

Comprehensive Annual Financial Report

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

For the Fiscal Year Ended December 31, 2011

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 20, 2012

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

We are pleased to submit the Comprehensive Annual Financial Report for the City of Rochester Hills (the "City") for the year ended December 31, 2011, 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 2011 the City did see its state-shared revenue received increase by \$611,205. This increase was due to an increase in the City population (related to the 2010 census) and increased sales tax revenue at the State level. Even though the City saw an increase in state shared revenue for 2011, it is still a total decline in state shared revenue since 2001 of over \$1.5 million, or 23 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 provide quality services with reduced revenue.

The local tax base of the City of Rochester Hills is diversified with residential property comprising 73.16 percent, commercial property comprising 15.74 percent, industrial property representing 5.59 percent and personal property (business equipment, furniture, and machinery) consisting of 5.51 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	18,687 homes
Condominiums	3,927 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	354 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 will be the basis for property tax revenue for the fiscal year 2011 budget:

2010		
<u>By Class</u>	<u>Taxable Value</u>	<u>Percent</u>
Real Property	\$ 3,018,628,890	94.49%
Personal Property	<u>176,032,380</u>	<u>5.51%</u>
Total	<u>\$ 3,194,661,270</u>	<u>100.00%</u>
<u>By Use</u>		
Residential	\$ 2,337,061,650	73.16%
Commercial	502,972,330	15.74%
Industrial	178,594,910	5.59%
Personal Property	<u>176,032,380</u>	<u>5.51%</u>
Total	<u>\$ 3,194,661,270</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 coordinating improvements with the Road Commission of Oakland County and the State of Michigan’s road system within the City limits. In 2011, the Major Road Fund had expenditures of \$2.6 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 \$1.1 million in tax revenue for the 2011 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 local streets. In 2011, the General Fund transferred over \$1.4 million and Major Road Fund transferred over \$1.1 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 2011, the General Fund transferred over \$4.1 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, increase 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 improve government operations that deliver services to our residents.

The 2012-2017 Capital Improvement Plan was adopted by the City of Rochester Hills Planning Commission. Currently, the commission is reviewing the 2013-2018 Plan as part of the 2013-15 budget process. Significant capital projects include:

- Drain extensions
- Pedestrian pathway rehabilitation and construction
- Major road construction
- Local street improvements and replacements
- Water and sewer extensions
- 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 the 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.

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.

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, 2010 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, 2010. This was the 23rd 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 are 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 Finance 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

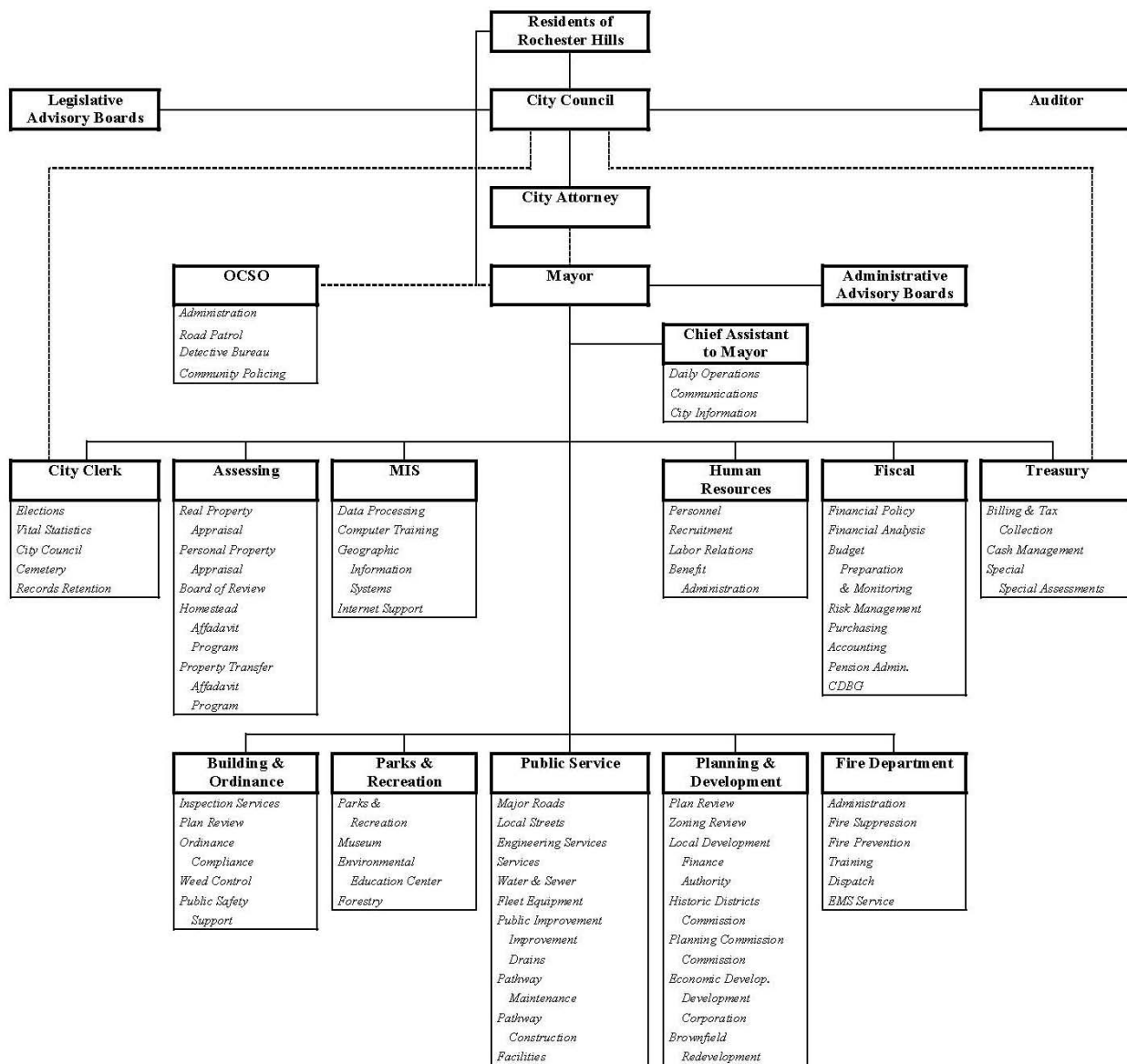
Pamela Lee
City Accountant



Keith Sawdon
Finance Director

City of Rochester Hills, Michigan

Citywide Organizational Chart



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, 2010

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.



Linda C. Danison

President

Jeffrey R. Emmer

Executive Director

City of Rochester Hills, Michigan

List of Principal Officials Year Ended December 31, 2011

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
Jane Leslie	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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rochester Hills, Michigan (the "City") as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Rochester-Avon Recreation Authority were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rochester Hills, Michigan as of December 31, 2011 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

April 20, 2012

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, 2011. 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 assets," 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 assets 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 Assets - The City's combined net assets increased 2.5 percent, or \$9.1 million, from \$361.7 million in 2010 to \$370.8 million in 2011. The net assets for the governmental activity increased from \$228.7 million in 2010 to \$234.3 million in 2011, or \$5.6 million. The primary change in the governmental activities is due to the reduction of current liabilities of \$2.2 million or 6.6 percent and a reduction in long-term liabilities of \$3.5 million or 11.3 percent from \$30.9 million in 2010 to \$27.4 million in 2011. The governmental activities unrestricted net assets increased from \$36.0 million in 2010 to \$41.1 million in 2011, or by \$5.1 million or 13.8 percent. The net assets of the business-type activity increased from \$133.0 million in 2010 to \$136.5 million in 2011, or \$3.5 million. The increase is attributed to increase of \$7 million in current assets and an increase of long-term liabilities of \$2.6 million. The unrestricted net assets increased by \$6.7 million, or 27.2 percent in the business-type activity.

The City's assets totaled \$439.3 million in 2011, up by \$6.1 million. This relates primarily to an increase in current assets of \$9.5 million or 6.2 percent. Capital assets decreased by \$3 million or 1 percent, which is attributed to the net of additions to capital assets of \$9 million and \$12 million of depreciation.

The City's total liabilities decreased \$3.0 million, or 4.2 percent, from \$71.5 million in 2010 to \$68.5 million in 2011. This relates to the reduction of bonded debt obligations in the governmental activities of \$3.5 and an increase in the business-type activity debt obligations of \$2.6 million and a decrease in the current liabilities of \$2.1 million.

City of Rochester Hills, Michigan

Management's Discussion and Analysis

In condensed format, the table below shows the comparison of net assets (in millions) as of December 31, 2011 to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current assets	\$ 127.6	\$ 125.1	\$ 34.3	\$ 27.3	\$ 161.9	\$ 152.4
Long-term receivables	0.2	0.2	0.5	0.8	0.7	1.0
Restricted assets	-	-	0.5	0.6	0.5	0.6
Capital assets	<u>164.7</u>	<u>167.3</u>	<u>111.5</u>	<u>111.9</u>	<u>276.2</u>	<u>279.2</u>
Total assets	<u>292.5</u>	<u>292.6</u>	<u>146.8</u>	<u>140.6</u>	<u>439.3</u>	<u>433.2</u>
Liabilities						
Current liabilities	30.8	33.0	3.2	3.1	34.0	36.1
Long-term liabilities	<u>27.4</u>	<u>30.9</u>	<u>7.1</u>	<u>4.5</u>	<u>34.5</u>	<u>35.4</u>
Total liabilities	<u>58.2</u>	<u>63.9</u>	<u>10.3</u>	<u>7.6</u>	<u>68.5</u>	<u>71.5</u>
Net Assets						
Invested in capital assets - Net of related debt	146.0	145.4	105.2	108.4	251.2	253.8
Restricted	47.2	47.3	-	-	47.2	47.3
Unrestricted	<u>41.1</u>	<u>36.0</u>	<u>31.3</u>	<u>24.6</u>	<u>72.4</u>	<u>60.6</u>
Total net assets	<u>\$ 234.3</u>	<u>\$ 228.7</u>	<u>\$ 136.5</u>	<u>\$ 133.0</u>	<u>\$ 370.8</u>	<u>\$ 361.7</u>

City of Rochester Hills, Michigan

Management's Discussion and Analysis

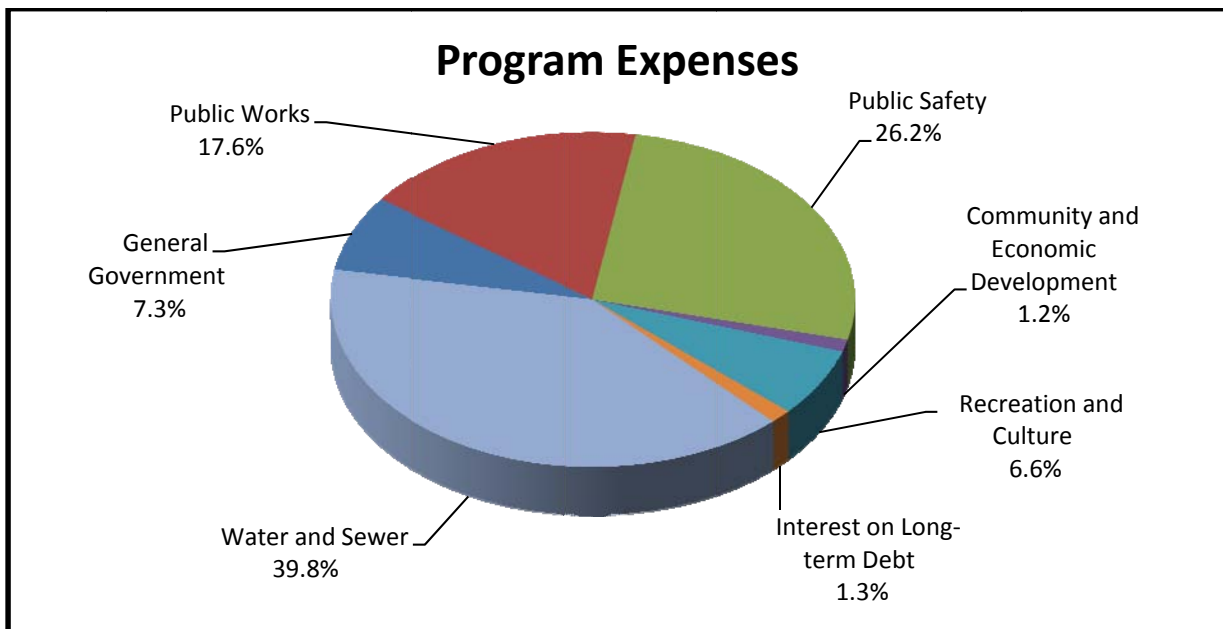
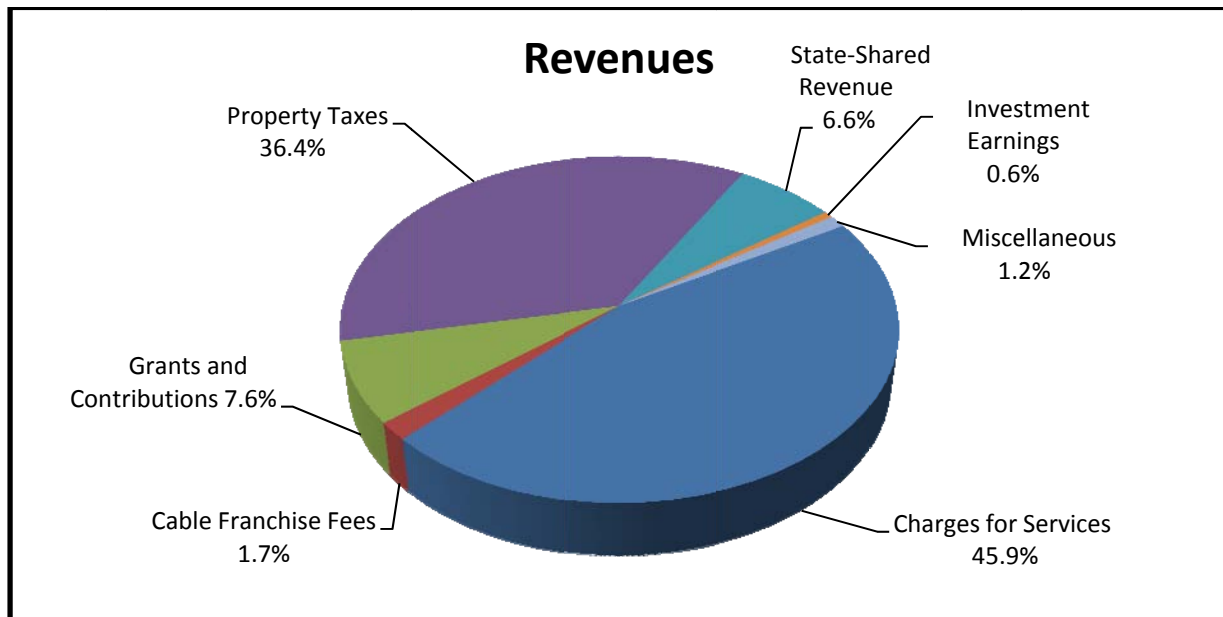
Changes in Net Assets - The City's total net assets increased by \$9.1 million during the fiscal year ended December 31, 2011. The table below shows the comparison of changes in net assets (in millions) to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue						
Program revenue:						
Charges for services	\$ 5.5	\$ 4.9	\$ 30.0	\$ 29.0	\$ 35.5	\$ 33.9
Operating grants and contributions	4.4	4.5	-	-	4.4	4.5
Capital grants and contributions	0.9	3.6	0.6	2.6	1.5	6.2
General revenue:						
Property taxes	28.2	31.7	-	-	28.2	31.7
State-shared revenue	5.1	4.4	-	-	5.1	4.4
Investment earnings	0.4	0.9	0.1	0.1	0.5	1.0
Cable franchise fees	1.3	1.2	-	-	1.3	1.2
Miscellaneous	0.9	0.5	-	-	0.9	0.5
	46.7	51.7	30.7	31.7	77.4	83.4
Total revenue						
	46.7	51.7	30.7	31.7	77.4	83.4
Program Expenses						
General government	5.0	5.2	-	-	5.0	5.2
Public works	12.0	12.2	-	-	12.0	12.2
Public safety	17.9	18.1	-	-	17.9	18.1
Community and economic development	0.8	0.9	-	-	0.8	0.9
Recreation and culture	4.5	4.6	-	-	4.5	4.6
Interest on long-term debt	0.9	1.3	-	-	0.9	1.3
Water and sewer	-	-	27.2	27.1	27.2	27.1
	41.1	42.3	27.2	27.1	68.3	69.4
Total program expenses						
	41.1	42.3	27.2	27.1	68.3	69.4
Change in Net Assets	5.6	9.4	3.5	4.6	9.1	14.0
Net Assets - Beginning of year	228.7	219.3	133.0	128.4	361.7	347.7
Net Assets - End of year	\$ 234.3	\$ 228.7	\$ 136.5	\$ 133.0	\$ 370.8	\$ 361.7

City of Rochester Hills, Michigan

Management's Discussion and Analysis

The City's revenue for governmental activity exceeded annual expenses by \$5.6 million, resulting in an increase in net assets as of December 31, 2011 to \$234.3 million. Annual revenue for business-type activity exceeded expenses by \$3.5 million, resulting in an increase in net assets to \$136.5 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, 2011:



City of Rochester Hills, Michigan

Management's Discussion and Analysis

Governmental Activities - Of the City's total revenue generated for fiscal year 2011, property tax comprises the largest segment, \$28.2 million, or 60.5 percent. Property tax revenue decreased from the prior year by \$3.5 million, or 11.1 percent. Overall property taxable values have decreased while bottom line millage rates stayed the same. Of the grants and contributions revenue of \$5.3 million, \$4.1 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 road system improvements in the amount of \$1.1 million. State-shared revenue is a primary source of revenue for the City of which we received \$5.1 million which is an increase from 2010 of approximately \$700,000. Activity related to Charges for Service increased by \$600,000 with a revenue total of \$5.5 million in 2011.

