>1,570,471</u>	<u>7,935,237</u>	<u>13,553,716</u>
Fund Balances - End of year	<u><u>\$ 3,966,203</u></u>	<u><u>\$ 1,609,849</u></u>	<u><u>\$ 8,370,007</u></u>	<u><u>\$ 13,946,059</u></u>

City of Rochester Hills, Michigan

	Capital Improvement Fund			Pathway Construction Fund		
	Amended Budget (Unaudited)	Actual	Variance with Amended Budget	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue						
Investment earnings	\$ 20,000	\$ 18,651	\$ (1,349)	\$ 7,000	\$ 7,007	\$ 7
Transfers in	185,000	185,000	-	510,690	510,690	-
Other	-	-	-	-	115	115
Sale of assets	-	-	-	-	1	1
Total revenue	205,000	203,651	(1,349)	517,690	517,813	123
Expenditures						
Capital outlay	-	-	-	474,500	478,435	(3,935)
Miscellaneous	-	976	(976)	-	-	-
Transfers out	284,480	284,480	-	-	-	-
Total expenditures	284,480	285,456	(976)	474,500	478,435	(3,935)
Excess of Revenue Over (Under)						
Expenditures	(79,480)	(81,805)	(2,325)	43,190	39,378	(3,812)
Fund Balances - Beginning of year	4,048,008	4,048,008	-	1,570,471	1,570,471	-
Fund Balances - End of year	<u>\$ 3,968,528</u>	<u>\$ 3,966,203</u>	<u>\$ (2,325)</u>	<u>\$ 1,613,661</u>	<u>\$ 1,609,849</u>	<u>\$ (3,812)</u>

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Capital Projects Funds Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Amended Budget to Actual Year Ended December 31, 2012

Fire Capital Fund			Total		
Amended Budget (Unaudited)	Actual	Variance with Amended Budget	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
\$ 30,000	\$ 29,072	\$ (928)	\$ 57,000	\$ 54,730	\$ (2,270)
405,990	405,990	-	1,101,680	1,101,680	-
900	908	8	900	1,023	123
<u>12,100</u>	<u>12,100</u>	<u>-</u>	<u>12,100</u>	<u>12,101</u>	<u>1</u>
448,990	448,070	(920)	1,171,680	1,169,534	(2,146)
50,000	13,300	36,700	524,500	491,735	32,765
-	-	-	-	976	(976)
<u>-</u>	<u>-</u>	<u>-</u>	<u>284,480</u>	<u>284,480</u>	<u>-</u>
<u>50,000</u>	<u>13,300</u>	<u>36,700</u>	<u>808,980</u>	<u>777,191</u>	<u>31,789</u>
398,990	434,770	35,780	362,700	392,343	29,643
<u>7,935,237</u>	<u>7,935,237</u>	<u>-</u>	<u>13,553,716</u>	<u>13,553,716</u>	<u>-</u>
<u>\$ 8,334,227</u>	<u>\$ 8,370,007</u>	<u>\$ 35,780</u>	<u>\$ 13,916,416</u>	<u>\$ 13,946,059</u>	<u>\$ 29,643</u>



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Internal Service Funds

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

Facilities Fund – This 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 – This 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 – This 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 – This 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.



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City of Rochester Hills, Michigan

Internal Service Funds Combining Statement of Net Position December 31, 2012

	Facilities Fund	Management Information Systems Fund	Fleet Equipment Fund	Insurance Fund	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,379,660	\$ 623,059	\$ 1,483,339	\$ 1,258,593	\$ 4,744,651
Investments	5,848,628	2,996,774	4,739,670	-	13,585,072
Receivable - Federal	44,563	-	-	-	44,563
Accrued interest receivable	10,710	2,892	5,192	-	18,794
Other	<u>45,981</u>	<u>76,441</u>	<u>3,320</u>	<u>283,791</u>	<u>409,533</u>
Total current assets	7,329,542	3,699,166	6,231,521	1,542,384	18,802,613
Property, Plant, and Equipment					
Land	17,791,940	-	-	-	17,791,940
Land improvements	4,134,634	-	-	-	4,134,634
Building	30,006,312	-	-	-	30,006,312
Furniture	1,737,557	-	-	-	1,737,557
Machinery and equipment	877,390	3,378,162	2,735,975	-	6,991,527
Vehicles	<u>-</u>	<u>-</u>	<u>5,519,921</u>	<u>-</u>	<u>5,519,921</u>
Total property, plant, and equipment	<u>54,547,833</u>	<u>3,378,162</u>	<u>8,255,896</u>	<u>-</u>	<u>66,181,891</u>
Less accumulated depreciation	(18,144,279)	(3,112,829)	(4,944,738)	-	(26,201,846)
Net property, plant, and equipment	<u>36,403,554</u>	<u>265,333</u>	<u>3,311,158</u>	<u>-</u>	<u>39,980,045</u>
Total assets	43,733,096	3,964,499	9,542,679	1,542,384	58,782,658
Liabilities					
Current liabilities:					
Accounts payable	247,043	18,455	47,482	-	312,980
Retainage payable	5,663	-	-	-	5,663
Accrued wages	16,451	26,056	20,002	-	62,509
Accrued vacation	37,525	68,388	39,373	-	145,286
Accrued annual leave	12,621	25,215	18,156	-	55,992
Payable related to capital lease obligations:					
Current portion of capital lease obligations	265,000	-	-	-	265,000
Accrued interest	17,578	-	-	-	17,578
Other liabilities	<u>34,941</u>	<u>-</u>	<u>-</u>	<u>50,609</u>	<u>85,550</u>
Total current liabilities	636,822	138,114	125,013	50,609	950,558
Long-term liabilities - debt less current portion	<u>1,995,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,995,000</u>
Total liabilities	<u>2,631,822</u>	<u>138,114</u>	<u>125,013</u>	<u>50,609</u>	<u>2,945,558</u>
Net Position					
Net investment in capital assets	34,143,554	265,333	3,311,158	-	37,720,045
Unrestricted	<u>6,957,720</u>	<u>3,561,052</u>	<u>6,106,508</u>	<u>1,491,775</u>	<u>18,117,055</u>
Total net position	<u>\$ 41,101,274</u>	<u>\$ 3,826,385</u>	<u>\$ 9,417,666</u>	<u>\$ 1,491,775</u>	<u>\$ 55,837,100</u>

City of Rochester Hills, Michigan

Internal Service Funds

Combining Statement of Revenues, Expenses, and Changes in Net Position Year Ended December 31, 2012

	Facilities Fund	Management Information Systems Fund	Fleet Equipment Fund	Insurance Fund	Total
Operating Revenue					
Charges for services	2,157,970	1,338,300	2,253,139	95,000	5,844,409
Miscellaneous revenue	<u>13,292</u>	<u>3,334</u>	<u>12,889</u>	<u>477,226</u>	<u>506,741</u>
Total operating revenue	2,171,262	1,341,634	2,266,028	572,226	6,351,150
Operating Expenses					
Salaries and wages	566,365	841,467	624,401	-	2,032,233
Public utilities	589,039	-	-	-	589,039
Professional services	817,657	294,708	501,185	476,322	2,089,872
Materials and supplies	67,532	26,750	15,087	-	109,369
Repairs and maintenance	281,699	166,981	473,813	-	922,493
Rentals	1,695	-	2,311	-	4,006
Depreciation and amortization	<u>1,161,176</u>	<u>102,982</u>	<u>645,427</u>	<u>-</u>	<u>1,909,585</u>
Total operating expenses	<u>3,485,163</u>	<u>1,432,888</u>	<u>2,262,224</u>	<u>476,322</u>	<u>7,656,597</u>
Operating Income (Loss)	(1,313,901)	(91,254)	3,804	95,904	(1,305,447)
Nonoperating Revenues (Expenses)					
Investment earnings	33,858	10,253	10,327	13,605	68,043
Interest expense	(90,236)	-	-	-	(90,236)
Gain (loss) on sale of assets	<u>-</u>	<u>-</u>	<u>208,665</u>	<u>-</u>	<u>208,665</u>
Total nonoperating revenues	<u>(56,378)</u>	<u>10,253</u>	<u>218,992</u>	<u>13,605</u>	<u>186,472</u>
Income (Loss) - Before capital contributions and transfers	(1,370,279)	(81,001)	222,796	109,509	(1,118,975)
Capital Contributions					
Federal grant	130,498	-	-	-	130,498
Other capital contributions	<u>169,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>169,394</u>
Total capital contributions	299,892	-	-	-	299,892
Transfers					
Transfer in	787,833	47,520	24,150	-	859,503
Transfer out	<u>(760,850)</u>	<u>-</u>	<u>(36,400)</u>	<u>-</u>	<u>(797,250)</u>
Total transfers	<u>26,983</u>	<u>47,520</u>	<u>(12,250)</u>	<u>-</u>	<u>62,253</u>
Net Income (Loss)	(1,043,404)	(33,481)	210,546	109,509	(756,830)
Net Position - Beginning of year	<u>42,144,678</u>	<u>3,859,866</u>	<u>9,207,120</u>	<u>1,382,266</u>	<u>56,593,930</u>
Net Position - End of year	<u>\$ 41,101,274</u>	<u>\$ 3,826,385</u>	<u>\$ 9,417,666</u>	<u>\$ 1,491,775</u>	<u>\$ 55,837,100</u>