The majority of governmental expense is associated with the public safety function, which is \$17.9 million, or 43.5 percent of the total governmental activity. Public safety includes building, ordinance enforcement, fire, and police services. Public works expenses were \$12 million, or 29.2 percent of the governmental expenses. Public works activity includes roads, drains, forestry and pedestrian pathway improvements. Recreation and cultural expenses totaled \$4.5 million, or 10.9 percent that is related to park and museum operations as well as youth and senior citizen programs. General government expenses total \$5 million, or 12.1 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 \$30 million. Charges for service are offset by water and sewer operational expenses of \$27.2 million, or 39.8 percent of the City's total expenses, and after capital contributions, the business activity has an increased net change in assets of \$3.5 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 2011 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 \$19.2 million to \$24.8 million or a total increase of \$5.6 million. The net increase is a combination of a decrease in property taxes, an

City of Rochester Hills, Michigan

Management's Discussion and Analysis

increase in state-shared revenue, decrease in all expense activity and a decrease in transfers to other funds.

The Major Road Fund fund's balance decreased from \$16.1 million in 2010 to \$15.6 million in 2011. The total revenues of \$4.8 million exceeded the total expenses of \$4.4 million, or \$404,000.

The Local Street Fund fund's balance increased from \$3.5 million in 2010 to \$4 million in 2011. Local Street's expenses of \$3.9 million exceeded the revenues of \$2.5 million, or \$1.4 million. General Fund made a transfer of \$1.4 million and Major Road Fund made a transfer of \$1.1 million to the Local Street Fund for local street improvements and maintenance.

The Fire Fund fund's balance increased slightly from \$2.6 million in 2010 to \$3.1 million in 2011. The revenues exceed the cost of fire operations by \$439,000. No transfers were made to the Fire Capital Fund in 2011.

The Special Police Protection Fund fund's balance increased approximately by \$131,000. The cost of police operations were \$8.4 million and the total revenue was \$8.8 million which included a transfer from General Fund of \$4.1 million.

The capital project funds had a combined capital outlay of approximately \$690,000 in 2011. The Pathway Construction Fund had capital outlay of \$322,000 and the Fire Capital Fund purchased equipment of approximately \$360,000 in 2011. Fund balance for the capital project funds decreased by \$139,000 in 2011.

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 2011 original budget for revenues exceeded the projections and the expenses were below the original budget projections. At year-end the actual revenues of \$24.9 million exceeded the actual operation expenditures of \$19.3 million and transfers to other funds of \$6.3 million by approximately \$5.6 million.

Revenue projections were \$23.4 million compared to actual revenues of \$24.9 million, a difference of approximately \$1.5 million. The increase in actual revenues over budgeted was mainly due to increases in building permits and fees of approximately \$675,000 and a increase in projected state shared revenue of approximately \$800,000.

Overall, the General Fund expenditures were below the original budget by \$1.4 million or 6.9 percent. Personnel costs were down by \$548,000 or 5.6 percent, supplies and materials were down by \$105,000 or 31 percent, professional services and interfund charges were down by

City of Rochester Hills, Michigan

Management's Discussion and Analysis

\$495,000 or 12 percent of the original budget. There was also a decrease of transfers out to the other funds of approximately \$384,000 or 5.7 percent of the original budget.

Capital Asset and Debt Administration - The City of Rochester Hills has \$276.2 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, 2011. This reflects a decrease in net capital assets of \$3 million during the year. For detailed information on Capital Assets refer to Note 5.

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 21.2	\$ 21.2	\$ 5.0	\$ 5.0	\$ 26.2	\$ 26.2
Construction in progress	-	-	6.5	3.3	6.5	3.3
Right-of-way	46.6	46.6	-	-	46.6	46.6
Infrastructure	67.3	69.0	86.6	89.4	153.9	158.4
Building and land improvements	24.0	25.1	12.1	12.4	36.1	37.5
Vehicles	3.7	3.8	-	-	3.7	3.8
Furniture and equipment	1.9	1.6	1.3	1.8	3.2	3.4
Total	<u>\$ 164.7</u>	<u>\$ 167.3</u>	<u>\$ 111.5</u>	<u>\$ 111.9</u>	<u>\$ 276.2</u>	<u>\$ 279.2</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+ on the City's 2011 Series, Refunding Bond for the City. The City's total bond indebtedness at December 31, 2011 is \$31.9 million. For detail information on outstanding debt refer to Note 7.

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

	Governmental Activities	
	2011	2010
Governmental activities:		
General obligation bonds	\$ 16.8	\$ 18.3
County contractual obligations	7.1	9.1
Special assessment bonds	1.2	1.4
Total governmental activities	<u>\$ 25.1</u>	<u>\$ 28.8</u>
Business-type activities - County contractual obligations	<u>\$ 6.8</u>	<u>\$ 4.2</u>

Economic Factors and New Year's Budget and Rates – The City's taxable value is expected to decline by 6.3 percent or \$199 million for fiscal year 2012 due to economic conditions. The City's total millage rate of 9.7060 is unchanged for fiscal year 2012. There was a slight increase

City of Rochester Hills, Michigan

Management's Discussion and Analysis

[0.0223] in the General Fund's millage rate from 3.7242 mills in 2011 to 3.7465 mills for fiscal year 2012. The total Debt Funds millages decreased from .8293 mills in 2011 to .6506 mills in 2012, a total decrease of 0.1787 mills. The City's total millage rate is the lowest in Oakland County. Taxes account for 46 percent of governmental fund revenues and 47 percent of the budgeted General Fund revenues in the fiscal year 2012 budget. General Fund tax revenue is estimated at \$11 million for fiscal year 2012.

Per the 2012 Adopted Budget, the City's Major Road Fund anticipates utilizing an estimated \$943,000 of fund balance during the year for construction, rehabilitation, and improvements to the major road system. The Local Street Fund continues to search for a dedicated funding source. The City Council and Administration are striving to develop a long-term road fund policy that will address future local street needs. A planned transfer from the General Fund of approximately \$3.0 million and \$1.4 million from the Major Road Fund will help support local street preservation, maintenance, and limited reconstruction activities for fiscal year 2012. The Fire Fund is projected to increase its fund balance by \$358,000 in fiscal year 2012 due to an increase in its millage rate due to the Headlee limit in fiscal year 2012. The Special Police Fund's fund balance is unchanged in fiscal year 2012 as a transfer from the General Fund of \$4.7 million is planned to support the projected \$9.1 million in police service expenditures.

Capital projects for governmental-type funds for fiscal year 2012 include major road, local street, pathway, and fire-related capital equipment replacements.

Once again the Water and Sewer Fund's primary focus in fiscal year 2012 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 2012 budget brought its expenditures in line with its revenue stream by redesigning service delivery systems and by 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 Assets December 31, 2011

	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents (Note 3)	\$ 35,173,883	\$ 12,633,179	\$ 47,807,062	\$ 1,774,928
Investments (Note 3)	75,108,621	15,039,251	90,147,872	4,253,361
Receivables - Net:				
Property tax	13,996,456	-	13,996,456	-
Customers	622,609	6,488,844	7,111,453	160,795
Accrued interest	152,093	25,665	177,758	5,750
Due from other governmental units	1,799,374	9,294	1,808,668	665,115
Inventories	100,938	114,413	215,351	3,507
Long-term receivables	172,412	581,849	754,261	-
Other assets	657,581	-	657,581	120,248
Restricted assets (Note 8)	-	490,128	490,128	-
Nondepreciable capital assets (Note 5)	67,674,044	11,450,112	79,124,156	2,790,244
Depreciable capital assets - Net (Note 5)	97,070,561	100,037,818	197,108,379	12,013,973
Total assets	292,528,572	146,870,553	439,399,125	21,787,921
Liabilities				
Accounts payable	1,580,854	2,979,892	4,560,746	131,028
Retainage payable	66,507	17,228	83,735	-
Accrued and other liabilities	897,353	152,772	1,050,125	86,937
Deposits and escrows	1,493,982	91,269	1,585,251	-
Unearned revenue (Note 4)	26,771,642	-	26,771,642	971,244
Noncurrent liabilities (Note 7):				
Due within one year - Debt	3,255,889	335,493	3,591,382	-
Due in more than one year - Debt	22,218,000	6,429,447	28,647,447	-
Due in more than one year - OPEB	461	460	921	-
Due within one year - Other noncurrent liabilities	1,222,617	262,964	1,485,581	29,021
Due in more than one year - Other noncurrent liabilities	740,928	45,121	786,049	50,175
Total liabilities	58,248,233	10,314,646	68,562,879	1,268,405
Net Assets				
Invested in capital assets - Net of related debt	145,640,716	105,213,118	250,853,834	14,804,217
Restricted:				
Streets and highways	19,686,634	-	19,686,634	-
Dedicated millages	11,697,754	-	11,697,754	-
Debt service	3,809,902	-	3,809,902	-
Capital projects	9,505,708	-	9,505,708	-
Cemetery	1,162,564	-	1,162,564	-
Tree preservation	1,665,859	-	1,665,859	-
Unrestricted	41,111,202	31,342,789	72,453,991	5,715,299
Total net assets	\$ 234,280,339	\$ 136,555,907	\$ 370,836,246	\$ 20,519,516

City of Rochester Hills, Michigan

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 5,046,903	\$ 271,264	\$ -	\$ 377,541
Public works	11,965,328	364,902	4,150,416	496,616
Public safety	17,885,660	3,974,851	36,305	-
Community and economic development	793,710	21,505	223,917	-
Recreation and culture	4,482,418	825,893	59,806	-
Interest on long-term debt	944,612	-	-	-
Total governmental activities	41,118,631	5,458,415	4,470,444	874,157
Business-type activities:				
Sewer	11,537,216	12,495,689	-	263,633
Water	15,690,522	17,559,989	-	375,450
Total business-type activities	27,227,738	30,055,678	-	639,083
Total primary government	\$ 68,346,369	\$ 35,514,093	\$ 4,470,444	\$ 1,513,240
Component units:				
Local Development Finance Authority	\$ 395,526	\$ -	\$ -	\$ 440,630
Economic Development Corporation	195	-	-	-
Automation Alley SmartZone Authority	192,090	-	-	-
Rochester-Avon Recreation Authority	2,044,543	1,354,019	-	-
Older Persons' Commission	4,356,636	1,348,700	1,099,466	202,114
Total component units	\$ 6,988,990	\$ 2,702,719	\$ 1,099,466	\$ 642,744
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 Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

City of Rochester Hills, Michigan

Statement of Activities Year Ended December 31, 2011

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Units	
\$ (4,398,098)	\$ -	\$ (4,398,098)	\$ -	-
(6,953,394)	-	(6,953,394)	-	-
(13,874,504)	-	(13,874,504)	-	-
(548,288)	-	(548,288)	-	-
(3,596,719)	-	(3,596,719)	-	-
<u>(944,612)</u>	<u>-</u>	<u>(944,612)</u>	<u>-</u>	<u>-</u>
(30,315,615)	-	(30,315,615)	-	-
-	1,222,106	1,222,106	-	-
<u>-</u>	<u>2,244,917</u>	<u>2,244,917</u>	<u>-</u>	<u>-</u>
-	3,467,023	3,467,023	-	-
<u>\$ (30,315,615)</u>	<u>\$ 3,467,023</u>	<u>\$ (26,848,592)</u>	<u>\$ -</u>	<u>-</u>
\$ -	\$ -	\$ -	\$ 45,104	-
-	-	-	(195)	-
-	-	-	(192,090)	-
-	-	-	(690,524)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,706,356)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,544,061)</u>	<u>-</u>
28,181,281	-	28,181,281	952,815	-
-	-	-	2,243,412	-
5,077,251	-	5,077,251	-	-
442,713	80,553	523,266	20,950	-
1,267,159	-	1,267,159	-	-
772,163	-	772,163	88,281	-
<u>147,434</u>	<u>85</u>	<u>147,519</u>	<u>-</u>	<u>-</u>
<u>35,888,001</u>	<u>80,638</u>	<u>35,968,639</u>	<u>3,305,458</u>	<u>-</u>
5,572,386	3,547,661	9,120,047	761,397	-
<u>228,707,953</u>	<u>133,008,246</u>	<u>361,716,199</u>	<u>19,758,119</u>	<u>-</u>
<u>\$ 234,280,339</u>	<u>\$ 136,555,907</u>	<u>\$ 370,836,246</u>	<u>\$ 20,519,516</u>	<u>-</u>

City of Rochester Hills, Michigan

	General Fund	Major Road Fund	Local Street Fund
Assets			
Cash and cash equivalents	\$ 8,796,670	\$ 2,975,255	\$ 2,775,986
Investments	22,743,605	12,496,290	1,499,464
Receivables:			
Property tax	5,877,553	-	555,729
Federal	-	48,143	-
State of Michigan	869,240	547,527	185,892
Oakland County	100,606	-	-
Accounts	468,749	49,000	20,864
Interest and other	55,033	25,858	2,951
Inventories	-	-	100,938
Long-term receivables	-	-	48,437
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 38,911,456</u>	<u>\$ 16,142,073</u>	<u>\$ 5,190,261</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 94,913	\$ 409,833	\$ 11,313
Retainages payable	-	20,546	4,575
Accrued wages	244,080	20,230	24,244
Deposits and escrows	1,157,371	-	8,850
Deferred revenue	12,378,991	49,777	1,096,332
Other liabilities	<u>242,571</u>	<u>-</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	14,117,926	500,386	1,145,314
Fund Balances			
Nonspendable	\$ -	\$ -	\$ -
Inventory	-	-	100,938
Restricted			
Road construction and maintenance	-	15,641,687	3,944,009
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	-	-	-
Unassigned	<u>23,793,530</u>	<u>-</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	24,793,530	15,641,687	4,044,947
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 38,911,456</u>	<u>\$ 16,142,073</u>	<u>\$ 5,190,261</u>

City of Rochester Hills, Michigan

Governmental Funds Balance Sheet December 31, 2011

Fire Fund	Special Police Protection Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,304,288	\$ 2,351,602	\$ 10,835,593	\$ 31,039,394
2,749,464	750,000	20,034,267	60,273,090
3,067,204	1,894,266	2,601,705	13,996,457
-	-	-	48,143
-	-	-	1,602,659
-	-	-	100,606
6,501	80,488	4,111	629,713
6,469	2,754	40,521	133,586
-	-	-	100,938
-	-	123,975	172,412
<u>\$ 9,133,926</u>	<u>\$ 5,079,110</u>	<u>\$ 33,640,172</u>	<u>\$ 108,096,998</u>
\$ 32,679	\$ 682,370	\$ 38,648	\$ 1,269,756
-	-	12,275	37,396
154,427	5,630	10,401	459,012
-	-	327,761	1,493,982
5,778,891	3,632,964	5,047,616	27,984,571
94,590	63,426	68,127	468,714
6,060,587	4,384,390	5,504,828	31,713,431
\$ -	\$ -	\$ -	\$ -
-	-	-	100,938
-	-	-	19,585,696
3,073,339	-	-	3,073,339
-	694,720	-	694,720
-	-	135,738	135,738
-	-	3,573,694	3,573,694
-	-	1,162,564	1,162,564
-	-	1,665,859	1,665,859
-	-	4,220,263	4,220,263
-	-	3,809,902	3,809,902
-	-	1,570,471	1,570,471
-	-	7,935,237	7,935,237
-	-	-	1,000,000
-	-	4,048,008	4,048,008
\$ -	\$ -	\$ 13,608	\$ 23,807,138
3,073,339	694,720	28,135,344	76,383,567
<u>\$ 9,133,926</u>	<u>\$ 5,079,110</u>	<u>\$ 33,640,172</u>	<u>\$ 108,096,998</u>



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City of Rochester Hills, Michigan