City of Rochester Hills, Michigan

Internal Service Funds Combining Statement of Cash Flows December 31, 2012

	Facilities Fund	Management Information Systems Fund	Fleet Equipment Fund	Insurance Fund	Total
Cash Flows from Operating Activities					
Cash received from customers	\$ 2,175,267	\$ 1,338,300	\$ 2,251,496	\$ 95,000	\$ 5,860,063
Cash payments for goods and services	(1,800,062)	(530,631)	(978,655)	(476,322)	(3,785,670)
Cash payments to employees	(549,766)	(833,081)	(617,003)	-	(1,999,850)
Other operating revenue	34,941	3,334	12,889	535,406	586,570
Net cash provided by (used in) operating activities	(139,620)	(22,078)	668,727	154,084	661,113
Cash Flows from Noncapital Financing Activities					
Transfers in (out) to other funds	420,590	-	(36,400)	-	384,190
Net cash provided by (used in) noncapital financing activities	420,590	-	(36,400)	-	384,190
Cash Flows from Capital and Related Financing Activities					
Proceeds from sale of capital assets	-	-	208,665	-	208,665
Payment for capital acquisitions	(385,676)	(76,084)	(1,099,706)	-	(1,561,466)
Principal payments	(250,000)	-	-	-	(250,000)
Interest paid	(129,715)	-	-	-	(129,715)
Federal grant	130,498	-	-	-	130,498
Capital contributions	169,394	-	-	-	169,394
Transfer in from other funds	367,243	47,520	24,150	-	438,913
Transfer out to other funds	(760,850)	-	-	-	(760,850)
Net cash used in capital and related financing activities	(859,106)	(28,564)	(866,891)	-	(1,754,561)
Cash Flows from Investing Activities					
Purchase of investment securities	(5,848,628)	(2,996,774)	(4,739,669)	-	(13,585,071)
Proceeds from maturities of investment securities	6,348,440	3,245,381	5,241,709	-	14,857,179
Receipts of interest and dividends	37,266	9,834	8,256	13,605	68,961
Net cash provided by investing activities	537,078	258,441	510,296	13,605	1,341,069
Net Increase (Decrease) in Cash and Cash Equivalents					
Cash and Cash Equivalents - January 1, 2012	1,420,718	415,260	1,207,607	1,090,904	4,134,489
Cash and Cash Equivalents - December 31, 2012	<u>\$ 1,379,660</u>	<u>\$ 623,059</u>	<u>\$ 1,483,339</u>	<u>\$ 1,258,593</u>	<u>\$ 4,766,300</u>

(Continued on next page)

City of Rochester Hills, Michigan

Internal Service Funds

Combining Statement of Cash Flows (Continued)

Year Ended December 31, 2012

	Facilities Fund	Management Information Systems Fund	Fleet Equipment Fund	Insurance Fund	Total
Reconciliation of Operating Income (Loss) to					
Net Cash from Operating Activities					
Operating income (loss)	\$ (1,313,901)	\$ (91,254)	\$ 3,804	\$ 95,904	\$ (1,305,447)
Adjustments to reconcile operating income (loss) to net cash from operating activities - Changes in assets and liabilities:					
Depreciation expense	1,161,176	102,982	645,427	-	1,909,585
Decrease (increase) in other assets	(41,976)	-	(1,643)	-	(43,619)
Increase (decrease) in accounts payable and other accrued expenses	-	(3,344)	-	103,106	99,762
Increase (decrease) in accrued wages, vacation and annual leave	3,541	(38,848)	13,741	-	(21,566)
Increase (decrease) in other liabilities	16,599	8,386	7,398	-	32,383
	<u>34,941</u>	<u>-</u>	<u>-</u>	<u>(44,926)</u>	<u>(9,985)</u>
Total adjustments	<u>1,174,281</u>	<u>69,176</u>	<u>664,923</u>	<u>58,180</u>	<u>1,966,560</u>
Net cash provided by (used in) operating activities	<u>\$ (139,620)</u>	<u>\$ (22,078)</u>	<u>\$ 668,727</u>	<u>\$ 154,084</u>	<u>\$ 661,113</u>

Fiduciary Funds

Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agency for individuals, private organizations, other governments, and/or funds. Agency Funds, which are custodial in nature (assets equal liabilities), do not involve measurement of results of operations.

Trust Fund:

Retiree Health Care Trust Fund – This fund accounts for the activity of the postemployment employee health care benefit program provided by the City.

Agency Funds:

Trust and Agency Fund – This fund accounts for advance payments, delinquent taxes, and licensing recorded here until received and/or disbursed.

Tax Collection Fund – This fund accounts for the collection and disbursement of current City tax levies.

Payroll Fund – This fund accounts for monies aggregated for payroll and payroll-related liabilities.

City of Rochester Hills, Michigan

Fiduciary Funds Combining Statement of Net Position December 31, 2012

	Retiree Health Care Benefit Trust	Agency Funds			Total Agency Funds
		Trust and Agency Fund	Tax Collection Fund	Payroll Fund	
Assets					
Cash	\$ 118,299	\$ 1,031	\$ 3,195,016	\$ 76,405	\$ 3,272,452
Investments - Mutual funds	<u>2,602,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	\$ 2,721,109	<u>\$ 1,031</u>	<u>\$ 3,195,016</u>	<u>\$ 76,405</u>	<u>\$ 3,272,452</u>
Liabilities					
Accounts payable	\$ 3,684	\$ -	\$ -	\$ 12,736	\$ 12,736
Due to other governmental units	-	1,031	3,058,378	63,669	3,123,078
Accrued and other liabilities	<u>133</u>	<u>-</u>	<u>136,638</u>	<u>-</u>	<u>136,638</u>
Total liabilities	\$ 3,817	<u>\$ 1,031</u>	<u>\$ 3,195,016</u>	<u>\$ 76,405</u>	<u>\$ 3,272,452</u>
Net Position - Held in trust for benefits					<u>\$ 2,717,292</u>

City of Rochester Hills, Michigan

Agency Funds Combining Statement of Changes in Assets and Liabilities Year Ended December 31, 2012

	Balance January 1, 2012	Additions	Deductions	Balance December 31, 2012
<u>Trust and Agency Fund</u>				
Assets - Cash	<u>\$ 16,792</u>	<u>\$ 169,047</u>	<u>\$ 184,808</u>	<u>\$ 1,031</u>
Liabilities				
Accounts payable	\$ -	\$ 198,166	\$ 198,166	\$ -
Due to other governmental units	<u>16,792</u>	<u>1,377,868</u>	<u>1,393,629</u>	<u>1,031</u>
Total liabilities	<u>\$ 16,792</u>	<u>\$ 1,576,034</u>	<u>\$ 1,591,795</u>	<u>\$ 1,031</u>
<u>Tax Collection Fund</u>				
Assets - Cash	<u>\$ 2,914,454</u>	<u>\$ 135,379,114</u>	<u>\$ 135,098,552</u>	<u>\$ 3,195,016</u>
Liabilities				
Accounts payable	\$ -	\$ 99,897	\$ 99,897	\$ -
Due to other governmental/component units	2,782,773	139,437,419	139,184,814	3,035,378
Other liabilities	<u>131,681</u>	<u>587,416</u>	<u>582,459</u>	<u>136,638</u>
Total liabilities	<u>\$ 2,914,454</u>	<u>\$ 140,124,732</u>	<u>\$ 139,867,170</u>	<u>\$ 3,172,016</u>
<u>Payroll Fund</u>				
Assets - Cash	<u>\$ 47,137</u>	<u>\$ 17,453,007</u>	<u>\$ 17,423,739</u>	<u>\$ 76,405</u>
Liabilities				
Accounts payable	\$ 7,668	\$ 2,136,175	\$ 2,131,107	\$ 12,736
Due to other governmental/component units	<u>39,469</u>	<u>3,514,436</u>	<u>3,490,236</u>	<u>63,669</u>
Total liabilities	<u>\$ 47,137</u>	<u>\$ 5,650,611</u>	<u>\$ 5,621,343</u>	<u>\$ 76,405</u>



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Statistical Section



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This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, not disclosures, and required supplemental information says about the City's overall financial health.

The statistical section is organized into the following main categories:

- Financial trends
- Revenue capacity
- Debt capacity
- Demographic and economic information
- Operating information

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement No. 34 in 2003; schedules presenting government-wide information include information beginning in that year.



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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.