Governmental Funds Reconciliation of Fund Balances to Statement of Net Assets December 31, 2011

Total Fund Balances for Governmental Funds	\$ 76,383,567
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	124,416,441
Special assessment receivables are not available to pay current year expenditures	172,411
Certain other receivables are expected to be collected over several years and are not available to pay for current year expenditures	1,040,518
Amortization of bond issuance costs are not reported in the funds	188,204
Accrued interest in governmental activities are not reported in the funds	(225,387)
Amortization of bond premiums are not reported in the funds	(355,378)
Compensated absences in governmental activities are not reported in the funds	(1,344,995)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(22,588,511)
Net OPEB obligation	(461)
Internal Service Funds are included as part of governmental activities	<u>56,593,930</u>
Net Assets of Government Activities	<u><u>\$ 234,280,339</u></u>

City of Rochester Hills, Michigan

	General Fund	Major Road Fund	Local Street Fund
Revenue			
Property taxes	\$ 11,772,781	\$ -	\$ 1,114,871
Licenses and permits	2,455,256	-	6,925
Intergovernmental:			
State grants	5,031,743	2,999,309	1,151,107
Federal grants	137,518	1,184,143	-
Other governmental revenues	-	200,000	40,000
Charges for services	5,260,338	208,798	114,438
Fines and forfeitures	2,001	-	-
Investment earnings	110,014	78,512	11,929
Special assessments	-	-	18,740
Refunds and other revenue	178,276	86,841	16,163
Total revenue	24,947,927	4,757,603	2,474,173
Expenditures			
Current:			
General government	6,740,159	-	-
Public works	788,667	-	-
Public safety	2,231,228	-	-
Community and economic development	751,195	-	-
Streets	-	1,773,204	3,077,770
Recreation and culture	2,536,655	-	-
Capital outlay	-	2,580,444	805,183
Debt service	-	-	-
Total expenditures	13,047,904	4,353,648	3,882,953
Excess of Revenue Over (Under) Expenditures	11,900,023	403,955	(1,408,780)
Other Financing Sources (Uses)			
Transfers in	18,500	313,951	2,501,080
Transfers out	(6,300,681)	(1,144,410)	(550,280)
Issuance of debt	-	-	-
Premium on bond	-	-	-
Payment to refund bond escrow agent	-	-	-
Total other financing sources (uses)	(6,282,181)	(830,459)	1,950,800
Net Change in Fund Balance	5,617,842	(426,504)	542,020
Fund Balances - Beginning of year	19,175,688	16,068,191	3,502,927
Fund Balances - End of year	\$ 24,793,530	\$ 15,641,687	\$ 4,044,947

City of Rochester Hills, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balance Year Ended December 31, 2011

Fire Fund	Special Police Protection Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 5,667,026	\$ 3,803,959	\$ 5,822,645	\$ 28,181,282
5,350	-	-	2,467,531
-	36,305	-	9,218,464
-	-	183,190	1,504,851
-	249,146	-	489,146
1,480,285	193,525	124,927	7,382,311
3,621	421,300	-	426,922
17,358	7,663	149,123	374,599
-	-	36,333	55,073
44,031	3,432	28,892	357,635
7,217,671	4,715,330	6,345,110	50,457,814
-	-	-	6,740,159
-	-	1,086,869	1,875,536
6,778,340	8,354,728	-	17,364,296
-	-	-	751,195
-	-	-	4,850,974
-	-	1,682,670	4,219,325
-	-	922,816	4,308,443
-	-	4,484,736	4,484,736
6,778,340	8,354,728	8,177,091	44,594,664
439,331	(3,639,398)	(1,831,981)	5,863,150
-	4,111,730	1,783,020	8,728,281
-	(341,221)	(340,250)	(8,676,842)
-	-	2,270,000	2,270,000
-	-	82,781	82,781
-	-	(2,293,322)	(2,293,322)
-	3,770,509	1,502,229	110,898
439,331	131,111	(329,752)	5,974,048
2,634,008	563,609	28,465,096	70,409,519
\$ 3,073,339	\$ 694,720	\$ 28,135,344	\$ 76,383,567

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, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ 5,974,048
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	4,308,443
Depreciation expenses	(6,369,977)
Net book value of capital assets disposed	-
The donation of capital assets is not considered a current financial resource and is not reported as revenue in the governmental funds	39,460
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	(55,073)
Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds	(1,047,132)
Accrued interest payable is recorded when due in governmental funds; in addition, bond issuance costs are amortized during the life of the bond	42,237
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	5,764,040
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets	(2,270,000)
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	8,628
The change in the net OPEB obligation is not included in governmental funds	130,382
Internal Service Funds are also included as governmental activities	<u>(952,670)</u>
Change in Net Assets of Governmental Activities	<u>\$ 5,572,386</u>

City of Rochester Hills, Michigan

Proprietary Fund Statement of Net Assets Year Ended December 31, 2011

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,633,179	\$ 4,134,489
Investments	15,039,251	14,835,531
Receivables:		
Due from Federal Government	9,294	47,966
Accounts	6,488,844	-
Accrued interest	25,665	18,507
Inventories	114,413	-
Prepaid costs and other assets	-	462,273
Total current assets	34,310,646	19,498,766
Noncurrent assets:		
Restricted assets - Assets held at the County	490,128	-
Capital assets - Net	111,487,930	40,328,164
Long-term receivable	581,849	-
Total assets	146,870,553	59,826,930
Liabilities		
Current liabilities:		
Accounts payable	2,979,892	311,098
Retainages payable	17,228	29,111
Accrued wages	91,321	53,259
Accrued vacation	188,874	120,687
Accrued annual leave	119,211	57,458
Deposits and escrows	91,269	-
Accrued and other liabilities	-	95,535
Payable related to debt obligations:		
Current portion of debt obligations	335,493	250,000
Accrued interest	61,451	35,852
Total current liabilities	3,884,739	953,000
Noncurrent liabilities:		
Long-term debt-net current portion	6,429,447	2,280,000
Net OPEB obligation	460	-
Total noncurrent liabilities	6,429,907	-
Total liabilities	10,314,646	3,233,000
Net Assets		
Invested in capital assets - Net of related debt	105,213,118	37,798,164
Unrestricted	31,342,789	18,795,766
Total net assets	\$ 136,555,907	\$ 56,593,930

City of Rochester Hills, Michigan

Proprietary Fund

Statement of Revenue, Expenses, and Changes in Net Assets

Year Ended December 31, 2011

	Enterprise Fund - Water and Sewer Fund	Internal Service Fund
Operating Revenue		
Charges for service	\$ 30,039,906	\$ 5,826,127
Other charges for services	<u>15,772</u>	<u>229,678</u>
Total operating revenue	30,055,678	6,055,805
Operating Expenses		
Cost of water produced/purchased	9,352,696	-
Cost of sewage treatment	6,560,527	-
Salaries and wages	3,122,571	1,966,259
Professional services	3,904,727	2,046,856
Public utilities	-	654,590
Material and supplies	302,925	117,078
Repairs and maintenance	41,002	905,570
Rentals	14,810	4,303
Depreciation and amortization	<u>3,838,149</u>	<u>1,807,597</u>
Total operating expenses	<u>27,137,407</u>	<u>7,502,253</u>
Operating Income (Loss)	2,918,271	(1,446,448)
Nonoperating Revenue (Expenses)		
Investment income	80,553	81,149
Interest expense	(90,331)	(113,456)
Gain on disposal of capital assets	<u>85</u>	<u>140,225</u>
Total nonoperating revenue	<u>(9,693)</u>	<u>107,918</u>
Income (Loss) - Before contributions and transfers	2,908,578	(1,338,530)
Capital Contributions		
Federal grant	64,727	377,541
State grant	129,360	-
Capital and lateral charges	419,850	-
Other capital contributions	<u>25,146</u>	<u>59,758</u>
Total capital contributions	639,083	437,299
Transfers		
Transfers ins	-	740,461
Transfer outs	<u>-</u>	<u>(791,900)</u>
Total transfers	-	(51,439)
Change in Net Assets	\$ 3,547,661	\$ (952,670)
Net Assets - Beginning of year	<u>\$ 133,008,246</u>	<u>\$ 57,546,600</u>
Net Assets - End of year	<u><u>\$ 136,555,907</u></u>	<u><u>\$ 56,593,930</u></u>

City of Rochester Hills, Michigan

Proprietary Fund Statement of Cash Flows Year Ended December 31, 2011

	Enterprise - Water and Sewer	Internal Service Funds
Cash Flows from Operating Activities		
Cash received from customers	\$ 29,982,320	\$ 5,813,530
Cash payments for goods and services	(20,041,155)	(3,797,646)
Cash payments to employees	(3,110,904)	(1,960,035)
Other operating revenue	<u>12,423</u>	<u>268,226</u>
Net cash provided by operating activities	6,842,684	324,075
Cash Flows from Noncapital Financing Activities		
Transfers out to other funds	<u>-</u>	<u>(702,900)</u>
Net cash provided by noncapital financing activities	-	(702,900)
Cash Flows from Capital and Related Financing Activities		
Payment for capital acquisitions	(601,346)	(1,426,525)
Proceeds from sale of capital assets	85	140,225
Principal payments	(174,572)	(225,000)
Interest paid	(171,245)	(115,994)
Federal grants	46,075	377,541
Capital contributions	-	59,758
Collection of capital and lateral charges	419,850	-
Transfers in from other funds	-	740,461
Transfers out to other funds	<u>-</u>	<u>(89,000)</u>
Net cash used in capital and related financing activities	(481,153)	(538,534)
Cash Flows from Investing Activities		
Purchase of investment securities	(15,035,022)	(15,079,017)
Proceeds from maturities of investment securities	10,936,912	15,944,978
Receipts of interest and dividends	<u>96,617</u>	<u>307,690</u>
Net cash used in investing activities	<u>(4,001,493)</u>	<u>1,173,651</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,360,038	256,292
Cash and Cash Equivalents - January 1, 2011	<u>10,273,141</u>	<u>3,878,197</u>
Cash and Cash Equivalents - December 31, 2011	<u>\$ 12,633,179</u>	<u>\$ 4,134,489</u>

(Continued on next page)

City of Rochester Hills, Michigan

Proprietary Fund Statement of Cash Flows (Continued) Year Ended December 31, 2011

	Enterprise - Water and Sewer	Internal Service Funds
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating income (loss)	\$ 2,918,271	\$ (1,446,448)
Adjustments to reconcile operating loss to net cash from operating activities - Changes in assets and liabilities:		
Depreciation expense	3,838,149	1,807,597
Increase in accounts receivable	(66,880)	-
Decrease (increase) in other assets	5,000	(87,235)
Decrease in inventories	25,366	-
Increase in accounts payable and other accrued expenses	105,166	3,848
Increase in accrued wages, vacation, and annual leave	11,667	6,224
Increase in other liabilities	<u>5,945</u>	<u>40,089</u>
 Total adjustments	 <u>3,924,413</u>	 <u>1,770,523</u>
 Net cash provided by operating activities	 <u>\$ 6,842,684</u>	 <u>\$ 324,075</u>

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2011, the Water and Sewer Fund received approximately \$25,000 of lines donated by developers and capital contributions were recognized in the amount of \$148,012 for Oakland-Macomb Interceptor Drainage construction project. In addition, Oakland County constructed \$2.8 million of sewer lines for the Oakland Macomb Interceptor project and the City incurred long term debt of \$2.8 million. The Water and Sewer Fund and the Internal Services Funds recognized \$4,229 and \$5,438, respectively, of unrealized gain in the market value of securities.

City of Rochester Hills, Michigan

Fiduciary Funds Statement of Net Assets December 31, 2011

	Retiree Health Care Benefit Trust	Agency Funds
Assets		
Cash	\$ 325,387	\$ 2,978,383
Investments - Asset allocation-Mutual funds	2,115,740	-
Total assets	\$ 2,441,127	\$ 2,978,383
Liabilities		
Accounts payable	\$ 361	\$ 7,668
Due to other governments	-	2,839,034
Accrued and other liabilities	-	131,681
Total liabilities	361	\$ 2,978,383
Net Assets - Held in trust for benefits	\$ 2,440,766	

City of Rochester Hills, Michigan

Fiduciary Funds – Trust Fund Statement of Changes in Fiduciary Net Assets Year Ended December 31, 2011

Additions	
Investment income (loss)	\$ (25,055)
Contributions-Employer	<u>313,150</u>
Total additions	288,095
Deductions - Benefit payments and other expenses	<u>125,095</u>
Net Change in Net Assets	163,000
Net Assets - Beginning of year	<u>2,277,766</u>
Net Assets - End of year	<u><u>\$ 2,440,766</u></u>

City of Rochester Hills, Michigan

Component Units Statement of Net Assets December 31, 2011

	Local Development Finance Authority	Economic Development Corporation	Automation Alley SmartZone Authority	Brownfield Redevelopment Authority	Rochester- Avon Recreation Authority	Older Persons' Commission	Total
Assets							
Cash and investments	\$ 2,280,125	\$ 2,013	\$ 396,273	\$ 208,016	\$ 1,405,062	\$ 1,736,800	\$ 6,028,289
Due from other governmental units	592,858	-	-	39,196	1,000	32,061	665,115
Receivables - Accrued interest and other	1,777	-	-	-	65,305	99,463	166,545
Inventories	-	-	-	-	3,507	-	3,507
Prepaid costs and other assets	-	-	-	-	-	120,248	120,248
Capital assets	-	-	-	-	64,975	14,739,242	14,804,217
Total assets	2,874,760	2,013	396,273	247,212	1,539,849	16,727,814	21,787,921
Liabilities							
Accounts payable	750	-	-	-	29,704	100,574	131,028
Accrued and other liabilities	1,570	-	-	-	17,910	67,457	86,937
Unearned revenue	592,859	-	-	39,196	172,350	166,839	971,244
Noncurrent liabilities:							
Due within one year	-	-	-	-	-	29,021	29,021
Due in more than one year	-	-	-	-	10,188	39,987	50,175
Total liabilities	595,179	-	-	39,196	230,152	403,878	1,268,405
Net Assets							
Invested in capital assets - Net of related debt	-	-	-	-	64,975	14,739,242	14,804,217
Unrestricted	2,279,581	2,013	396,273	208,016	1,244,722	1,584,694	5,715,299
Total net assets	\$ 2,279,581	\$ 2,013	\$ 396,273	\$ 208,016	\$ 1,309,697	\$ 16,323,936	\$ 20,519,516

City of Rochester Hills, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions
Local Development Finance Authority - Public service	\$ 395,526	\$ -	\$ -	\$ 440,630
Economic Development Corporation	195	-	-	-
Automation Alley SmartZone Authority - Public service	192,090	-	-	-
Rochester-Avon Recreation Authority - Recreation and culture	2,044,543	1,354,019	-	-
Older Persons' Commission - Recreation and culture	<u>4,356,636</u>	<u>1,348,700</u>	<u>1,099,466</u>	<u>202,114</u>
Total governmental activities	<u>\$ 6,988,990</u>	<u>\$ 2,702,719</u>	<u>\$ 1,099,466</u>	<u>\$ 642,744</u>

General revenues:
 Property taxes
 Intergovernmental revenue
 Unrestricted investment earnings
 Miscellaneous

Total general revenues

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

City of Rochester Hills, Michigan

Component Units Statement of Activities Year Ended December 31, 2011

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
\$ 45,104	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,104
-	(195)	-	-	-	-	(195)
-	-	(192,090)	-	-	-	(192,090)
-	-	-	-	(690,524)	-	(690,524)
-	-	-	-	-	(1,706,356)	(1,706,356)
<u>\$ 45,104</u>	<u>\$ (195)</u>	<u>\$ (192,090)</u>	<u>\$ -</u>	<u>\$ (690,524)</u>	<u>\$ (1,706,356)</u>	<u>\$ (2,544,061)</u>
702,822	-	214,371	35,622	-	-	952,815
-	-	-	-	690,991	1,552,421	2,243,412
6,653	-	337	100	6,139	7,721	20,950
-	-	-	-	19,920	68,361	88,281
<u>709,475</u>	<u>-</u>	<u>214,708</u>	<u>35,722</u>	<u>717,050</u>	<u>1,628,503</u>	<u>3,305,458</u>
754,579	(195)	22,618	35,722	26,526	(77,853)	761,397
<u>1,525,002</u>	<u>2,208</u>	<u>373,655</u>	<u>172,294</u>	<u>1,283,171</u>	<u>16,401,789</u>	<u>19,758,119</u>
<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>



innovative *by* nature

Notes to Financial Section



innovative *by* nature

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2011

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, 2011

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. The financial statements can be obtained from its administrative offices at 1000 Rochester Hills Drive, Rochester Hills, MI.
- 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. The financial statements can be obtained from its administrative offices at 1000 Rochester Hills Drive, Rochester Hills, MI.
- 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.

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 Hills, Michigan

Notes to Financial Statements December 31, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

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 108 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. The Brownfield Authority is presented as a government fund type and its financial statements can be obtained from its administrative offices at 1000 Rochester Hills Drive, Rochester Hills, MI.
- f. The Automation Alley SmartZone Authority was created to foster new economic growth and development by establishing clusters of technology companies.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

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. The Authority's financial statement can be obtained from its administrative office at 1000 Rochester Hills Dr, Rochester Hills, MI.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

- d. The Fire Fund accounts for all revenue and expenditures for citywide fire operations, including millage collection.
- 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.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

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.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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 2010 tax is levied and collectible on December 1, 2010 and is recognized as revenue in the year ended December 31, 2011, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2010 taxable valuation of the City totaled approximately \$3.2 billion (excluding Debt Service approximately \$48.1 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	3.7242	\$ 11,881,544
Local Streets	0.3545	1,130,983
Fire operating services	1.8000	5,742,650
Police protection services	1.2083	3,854,913
OPC operating and transportation	0.3294	1,050,905
R.A.R.A. operating	0.1950	622,120
Pathway maintenance	0.1858	592,769
Debt service	0.8293	2,645,767
Green space preservation	0.2972	948,175

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

Other Postemployment Benefit (OPEB) Costs – The City offers retiree healthcare benefit to 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. The City's intent would be to spend uncommitted/unassigned funds prior to the use of committed or assigned funds. When both restricted and unrestricted resources are available for use, it is the City's general policy to use restricted resources first, then unrestricted resources as they are needed. Exceptions to this policy is when General Fund is subsidizing dedicated millage funds to help them meet operations needs where the current millage does not cover these costs such as the Local Street Fund and the Special Police Fund. Accordingly, the City considers all remaining fund balance in these funds to be legally 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, 2011

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

Cumulative shortfall at January 1, 2011		\$ (4,993,611)
Building permit revenue		1,609,050
Related expenses:		
Direct expenses	\$ 1,305,124	
Estimated indirect costs	<u>195,769</u>	
Total related expenses		<u>1,500,893</u>
Cumulative shortfall at December 31, 2011		<u>\$ (4,885,454)</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 FDIC Deposit Insurance Coverage limits for each FDIC insured bank has been increased from \$100,000 to \$250,000 effective October 3, 2008 through December 2009. As of May 20, 2009 FDIC insured institutions are now insured up to at least \$250,000 per depositor. The funds remain local with the primary Michigan bank trading funding (CD) deposits with other banks across the country. This risk mitigation method comes at a time when municipalities are seeking greater insured coverage of their investment assets.

Note 3 - Deposits and Investments (Continued)

With the exception of two (2) certificates of deposits that will mature at approximately \$1,100 over the FDIC limit, the City transformed its entire Certificate of Deposit portfolio to fully FDIC insured and remains fully insured as of December 31, 2011.

The City has designated 13 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, 2011, \$39,953,949 in U.S. Government obligations are held in third-party safekeeping in the City's name. The City's three Investment Pool Accounts have their securities safe kept with a third-party selected by the counterparty. 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 had no bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. 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 our Certificate of Deposits portfolio up to the \$50 million dollar limit.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2011

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, 2011. 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. The City of Rochester Hills began purchasing CDARS in January 2009 as another means of mitigating our uninsured exposure with certificates of deposits.

With the exception of two (2) Certificates of Deposit that will mature approximately \$1,100 each over the FDIC insured limit, the component units had no bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized.

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 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:

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2011

Note 3 - Deposits and Investments (Continued)

<u>Investments</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
Government agency securities	\$ 40,000,002	352 days
MI CLASS Investment Pool	7,300,074	1 day
Federated Investment Pool	2,418,103	1 day
Ambassador Capital Investment Pool	10,034,338	1day

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	\$ 40,000,002	AA+	Standard and Poor's
MI CLASS Investment Pool	7,300,074	AAAm	Standard and Poor's
Federated Investment Pool	2,418,103	AAAm	Standard and Poor's
Ambassador Capital Investment Pool	10,034,338	AAAm	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.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2011

Note 3 - Deposits and Investments (Continued)

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.

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, 2011, the Trust was holding three mutual funds: a low duration bond fund and two asset allocation funds. One of the asset allocation funds was a moderate growth fund while the second asset allocation fund was a longer-term growth fund. Investment strategies for the asset allocation funds are to hold shares of other mutual funds 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, 2011, the Trust was holding the following registered mutual fund investment types:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percentage</u>	<u>Average Duration</u>
Vantagepoint Low Duration Bond	\$ 198,662	9.4%	2.06 years
Vantagepoint MP Traditional Growth	849,602	40.2%	n/a
Vantagepoint MP Long-Term Growth	<u>1,067,477</u>	<u>50.5%</u>	n/a
	\$ 2,115,741	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.

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2011

Note 3 - Deposits and Investments (Continued)

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, 2011, debt obligation investments held by the Trust, in the low duration mutual fund had the following ratings:

<u>Type</u>	<u>% Bonds</u>
AAA	35.2%
AA	12.6%
A	32.1%
BBB	17.1%
BB	1.6%
B	0.8%
Below B	0.3%
Not Rated	<u>0.3%</u>
TOTAL	100.0%
Average Credit Quality	A

Since the two asset allocation mutual funds also own a limited number of shares in the low duration mutual fund, they also share in the same credit risk (of the low duration fund) but at a lesser degree to their overall portfolio since their ownership is only a percentage of their whole portfolio.

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, 2011, \$2,115,740 or 100 percent of the investments were held in third party safekeeping in the Trust’s name.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2011

Note 3 - Deposits and Investments (Continued)

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.

As of December 31, 2011, 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 above indicates, the Trust's fixed income investments had an average duration of 2.06 years which is reasonable given the long-term nature of the Trust. Having a reasonable duration will reduce the Trust's risk exposure to rapidly adjusting interest rates. The following table shows the low duration fund's bond maturity breakdown:

Note 3 - Deposits and Investments (Continued)

<u>Bond Maturity Breakdown</u>	<u>% Bonds</u>
1 to 3 Years	57.70%
3 to 5 Years	31.03%
5 to 7 Years	2.25%
7 to 10 Years	2.54%
10 to 15 Years	0.00%
15 to 20 Years	0.25%
20 to 30 Years	5.77%
Over 30 Years	<u>0.46%</u>
TOTAL	100.00%
Average Duration	2.06 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.

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, 2011 the asset allocation mutual fund's equity holdings in developed versus emerging countries was as follows:

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2011

Note 3 - Deposits and Investments (Continued)

<u>Market Classification</u>	<u>Percentage</u>
Developed Markets	97.40%
Emerging Markets	2.60%
TOTAL	100.00%

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 defaults. 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 prospectus for the three 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. 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, 2011 the low duration bond fund was holding 19 percent of its portfolio in securitized instruments but none that were in the CMO area.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2011

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	\$ -	\$ 26,382,032
Special assessments	172,411	-
State-shared revenue	869,240	-
Federal grant	49,777	-
Other	<u>121,501</u>	<u>389,610</u>
Total deferred revenue	<u>\$ 1,212,929</u>	<u>\$ 26,771,642</u>

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2011

Note 5 - Capital Assets

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

	Balance January 1, 2011	Additions	Disposals and Adjustments	Balance December 31, 2011
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 21,120,918	\$ -	\$ -	\$ 21,120,918
Right of way	<u>46,611,561</u>	<u>12,565</u>	<u>71,000</u>	<u>46,553,126</u>
Subtotal	67,732,479	12,565	71,000	67,674,044
Capital assets being depreciated:				
Roads	109,669,656	3,463,229	-	113,132,885
Drain flowage rights	30,772,175	-	-	30,772,175
Land improvements	17,463,771	567,502	-	18,031,273
Building and building improvements	29,717,490	136,000	-	29,853,490
Vehicles	10,766,346	773,955	457,617	11,082,684
Office furnishings	5,529,986	298,865	42,233	5,786,618
Other tools and equipment	<u>5,218,119</u>	<u>460,119</u>	<u>192,015</u>	<u>5,486,223</u>
Subtotal	209,137,543	5,699,670	691,865	214,145,348
Accumulated depreciation:				
Roads	57,418,768	4,392,558	-	61,811,326
Drain flowage rights	14,019,653	769,305	-	14,788,958
Land improvements	10,643,286	913,547	-	11,556,833
Building improvements	11,382,135	876,836	-	12,258,971
Vehicles	6,984,250	794,627	457,617	7,321,260
Office furnishings	5,385,974	108,511	42,233	5,452,252
Other tools and equipment	<u>3,753,629</u>	<u>322,191</u>	<u>190,633</u>	<u>3,885,187</u>
Subtotal	<u>109,587,695</u>	<u>8,177,575</u>	<u>690,483</u>	<u>117,074,787</u>
Net capital assets being depreciated	<u>99,549,848</u>	<u>(2,477,905)</u>	<u>1,382</u>	<u>97,070,561</u>
Net capital assets	<u>\$ 167,282,327</u>	<u>\$ (2,465,340)</u>	<u>\$ 72,382</u>	<u>\$ 164,744,605</u>

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2011

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance January 1, 2011	Additions	Disposals and Adjustments	Balance December 31, 2011
Capital assets not being depreciated:				
Land	\$ 4,958,172	\$ -	\$ -	\$ 4,958,172
Construction in progress	<u>3,335,004</u>	<u>3,156,936</u>	<u>-</u>	<u>6,491,940</u>
Subtotal	8,293,176	3,156,936	-	11,450,112
Capital assets being depreciated:				
Water and sewer distribution systems	153,744,671	243,248	-	153,987,919
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>-</u>	<u>-</u>	<u>8,287,000</u>
Subtotal	176,133,377	243,248	-	176,376,625
Accumulated depreciation:				
Water and sewer distribution systems	64,311,651	3,079,452	-	67,391,103
Land improvements	195,502	789	-	196,291
Building improvements	1,398,739	282,618	-	1,681,357
Office furnishings	66,148	19,089	-	85,237
Other tools and equipment	<u>6,528,618</u>	<u>456,201</u>	<u>-</u>	<u>6,984,819</u>
Subtotal	72,500,658	3,838,149	-	76,338,807
Net capital assets being depreciated	<u>103,632,719</u>	<u>(3,594,901)</u>	<u>-</u>	<u>100,037,818</u>
Net capital assets	<u>\$ 111,925,895</u>	<u>\$ (437,965)</u>	<u>\$ -</u>	<u>\$ 111,487,930</u>

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2011

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	Additions	Disposals and Adjustments	Balance
	January 1, 2011			December 31, 2011
Land	\$ 2,790,244	\$ -	\$ -	\$ 2,790,244
Capital assets being depreciated:				
Building	12,673,141	-	-	12,673,141
Building improvements	1,208,097	2,155	-	1,210,252
Land improvements	18,847	-	-	18,847
Furniture, equipment, and other	2,012,296	71,417	20,418	2,063,295
Vehicles	957,630	202,114	138,079	1,021,665
Subtotal	16,870,011	275,686	158,497	16,987,200
Less accumulated depreciation	4,577,034	552,306	156,113	4,973,227
Net capital assets being depreciated	12,292,977	(276,620)	2,384	12,013,973
Net capital assets	\$ 15,083,221	\$ (276,620)	\$ 2,384	\$ 14,804,217

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

Governmental activities:		
General government		\$ 19,139
Public works		6,066,953
Public safety		822,385
Recreation and culture		462,940
A portion of internal service fund depreciation is charged to various functions based on their usage of the asset		806,158
Total governmental activities		<u>\$ 8,177,575</u>
Business-type activities:		
Water		\$ 2,185,740
Sewer		1,652,409
Total business-type activities		<u>\$ 3,838,149</u>

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2011

Note 5 - Capital Assets (Continued)

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:

	Total Contract Amount	Remaining Commitment
Road improvements	\$ 4,771,837	\$ 262,025
Drain and pathway improvements	589,388	58,473
Facility improvements	396,569	61,394
Management information systems	341,880	65,807
Water and sewer infrastructure	429,547	154,457
Total	<u>\$ 6,529,221</u>	<u>\$ 602,155</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, 2011

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

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

General Fund	Major Road Fund	\$ 313,951
	Local Street Fund	1,356,670
	Special Police Fund	4,111,730
	Nonmajor governmental funds	165,000
	Internal Service - Facilities Fund	<u>353,330</u>
	Total General Fund	6,300,681
Major Road Fund	Local Street Fund	1,144,410
Local Street Fund	Nonmajor governmental funds	550,280
Special Police Fund	Internal Service - Facilities Fund	341,221
Nonmajor governmental funds	General Fund	18,500
	Nonmajor governmental funds	275,840
	Internal Service - Facilities Fund	<u>45,910</u>
	Total nonmajor governmental funds	340,250
Internal Service - Facilities Fund	Nonmajor governmental funds	<u>791,900</u>
	Total	<u>\$ 9,468,742</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 and Special Police Fund to non-major governmental funds represents the movement of resources to be used to service debt; the transfer from nonmajor governmental funds represents resources for 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, 2011

Note 7 - Long-term Debt

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

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

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2011

Note 7 - Long-term Debt (Continued)

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

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

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 3,255,889	\$ 847,141	\$ 4,103,030	\$ 335,493	\$ 285,100	\$ 620,593
2013	3,287,622	755,439	4,043,061	339,891	299,565	639,456
2014	2,545,000	667,104	3,212,104	503,198	288,439	791,637
2015	2,610,000	577,014	3,187,014	511,695	273,020	784,715
2016	2,715,000	483,758	3,198,758	545,837	256,587	802,424
2017-2021	9,850,000	1,171,283	11,021,283	2,314,985	696,773	3,011,758
2022-2026	85,000	74,616	929,616	1,309,835	295,749	1,605,584
2027-2031	-	-	-	904,006	94,519	998,525
	<u>\$ 25,118,511</u>	<u>\$ 4,576,355</u>	<u>\$ 29,694,866</u>	<u>\$ 6,764,940</u>	<u>\$ 2,489,752</u>	<u>\$ 9,254,692</u>

Note 7 - Long-term Debt (Continued)

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

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

Advance and Current Refundings

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

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

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

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2011

Note 7 - Long-term Debt (Continued)

Future Revenues Pledged for Debt Payment

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

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

Note 8 - Restricted Assets

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

Note 9 - Risk Management

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

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2011

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>2011</u>	<u>2010</u>
Estimated liability - Beginning of year	\$ 53,182	\$ 117,688
Estimated claims incurred, including changes in estimates	46,932	(32,443)
Claims payments	<u>(4,579)</u>	<u>(32,063)</u>
Estimated liability - End of year	<u>\$ 95,535</u>	<u>\$ 53,182</u>
Estimated liability for claims reported	\$ 80,535	\$ 35,182
Estimated liability for claims incurred but not reported	<u>15,000</u>	<u>18,000</u>
Total estimated liability	<u>\$ 95,535</u>	<u>\$ 53,182</u>

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2011

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. In a defined contribution plan, benefits 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 a mandatory 1 or 3 percent employee match, and any participant can match City contributions at their discretion. In accordance with these requirements, the City contributed \$1,926,709 during the current year, employees' mandatory contributions were \$380,916, and employee voluntary contributions were \$11,868. The City's contributions for each employee (plus interest allocated to the 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. Currently the plan consists of 207 members that include active employees and terminated employees.

The Plan consists of two parts. The primary component, the Retiree Health Care Funding (commonly known as the RHS Plan), is available to all eligible employees after they have completed six months of full-time service with the City. This component allows retirees to receive reimbursement of eligible health care expenses. The second component, the Supplement Benefit program (Retiree Health Benefit Plan), is a closed program and is only available to employees who met certain criteria at March 12, 2001.

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.

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 ICMA-RC. 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 and the Supplemental Benefit Plans 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, are 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 health savings 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, \$499,109 to the RHS Plan and employee mandatory contributions were \$85,240.