City of Rochester Hills, Michigan

	Fiscal Year			
	2003	2004	2005	2006
Governmental Activities				
Invested in capital assets - Net of related debt	\$ 102,143,868	\$ 104,547,003	\$ 110,689,829	\$ 114,283,971
Restricted	39,330,766	40,857,866	44,263,028	49,911,176
Unrestricted	<u>11,314,980</u>	<u>13,463,681</u>	<u>19,576,062</u>	<u>20,562,505</u>
Total net assets	152,789,614	158,868,550	174,528,919	184,757,652
Business-type Activities				
Invested in capital assets - Net of related debt	101,977,631	102,001,742	102,222,247	103,730,294
Restricted	-	1,194,588	-	-
Unrestricted	<u>16,011,681</u>	<u>16,670,263</u>	<u>19,971,163</u>	<u>21,865,974</u>
Total net assets	117,989,312	119,866,593	122,193,410	125,596,268
Primary Government in Total				
Invested in capital assets - Net of related debt	204,121,499	206,548,745	212,912,076	218,014,265
Restricted	39,330,766	42,052,454	44,263,028	49,911,176
Unrestricted	<u>27,326,661</u>	<u>30,133,944</u>	<u>39,547,225</u>	<u>42,428,479</u>
Total net assets	<u>\$ 270,778,926</u>	<u>\$ 278,735,143</u>	<u>\$ 296,722,329</u>	<u>\$ 310,353,920</u>

City of Rochester Hills, Michigan

Net Assets by Component Last Ten Fiscal Years (Accrual Basis of Accounting)

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 120,942,021	\$ 132,920,551	\$ 143,262,388	\$ 145,384,763	\$ 145,640,716	\$ 145,142,346
49,530,590	46,078,458	45,513,634	47,311,191	47,528,421	50,063,452
<u>26,878,656</u>	<u>28,657,852</u>	<u>30,532,380</u>	<u>36,011,999</u>	<u>41,111,202</u>	<u>44,348,803</u>
197,351,267	207,656,861	219,308,402	228,707,953	234,280,339	239,554,601
112,770,535	112,451,368	109,473,244	108,400,368	105,213,118	102,227,501
-	-	-	-	-	-
<u>15,377,599</u>	<u>16,349,812</u>	<u>18,894,276</u>	<u>24,607,878</u>	<u>31,342,789</u>	<u>39,915,557</u>
128,148,134	128,801,180	128,367,520	133,008,246	136,555,907	142,143,058
233,712,556	245,371,919	252,735,632	253,785,131	250,853,834	247,369,847
49,530,590	46,078,458	45,513,634	47,311,191	47,528,421	50,063,452
<u>42,256,255</u>	<u>45,007,664</u>	<u>49,426,656</u>	<u>60,619,877</u>	<u>72,453,991</u>	<u>84,264,360</u>
<u>\$ 325,499,401</u>	<u>\$ 336,458,041</u>	<u>\$ 347,675,922</u>	<u>\$ 361,716,199</u>	<u>\$ 370,836,246</u>	<u>\$ 381,697,659</u>

City of Rochester Hills, Michigan

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	\$ 5,315,958	\$ 6,536,790	\$ 4,682,613	\$ 6,299,416
Public works	11,821,075	10,202,863	10,077,715	10,138,213
Public safety	12,454,832	15,209,176	15,572,006	16,632,031
Community and economic development	1,122,233	1,408,730	1,321,727	1,153,060
Recreation and culture	10,811,594	4,368,573	4,478,326	4,744,567
Interest on long-term debt	2,756,725	2,412,476	2,383,866	2,231,178
Total governmental activities expenses	44,282,417	40,138,608	38,516,253	41,198,465
Business-type activities - Water and sewer	19,940,733	19,689,872	23,062,151	22,710,087
Total primary government expenses	64,223,150	59,828,480	61,578,404	63,908,552
Program Revenues				
Governmental activities:				
Charges for services:				
General government	162,091	174,428	210,223	171,991
Public works	300,572	623,368	494,101	360,254
Public safety	3,377,608	3,961,344	3,703,136	3,453,260
Community and economic development	237,043	385,776	198,384	204,898
Recreation and culture	545,082	499,698	636,928	604,141
Operating grants and contributions	4,574,716	4,706,356	4,468,171	4,721,131
Capital grants and contributions	3,853,788	1,917,810	6,162,297	2,450,364
Total governmental activities program revenues	13,050,900	12,268,780	15,873,240	11,966,039
Business-type activities - Water and sewer				
Charges for service	17,724,657	17,775,411	20,535,851	21,271,242
Capital grants and contributions	2,015,412	3,524,627	3,840,383	3,782,154
Total business-type activities program revenues	19,740,069	21,300,038	24,376,234	25,053,396
Total primary government program revenues	32,790,969	33,568,818	40,249,474	37,019,435
Net (Expense) Revenue				
Governmental activities	(31,231,517)	(27,869,828)	(22,643,013)	(29,232,426)
Business-type activities	(200,664)	1,610,166	1,314,083	2,343,309
Total primary government net expenses	(31,432,181)	(26,259,662)	(21,328,930)	(26,889,117)
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Property taxes	24,461,796	26,077,515	27,492,422	29,985,752
State-shared revenues	5,712,210	5,443,641	5,395,634	5,341,983
Unrestricted investment earnings	918,270	944,204	2,618,951	4,900,644
Unrestricted cable franchise fees	551,341	660,039	647,350	968,467
Miscellaneous	602,605	823,365	1,031,921	619,505
Gain on sale of capital assets	-	-	1,118,104	87,108
Extraordinary item - Consent judgment	-	-	-	(2,443,300)
Total general governmental revenues	32,246,222	33,948,764	38,304,382	39,460,159
Business-type activities				
Unrestricted investment earnings	249,785	245,237	517,710	972,934
Miscellaneous	19,540	21,878	495,024	86,615
Total general business-type revenues	269,325	267,115	1,012,734	1,059,549
Total primary government program revenues	32,515,547	34,215,879	39,317,116	40,519,708
Change in Net Assets				
Governmental activities	1,014,705	6,078,936	15,661,369	10,227,733
Business-type activities	68,661	1,877,281	2,326,817	3,402,858
Total primary government	\$ 1,083,366	\$ 7,956,217	\$ 17,988,186	\$ 13,630,591

City of Rochester Hills, Michigan

Changes in Net Position Last Ten Fiscal Years (Accrual Basis of Accounting)

		Fiscal Year									
		2007	2008	2009	2010	2011	2012				
\$	5,190,888	\$	5,090,089	\$	6,347,983	\$	5,225,635	\$	5,046,903	\$	4,695,356
	11,521,381		12,195,118		11,263,739		12,220,800		11,965,328		11,621,301
	17,721,910		18,700,427		18,392,571		18,072,766		17,885,660		17,920,001
	1,193,025		1,203,475		1,066,989		894,785		793,710		864,268
	5,098,671		6,626,340		4,876,599		4,612,372		4,482,418		4,364,953
	<u>2,020,901</u>		<u>1,822,708</u>		<u>1,616,853</u>		<u>1,317,638</u>		<u>944,612</u>		<u>818,736</u>
	42,746,776		45,638,157		43,564,734		42,343,996		41,118,631		40,284,615
	<u>23,983,445</u>		<u>26,363,970</u>		<u>26,896,023</u>		<u>27,112,560</u>		<u>27,227,738</u>		<u>27,346,260</u>
	<u>66,730,221</u>		<u>72,002,127</u>		<u>70,460,757</u>		<u>69,456,556</u>		<u>68,346,369</u>		<u>67,630,875</u>
	191,352		193,570		197,758		250,305		271,264		282,168
	220,996		274,862		328,823		62,222		364,902		231,815
	3,387,525		3,432,773		3,078,049		3,740,432		3,974,851		4,087,803
	84,036		91,197		30,326		47,516		21,505		22,709
	663,262		694,404		758,658		842,766		825,893		844,302
	4,759,738		4,579,943		4,453,885		4,449,772		4,470,444		4,816,403
	<u>1,662,224</u>		<u>3,160,070</u>		<u>5,425,635</u>		<u>3,597,135</u>		<u>874,157</u>		<u>593,955</u>
	10,969,133		12,426,819		14,273,134		12,990,148		10,803,016		10,879,155
	24,423,551		24,887,533		25,901,158		28,970,666		30,055,678		32,375,117
	<u>1,159,068</u>		<u>1,611,334</u>		<u>362,930</u>		<u>2,653,340</u>		<u>639,083</u>		<u>441,084</u>
	<u>25,582,619</u>		<u>26,498,867</u>		<u>26,264,088</u>		<u>31,624,006</u>		<u>30,694,761</u>		<u>32,816,201</u>
	<u>36,551,752</u>		<u>38,925,686</u>		<u>40,537,222</u>		<u>44,614,154</u>		<u>41,497,777</u>		<u>43,695,356</u>
	(31,777,643)		(33,211,338)		(29,291,600)		(29,353,848)		(30,315,615)		(29,405,460)
	<u>1,599,174</u>		<u>134,897</u>		<u>(631,935)</u>		<u>4,511,446</u>		<u>3,467,023</u>		<u>5,469,941</u>
	<u>(30,178,469)</u>		<u>(33,076,441)</u>		<u>(29,923,535)</u>		<u>(24,842,402)</u>		<u>(26,848,592)</u>		<u>(23,935,519)</u>
	31,851,346		32,791,719		32,898,199		31,667,939		28,181,281		26,417,474
	5,362,252		5,270,042		4,543,462		4,449,876		5,077,251		5,247,035
	5,578,240		3,861,984		1,180,742		850,707		442,713		350,337
	944,073		978,304		1,037,993		1,217,626		1,267,159		1,359,968
	571,400		572,796		1,165,537		462,127		772,163		1,078,121
	63,947		42,087		117,208		105,124		147,434		226,787
	-		-		-		-		-		-
	44,371,258		43,516,932		40,943,141		38,753,399		35,888,001		34,679,722
	918,369		498,092		194,351		122,272		80,553		117,210
	<u>34,323</u>		<u>20,057</u>		<u>3,924</u>		<u>7,008</u>		<u>85</u>		<u>-</u>
	<u>952,692</u>		<u>518,149</u>		<u>198,275</u>		<u>129,280</u>		<u>80,638</u>		<u>117,210</u>
	45,323,950		44,035,081		41,141,416		38,882,679		35,968,639		34,796,932
	12,593,615		10,305,594		11,651,541		9,399,551		5,572,386		5,274,262
	<u>2,551,866</u>		<u>653,046</u>		<u>(433,660)</u>		<u>4,640,726</u>		<u>3,547,661</u>		<u>5,587,151</u>
\$	<u>15,145,481</u>	\$	<u>10,958,640</u>	\$	<u>11,217,881</u>	\$	<u>14,040,277</u>	\$	<u>9,120,047</u>	\$	<u>10,861,413</u>

City of Rochester Hills, Michigan

	Fiscal Year			
	2003	2004	2005	2006
General Fund				
Committed				
Budget stabilization	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Consent judgment	-	-	-	2,443,300
Unassigned	<u>9,695,451</u>	<u>9,539,249</u>	<u>11,002,987</u>	<u>10,136,148</u>
Total General Fund	10,695,451	10,539,249	12,002,987	13,579,448
All Other Governmental Funds				
Nonspendable				
Inventory	39,359	68,766	43,808	60,563
Restricted				
Road construction and maintenance	19,903,884	16,777,742	18,915,593	21,301,410
Fire service	1,269,362	1,397,618	1,172,238	1,227,513
Police protection	1,107,756	945,379	742,979	407,633
Pathway operations and maintenance	190,372	207,912	230,296	241,870
Drain improvements	4,468,904	4,777,606	5,704,215	6,038,430
Cemetery maintenance	966,534	1,020,834	879,249	1,119,520
Tree conservation and maintenance	-	1,354,007	1,343,801	1,441,848
Green space preservation	-	-	-	1,052,673
Debt service	3,746,922	6,749,421	6,999,896	6,569,620
Pathway construction	1,814,914	2,070,513	2,312,626	2,469,796
Fire vehicles and equipment	3,860,421	4,596,155	5,918,327	7,980,300
Facility construction	1,962,338	891,913	-	-
Assigned				
Capital projects	1,050,562	1,409,658	2,230,385	2,824,669
Cemetery maintenance	-	-	-	-
Total other governmental funds	<u>40,381,328</u>	<u>42,267,524</u>	<u>46,493,413</u>	<u>52,735,845</u>
Total of all governmental funds	<u>\$ 51,076,779</u>	<u>\$ 52,806,773</u>	<u>\$ 58,496,400</u>	<u>\$ 66,315,293</u>

City of Rochester Hills, Michigan

Fund Balances of Governmental Funds Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

Fiscal Year						
2007	2008	2009	2010	2011	2012	
\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
-	-	-	-	-	-	-
<u>12,885,787</u>	<u>14,429,937</u>	<u>14,153,056</u>	<u>18,175,688</u>	<u>23,793,530</u>	<u>27,286,912</u>	<u>27,286,912</u>
13,885,787	15,429,937	15,153,056	19,175,688	24,793,530	28,286,912	
60,151	107,532	108,824	130,100	100,938	165,288	
20,213,575	18,687,480	18,106,023	19,441,018	19,585,696	20,969,948	
1,642,698	1,794,465	1,938,315	2,634,008	3,073,339	3,475,915	
200,003	245,991	383,932	563,609	694,720	1,017,897	
75,302	111,456	144,891	208,313	135,738	126,228	
6,050,306	5,113,813	4,520,953	4,317,799	3,573,694	3,028,107	
1,097,072	1,148,067	1,011,007	1,048,457	1,162,564	1,191,617	
1,557,407	1,638,492	1,659,911	1,643,884	1,665,859	1,641,439	
1,543,267	1,425,054	2,265,823	3,303,468	4,220,263	5,093,769	
5,983,256	4,923,532	4,706,620	4,250,814	3,809,902	3,373,388	
2,661,979	2,511,653	2,603,150	1,607,372	1,570,471	1,609,849	
8,445,574	8,370,923	8,064,185	8,162,349	7,935,237	8,370,007	
-	-	-	-	-	-	
3,602,963	3,947,103	3,810,494	3,922,640	4,048,008	3,966,203	
-	-	-	-	13,608	8,910	
<u>53,133,553</u>	<u>50,025,561</u>	<u>49,324,128</u>	<u>51,233,831</u>	<u>51,590,037</u>	<u>54,038,565</u>	
<u>\$ 67,019,340</u>	<u>\$ 65,455,498</u>	<u>\$ 64,477,184</u>	<u>\$ 70,409,519</u>	<u>\$ 76,383,567</u>	<u>\$ 82,325,477</u>	

City of Rochester Hills, Michigan

	Fiscal Year			
	2003	2004	2005	2006
Revenue				
Property taxes	\$ 24,461,796	\$ 26,077,515	\$ 27,492,422	\$ 29,985,752
Licenses and permits	2,060,010	2,379,571	1,929,475	2,085,161
Federal grants	407,022	436,595	271,076	196,306
State-shared revenues and grants	10,342,521	10,008,449	9,805,835	9,720,235
Other governmental revenues	205,265	244,079	260,660	271,548
Charges for services	5,596,345	5,860,708	6,974,473	6,365,265
Fines and forfeitures	547,780	520,485	575,901	446,243
Interest earnings	1,015,918	879,770	2,226,383	4,003,059
Other	1,848,796	385,795	1,410,503	471,312
Total revenue	46,485,453	46,792,967	50,946,728	53,544,881
Expenditures				
Current:				
General government	6,735,682	6,941,792	7,149,633	6,747,880
Public works	1,746,720	1,701,092	2,527,976	2,298,684
Public safety	13,959,215	15,036,185	15,695,576	16,599,439
Community and economic development	1,099,351	1,401,921	1,325,230	1,144,244
Streets	4,810,972	3,907,165	2,764,324	3,294,116
Recreation and culture	4,298,932	4,033,302	4,315,311	4,691,740
Capital outlay	20,175,677	3,815,752	5,253,484	3,510,025
Debt service	-	-	-	-
Principal	3,857,433	4,353,516	4,498,024	4,286,060
Interest	2,545,378	2,298,669	2,087,708	2,077,158
Miscellaneous	78,548	40,630	103,387	1,359
Total expenditures	59,307,908	43,530,024	45,720,653	44,650,705
Excess of Revenue Over (Under) Expenditures	(12,822,455)	3,262,943	5,226,075	8,894,176
Other Financing Sources (Uses)				
Debt issuance	2,810,626	1,120,000	3,235,000	-
Debt premium or discount	-	8,917	-	-
Sale of assets	65,316	46,952	38,401	-
Transfers in	13,491,801	14,297,368	9,949,344	10,208,696
Transfers out	(14,960,815)	(15,915,610)	(12,758,196)	(11,284,976)
Payment to refund bond escrow agent	(2,741,603)	(1,090,576)	-	-
Total other financing sources (uses)	(1,334,675)	(1,532,949)	464,549	(1,076,280)
Net Change in Fund Balances	(14,157,130)	1,729,994	5,690,624	7,817,896
Fund Balances - Beginning of year	65,233,909	51,076,779	52,806,773	58,497,397
Fund Balances - End of year	\$ 51,076,779	\$ 52,806,773	\$ 58,497,397	\$ 66,315,293
Debt Service as a Percentage of Noncapital Expenditures	16.36%	16.75%	16.27%	15.47%

City of Rochester Hills, Michigan

Changes in Fund Balances of Governmental Funds Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

		Fiscal Year					
		2007	2008	2009	2010	2011	2012
\$	31,851,346	\$ 32,791,719	\$ 32,898,199	\$ 31,667,939	\$ 28,181,282	\$ 26,417,474	
	1,833,330	1,812,760	1,684,243	2,277,128	2,467,531	2,577,130	
	417,451	1,088,216	326,125	941,478	1,504,851	201,632	
	9,632,935	9,447,908	8,700,365	8,466,325	9,218,464	9,634,631	
	278,750	1,834,527	1,332,549	600,690	489,146	453,796	
	6,052,030	6,770,913	7,305,795	7,557,775	7,382,311	7,464,602	
	421,141	471,195	380,016	440,886	426,922	378,247	
	4,663,989	3,175,803	954,946	792,526	374,599	291,907	
	452,595	476,695	1,369,885	754,424	412,708	392,907	
	<u>55,603,567</u>	<u>57,869,736</u>	<u>54,952,123</u>	<u>53,499,171</u>	<u>50,457,814</u>	<u>47,812,326</u>	
	8,799,097	7,367,155	8,551,010	7,076,133	6,740,159	6,438,938	
	1,819,806	1,965,170	2,240,229	2,020,511	1,875,536	1,656,614	
	17,726,727	18,418,447	18,543,168	18,038,190	17,364,296	17,288,660	
	1,182,824	1,199,020	1,060,982	887,169	751,195	796,056	
	4,433,168	4,855,495	4,947,355	5,141,160	4,850,974	4,210,522	
	5,064,526	5,146,701	4,801,681	4,605,997	4,219,325	4,121,970	
	8,080,138	13,763,238	8,880,496	3,261,641	4,308,443	3,540,040	
	-	-	-	-	-	-	
	4,496,018	4,644,708	4,997,417	4,848,247	3,494,040	3,005,889	
	1,887,132	1,717,185	1,528,045	1,270,761	910,686	746,836	
	824	24,559	53,069	184,038	80,010	2,638	
	<u>53,490,260</u>	<u>59,101,678</u>	<u>55,603,452</u>	<u>47,333,847</u>	<u>44,594,664</u>	<u>41,808,163</u>	
	2,113,307	(1,231,942)	(651,329)	6,165,324	5,863,150	6,004,163	
	-	-	-	13,645,000	2,270,000	-	
	-	-	-	-	82,781	-	
	-	-	-	-	-	-	
	10,105,249	11,739,222	12,218,041	9,993,536	8,682,371	12,584,684	
	(11,514,509)	(12,071,122)	(12,545,026)	(10,144,746)	(8,630,932)	(12,646,937)	
	-	-	-	(13,726,779)	(2,293,322)	-	
	<u>(1,409,260)</u>	<u>(331,900)</u>	<u>(326,985)</u>	<u>(232,989)</u>	<u>110,898</u>	<u>(62,253)</u>	
	704,047	(1,563,842)	(978,314)	5,932,335	5,974,048	5,941,910	
	<u>66,315,293</u>	<u>67,019,340</u>	<u>65,455,498</u>	<u>64,477,184</u>	<u>70,409,519</u>	<u>76,383,567</u>	
\$	<u>67,019,340</u>	<u>65,455,498</u>	<u>64,477,184</u>	<u>70,409,519</u>	<u>76,383,567</u>	<u>82,325,477</u>	
	14.06%	14.03%	13.97%	13.88%	10.93%	9.81%	