The City has established a Retiree Health Care Benefit Trust per P.A. 149 to assist with prefunding the Supplement 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 ICMA-RC. 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 program following the one year schedule and the ARC payment for the implicit rate subsidy following the 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 2011, this amounted to \$69,240.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2011

Note 11 - Other Postemployment Benefits (Continued)

Funding progress: The City has made contributions in 2011 following the thirty year schedule of the actuarial valuation. Approximately \$313,000 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 2010 with a planned updated actuarial report to be completed in 2012. The valuation's computed contributions and funding are summarized as follows:

	Governmental Activities	Water & Sewer Fund	Total
Actual Funding			
Annual required contribution	\$ 132,838	\$ 26,598	\$159,436
Interest on the prior year's net OPEB obligation	6,542	1,308	7,850
Adjustment to the ARC	<u>(8,272)</u>	<u>(1,941)</u>	<u>(10,213)</u>
Annual OPEB cost	131,108	25,965	157,073
Amounts contributed:			
Amounts funded	<u>(261,490)</u>	<u>(51,660)</u>	<u>(313,150)</u>
Decrease in net OPEB obligation	(130,382)	(25,695)	(156,077)
OPEB obligation - Beginning of year	<u>130,843</u>	<u>26,155</u>	<u>156,998</u>
OPEB obligation - End of year	<u>\$ 461</u>	<u>\$ 460</u>	<u>\$ 921</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	2008	2009	2010	2011
Annual required contribution	\$2,129,343	\$ 155,700	\$159,436	\$159,436
Annual OPEB Costs	2,129,343	241,863	156,938	157,073
Employer contributions	91,026	2,124,480	155,640	313,150
Percentage of ARC contributed	4.3%	1364.4%	97.6%	196.4%
Percentage of OPEB costs contributed	4.3%	878.4%	99.0%	199.4%
Net OPEB obligation	<u>\$ 2,038,317</u>	<u>\$ 155,700</u>	<u>\$ 156,998</u>	<u>\$ 921</u>

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2011

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>
Actuarial value of assets	\$ -	\$ 2,039,331
Actuarial accrued liability	<u>3,509,633</u>	<u>3,475,690</u>
Unfunded AAL	<u>\$ 3,509,633</u>	<u>\$ 1,436,359</u>
Funded ratio	0.0%	58.7%
Annual covered payroll	<u>\$ 13,548,800</u>	
Ratio of UAAL to covered payroll	10.61%	

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, 2010 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 2018. The UAAL is being amortized

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2011

Note 11 - Other Postemployment Benefits (Continued)

using a level dollar over an open thirty year period for the implicit rate subsidy related to the RHS plan.

Note 12 – Upcoming Accounting Pronouncements

In November 2010, GASB issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements (SCAs). This Statement addresses financial reporting related to service concession arrangements which are a type of public-private or public-public partnership. This type of arrangement between a government (transferor) and an operator (whether a government or nongovernment) in which the transferor conveys to an operator the right and relation obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and the operator collects and is compensated by fees from third parties. The City will evaluate the impact that this standard will have on the financial statements when adopted, during the City's 2012 fiscal year.

In November 2010, the GASB issued Statement No. 61, The Financial Reporting Entity Omnibus. This pronouncement, which is an amendment to Statement 14 and Statement 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting components units as if they were part of the primary government (that is, blending) in certain circumstances. The Statement also clarifies the reporting of equity interests in legally separate organizations. The City will evaluate the impact this standard will have on the financial statements when adopted, during the City's 2013 fiscal year.

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This Statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure. The City will evaluate the impact this standard will have on the financial statements when adopted, during the City's 2012 fiscal year.

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The statement will be effective for the City's 2012 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts

Note 12 – Upcoming Accounting Pronouncements (Continued)

Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

The GASB has recently issued GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions. The pronouncement clarifies when a replacement of a swap counterparty or swap counterparty's credit support provider results in continuing effective hedging relationships versus a required termination. The City will be evaluating the impact this standard may have on its financial statements when adopted as required, during the City's 2012 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, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 11,646,010	\$ 11,768,800	\$ 11,772,781	\$ 3,981
Federal sources	156,920	109,920	137,518	27,598
State sources	4,275,000	4,900,000	5,031,743	131,743
Fees and permits	1,540,580	2,369,700	2,455,256	85,556
Fines and forfeitures	8,000	1,500	2,001	501
Charges for services	5,446,600	5,256,760	5,260,338	3,578
Investment earnings	155,100	110,000	110,014	14
Other	116,950	136,170	175,251	39,081
Sale of assets	-	2,800	3,025	225
Transfer in other funds	34,000	18,500	18,500	-
Total revenues	23,379,160	24,674,150	24,966,427	292,277
Expenditures				
General government:				
City Council	258,760	178,020	147,246	30,774
City administration	3,791,010	3,665,030	3,573,517	91,513
Clerk	1,280,060	1,150,810	1,067,925	82,885
Assessing	1,226,120	1,337,460	1,247,466	89,994
Human resources	608,960	611,260	587,003	24,257
Support services	165,880	137,720	117,002	20,718
Public works:				
City development	587,520	587,640	562,149	25,491
Cemetery	254,200	242,080	226,518	15,562
Public safety:				
Building	2,401,240	2,232,470	2,177,748	54,722
Crossing guard	54,300	56,470	53,480	2,990
Community and economic development:				
Planning	742,040	668,200	618,914	49,286
Community development block grant	156,920	156,920	132,281	24,639
Recreation and culture:				
Parks and recreation	2,565,860	2,585,410	2,530,385	55,025
Historic district commission	11,750	11,750	6,270	5,480
Transfers to other funds	6,684,280	6,300,730	6,300,681	49
Total expenditures	20,788,900	19,921,970	19,348,585	573,385
Excess of Revenue Over Expenditures	2,590,260	4,752,180	5,617,842	865,662
Fund Balance - Beginning of year	15,171,426	19,175,688	19,175,688	-
Fund Balance - End of year	<u>\$ 17,761,686</u>	<u>\$ 23,927,868</u>	<u>\$ 24,793,530</u>	<u>\$ 865,662</u>

City of Rochester Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule – Major Road Fund Year Ended December 31, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
State sources	\$ 2,744,690	\$ 2,899,060	\$ 2,999,309	\$ 100,249
Federal grant	-	1,130,190	1,184,143	53,953
Other governmental sources	200,000	200,000	200,000	-
Charges for services	224,500	202,070	208,798	6,728
Investment earnings	108,100	78,000	78,512	512
Other	35,500	38,030	86,841	48,811
Transfer from other funds	<u>313,080</u>	<u>313,080</u>	<u>313,951</u>	<u>871</u>
Total revenues	3,625,870	4,860,430	5,071,554	211,124
Expenditures - Public works				
Street maintenance	2,117,060	2,039,700	1,773,204	266,496
Capital outlay	3,270,690	2,982,590	2,580,444	402,146
Transfers to other funds	<u>1,144,410</u>	<u>1,144,410</u>	<u>1,144,410</u>	<u>-</u>
Total expenditures	<u>6,532,160</u>	<u>6,166,700</u>	<u>5,498,058</u>	<u>668,642</u>
Excess of Revenue Over (Under) Expenditures	(2,906,290)	(1,306,270)	(426,504)	879,766
Fund Balance - Beginning of year	<u>14,413,249</u>	<u>16,068,191</u>	<u>16,068,191</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 11,506,959</u>	<u>\$ 14,761,921</u>	<u>\$ 15,641,687</u>	<u>\$ 879,766</u>

City of Rochester Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule – Local Street Fund Year Ended December 31, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 1,113,110	\$ 1,114,740	\$ 1,114,871	\$ 131
State sources	1,068,920	1,118,030	1,151,107	33,077
Other governmental sources	40,000	40,000	40,000	-
Licenses and permits	10,000	7,000	6,925	(75)
Charges for services	22,550	112,210	114,438	2,228
Special assessment	9,890	16,070	18,740	2,670
Investment earnings	41,580	11,830	11,929	99
Other	10,000	5,800	16,163	10,363
Transfers from other funds	<u>2,848,970</u>	<u>2,501,080</u>	<u>2,501,080</u>	<u>-</u>
Total revenues	5,165,020	4,926,760	4,975,253	48,493
Expenditures - Public works				
Street maintenance	3,808,510	3,540,270	3,077,770	462,500
Capital outlay	806,230	836,210	805,183	31,027
Transfers to other funds	<u>550,280</u>	<u>550,280</u>	<u>550,280</u>	<u>-</u>
Total expenditures	<u>5,165,020</u>	<u>4,926,760</u>	<u>4,433,233</u>	<u>493,527</u>
Excess of Revenue Over (Under) Expenditures	-	-	542,020	542,020
Fund Balance - Beginning of year	<u>5,008,788</u>	<u>3,502,927</u>	<u>3,502,927</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 5,008,788</u>	<u>\$ 3,502,927</u>	<u>\$ 4,044,947</u>	<u>\$ 542,020</u>

City of Rochester Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule – Fire Fund Year Ended December 31, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 5,652,140	\$ 5,664,990	\$ 5,667,026	\$ 2,036
State sources	-	-	-	-
Licenses and permits	8,000	5,400	5,350	(50)
Fines and forfeitures	5,000	3,500	3,621	121
Charges for services	1,299,050	1,420,050	1,480,285	60,235
Investment earnings	37,300	17,000	17,358	358
Other	3,620	6,350	40,005	33,655
Sale of assets	<u>500</u>	<u>2,700</u>	<u>4,026</u>	<u>1,326</u>
Total revenue	7,005,610	7,119,990	7,217,671	97,681
Expenditures				
Public safety - Fire	<u>6,989,890</u>	<u>6,930,960</u>	<u>6,778,340</u>	<u>152,620</u>
Total expenditures	<u>6,989,890</u>	<u>6,930,960</u>	<u>6,778,340</u>	<u>152,620</u>
Excess of Revenue Over Expenditures	15,720	189,030	439,331	250,301
Fund Balance - Beginning of year	<u>2,155,635</u>	<u>2,634,008</u>	<u>2,634,008</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 2,171,355</u></u>	<u><u>\$ 2,823,038</u></u>	<u><u>\$ 3,073,339</u></u>	<u><u>\$ 250,301</u></u>

City of Rochester Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule – Special Police Fund Year Ended December 31, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 3,794,150	\$ 3,802,650	\$ 3,803,959	\$ 1,309
State sources	31,000	25,700	36,305	10,605
Other governmental sources	242,860	249,380	249,146	(234)
Fines and forfeitures	393,000	384,000	421,300	37,300
Charges for services	156,500	144,900	193,525	48,625
Investment earnings	17,070	8,000	7,663	(337)
Other	-	3,290	3,432	142
Transfers from other funds	<u>4,137,510</u>	<u>4,111,730</u>	<u>4,111,730</u>	<u>-</u>
Total revenues	8,772,090	8,729,650	8,827,060	97,410
Expenditures				
Public safety - Police	8,430,810	8,388,370	8,354,728	33,642
Transfers to other funds	<u>341,280</u>	<u>341,280</u>	<u>341,221</u>	<u>59</u>
Total expenditures	<u>8,772,090</u>	<u>8,729,650</u>	<u>8,695,949</u>	<u>33,701</u>
Excess of Revenue Over Expenditures	-	-	131,111	131,111
Fund Balance - Beginning of year	<u>383,932</u>	<u>563,609</u>	<u>563,609</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 383,932</u></u>	<u><u>\$ 563,609</u></u>	<u><u>\$ 694,720</u></u>	<u><u>\$ 131,111</u></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, 2011

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Assets				
Cash and investments	\$ 12,540,213	\$ 4,772,399	\$ 13,557,248	\$ 30,869,860
Receivables:				
Property tax	1,579,116	1,022,589	-	2,601,705
Accounts	704	3,407	-	4,111
Accrued interest	13,245	4,154	23,122	40,521
Long-term receivables - Special assessments	-	123,975	-	123,975
Total assets	\$ 14,133,278	\$ 5,926,524	\$ 13,580,370	\$ 33,640,172
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 18,994	\$ -	\$ 19,654	\$ 38,648
Retainage payable	5,275	-	7,000	12,275
Accrued wages	10,401	-	-	10,401
Deposits and escrows	327,761	-	-	327,761
Deferred revenue	2,973,772	2,073,844	-	5,047,616
Other liabilities	25,349	42,778	-	68,127
Total liabilities	3,361,552	2,116,622	26,654	5,504,828
Fund Balances				
Restricted				
Pathway operations and maintenance	135,738	-	-	135,738
Drain improvements	3,573,694	-	-	3,573,694
Cemetery maintenance	1,162,564	-	-	1,162,564
Tree conservation and maintenance	1,665,859	-	-	1,665,859
Green space preservation	4,220,263	-	-	4,220,263
Debt service	-	3,809,902	-	3,809,902
Pathway construction	-	-	1,570,471	1,570,471
Fire vehicles and equipment	-	-	7,935,237	7,935,237
Assigned - Capital projects	-	-	4,048,008	4,048,008
Unassigned	13,608	-	-	13,608
Total fund balances	10,771,726	3,809,902	13,553,716	28,135,344
Total liabilities and fund balances	\$ 14,133,278	\$ 5,926,524	\$ 13,580,370	\$ 33,640,172

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, 2011

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Revenue				
Federal grant	\$ 97,078	\$ -	\$ 86,112	\$ 183,190
Property taxes	3,170,842	2,651,803	-	5,822,645
Charges for services	124,927	-	-	124,927
Investment earnings	39,855	37,258	72,010	149,123
Special assessments	-	36,333	-	36,333
Other	22,969	5,791	41	28,801
Sale of assets	-	-	91	91
Total revenue	<u>3,455,671</u>	<u>2,731,185</u>	<u>158,254</u>	<u>6,345,110</u>
Expenditures				
Public works	1,082,549	-	4,320	1,086,869
Parks and recreation	1,682,670	-	-	1,682,670
Capital outlay	235,487	-	687,329	922,816
Debt service:				
Principal retirement	-	3,494,040	-	3,494,040
Interest and fiscal charges	-	910,686	-	910,686
Paying agent and other	-	80,010	-	80,010
Total expenditures	<u>3,000,706</u>	<u>4,484,736</u>	<u>691,649</u>	<u>8,177,091</u>
Excess of Revenue Over (Under)				
Expenditures	454,965	(1,753,551)	(533,395)	(1,831,981)
Other Financing Sources (Uses)				
Transfers in	89,000	1,253,360	440,660	1,783,020
Transfers out	(294,160)	(180)	(45,910)	(340,250)
Bonds proceeds	-	2,270,000	-	2,270,000
Premium on bonds	-	82,781	-	82,781
Payment to refund bond escrow agent	-	(2,293,322)	-	(2,293,322)
Total other financing sources (uses)	<u>(205,160)</u>	<u>1,312,639</u>	<u>394,750</u>	<u>1,502,229</u>
Net Change in Fund Balance	249,805	(440,912)	(138,645)	(329,752)
Fund Balances - Beginning of year	<u>10,521,921</u>	<u>4,250,814</u>	<u>13,692,361</u>	<u>28,465,096</u>
Fund Balances - End of year	<u>\$ 10,771,726</u>	<u>\$ 3,809,902</u>	<u>\$ 13,553,716</u>	<u>\$ 28,135,344</u>



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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	\$ 269,822	\$ 402,905	\$ 3,605,009
Receivables:			
Property tax	305,665	291,239	-
Accounts	-	704	-
Accrued interest	-	-	593
	_____	_____	_____
Total assets	<u>\$ 575,487</u>	<u>\$ 694,848</u>	<u>\$ 3,605,602</u>
 Liabilities and Fund Balances			
Liabilities			
Accounts payable	-	-	16,480
Retainage payable	-	-	5,275
Accrued wages	-	401	9,708
Deposits and escrows	-	-	-
Deferred revenue	575,487	549,031	-
Other liabilities	-	9,678	445
	_____	_____	_____
Total liabilities	575,487	559,110	31,908
 Fund Balances			
Restricted			
Pathway operations and maintenance	-	135,738	-
Drain improvements	-	-	3,573,694
Cemetery maintenance	-	-	-
Tree conservation and maintenance	-	-	-
Green space preservation	-	-	-
Unrestricted	-	-	-
	_____	_____	_____
Total fund balances	-	135,738	3,573,694
Total liabilities and fund balances	<u>\$ 575,487</u>	<u>\$ 694,848</u>	<u>\$ 3,605,602</u>

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Special Revenue Funds Combining Balance Sheet December 31, 2011

Older Persons' Millage Fund	Stoney Creek Perpetual Care Fund	Tree Fund	Green Space Preservation	Total Nonmajor Special Revenue Funds
\$ 455,769	\$ 1,175,285	\$ 1,992,285	\$ 4,639,138	\$ 12,540,213
516,318	-	-	465,894	1,579,116
-	-	-	-	704
<u>-</u>	<u>887</u>	<u>3,849</u>	<u>7,916</u>	<u>13,245</u>
<u>\$ 972,087</u>	<u>\$ 1,176,172</u>	<u>\$ 1,996,134</u>	<u>\$ 5,112,948</u>	<u>\$ 14,133,278</u>
-	-	2,514	-	18,994
-	-	-	-	5,275
-	-	-	292	10,401
-	-	327,761	-	327,761
972,087	-	-	877,167	2,973,772
<u>-</u>	<u>-</u>	<u>-</u>	<u>15,226</u>	<u>25,349</u>
972,087	-	330,275	892,685	3,361,552
-	-	-	-	135,738
-	-	-	-	3,573,694
-	1,162,564	-	-	1,162,564
-	-	1,665,859	-	1,665,859
-	-	-	4,220,263	4,220,263
<u>-</u>	<u>13,608</u>	<u>-</u>	<u>-</u>	<u>13,608</u>
<u>-</u>	<u>1,176,172</u>	<u>1,665,859</u>	<u>4,220,263</u>	<u>10,771,726</u>
<u>\$ 972,087</u>	<u>\$ 1,176,172</u>	<u>\$ 1,996,134</u>	<u>\$ 5,112,948</u>	<u>\$ 14,133,278</u>