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Revenue Capacity

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



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City of Rochester Hills, Michigan

Revenue Capacity Information Taxable Value and Actual Value of Taxable Property

Fiscal Year	Tax Year	Taxable Value by Property Type					Tax Rate (Mills)	Estimated Actual Value	Taxable Value as a Percentage of Actual
		Real Property			Personal Property	Total Value			
		Residential	Commercial	Industrial					
2003	2002	\$ 2,149,339,990	\$ 340,664,350	\$ 204,236,040	\$ 216,081,110	\$ 2,910,321,490	9.3681	\$ 6,820,348,980	42.67%
2004	2003	2,268,429,800	393,431,720	197,006,740	205,993,980	3,064,862,240	9.3681	7,284,097,520	42.08%
2005	2004	2,415,192,410	409,780,590	201,887,100	203,963,970	3,230,824,070	9.3681	7,654,823,720	42.21%
2006	2005	2,573,882,270	440,887,010	199,880,260	187,326,370	3,401,975,910	9.6681	8,024,712,900	42.39%
2007	2006	2,720,759,290	478,220,740	202,502,370	200,536,560	3,602,018,960	9.7060	8,368,567,980	43.04%
2008	2007	2,801,498,910	510,999,610	209,350,210	205,537,880	3,727,386,610	9.7060	8,351,078,480	44.63%
2009	2008	2,782,059,550	545,149,070	211,159,600	204,285,970	3,742,654,190	9.7060	8,084,781,040	46.29%
2010	2009	2,637,547,585	564,580,740	207,544,800	191,244,010	3,600,917,135	9.7060	7,472,052,230	48.19%
2011	2010	2,337,061,650	502,972,330	178,594,910	176,032,380	3,194,661,270	9.7060	6,476,390,380	49.33%
2012	2011	2,232,908,563	444,293,600	139,646,680	176,466,320	2,993,315,163	9.7060	6,041,692,626	49.54%

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.

City of Rochester Hills, Michigan

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 Community College
2003										
Homestead	3.0850	4.9673	1.3158	9.3681	4.1900	0.2161	0.2436	-	-	1.5983
Nonhomestead	3.0850	4.9673	1.3158	9.3681	4.1900	0.2161	0.2436	-	-	1.5983
2004										
Homestead	3.1130	4.9339	1.3212	9.3681	4.1900	0.2154	0.2422	-	-	1.5889
Nonhomestead	3.1130	4.9339	1.3212	9.3681	4.1900	0.2154	0.2422	-	-	1.5889
2005										
Homestead	3.2169	5.1809	1.2703	9.6681	4.1900	0.2146	0.2415	-	-	1.5844
Nonhomestead	3.2169	5.1809	1.2703	9.6681	4.1900	0.2146	0.2415	-	-	1.5844
2006										
Homestead	3.7220	4.7980	1.1860	9.7060	4.1900	0.2146	0.2415	-	-	1.5844
Nonhomestead	3.7220	4.7980	1.1860	9.7060	4.1900	0.2146	0.2415	-	-	1.5844
2007										
Homestead	3.8226	4.7980	1.0854	9.7060	4.1900	0.2146	0.2415	-	-	1.5844
Nonhomestead	3.8226	4.7980	1.0854	9.7060	4.1900	0.2146	0.2415	-	-	1.5844
2008										
Homestead	3.7298	4.7980	1.1782	9.7060	4.1900	0.2146	0.2415	0.1000	-	1.5844
Nonhomestead	3.7298	4.7980	1.1782	9.7060	4.1900	0.2146	0.2415	0.1000	-	1.5844
2009										
Homestead	3.7545	4.7980	1.1535	9.7060	4.1900	0.2146	0.2415	0.1000	-	1.5844
Nonhomestead	3.7545	4.7980	1.1535	9.7060	4.1900	0.2146	0.2415	0.1000	-	1.5844
2010										
Homestead	3.7242	5.1525	0.8293	9.7060	4.1900	0.2146	0.2415	0.1000	-	1.5844
Nonhomestead	3.7242	5.1525	0.8293	9.7060	4.1900	0.2146	0.2415	0.1000	-	1.5844
2011										
Homestead	3.7465	5.3089	0.6506	9.7060	4.1900	0.2146	0.2415	0.1000	-	1.5844
Nonhomestead	3.7465	5.3089	0.6506	9.7060	4.1900	0.2146	0.2415	0.1000	-	1.5844
2012										
Homestead	3.9132	5.3089	0.4839	9.7060	4.1900	0.2146	0.2415	0.1000	0.2000	1.5844
Nonhomestead	3.9132	5.3089	0.4839	9.7060	4.1900	0.2146	0.2415	0.1000	0.2000	1.5844

Source: City of Rochester Hills

Note: Michigan law restricts the maximum millage that may be levied by the City without a vote of our residents, as follows:

	General Operating	Special Purpose	Debt
2012	3.9132	5.3089	No limit

City of Rochester Hills, Michigan

Revenue Capacity Information Direct and Overlapping Property Tax Rates

Overlapping Taxes										Total Direct and Overlapping Rates by Resident's School District	
Rochester Community School District			Avondale School District				Rochester Community Schools		Avondale Schools		
Oakland Intermediate School District	State Education Tax	Operating	Debt	State Education Tax	Operating	Supplem ental	Sinking	Debt	Schools	Schools	
3.3991	5.0000	-	5.2250	5.0000	-	1.5965	0.6000	7.0000	25.3310	24.1284	
3.3991	5.0000	18.0000	5.2250	5.0000	18.0000	-	0.6000	7.0000	43.3310	40.5319	
3.3789	6.0000	-	5.1800	6.0000	-	1.4092	0.6000	7.0000	26.3047	24.9350	
3.3789	6.0000	18.0000	5.1800	6.0000	18.0000	-	0.6000	7.0000	44.3047	41.5258	
3.3690	6.0000	-	5.1800	6.0000	-	1.3203	0.5989	7.0000	26.5379	25.0881	
3.3690	6.0000	18.0000	5.1800	6.0000	18.0000	-	0.5989	7.0000	44.5379	41.7678	
3.3690	6.0000	-	5.1800	6.0000	-	1.2503	0.5936	7.0000	26.4915	24.9664	
3.3690	6.0000	18.0000	5.1800	6.0000	18.0000	-	0.5936	7.0000	44.4915	41.7161	
3.3690	6.0000	-	5.1800	6.0000	-	1.2602	0.5936	7.0000	30.4855	34.1593	
3.3690	6.0000	18.0000	5.1800	6.0000	18.0000	-	0.5936	7.0000	48.4855	50.8991	
3.3690	6.0000	-	5.1800	6.0000	-	1.0998	0.6000	7.0000	30.5885	34.1050	
3.3690	6.0000	18.0000	5.1800	6.0000	18.0000	-	0.6000	7.0000	48.5885	51.0050	
3.3690	6.0000	-	5.1800	6.0000	-	1.1526	0.6000	7.0000	30.5885	34.1581	
3.3690	6.0000	18.0000	5.1800	6.0000	18.0000	-	0.6000	7.0000	48.5885	51.0055	
3.3690	6.0000	-	6.7000	6.0000	-	1.3120	0.6000	7.0000	32.1055	34.3175	
3.3690	6.0000	18.0000	6.7000	6.0000	18.0000	-	0.6000	7.0000	50.1055	51.0055	
3.3690	6.0000	-	6.7000	6.0000	-	-	0.6000	7.0000	32.1055	33.0055	
3.3690	6.0000	18.0000	6.7000	6.0000	18.0000	-	0.6000	7.0000	50.1055	51.0055	
3.3690	6.0000	-	6.7000	6.0000	-	-	0.6000	7.0000	32.3055	33.2055	
3.3690	6.0000	18.0000	6.7000	6.0000	18.0000	-	0.6000	7.0000	50.3055	51.2055	

City of Rochester Hills, Michigan

Revenue Capacity Information

Principal Property Taxpayers

Taxpayer	2012			2003		
	2012 Taxable Value	Percentage of Total	2012 Rank	2003 Taxable Value	Percentage of Total	2003 Rank
Singh Cider Mill Village	\$ 24,023,280	0.82%	2	\$ -		
Vorh Assoc. LLC (Meadowbrook/The Village RH)	20,897,560	0.72%	3	23,330,630	0.76%	2
Detroit Edison	25,883,050	0.89%	1	26,288,650	0.86%	1
New Plan (Hampton Village Center)	18,404,360	0.63%	4	20,384,480	0.67%	3
Stuart Frankel	13,230,530	0.45%	6	16,931,900	0.55%	4
Winchester Center LLC	13,175,540	0.45%	7	11,839,930	0.39%	10
FANUC Robotics				15,259,680	0.50%	6
1185 River Oaks North, LLC (Solomon Properties)	10,657,730	0.36%	9	15,700,550	0.51%	5
Associate Estates Realty: Apartments	11,054,460	0.38%	8	12,826,120	0.42%	9
Joel Nosanchuk				-		
Consumers Power	9,828,180	0.34%	10	14,410,180	0.47%	7
MarketPlace of RH				-	0.00%	
First Industrial Realty				14,295,870	0.47%	8
Good Will Co Inc, aka Meijer's	<u>13,844,280</u>	0.47%	5			
Subtotal	160,998,970	5.51%		171,267,990	5.59%	
Other	<u>2,760,415,636</u>	<u>94.49%</u>		<u>2,893,594,250</u>	<u>94.41%</u>	
Total	<u>\$ 2,921,414,606</u>	<u>100.00%</u>		<u>\$ 3,064,862,240</u>	<u>100.00%</u>	

Source: City Assessing Department

City of Rochester Hills, Michigan

Revenue Capacity Information Property Tax Levies and Collections

<u>Tax Year</u>	<u>Total Levy</u>	<u>Current Collections</u>	<u>Percent Collected</u>	<u>Delinquent Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Levy Collected</u>
2003	\$ 27,239,989	\$ 26,222,382	96.3	\$ 879,231	\$ 27,101,614	99.5
2004	28,709,347	27,626,606	96.2	969,338	28,595,943	99.6
2005	30,256,675	28,998,137	95.8	1,051,151	30,049,288	99.3
2006	32,875,767	31,774,138	96.6	1,091,374	32,865,512	100.0
2007	34,941,567	33,496,756	95.9	1,471,825	34,968,580	100.0
2008	36,122,159	34,486,540	95.5	1,625,429	36,111,968	100.0
2009	36,290,684	34,712,620	95.7	1,625,806	36,338,426	100.0
2010	34,842,029	33,466,594	96.0	1,370,511	34,834,105	100.0
2011	30,923,844	29,965,392	96.9	959,858	30,925,250	100.0
2012	28,951,559	28,060,297	96.9	907,455	28,967,752	100.0

Source: City of Rochester Hills



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Debt Capacity

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

City of Rochester Hills, Michigan

	2003	2004	2005	2006
Governmental Activities				
General obligation bonds	\$ 35,920,000	\$ 33,425,000	\$ 30,760,000	\$ 28,505,000
County contractual obligations	19,366,553	17,908,037	19,515,013	16,893,953
Special assessment bonds	<u>4,445,000</u>	<u>3,940,000</u>	<u>3,535,000</u>	<u>3,105,000</u>
 Total	 59,731,553	 55,273,037	 53,810,013	 48,503,953
Business-type Activities				
County contractual obligations	<u>-</u>	<u>-</u>	<u>3,800,000</u>	<u>3,700,000</u>
 Total debt of the government	 <u>\$ 59,731,553</u>	 <u>\$ 55,273,037</u>	 <u>\$ 57,610,013</u>	 <u>\$ 52,203,953</u>
 Total taxable value	 \$ 2,910,321,490	 \$ 3,064,862,240	 \$ 3,230,824,070	 \$ 3,401,975,910
 Ratio of total debt to taxable value	 2.05%	 1.80%	 1.78%	 1.53%
 Total population	 68,825	 68,825	 68,825	 69,405
 Total debt per capita based on taxable value	 \$ 867.88	 \$ 803.10	 \$ 837.05	 \$ 752.16

City of Rochester Hills, Michigan

Debt Capacity Information Ratios of Outstanding Debt

2007	2008	2009	2010	2011	2012
\$ 26,150,000	\$ 23,680,000	\$ 20,880,000	\$ 18,320,000	\$ 16,840,000	\$ 15,175,000
15,032,935	13,108,228	11,160,811	9,097,564	7,103,511	5,692,611
<u>2,625,000</u>	<u>2,150,000</u>	<u>1,675,000</u>	<u>1,350,000</u>	<u>1,175,000</u>	<u>975,000</u>
43,807,935	38,938,228	33,715,811	28,767,564	25,118,511	21,842,611
<u>3,550,000</u>	<u>3,400,000</u>	<u>3,250,000</u>	<u>4,172,069</u>	<u>6,764,940</u>	<u>8,102,958</u>
<u>\$ 47,357,935</u>	<u>\$ 42,338,228</u>	<u>\$ 36,965,811</u>	<u>\$ 32,939,633</u>	<u>\$ 31,883,451</u>	<u>\$ 29,945,569</u>
\$ 3,602,018,960	\$ 3,727,386,610	\$ 3,742,654,190	\$ 3,600,917,135	\$ 3,194,661,270	\$ 2,993,315,163
1.31%	1.14%	0.99%	0.91%	1.00%	1.00%
69,183	68,120	69,014	70,995	70,995	71,452
\$ 684.53	\$ 621.52	\$ 535.63	\$ 463.97	\$ 449.09	\$ 419.10

City of Rochester Hills, Michigan

Debt Capacity Information

Ratios of General Bonded Debt Outstanding

Fiscal Year	State Equalization Value	Population	General Bonded Debt Obligation Outstanding (1)	Other General Bonded Debt Obligations Outstanding (2)	Total Debt General Bonded Debt Obligation Outstanding	Obligation Debt to Taxable Value	General Obligation Debt per Capita
2003	\$ 3,642,048,760	68,825	\$ 35,920,000	\$ 19,366,553	\$ 55,286,553	1.52%	\$ 803.29
2004	3,827,411,860	68,825	33,425,000	17,908,037	51,333,037	1.34%	745.85
2005	4,012,356,450	68,825	30,760,000	19,515,013	50,275,013	1.25%	730.48
2006	4,184,283,990	69,405	28,505,000	16,893,953	45,398,953	1.08%	654.12
2007	4,175,552,010	69,183	26,150,000	15,032,935	41,182,935	0.99%	595.28
2008	4,042,390,520	68,120	23,680,000	13,108,228	36,788,228	0.91%	540.05
2009	3,728,995,735	69,014	20,880,000	11,160,811	32,040,811	0.86%	464.27
2010	3,238,195,190	70,995	16,945,000	9,097,564	26,042,564	0.80%	366.82
2011	3,020,846,313	70,995	15,665,000	7,103,511	22,768,511	0.75%	320.71
2012	3,014,328,696	71,452	14,200,000	5,692,611	19,892,611	0.66%	278.41

Source: City of Rochester Hills

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

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

City of Rochester Hills, Michigan

Debt Capacity Information Direct and Overlapping Governmental Activities Debt

Governmental Unit	Net General Bonded Debt Outstanding Fiscal Year 2012	City Share as Percent of Gross	Net City Share Fiscal Year 2012
Direct debt - City of Rochester Hills	\$ 16,150,000	100.00	\$ 16,150,000
Overlapping debt:			
Rochester School District	148,890,000	59.94	89,244,666
Avondale School District	107,934,904	49.62	53,557,299
Oakland County at Large	123,691,228	6.03	7,458,581
Oakland Community College	4,435,000	6.06	268,761
Oakland Intermediate School District	<u>61,705,000</u>	6.04	<u>3,726,982</u>
Total overlapping debt	<u>446,656,132</u>		<u>154,256,289</u>
Total	<u>\$ 462,806,132</u>		<u>\$ 170,406,289</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 bonded debt applicable to each governmental unit is estimated using the taxable valuation of assessed property. Applicable percentages were estimated by determining the portion of each governmental unit's taxable property located within the boundaries of the City of Rochester Hills and dividing it by that governmental unit's total taxable value.

City of Rochester Hills, Michigan

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt Limit				
State equalized valuation	\$ 3,642,048,760	\$ 3,827,411,860	\$ 4,012,356,450	\$ 4,184,283,990
Debt limit (10 percent of State equalized valuation)	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>
 Total debt limit	 364,204,876	 382,741,186	 401,235,645	 418,428,399
Debt Subject to Debt Limit				
Total debt	59,731,553	55,273,037	57,610,013	52,203,953
Less deduction:				
Special Assessment Bonds	4,445,000	3,940,000	3,555,000	3,105,000
Michigan Transportation Highway Fund Bonds	<u>3,210,000</u>	<u>2,695,000</u>	<u>2,125,000</u>	<u>2,025,000</u>
 Total amount of debt subject to limit	 <u>52,076,553</u>	 <u>48,638,037</u>	 <u>51,930,013</u>	 <u>47,073,953</u>
 Legal Debt Margin	 <u><u>\$ 312,128,323</u></u>	 <u><u>\$ 334,103,149</u></u>	 <u><u>\$ 349,305,632</u></u>	 <u><u>\$ 371,354,446</u></u>
 Net Debt Subject to Limit as Percentage of Debt Limit	 14.30%	 12.71%	 12.94%	 11.25%