City of Rochester Hills, Michigan

	R.A.R.A Millage Fund	Pathway Fund	Public Improvement Fund
Revenue			
Property taxes	\$ 613,810	\$ 584,843	\$ -
Federal grant	-	-	97,078
Charges for services	-	2,602	25,883
Investment earnings	-	296	8,438
Other	-	523	22,296
	<hr/>	<hr/>	<hr/>
Total revenue	613,810	588,264	153,695
Expenditures			
Public works	-	385,179	662,313
Parks and recreation	613,810	-	-
Capital outlay	-	-	235,487
	<hr/>	<hr/>	<hr/>
Total expenditures	613,810	385,179	897,800
Excess of Revenue Over (Under) Expenditures	-	203,085	(744,105)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	(275,660)	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	(275,660)	-
Net Change in Fund Balance	-	(72,575)	(744,105)
Fund Balances - Beginning of year	<hr/>	<hr/>	<hr/>
	-	208,313	4,317,799
Fund Balances - End of year	<u>\$ -</u>	<u>\$ 135,738</u>	<u>\$ 3,573,694</u>

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Special Revenue Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances December 31, 2011

Older Persons' Millage Fund	Stoney Creek Perpetual Care Fund	Tree Fund	Green Space Preservation	Total Nonmajor Special Revenue Funds
\$ 1,036,825	\$ -	\$ -	\$ 935,364	\$ 3,170,842
-	-	-	-	97,078
-	34,018	62,424	-	124,927
-	4,697	12,958	13,466	39,855
-	-	150	-	22,969
1,036,825	38,715	75,532	948,830	3,455,671
-	-	35,057	-	1,082,549
1,036,825	-	-	32,035	1,682,670
-	-	-	-	235,487
1,036,825	-	35,057	32,035	3,000,706
-	38,715	40,475	916,795	454,965
-	89,000	-	-	89,000
-	-	(18,500)	-	(294,160)
-	89,000	(18,500)	-	(205,160)
-	127,715	21,975	916,795	249,805
-	1,048,457	1,643,884	3,303,468	10,521,921
<u>\$ -</u>	<u>\$ 1,176,172</u>	<u>\$ 1,665,859</u>	<u>\$ 4,220,263</u>	<u>\$ 10,771,726</u>

City of Rochester Hills, Michigan

	R.A.R.A. Millage Fund			Pathway Fund		
	Amended Budget		Variance with Amended Budget	Amended Budget		Variance with Amended Budget
	(Unaudited)	Actual	Budget	(Unaudited)	Actual	Budget
Revenue						
Property taxes	\$ 614,130	\$ 613,810	\$ (320)	\$ 584,650	\$ 584,843	\$ 193
Federal grant	-	-	-	-	-	-
Charges for services	-	-	-	1,890	2,602	712
Investment earnings	-	-	-	300	296	(4)
Transfers in	-	-	-	-	-	-
Other	-	-	-	-	523	523
Total revenue	614,130	613,810	(320)	586,840	588,264	1,424
Expenditures						
Public works	-	-	-	441,180	385,179	56,001
Parks and recreation	614,130	613,810	320	-	-	-
Capital outlay	-	-	-	-	-	-
Transfers out	-	-	-	275,660	275,660	-
Total expenditures	614,130	613,810	320	716,840	660,839	56,001
Excess of Revenue Over (Under) Expenditures	-	-	-	(130,000)	(72,575)	57,425
Fund Balances - Beginning of year	-	-	-	208,313	208,313	-
Fund Balances - End of year	\$ -	\$ -	\$ -	\$ 78,313	\$ 135,738	\$ 57,425

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, 2011

Public Improvement Fund			Older Persons' Millage Fund		
Amended Budget (Unaudited)	Actual	Variance with Amended Budget	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
\$ -	\$ -	\$ -	\$ 1,037,360	\$ 1,036,825	\$ (535)
100,000	97,078	(2,922)	-	-	-
24,340	25,883	1,543	-	-	-
8,500	8,438	(62)	-	-	-
-	-	-	-	-	-
<u>21,770</u>	<u>22,296</u>	<u>526</u>	<u>-</u>	<u>-</u>	<u>-</u>
154,610	153,695	(915)	1,037,360	1,036,825	(535)
742,770	662,313	80,457	-	-	-
-	-	-	1,037,360	1,036,825	535
285,000	235,487	49,513	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,027,770</u>	<u>897,800</u>	<u>129,970</u>	<u>1,037,360</u>	<u>1,036,825</u>	<u>535</u>
(873,160)	(744,105)	129,055	-	-	-
<u>4,317,799</u>	<u>4,317,799</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 3,444,639</u>	<u>\$ 3,573,694</u>	<u>\$ 129,055</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued on next page)

City of Rochester Hills, Michigan

	Stoney Creek Perpetual Care Fund			Tree Fund		
	Amended Budget		Variance with Amended Budget	Amended Budget		Variance with Amended Budget
	(Unaudited)	Actual	Budget	(Unaudited)	Actual	Budget
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grant	-	-	-	-	-	-
Charges for services	38,500	34,018	(4,482)	62,420	62,424	4
Investment earnings	4,500	4,697	197	12,410	12,958	548
Transfers in	89,000	89,000	-	-	-	-
Other	-	-	-	-	150	150
Total revenue	132,000	127,715	(4,285)	74,830	75,532	702
Expenditures						
Public works	-	-	-	35,000	35,057	(57)
Parks and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Transfers out	-	-	-	18,500	18,500	-
Total expenditures	-	-	-	53,500	53,557	(57)
Excess of Revenue Over (Under) Expenditures	132,000	127,715	(4,285)	21,330	21,975	645
Fund Balances - Beginning of year	1,048,457	1,048,457	-	1,643,884	1,643,884	-
Fund Balances - End of year	\$ 1,180,457	\$ 1,176,172	\$ (4,285)	\$ 1,665,214	\$ 1,665,859	\$ 645

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, 2011

Green Space Preservation			Total		
Amended Budget (Unaudited)	Actual	Variance with Amended Budget	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
\$ 935,130	\$ 935,364	\$ 234	\$ 3,171,270	\$ 3,170,842	\$ (428)
-	-	-	-	-	-
-	-	-	127,150	124,927	(2,223)
13,000	13,466	466	38,710	39,855	1,145
-	-	-	89,000	89,000	-
-	-	-	21,770	22,969	1,199
948,130	948,830	700	3,447,900	3,447,593	(307)
-	-	-	1,218,950	1,082,549	136,401
38,300	32,035	6,265	1,689,790	1,682,670	7,120
-	-	-	-	-	-
-	-	-	294,160	294,160	-
38,300	32,035	6,265	3,487,900	3,294,866	193,034
909,830	916,795	6,965	60,000	249,805	189,805
3,303,468	3,303,468	-	10,521,921	10,521,921	-
<u>\$ 4,213,298</u>	<u>\$ 4,220,263</u>	<u>\$ 6,965</u>	<u>\$ 10,581,921</u>	<u>\$ 10,771,726</u>	<u>\$ 189,805</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 Bond Series 2002 Fund – This fund accounts for payment of debt created from the construction of the municipal building addition. Revenue is generated from tax levies and expenditures are made for principal and interest.

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

City of Rochester Hills, Michigan

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

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

City of Rochester Hills, Michigan

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

City of Rochester Hills, Michigan

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

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

City of Rochester Hills, Michigan

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

City of Rochester Hills, Michigan

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

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

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City of Rochester Hills, Michigan

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

City of Rochester Hills, Michigan

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

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



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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, 2011

	Capital Improvement Fund	Pathway Construction Fund	Fire Capital Fund	Total Nonmajor Capital Project Funds
Assets				
Cash and investments	\$ 4,046,820	\$ 1,577,357	\$ 7,933,071	\$ 13,557,248
Receivables:				
Accrued interest	<u>6,262</u>	<u>1,419</u>	<u>15,441</u>	<u>23,122</u>
Total assets	<u>\$ 4,053,082</u>	<u>\$ 1,578,776</u>	<u>\$ 7,948,512</u>	<u>\$ 13,580,370</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 5,074	\$ 1,305	\$ 13,275	\$ 19,654
Retainage payable	<u>-</u>	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Total liabilities	5,074	8,305	13,275	26,654
Fund Balances				
Restricted	-	-	-	-
Pathway construction	-	1,570,471	-	1,570,471
Fire vehicles and equipment	-	-	7,935,237	7,935,237
Assigned - Capital projects	<u>4,048,008</u>	<u>-</u>	<u>-</u>	<u>4,048,008</u>
Total fund balances	<u>4,048,008</u>	<u>1,570,471</u>	<u>7,935,237</u>	<u>13,553,716</u>
Total liabilities and fund balances	<u>\$ 4,053,082</u>	<u>\$ 1,578,776</u>	<u>\$ 7,948,512</u>	<u>\$ 13,580,370</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, 2011

	Capital Improvement Fund	Pathway Construction Fund	Fire Capital Fund	Total Nonmajor Capital Project Funds
Revenue				
Federal grant	\$ -	\$ -	\$ 86,112	\$ 86,112
Investment earnings	18,976	9,691	43,343	72,010
Other	-	-	41	41
Sale of assets	-	-	91	91
	<u>18,976</u>	<u>9,691</u>	<u>129,587</u>	<u>158,254</u>
Total revenue	18,976	9,691	129,587	158,254
Expenditures				
Capital outlay	8,478	322,152	356,699	687,329
Miscellaneous	4,220	100	-	4,320
	<u>12,698</u>	<u>322,252</u>	<u>356,699</u>	<u>691,649</u>
Total Expenditures	12,698	322,252	356,699	691,649
Excess of Revenue Over (Under)				
Expenditures	6,278	(312,561)	(227,112)	(533,395)
Other Financing Sources				
Transfers in	165,000	275,660	-	440,660
Transfers out	(45,910)	-	-	(45,910)
	<u>119,090</u>	<u>275,660</u>	<u>-</u>	<u>394,750</u>
Total other financing sources (uses)	119,090	275,660	-	394,750
Net Change in Fund Balance	125,368	(36,901)	(227,112)	(138,645)
Fund Balances - Beginning of year	<u>3,922,640</u>	<u>1,607,372</u>	<u>8,162,349</u>	<u>13,692,361</u>
Fund Balances - End of year	<u>\$ 4,048,008</u>	<u>\$ 1,570,471</u>	<u>\$ 7,935,237</u>	<u>\$ 13,553,716</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						
Federal grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	18,000	18,976	976	9,500	9,691	191
Transfers in	165,000	165,000	-	275,660	275,660	-
Other	-	-	-	-	-	-
Sale of assets	-	-	-	-	-	-
Total revenue	183,000	183,976	976	285,160	285,351	191
Expenditures						
Capital outlay	10,000	8,478	1,522	367,550	322,152	45,398
Miscellaneous	4,000	4,220	(220)	-	100	(100)
Transfers out	45,910	45,910	-	-	-	-
Total expenditures	59,910	58,608	1,302	367,550	322,252	45,298
Excess of Revenue Over (Under)						
Expenditures	123,090	125,368	2,278	(82,390)	(36,901)	45,489
Fund Balances - Beginning of year	3,922,640	3,922,640	-	1,607,372	1,607,372	-
Fund Balances - End of year	\$ 4,045,730	\$ 4,048,008	\$ 2,278	\$ 1,524,982	\$ 1,570,471	\$ 45,489

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, 2011

Fire Capital Fund			Total		
Amended Budget (Unaudited)	Actual	Variance with Amended Budget	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
\$ 86,000	\$ 86,112	\$ 112	\$ 86,000	\$ 86,112	\$ 112
42,000	43,343	1,343	69,500	72,010	2,510
-	-	-	440,660	440,660	-
-	41	41	-	41	41
<u>-</u>	<u>91</u>	<u>91</u>	<u>-</u>	<u>91</u>	<u>91</u>
128,000	129,587	1,587	596,160	598,914	2,754
390,000	356,699	33,301	767,550	687,329	80,221
-	-	-	4,000	4,320	(320)
<u>-</u>	<u>-</u>	<u>-</u>	<u>45,910</u>	<u>45,910</u>	<u>-</u>
<u>390,000</u>	<u>356,699</u>	<u>33,301</u>	<u>817,460</u>	<u>737,559</u>	<u>79,901</u>
(262,000)	(227,112)	34,888	(221,300)	(138,645)	82,655
<u>8,162,349</u>	<u>8,162,349</u>	<u>-</u>	<u>13,692,361</u>	<u>13,692,361</u>	<u>-</u>
<u>\$ 7,900,349</u>	<u>\$ 7,935,237</u>	<u>\$ 34,888</u>	<u>\$ 13,471,061</u>	<u>\$ 13,553,716</u>	<u>\$ 82,655</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 Assets December 31, 2011

	Facilities Fund	Management Information Systems Fund	Fleet Equipment Fund	Insurance Fund	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,420,718	\$ 415,260	\$ 1,207,607	\$ 1,090,904	\$ 4,134,489
Investments	6,348,440	3,245,381	5,241,710	-	14,835,531
Receivable - Federal	47,966	-	-	-	47,966
Accrued interest receivable	12,913	2,473	3,121	-	18,507
Other	602	73,097	1,677	386,897	462,273
Total current assets	7,830,639	3,736,211	6,454,115	1,477,801	19,498,766
Property, Plant, and Equipment					
Land	17,791,940	-	-	-	17,791,940
Land improvements	4,044,436	-	-	-	4,044,436
Building	29,764,649	-	-	-	29,764,649
Furniture	1,737,557	3,623,011	-	-	5,360,568
Machinery and equipment	830,980	-	2,326,590	-	3,157,570
Vehicles	-	-	5,813,668	-	5,813,668
Total property, plant, and equipment	54,169,562	3,623,011	8,140,258	-	65,932,831
Less accumulated depreciation	(16,990,508)	(3,330,780)	(5,283,379)	-	(25,604,667)
Net property, plant, and equipment	37,179,054	292,231	2,856,879	-	40,328,164
Total assets	45,009,693	4,028,442	9,310,994	1,477,801	59,826,930
Liabilities					
Current liabilities:					
Accounts payable	220,054	57,303	33,741	-	311,098
Retainage payable	29,111	-	-	-	29,111
Accrued wages	13,121	23,245	16,893	-	53,259
Accrued vacation	25,040	61,207	34,440	-	120,687
Accrued annual leave	11,837	26,821	18,800	-	57,458
Payable related to capital lease obligations:					
Current portion of capital lease obligations	250,000	-	-	-	250,000
Accrued interest	35,852	-	-	-	35,852
Other liabilities	-	-	-	95,535	95,535
Total current liabilities	585,015	168,576	103,874	95,535	953,000
Long-term Liabilities - Obligations under capital lease - Less current portion					
	2,280,000	-	-	-	2,280,000
Total liabilities	2,865,015	168,576	103,874	95,535	3,233,000
Net Assets					
Invested in capital assets - Net of related debt	34,649,054	292,231	2,856,879	-	37,798,164
Unrestricted	7,495,624	3,567,635	6,350,241	1,382,266	18,795,766
Total net assets	\$42,144,678	\$ 3,859,866	\$ 9,207,120	\$ 1,382,266	\$56,593,930

City of Rochester Hills, Michigan

Internal Service Funds

Combining Statement of Revenues, Expenses, and Changes in Net Assets Year Ended December 31, 2011

	Facilities Fund	Management Information Systems Fund	Fleet Equipment Fund	Insurance Fund	Total
Operating Revenue					
Charges for services	2,046,288	1,332,470	2,249,579	197,790	5,826,127
Miscellaneous revenue	<u>3,805</u>	<u>1,084</u>	<u>12,209</u>	<u>212,580</u>	<u>229,678</u>
Total operating revenue	2,050,093	1,333,554	2,261,788	410,370	6,055,805
Operating Expenses					
Salaries and wages	524,607	818,481	623,171	-	1,966,259
Public utilities	654,590	-	-	-	654,590
Professional services	835,393	265,527	458,882	487,054	2,046,856
Materials and supplies	87,040	10,545	19,493	-	117,078
Repairs and maintenance	246,875	180,955	477,740	-	905,570
Rentals	1,947	-	2,356	-	4,303
Depreciation and amortization	<u>1,155,923</u>	<u>83,412</u>	<u>568,262</u>	<u>-</u>	<u>1,807,597</u>
Total operating expenses	<u>3,506,375</u>	<u>1,358,920</u>	<u>2,149,904</u>	<u>487,054</u>	<u>7,502,253</u>
Operating Income (Loss)	(1,456,282)	(25,366)	111,884	(76,684)	(1,446,448)
Nonoperating Revenues (Expenses)					
Investment earnings	39,158	12,875	14,623	14,493	81,149
Interest expense	(113,456)	-	-	-	(113,456)
Gain (loss) on sale of assets	<u>1,106</u>	<u>-</u>	<u>139,119</u>	<u>-</u>	<u>140,225</u>
Total nonoperating revenues	<u>(73,192)</u>	<u>12,875</u>	<u>153,742</u>	<u>14,493</u>	<u>107,918</u>
Income (Loss) - Before transfers	(1,529,474)	(12,491)	265,626	(62,191)	(1,338,530)
Capital Contributions					
Federal grant	377,541	-	-	-	377,541
Other capital contributions	<u>59,758</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,758</u>
0	437,299	-	-	-	437,299
Transfers					
Transfer in	740,461	-	-	-	740,461
Transfer out	<u>(791,900)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(791,900)</u>
Total transfers	(51,439)	-	-	-	(51,439)
Net Income (Loss)	(1,143,614)	(12,491)	265,626	(62,191)	(952,670)
Net Assets - Beginning of year	<u>43,288,292</u>	<u>3,872,357</u>	<u>8,941,494</u>	<u>1,444,457</u>	<u>57,546,600</u>
Net Assets - End 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>