City of Rochester Hills, Michigan

Debt Capacity Information Legal Debt Margin

2007	2008	2009	2010	2011	2012
\$ 4,175,552,010	\$ 4,042,390,520	\$ 3,728,995,735	\$ 3,238,195,190	\$ 3,020,846,313	\$ 3,014,328,696
<u>10.00</u>	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>
417,555,201	404,239,052	372,899,574	323,819,519	302,084,631	301,432,870
47,357,935	42,338,228	36,965,811	32,939,633	32,012,812	29,945,569
2,625,000	2,150,000	1,675,000	1,350,000	1,175,000	975,000
<u>1,875,000</u>	<u>1,725,000</u>	<u>1,575,000</u>	<u>1,375,000</u>	<u>1,175,000</u>	<u>975,000</u>
<u>42,857,935</u>	<u>38,463,228</u>	<u>33,715,811</u>	<u>30,214,633</u>	<u>29,662,812</u>	<u>27,995,569</u>
<u>\$ 374,697,266</u>	<u>\$ 365,775,824</u>	<u>\$ 339,183,763</u>	<u>\$ 293,604,886</u>	<u>\$ 272,421,819</u>	<u>\$ 273,437,301</u>
10.26%	9.51%	9.04%	9.33%	9.82%	9.29%

City of Rochester Hills, Michigan

Water and Sewer Revenue						
Fiscal Year	Operating Revenue	Operating	Net	Debt Service		Coverage
		Expenses (Less Depreciation)	Operating - Income (Loss)	Principal	Interest	
2003	\$ 17,744,197	\$ 17,036,763	\$ 707,434	\$ 2,300,807	\$ 34,264	0.05
2004	17,797,289	16,436,274	1,361,015	-	-	-
2005	20,516,429	19,955,285	561,144	-	26,630	0.05
2006	24,457,874	20,406,353	4,051,521	100,000	131,115	0.03
2007	25,985,763	23,983,445	2,002,318	150,000	152,781	0.08
2008	24,910,422	22,174,326	2,736,096	150,000	146,781	0.05
2009	25,904,015	22,692,599	3,211,416	150,000	140,781	0.04
2010	29,010,706	22,995,479	6,015,227	150,000	133,636	0.02
2011	30,055,678	23,299,258	6,756,420	174,572	171,425	0.03
2012	32,375,117	23,445,562	8,929,555	335,493	215,042	0.02

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

City of Rochester Hills, Michigan

Debt Capacity Information Pledged-revenue Coverage

Special Assessment Bonds			
Special Assessment Collections	Debt Service		
	Principal	Interest	Coverage
297,126	650,000	244,944	0.82
213,212	505,000	209,690	0.98
164,366	405,000	184,884	1.12
103,190	430,000	165,724	1.61
90,333	480,000	145,093	1.61
95,057	475,000	122,020	1.28
84,006	475,000	99,050	1.18
68,032	325,000	77,125	1.13
55,074	175,000	60,250	1.09
46,186	200,000	53,075	1.15



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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.



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City of Rochester Hills, Michigan

Demographic and Economic Information Housing Profile

<u>Fiscal Year</u>	<u>Population</u>		<u>Personal Income (in Thousands)</u>	<u>Per Capita Personal Income</u>	<u>Annual Unemployment Rate</u>		<u>City Housing Profile Number of Units (4)</u>
2003	68,825	(3)	(1)	(1)	3.2	(5)	28,723
2004	68,825	(3)	(1)	(1)	3.2	(5)	29,485
2005	68,825	(3)	(1)	(1)	3.3	(5)	29,590
2006	69,405	(2)	(1)	(1)	3.3	(5)	29,813
2007	69,183	(2)	(1)	(1)	3.6	(5)	29,760
2008	68,120	(2)	(1)	(1)	4.1	(5)	29,800
2009	69,014	(2)	(1)	(1)	7.9	(5)	29,303
2010	70,995	(3)	(1)	(1)	7.5	(5)	29,861
2011	70,995	(3)	(1)	(1)	5.9	(6)	30,104
2012	71,452	(2)	(1)	(1)	5.1	(6)	30,221

- (1) Information not available
- (2) Source: SEMCOG Monthly Population and Households Estimated Growth Population
- (3) Source: U.S. Bureau of the Census
- (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

City of Rochester Hills, Michigan

Demographic and Economic Information

Principal Employers

2012 Rank	Principal Employers	2012 Employees	Percentage of Total	2003 Employees	Percentage of Total	2003 Rank
1	Oakland University	2,039	5.70%	(1)	(1)	(1)
2	Crittenton Hospital	1,436	4.02%	(1)	(1)	(1)
3	Rochester Community Schools	1,381	3.86%	(1)	(1)	(1)
4	FANUC Robotics	650	1.82%	(1)	(1)	(1)
5	Webasto Roof Systems	413	1.16%	(1)	(1)	(1)
6	Lear Corporation	330	0.92%	(1)	(1)	(1)
7	Henry Ford Health Systems Tech.	300	0.84%	(1)	(1)	(1)
8	3 Dimensional Services	250	0.70%	(1)	(1)	(1)
9	Wright and Filippis	250	0.70%	(1)	(1)	(1)
10	Hi-Tech Mold & Eng.	206	0.58%	(1)	(1)	(1)
	Total Employed	35,756				

Source: City Planning Department & SEMCOG

(1) Information not available

City of Rochester Hills, Michigan

Demographic and Economic Information Construction Activity

<u>Fiscal Year</u>	<u>Total Building Permits</u>	<u>Total Construction Valuation</u>
2003	1,058	\$ 130,369,246
2004	1,005	170,586,904
2005	780	118,058,400
2006	604	93,315,021
2007	621	89,856,530
2008	459	73,550,900
2009	426	48,545,250
2010	502	63,610,325
2011	524	69,003,350
2012	528	105,108,990

Source: City Building Department

City of Rochester Hills, Michigan

Demographic and Economic Information

Miscellaneous Demographics

<u>Population (1)</u>	
2010 U.S. Census	70,995
2000 U.S. Census	68,825
1990 U.S. Census	61,766

<u>2010 Income Characteristics (1)</u>	
Household Income	Number of Households
Less than \$10,000	1,054
\$10,000 - \$14,999	808
\$15,000 - \$24,999	2,230
\$25,000 - \$34,999	1,821
\$35,000 - \$49,999	2,802
\$50,000 - \$74,999	4,526
\$75,000 - \$99,999	3,978
\$100,000 - \$149,999	5,305
\$150,000 or more	4,935

<u>2010 Residential Characteristics (1)</u>	
Single Family	73.90%
Multi Family	22.30%
Mobile Homes	3.80%

<u>2010 Age Statistics (1)</u>	
Years	
Under 5	5.70%
5 to 19	20.20%
20 to 24	5.50%
25 to 44	24.50%
45 to 64	30.30%
Over 64	13.80%

<u>2010 Labor Characteristics (2)</u>	
Occupation	Number of Employees
Management, professional, and related Service	19,242
Sales and office	4,136
Natural resources, construction, and maintenance	8,097
Production, transportation, and material moving	1,367
	2,208
Total	<u><u>35,050</u></u>

<u>2010 Industry (2)</u>	
Agriculture, forestry, fishing, hunting, and mining	43
Construction	1,069
Manufacturing	7,540
Wholesale trade	1,003
Retail trade	3,716
Transportation, warehousing, and utilities	652
Information	505
Finance, insurance, real estate, rental, and leasing	2,457
Professional, scientific, management, administrative, and waste management services	5,227
Educational, health, and social services	7,773
Arts, entertainment, recreation, accommodation, and food services	3,133
Other professional and related services	1,330
Public administration	602
Total	<u><u>35,050</u></u>

<u>2010 Educational Characteristics (1)</u>	
Years of School Completed	Persons 25 and Over
Did not graduate high school	5.20%
High school graduate	17.80%
Some college, no degree	18.90%
Associate's degree	8.10%
Bachelor's degree	27.90%
Graduate or professional degree	22.10%

(1) U.S. Census Bureau

(2) American Fact Finder

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.



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City of Rochester Hills, Michigan

Operating Information Full-Time Equivalent Government Employees

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government:										
Mayor	12	12	11	10	12	12	13	11	11	11
Clerks and Election	8	8	8	9	9	8	8	8	8	8
Accounting	9	10	9	9	9	9	9	7	7	7
Assessing	11	11	11	10	10	10	10	9	8	8
Human Resources	5	5	5	4	5	5	5	4	4	4
Treasury	5	4	3	3	3	3	3	3	3	3
Planning and zoning	7	8	8	7	8	7	6	5	5	5
Parks and recreation	21	19	19	17	17	15	15	14	14	14
Management information systems	7	7	7	8	8	8	8	8	8	8
Cemetery	2	2	2	2	2	2	2	2	2	2
Public safety:										
Police services (contracted officers)	58	58	58	59	59	60	59	60	57	57
Police administration	2	2	2	2	2	2	2	2	2	2
Fire and EMS	40	41	43	46	46	45	43	39	37	37
Building	18	17	20	18	18	14	13	12	13	13
Ordinance enforcement	7	7	7	7	7	6	6	5	5	5
Public works:										
Department of Public Service	72	69	68	64	68	67	66	60	61	61
Forestry	5	5	5	5	5	4	4	4	4	4
Fleet	8	8	7	7	7	7	7	6	6	6
Facilities	8	8	7	7	7	6	6	5	5	5
Total	<u>305</u>	<u>301</u>	<u>300</u>	<u>294</u>	<u>302</u>	<u>290</u>	<u>285</u>	<u>264</u>	<u>260</u>	<u>260</u>

Source: City Accounting Division

City of Rochester Hills, Michigan

Function/Program	2003	2004	2005	2006
Election:				
Number of elections	2	2	3	3
Registered voters	46,817	47,932	47,289	46,929
New registrations	(1)	7,039	4,237	4,886
Building:				
Permits issued	4,880	5,456	4,674	3,894
Inspections	14,152	13,646	12,163	10,784
Parks and recreation:				
Park attendance (estimate)	817,624	796,260	902,626	895,671
Museum attendance (estimate)	20,655	21,621	22,153	17,163
Education center attendance (estimate)	4,350	5,284	4,431	4,560
Forestry - Tree inventory	19,325	19,906	19,362	19,283
Major roads:				
Winter material applied - Salt (in tons)	2,537	2,376	2,770	1,118
Other material applied to major roads (in tons)	198	109	112	88
Linear feet of ditches cleaned - Major roads	1,014	1,214	-	888
Local streets:				
Pothole repair - Solvex applied (in tons)	72	142	113	60
Other material applied to local streets (in tons)	4,860	2,430	2,192	3,417
Winter material applied (in tons)	2,081	1,892	1,683	648
Fire:				
Fire inspections/reviews/investigations	651	1,305	1,281	1,792
Emergency calls received	11,917	11,215	11,052	10,634
Nonemergency calls received - Direct line	26,172	25,708	23,811	21,556
Number of fires	162	148	134	136
Number of rescues	2,618	2,752	2,819	3,014
Number of community education programs	444	415	353	426
Number of participants in education programs	1,105	12,399	8,624	12,324
Police (contracted services) - Dispatched calls for service	29,176	28,377	28,535	30,041
Patrol investigators:				
Criminal activity - New cases	492	579	683	775
Criminal activity - Recovered property	\$34,850	\$81,026	\$51,709	\$20,413
Uniformed patrol:				
Criminal activity - New cases	1,005	1,050	1,008	949
Criminal activity - Recovered property	\$230,860	\$162,096	\$90,293	\$51,709
Crime statistics:				
Part A crimes	2,308	2,434	2,926	3,169
Part B crimes	1,326	1,383	1,253	1,192
Part C crimes (Miscellaneous)	24,602	23,572	23,843	23,843
Water and sewer:				
Water and sewer utility billings (2)	240,070	132,444	136,749	138,081
Water sales (million cubic feet)	418	429	428	434
Meter reads	180,451	173,362	175,490	176,378
Meter installations	3,544	2,717	1,772	1,660
Water purchased (million cubic feet)	424	405	464	434

Source: City of Rochester Hills

(1) Information not available

(2) Effective January 1, 2004, billings cycle changed from monthly to bimonthly

(3) Effective July 2010, Dispatch services are now provided by Oakland County

City of Rochester Hills, Michigan

Operating Information Capital Asset Statistics

2007	2008	2009	2010	2011	2012
2	3	2	2	2	3
48,304	50,292	50,292	50,975	51,548	52,709
4,607	6,409	4,413	5,055	4,584	5,740
3,465	3,044	2,827	3,532	3,472	3,530
9,078	7,878	7,287	8,660	9,352	11,774
832,950	863,359	971,505	1,098,388	796,050	1,154,430
19,354	18,060	26,089	30,480	31,900	110,000
3,412	3,335	2,487	3,235	-	-
19,434	19,182	19,003	19,051	19,143	19,100
2,572	3,165	1,817	1,903	2,559	1,438
85	175	172	66	82	179
-	335	800	320	280	10
85	57	61	54	68	73
1,726	1,984	1,742	2,309	3,523	700
1,373	1,935	1,115	1,678	1,836	981
1,671	1,527	1,802	1,327	1,202	932
10,319	10,471	6,500	3,263	(3)	(3)
17,402	21,277	17,500	8,407	(3)	(3)
96	73	70	100	110	172
3,452	3,321	3,300	3,690	4,569	4,732
485	736	630	668	290	377
9,512	20,773	14,110	24,956	24,241	7,495
29,706	30,650	27,352	31,135	30,194	30,258
680	900	720	695	679	944
\$89,214	\$62,529	\$7,563	\$7,148	\$11,496	\$17,652
859	795	732	812	750	663
\$153,333	\$24,621	\$23,004	\$17,199	\$18,181	\$19,114
2,554	2,467	2,137	2,154	1,896	1,898
1,259	1,683	155	1,344	759	692
23,754	24,404	21,826	25,063	24,680	26,137
138,787	138,928	139,928	140,340	141,080	141,768
428	365	338	360	339	357
194,874	196,272	197,049	198,528	199,794	204,387
2,074	1,382	1,122	1,325	1,207	1,108
470	406	385	395	368	379

City of Rochester Hills, Michigan

Function/Program	2003	2004	2005	2006
General government:				
Buildings - City Hall	1	1	1	1
Cemetery	1	1	1	1
Acreage	17	17	17	17
Public safety:				
Police station	1	1	1	1
Fire:				
Stations	5	5	5	5
Fire response vehicles	8	8	10	10
Emergency response vehicles	7	7	8	8
Public works:				
Buildings	1	1	1	1
Streets (miles):				
Miles of major roads (actual)	36.66	36.66	37.62	37.56
Miles of local streets (actual)	204.11	206.50	211.52	215.55
Water:				
Mains (miles)	425.34	429.88	434.32	439.24
Gate valves	4,417	4,435	4,506	4,615
Hydrants	4,668	4,699	4,772	4,821
Sewer:				
Miles of sanitary sewers	312.10	317.29	321.47	322.50
Miles of storm sewers	53.43	53.67	54.00	54.80
Manholes - Sanitary	7,462	7,630	7,726	7,754
Manholes - Storm	811	814	822	822
Inlets and catch basins	4,475	4,532	4,572	4,599
Parks and recreation:				
Major/Community parks:				
Buildings	15	16	16	16
Acreage	580.7	580.7	590.7	590.7
Developed parks/playgrounds	5	5	5	5
Developed fields (soccer, baseball, etc.)	17	17	17	17
Neighborhood parks:				
Acreage	23.6	23.6	23.6	23.6
Developed parks/playgrounds	2	2	2	2
Developed fields (soccer, baseball, etc.)	3	3	3	3
Special use parks:				
Buildings	9	10	10	10
Acreage	308.64	308.64	308.64	308.64
Museums	1	1	1	1
Education centers	1	1	1	1
Golf courses	1	1	1	1
Veteran's Memorial Pointe	1	1	1	1
Total park acreage	912.94	912.94	922.94	922.94
Number of parks	11	11	11	11

Source: City Departments

City of Rochester Hills, Michigan

Operating Information Capital Asset Statistics

2007	2008	2009	2010	2011	2012
1	1	1	1	1	1
1	1	1	1	1	1
24	48	55	55	55	55
1	1	1	1	1	1
5	5	5	5	5	5
10	11	23	23	23	22
8	8	12	10	11	10
2	2	2	2	2	2
37.65	38.21	38.21	38.21	38.21	38.21
216.11	217.74	218.97	218.97	218.97	218.97
428.27	428.27	428.81	429.29	429.29	431.00
4,369	4,401	4,495	4,583	4,583	4,608
4,829	4,843	4,857	4,893	4,893	4,910
323.92	319.84	322.01	321.70	321.70	323.00
53.07	55.33	54.51	50.22	50.22	51.00
7,857	7,861	7,897	7,888	7,888	7,923
843	891	866	714	714	735
4,662	4,835	4,952	5,114	5,114	5,161
16	16	16	16	16	16
590.7	590.7	590.7	590.7	590.7	590.7
5	5	5	5	5	5
17	17	17	17	17	17
23.6	23.6	23.6	23.6	23.6	23.6
2	2	2	2	2	2
3	3	3	3	3	3
10	10	10	10	10	10
308.64	308.64	308.64	308.64	308.64	308.64
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
922.94	922.94	922.94	922.94	922.94	922.94
11	11	11	11	11	11

City of Rochester Hills, Michigan

Operating Information

State-shared Revenue and Gas & Weight Tax

State-shared revenue

Fiscal Year Ended December 31	Modified	
	Accrual Basis of Accounting	Accrual Basis of Accounting
2003	\$ 5,863,048	\$ 5,712,210
2004	5,420,684	5,443,641
2005	5,474,685	5,395,634
2006	5,375,537	5,341,983
2007	5,298,510	5,362,252
2008	5,292,542	5,270,042
2009	4,661,073	4,543,462
2010	4,420,538	4,449,876
2011	5,031,743	5,077,251
2012	5,211,578	5,247,035

Gas and weight tax

Fiscal Year Ended December 31	Type of Street		Total Gas and Weight Tax (Act 51) Receipts
	Major Roads	Local Streets	
2003	\$ 3,007,318	\$ 1,168,414	\$ 4,175,732
2004	3,254,785	1,228,947	4,483,732
2005	3,114,289	1,183,035	4,297,324
2006	3,100,240	1,185,402	4,285,642
2007	3,082,171	1,183,456	4,265,627
2008	2,973,260	1,143,744	4,117,004
2009	2,891,351	1,114,510	4,005,861
2010	2,451,532	945,301	3,396,833
2011	2,999,309	1,151,107	4,150,416
2012	3,177,395	1,207,343	4,384,737

Source: City Accounting Division

City of Rochester Hills, Michigan

Operating Information Labor Agreements / December 31, 2012

Name	Contract Expiration Date	Full-Time Employees Covered
Union Employees		
Office/Technical/Public Works Employees AFSCME, Local 2491, Council 25	12/31/2013	112
Public Works/Parks-Supervisory AFSCME, Local 1917.28, Council 25	12/31/2013	8
Fire Fighters International Association of Firefighters, Local 3472	12/31/2010	30
Paid on Call Fire Fighters Michigan Association of fire Fighters	12/31/2014	82
Nonunion Employees		
Mayor	N/A	1
Department Directors	N/A	10
Technical/Professional/Management	N/A	42



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