City of Rochester Hills, Michigan

Internal Service Funds Combining Statement of Cash Flows December 31, 2011

	Management Information Systems Fund	Fleet Equipment Fund	Insurance Fund	Total	
Cash Flows from Operating Activities					
Cash received from customers	\$ 2,067,826	\$ 1,332,470	\$ 2,250,689	\$ 162,545	\$ 5,813,530
Cash payments for goods and services	(1,881,545)	(495,921)	(933,126)	(487,054)	(3,797,646)
Cash payments to employees	(515,896)	(820,235)	(623,904)	-	(1,960,035)
Other operating revenue	-	1,084	12,209	254,933	268,226
Net cash provided by (used in) operating activities	(329,615)	17,398	705,868	(69,576)	324,075
Cash Flows from Noncapital Financing Activities					
Transfers out to other funds	(702,900)	-	-	-	(702,900)
Net cash provided by noncapital financing activities	(702,900)	-	-	-	(702,900)
Cash Flows from Capital and Related Financing Activities					
Proceeds from sale of capital assets	1,106	-	139,119	-	140,225
Payment for capital acquisitions	(230,668)	(298,865)	(896,992)	-	(1,426,525)
Principal payments	(225,000)	-	-	-	(225,000)
Interest paid	(115,994)	-	-	-	(115,994)
Federal grant	377,541	-	-	-	377,541
Capital contributions	59,758	-	-	-	59,758
Transfer in from other funds	740,461	-	-	-	740,461
Transfer out to other funds	(89,000)	-	-	-	(89,000)
Net cash used in capital and related financing activities	518,204	(298,865)	(757,873)	-	(538,534)
Cash Flows from Investing Activities					
Purchase of investment securities	(6,347,554)	(3,244,079)	(5,487,384)	-	(15,079,017)
Proceeds from maturities of investment securities	7,347,902	3,239,175	5,357,901	-	15,944,978
Receipts of interest and dividends	54,478	14,164	224,555	14,493	307,690
Net cash provided by (used in) investing activities	1,054,826	9,260	95,072	14,493	1,173,651
Net Increase (Decrease) in Cash and Cash Equivalents	540,515	(272,207)	43,067	(55,083)	256,292
Cash and Cash Equivalents - January 1, 2011	880,203	687,467	1,164,540	1,145,987	3,878,197
Cash and Cash Equivalents - December 31, 2011	<u>\$ 1,420,718</u>	<u>\$ 415,260</u>	<u>\$ 1,207,607</u>	<u>\$ 1,090,904</u>	<u>\$ 4,134,489</u>

(Continued on next page)

City of Rochester Hills, Michigan

Internal Service Funds

Combining Statement of Cash Flows (Continued)

Year Ended December 31, 2011

	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)	\$ (1,456,282)	\$ (25,366)	\$ 111,884	\$ (76,684)	\$ (1,446,448)
Adjustments to reconcile operating income (loss) to net cash from operating activities - Changes in assets and liabilities:					
Depreciation expense	1,155,923	83,412	568,262	-	1,807,597
Decrease (increase) in other assets	19,997	(73,097)	1,110	(35,245)	(87,235)
Increase (decrease) in accounts payable and other accrued expenses	(55,700)	34,203	25,345	-	3,848
Increase (decrease) in accrued wages, vacation and annual leave	8,711	(1,754)	(733)	-	6,224
Increase (decrease) in other liabilities	(2,264)	-	-	42,353	40,089
Total adjustments	<u>1,126,667</u>	<u>42,764</u>	<u>593,984</u>	<u>7,108</u>	<u>1,770,523</u>
Net cash provided by (used in) operating activities	<u>\$ (329,615)</u>	<u>\$ 17,398</u>	<u>\$ 705,868</u>	<u>\$ (69,576)</u>	<u>\$ 324,075</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 Assets

December 31, 2011

	Retiree Health Care Benefit Trust	Trust and Agency Fund	Tax Collection Fund	Payroll Fund	Total Agency Funds
Assets					
Cash	\$ 325,387	\$ 16,792	\$ 2,914,454	\$ 47,137	\$ 2,978,383
Investments - Asset allocation - Mutual funds	<u>2,115,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,441,127</u>	<u>\$ 16,792</u>	<u>\$ 2,914,454</u>	<u>\$ 47,137</u>	<u>\$ 2,978,383</u>
Liabilities					
Accounts payable	\$ 361	\$ -	\$ -	\$ 7,668	\$ 7,668
Due to other governmental units	-	16,792	2,782,773	39,469	2,839,034
Accrued and other liabilities	<u>-</u>	<u>-</u>	<u>131,681</u>	<u>-</u>	<u>131,681</u>
Total liabilities	<u>\$ 361</u>	<u>\$ 16,792</u>	<u>\$ 2,914,454</u>	<u>\$ 47,137</u>	<u>\$ 2,978,383</u>
Net Assets - Held in trust for benefits	<u>\$ 2,440,766</u>				

City of Rochester Hills, Michigan

Fiduciary Funds Combining Statement of Changes in Assets and Liabilities Year Ended December 31, 2011

	Balance January 1, 2011	Additions	Deductions	Balance December 31, 2011
<u>Trust and Agency Fund</u>				
Assets - Cash	<u>\$ 2,826</u>	<u>\$ 196,507</u>	<u>\$ 182,541</u>	<u>\$ 16,792</u>
Liabilities				
Accounts payable	\$ -	\$ 145,053	\$ 145,053	\$ -
Due to other governmental units	<u>2,826</u>	<u>1,378,250</u>	<u>1,364,284</u>	<u>16,792</u>
Total liabilities	<u>\$ 2,826</u>	<u>\$ 1,523,303</u>	<u>\$ 1,509,337</u>	<u>\$ 16,792</u>
<u>Tax Collection Fund</u>				
Assets - Cash	<u>\$ 4,139,045</u>	<u>\$ 173,503,725</u>	<u>\$ 174,728,316</u>	<u>\$ 2,914,454</u>
Liabilities				
Accounts payable	\$ -	\$ 178,007	\$ 178,007	\$ -
Due to other governmental/component units	4,054,929	133,549,262	134,821,418	2,782,773
Other liabilities	<u>84,116</u>	<u>556,304</u>	<u>508,739</u>	<u>131,681</u>
Total liabilities	<u>\$ 4,139,045</u>	<u>\$ 134,283,573</u>	<u>\$ 135,508,164</u>	<u>\$ 2,914,454</u>
<u>Payroll Fund</u>				
Assets - Cash	<u>\$ 68,403</u>	<u>\$ 17,382,556</u>	<u>\$ 17,403,822</u>	<u>\$ 47,137</u>
Liabilities				
Accounts payable	\$ 15,256	\$ 2,045,706	\$ 2,053,294	\$ 7,668
Due to other governmental/component units	<u>53,147</u>	<u>3,431,158</u>	<u>3,444,836</u>	<u>39,469</u>
Total liabilities	<u>\$ 68,403</u>	<u>\$ 5,476,864</u>	<u>\$ 5,498,130</u>	<u>\$ 47,137</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 (1)	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>

(1) Prior to the issuance of the financial report for fiscal ending December 31, 2003 information relative to GASB No. 34 is not available.

City of Rochester Hills, Michigan

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

Fiscal Year				
2007	2008	2009	2010	2011
\$ 120,942,021	\$ 132,920,551	\$ 143,262,388	\$ 145,384,763	\$ 145,640,716
49,530,590	46,078,458	45,513,634	47,311,191	47,528,421
<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>
197,351,267	207,656,861	219,308,402	228,707,953	234,280,339
112,770,535	112,451,368	109,473,244	108,400,368	105,213,118
-	-	-	-	-
<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>
128,148,134	128,801,180	128,367,520	133,008,246	136,555,907
233,712,556	245,371,919	252,735,632	253,785,131	250,853,834
49,530,590	46,078,458	45,513,634	47,311,191	47,528,421
<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>\$ 325,499,401</u>	<u>\$ 336,458,041</u>	<u>\$ 347,675,922</u>	<u>\$ 361,716,199</u>	<u>\$ 370,836,246</u>

City of Rochester Hills, Michigan

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

(1) Prior to the issuance of the financial report for fiscal ending December 31, 2003 information relative to GASB No. 34 is not available.

City of Rochester Hills, Michigan

Changes in Net Assets Last Nine Fiscal Years (Accrual Basis of Accounting)

Fiscal Year						
2006	2007	2008	2009	2010	2011	
\$ 6,299,416	\$ 5,190,888	\$ 5,090,089	\$ 6,347,983	\$ 5,225,635	\$ 5,046,903	
10,138,213	11,521,381	12,195,118	11,263,739	12,220,800	11,965,328	
16,632,031	17,721,910	18,700,427	18,392,571	18,072,766	17,885,660	
1,153,060	1,193,025	1,203,475	1,066,989	894,785	793,710	
4,744,567	5,098,671	6,626,340	4,876,599	4,612,372	4,482,418	
<u>2,231,178</u>	<u>2,020,901</u>	<u>1,822,708</u>	<u>1,616,853</u>	<u>1,317,638</u>	<u>944,612</u>	
41,198,465	42,746,776	45,638,157	43,564,734	42,343,996	41,118,631	
<u>22,710,087</u>	<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>63,908,552</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>	
171,991	191,352	193,570	197,758	250,305	271,264	
360,254	220,996	274,862	328,823	62,222	364,902	
3,453,260	3,387,525	3,432,773	3,078,049	3,740,432	3,974,851	
204,898	84,036	91,197	30,326	47,516	21,505	
604,141	663,262	694,404	758,658	842,766	825,893	
4,721,131	4,759,738	4,579,943	4,453,885	4,449,772	4,470,444	
<u>2,450,364</u>	<u>1,662,224</u>	<u>3,160,070</u>	<u>5,425,635</u>	<u>3,597,135</u>	<u>874,157</u>	
11,966,039	10,969,133	12,426,819	14,273,134	12,990,148	10,803,016	
21,271,242	24,423,551	24,887,533	25,901,158	28,970,666	30,055,678	
<u>3,782,154</u>	<u>1,159,068</u>	<u>1,611,334</u>	<u>362,930</u>	<u>2,653,340</u>	<u>639,083</u>	
<u>25,053,396</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>37,019,435</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>	
(29,232,426)	(31,777,643)	(33,211,338)	(29,291,600)	(29,353,848)	(30,315,615)	
<u>2,343,309</u>	<u>1,599,174</u>	<u>134,897</u>	<u>(631,935)</u>	<u>4,511,446</u>	<u>3,467,023</u>	
<u>(26,889,117)</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>	
29,985,752	31,851,346	32,791,719	32,898,199	31,667,939	28,181,281	
5,341,983	5,362,252	5,270,042	4,543,462	4,449,876	5,077,251	
4,900,644	5,578,240	3,861,984	1,180,742	850,707	442,713	
968,467	944,073	978,304	1,037,993	1,217,626	1,267,159	
619,505	571,400	572,796	1,165,537	462,127	772,163	
87,108	63,947	42,087	117,208	105,124	147,434	
<u>(2,443,300)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
39,460,159	44,371,258	43,516,932	40,943,141	38,753,399	35,888,001	
972,934	918,369	498,092	194,351	122,272	80,553	
<u>86,615</u>	<u>34,323</u>	<u>20,057</u>	<u>3,924</u>	<u>7,008</u>	<u>85</u>	
<u>1,059,549</u>	<u>952,692</u>	<u>518,149</u>	<u>198,275</u>	<u>129,280</u>	<u>80,638</u>	
40,519,708	45,323,950	44,035,081	41,141,416	38,882,679	35,968,639	
10,227,733	12,593,615	10,305,594	11,651,541	9,399,551	5,572,386	
<u>3,402,858</u>	<u>2,551,866</u>	<u>653,046</u>	<u>(433,660)</u>	<u>4,640,726</u>	<u>3,547,661</u>	
<u>\$ 13,630,591</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>	

City of Rochester Hills, Michigan

	Fiscal Year			
	2002	2003	2004	2005
General Fund				
Committed				
Budget stabilization	\$ -	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Consent judgment	-	-	-	-
Unassigned	<u>9,858,496</u>	<u>9,695,451</u>	<u>9,539,249</u>	<u>11,002,987</u>
Total General Fund	9,858,496	10,695,451	10,539,249	12,002,987
All Other Governmental Funds				
Nonspendable				
Inventory	73,195	39,359	68,766	43,808
Restricted				
Road construction and maintenance	21,864,831	19,903,884	16,777,742	18,915,593
Fire service	1,845,998	1,269,362	1,397,618	1,172,238
Police protection	1,105,733	1,107,756	945,379	742,979
Pathway operations and maintenance	178,634	190,372	207,912	230,296
Drain improvements	4,128,718	4,468,904	4,777,606	5,704,215
Recreation and senior program	12,042	-	-	-
Cemetery maintenance	940,546	966,534	1,020,834	879,249
Tree conservation and maintenance	-	-	1,354,007	1,343,801
Green space preservation	-	-	-	-
Debt service	3,722,903	3,746,922	6,749,421	6,999,896
Pathway construction	1,575,378	1,814,914	2,070,513	2,312,626
Fire vehicles and equipment	3,304,768	3,860,421	4,596,155	5,918,327
Facility construction	14,874,220	1,962,338	891,913	-
Assigned				
Capital projects	579,835	1,050,562	1,409,658	2,230,385
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other governmental funds	<u>54,206,801</u>	<u>40,381,328</u>	<u>42,267,524</u>	<u>46,493,413</u>
Total of all governmental funds	<u>\$ 64,065,297</u>	<u>\$ 51,076,779</u>	<u>\$ 52,806,773</u>	<u>\$ 58,496,400</u>

City of Rochester Hills, Michigan

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

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
2,443,300	-	-	-	-	-
<u>10,136,148</u>	<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>
13,579,448	13,885,787	15,429,937	15,153,056	19,175,688	24,793,530
60,563	60,151	107,532	108,824	130,100	100,938
21,301,410	20,213,575	18,687,480	18,106,023	19,441,018	19,585,696
1,227,513	1,642,698	1,794,465	1,938,315	2,634,008	3,073,339
407,633	200,003	245,991	383,932	563,609	694,720
241,870	75,302	111,456	144,891	208,313	135,738
6,038,430	6,050,306	5,113,813	4,520,953	4,317,799	3,573,694
-	-	-	-	-	-
1,119,520	1,097,072	1,148,067	1,011,007	1,048,457	1,162,564
1,441,848	1,557,407	1,638,492	1,659,911	1,643,884	1,665,859
1,052,673	1,543,267	1,425,054	2,265,823	3,303,468	4,220,263
6,569,620	5,983,256	4,923,532	4,706,620	4,250,814	3,809,902
2,469,796	2,661,979	2,511,653	2,603,150	1,607,372	1,570,471
7,980,300	8,445,574	8,370,923	8,064,185	8,162,349	7,935,237
-	-	-	-	-	-
2,824,669	3,602,963	3,947,103	3,810,494	3,922,640	4,048,008
-	-	-	-	-	<u>13,608</u>
<u>52,735,845</u>	<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>\$ 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>

City of Rochester Hills, Michigan

	Fiscal Year			
	2002	2003	2004	2005
Revenue				
Property taxes	\$ 23,569,820	\$ 24,461,796	\$ 26,077,515	\$ 27,492,422
Licenses and permits	2,020,444	2,060,010	2,379,571	1,929,475
Federal grants	206,429	407,022	436,595	271,076
State-shared revenues and grants	10,382,568	10,342,521	10,008,449	9,805,835
Other governmental revenues	269,123	205,265	244,079	260,660
Charges for services	4,902,224	5,596,345	5,860,708	6,974,473
Fines and forfeitures	475,074	547,780	520,485	575,901
Interest earnings	1,812,564	1,015,918	879,770	2,226,383
Other	1,630,246	1,848,796	385,795	1,410,503
Total revenue	45,268,492	46,485,453	46,792,967	50,946,728
Expenditures				
Current:				
General government	7,863,728	6,735,682	6,941,792	7,149,633
Public works	1,509,771	1,746,720	1,701,092	2,527,976
Public safety	13,286,384	13,959,215	15,036,185	15,695,576
Community and economic development	-	1,099,351	1,401,921	1,325,230
Streets	5,287,024	4,810,972	3,907,165	2,764,324
Recreation and culture	4,060,889	4,298,932	4,033,302	4,315,311
Capital outlay	15,392,464	20,175,677	3,815,752	5,253,484
Debt service				
Principal	3,087,550	3,857,433	4,353,516	4,498,024
Interest	2,474,909	2,545,378	2,298,669	2,087,708
Miscellaneous	130,700	78,548	40,630	103,387
Total expenditures	53,093,419	59,307,908	43,530,024	45,720,653
Excess of Revenue Over (Under) Expenditures	(7,824,927)	(12,822,455)	3,262,943	5,226,075
Other Financing Sources (Uses)				
Debt issuance	21,508,992	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	25,515,334	13,491,801	14,297,368	9,949,344
Transfers out	(24,768,756)	(14,960,815)	(15,915,610)	(12,758,196)
Payment to refund bond escrow agent	(7,313,934)	(2,741,603)	(1,090,576)	-
Total other financing sources (uses)	14,941,636	(1,334,675)	(1,532,949)	464,549
Net Change in Fund Balances	7,116,709	(14,157,130)	1,729,994	5,690,624
Fund Balances - Beginning of year	58,117,200	65,233,909	51,076,779	52,806,773
Fund Balances - End of year	\$ 65,233,909	\$ 51,076,779	\$ 52,806,773	\$ 58,497,397
Debt Service as a Percentage of Noncapital Expenditures	14.75%	16.36%	16.75%	16.27%

City of Rochester Hills, Michigan

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

		Fiscal Year									
		2006	2007	2008	2009	2010	2011				
\$	29,985,752	\$	31,851,346	\$	32,791,719	\$	32,898,199	\$	31,667,939	\$	28,181,282
	2,085,161		1,833,330		1,812,760		1,684,243		2,277,128		2,467,531
	196,306		417,451		1,088,216		326,125		941,478		9,218,464
	9,720,235		9,632,935		9,447,908		8,700,365		8,466,325		1,504,851
	271,548		278,750		1,834,527		1,332,549		600,690		489,146
	6,365,265		6,052,030		6,770,913		7,305,795		7,557,775		7,382,311
	446,243		421,141		471,195		380,016		440,886		426,922
	4,003,059		4,663,989		3,175,803		954,946		792,526		374,599
	<u>471,312</u>		<u>452,595</u>		<u>476,695</u>		<u>1,369,885</u>		<u>754,424</u>		<u>412,708</u>
	53,544,881		55,603,567		57,869,736		54,952,123		53,499,171		50,457,814
	6,747,880		8,799,097		7,367,155		8,551,010		7,076,133		6,740,159
	2,298,684		1,819,806		1,965,170		2,240,229		2,020,511		1,875,536
	16,599,439		17,726,727		18,418,447		18,543,168		18,038,190		17,364,296
	1,144,244		1,182,824		1,199,020		1,060,982		887,169		751,195
	3,294,116		4,433,168		4,855,495		4,947,355		5,141,160		4,850,974
	4,691,740		5,064,526		5,146,701		4,801,681		4,605,997		4,219,325
	3,510,025		8,080,138		13,763,238		8,880,496		3,261,641		4,308,443
	4,286,060		4,496,018		4,644,708		4,997,417		4,848,247		3,494,040
	2,077,158		1,887,132		1,717,185		1,528,045		1,270,761		910,686
	<u>1,359</u>		<u>824</u>		<u>24,559</u>		<u>53,069</u>		<u>184,038</u>		<u>80,010</u>
	<u>44,650,705</u>		<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>
	8,894,176		2,113,307		(1,231,942)		(651,329)		6,165,324		5,863,150
	-		-		-		-		13,645,000		2,270,000
	-		-		-		-		-		82,781
	-		-		-		-		-		-
	10,208,696		10,105,249		11,739,222		12,218,041		9,993,536		8,682,371
	(11,284,976)		(11,514,509)		(12,071,122)		(12,545,026)		(10,144,746)		(8,630,932)
	<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>(13,726,779)</u>		<u>(2,293,322)</u>
	<u>(1,076,280)</u>		<u>(1,409,260)</u>		<u>(331,900)</u>		<u>(326,985)</u>		<u>(232,989)</u>		<u>110,898</u>
	7,817,896		704,047		(1,563,842)		(978,314)		5,932,335		5,974,048
	<u>58,497,397</u>		<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>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>
	15.47%		14.06%		14.03%		13.97%		13.88%		11.14%



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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					Total Value	Tax Rate (Mills)	Estimated Actual Value	Taxable Value as a Percentage of Actual
		Real Property			Personal Property					
		Residential	Commercial	Industrial						
2002	2001	\$ 2,020,107,840	\$ 330,144,480	\$ 180,596,730	\$ 227,393,630	\$ 2,758,242,680	9.3681	\$ 6,357,556,220	43.39%	
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%	

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	Oakland Community College
2002									
Homestead	2.9188	5.0136	1.4357	9.3681	4.1900	0.2170	0.2453	-	1.6090
Nonhomestead	2.9188	5.0136	1.4357	9.3681	4.1900	0.2170	0.2453	-	1.6090
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

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
2011	3.9132	4.9544	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	
Oakland Intermediate School District	Rochester Community School District			Avondale School District				Rochester Community Schools			
	State Education Tax	Operating	Debt	State Education Tax	Operating	Supplemental	Sinking	Debt	Rochester Community Schools	Avondale Schools	
	3.4224	6.0000	-	5.2250	6.0000	-	1.6793	-	7.0000	26.4875	24.7444
3.4224	6.0000	18.0000	5.2250	6.0000	18.0000	-	-	7.0000	44.4875	41.0651	
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	

City of Rochester Hills, Michigan

Revenue Capacity Information

Principal Property Taxpayers

Taxpayer	2011 Taxable Value	2011		2002 Taxable Value	2002	
		Percentage of Total	Rank		Percentage of Total	Rank
Singh Cider Mill Village	\$ 24,443,950	0.82	2	\$ -	-	-
Meadowbrook Associates	21,533,280	0.72	3	-	-	-
Detroit Edison	25,737,570	0.86	1	26,445,710	0.91	1
New Plan (Hampton Village Center)	19,424,670	0.65	4	20,119,560	0.69	3
Stuart Frankel	14,971,810	0.50	5	16,681,710	0.57	2
Winchester Center LLC	13,562,210	0.45	7	-	-	-
FANUC Robotics	11,137,770	0.37	10	15,322,410	0.53	5
1185 River Oaks North, LLC (Solomon Properties)	-	-	-	15,700,550	0.54	7
Associate Estates Realty Now: Good Will Co Inc	14,551,820	0.49	9	12,636,590	0.43	4
Joel Nosanchuk	-	-	-	-	-	-
Consumers Power	-	-	-	13,856,060	0.48	10
Lectron Products(Eaton) Now EEI Global	-	-	-	13,524,860	0.46	9
First Industrial Realty	-	-	-	14,084,680	0.48	6
Good Will Co Inc, aka Meijer's	14,551,820	0.49	6	-	-	-
American Axle	12,060,000	0.40	8	-	-	-
Stolaruk Corporation	-	-	-	13,130,470	0.45	8
Subtotal	171,974,900	5.75				
Other	2,821,340,263	94.25				
Total	<u>\$ 2,993,315,163</u>	<u>100.00</u>				

Source: City Assessing Department

City of Rochester Hills, Michigan

Revenue Capacity Information Property Tax Levies and Collections

Tax Year	Total Levy	Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Percent of Levy Collected
2002	\$ 25,845,403	\$ 24,839,899	96.1	\$ 861,185	\$ 25,701,084	99.4
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

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

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

City of Rochester Hills, Michigan

Debt Capacity Information Ratios of Outstanding Debt

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

City of Rochester Hills, Michigan

Debt Capacity Information Ratios of General Bonded Debt Outstanding

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

Source: City of Rochester Hills

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

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

City of Rochester Hills, Michigan

Debt Capacity Information Direct and Overlapping Governmental Activities Debt

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

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

Overlapping debt figures supplied by Municipal Advisory Council of Michigan.

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

City of Rochester Hills, Michigan

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

City of Rochester Hills, Michigan

Debt Capacity Information Legal Debt Margin

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

City of Rochester Hills, Michigan

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

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

City of Rochester Hills, Michigan

Debt Capacity Information Pledged-revenue Coverage

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



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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>
2002	68,825	(3)	(1)	(1)	3.0	(5)	28,536
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

- (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

2011 Rank	Principal Employers	2011 Employees	Percentage of Total	2002 Employees	Percentage of Total	2002 Rank
1	Crittenton Hospital	1,668	4.47%	(1)	(1)	(1)
2	Rochester Community Schools	1,500	4.02%	(1)	(1)	(1)
3	Oakland University	1,416	3.80%	(1)	(1)	(1)
4	FANUC Robotics	650	1.74%	(1)	(1)	(1)
5	Webasto Roof Systems	413	1.11%	(1)	(1)	(1)
6	Henry Ford Health System	350	0.94%	(1)	(1)	(1)
7	Lear Corporation	300	0.80%	(1)	(1)	(1)
8	Wright & Filippis	280	0.75%	(1)	(1)	(1)
9	3 Dimensional Services	250	0.67%	(1)	(1)	(1)
10	Magna eCar	227	0.61%	(1)	(1)	(1)
Total Employed		37,294				

Source: City Planning Department & SEMCOG, 2010 Forecasted Jobs

(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>
2002	886	\$ 145,489,900
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	113,090,350

Source: City Building Department

City of Rochester Hills, Michigan

Demographic and Economic Information

Miscellaneous Demographics

Population (1)

2010 U.S. Census	70,995
2000 U.S. Census	68,825
1990 U.S. Census	61,766

2010 Income Characteristics (1)

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

2010 Residential Characteristics (1)

Single Family	73.90%
Multi Family	22.30%
Mobile Homes	3.80%

2010 Age Statistics (1)

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%

2010 Labor Characteristics (2)

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

2010 Industry (2)

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>

2010 Educational Characteristics (1)

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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government:										
Mayor	13	12	12	11	10	12	12	13	11	11
Clerks and Election	6	8	8	8	9	9	8	8	8	8
Accounting	9	9	10	9	9	9	9	9	7	7
Assessing	12	11	11	11	10	10	10	10	9	8
Human Resources	5	5	5	5	4	5	5	5	4	4
Treasury	5	5	4	3	3	3	3	3	3	3
Planning and zoning	6	7	8	8	7	8	7	6	5	5
Parks and recreation	22	21	19	19	17	17	15	15	14	14
Management information systems	7	7	7	7	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	58	59	59	60	59	60	57
Police administration	2	2	2	2	2	2	2	2	2	2
Fire and EMS	40	40	41	43	46	46	45	43	39	37
Building	17	18	17	20	18	18	14	13	12	13
Ordinance enforcement	7	7	7	7	7	7	6	6	5	5
Public works:										
Department of Public Service	74	72	69	68	64	68	67	66	60	61
Forestry	5	5	5	5	5	5	4	4	4	4
Fleet	8	8	8	7	7	7	7	7	6	6
Facilities	8	8	8	7	7	7	6	6	5	5
Total	<u>306</u>	<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>

Source: City Accounting Division

City of Rochester Hills, Michigan

Function/Program	2002	2003	2004	2005
Election:				
Number of elections	2	2	2	3
Registered voters	47,148	46,817	47,932	47,289
New registrations	4,847	(1)	7,039	4,237
Building:				
Permits issued	4,124	4,880	5,456	4,674
Inspections	9,164	14,152	13,646	12,163
Parks and recreation:				
Park attendance (estimate)	670,088	817,624	796,260	902,626
Museum attendance (estimate)	21,817	20,655	21,621	22,153
Education center attendance (estimate)	5,217	4,350	5,284	4,431
Forestry - Tree inventory	19,453	19,325	19,906	19,362
Major roads:				
Winter material applied - Salt (in tons)	1,961	2,537	2,376	2,770
Other material applied to major roads (in tons)	644	198	109	112
Linear feet of ditches cleaned - Major roads	3,345	1,014	1,214	-
Local streets:				
Pothole repair - Solvex applied (in tons)	58	72	142	113
Other material applied to local streets (in tons)	4,422	4,860	2,430	2,192
Winter material applied (in tons)	1,780	2,081	1,892	1,683
Fire:				
Fire inspections/reviews/investigations	819	651	1,305	1,281
Emergency calls received	11,832	11,917	11,215	11,052
Nonemergency calls received - Direct line	21,280	26,172	25,708	23,811
Number of fires	189	162	148	134
Number of rescues	2,294	2,618	2,752	2,819
Number of community education programs	448	444	415	353
Number of participants in education programs	8,193	1,105	12,399	8,624
Police (contracted services) - Dispatched calls for service	27,443	29,176	28,377	28,535
Patrol investigators:				
Criminal activity - New cases	557	492	579	683
Criminal activity - Recovered property	\$13,339	\$34,850	\$81,026	\$51,709
Uniformed patrol:				
Criminal activity - New cases	835	1,005	1,050	1,008
Criminal activity - Recovered property	\$163,044	\$230,860	\$162,096	\$90,293
Crime statistics:				
Part A crimes	2,276	2,308	2,434	2,926
Part B crimes	1,458	1,326	1,383	1,253
Part C crimes (Miscellaneous)	22,017	24,602	23,572	23,843
Water and sewer:				
Water and sewer utility billings (2)	260,647	240,070	132,444	136,749
Water sales (million cubic feet)	437	418	429	428
Meter reads	181,837	180,451	173,362	175,490
Meter installations	3,393	3,544	2,717	1,772
Water purchased (million cubic feet)	424	424	405	464

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 Operating Indicators by Function

2006	2007	2008	2009	2010	2011
3	2	3	2	2	2
46,929	48,304	50,292	50,292	50,975	51,548
4,886	4,607	6,409	4,413	5,055	4,584
3,894	3,465	3,044	2,827	3,532	3,472
10,784	9,078	7,878	7,287	8,660	9,352
895,671	832,950	863,359	971,505	1,098,388	796,050
17,163	19,354	18,060	26,089	30,480	31,900
4,560	3,412	3,335	2,487	3,235	-
19,283	19,434	19,182	19,003	19,051	19,143
1,118	2,572	3,165	1,817	1,903	2,559
88	85	175	172	66	82
888	-	335	800	320	280
60	85	57	61	54	68
3,417	1,726	1,984	1,742	2,309	3,523
648	1,373	1,935	1,115	1,678	1,836
1,792	1,671	1,527	1,802	1,327	1,202
10,634	10,319	10,471	6,500	3,263	(3)
21,556	17,402	21,277	17,500	8,407	(3)
136	96	73	70	100	110
3,014	3,452	3,321	3,300	3,690	4,569
426	485	736	630	668	290
12,324	9,512	20,773	14,110	24,956	24,241
30,041	29,706	30,650	27,352	31,135	30,194
775	680	900	720	695	679
\$20,413	\$89,214	\$62,529	\$7,563	\$7,148	\$11,496
949	859	795	732	812	750
\$51,709	\$153,333	\$24,621	\$23,004	\$17,199	\$18,181
3,169	2,554	2,467	2,137	2,154	1,896
1,192	1,259	1,683	155	1,344	759
23,843	23,754	24,404	21,826	25,063	24,680
138,081	138,787	138,928	139,928	140,340	141,080
434	428	365	338	360	339
176,378	194,874	196,272	197,049	198,528	199,794
1,660	2,074	1,382	1,122	1,325	1,207
434	470	406	385	395	368

City of Rochester Hills, Michigan

Function/Program	2002	2003	2004	2005
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	4	8	8	10
Emergency response vehicles	7	7	7	8
Public works:				
Buildings	1	1	1	1
Streets (miles):				
Miles of major roads (actual)	36.66	36.66	36.66	37.62
Miles of local streets (actual)	204.11	204.11	206.50	211.52
Water:				
Mains (miles)	417.70	425.34	429.88	434.32
Gate valves	4,366	4,417	4,435	4,506
Hydrants	4,617	4,668	4,699	4,772
Sewer:				
Miles of sanitary sewers	306.87	312.10	317.29	321.47
Miles of storm sewers	52.75	53.43	53.67	54.00
Manholes - Sanitary	7,356	7,462	7,630	7,726
Manholes - Storm	804	811	814	822
Inlets and catch basins	4,427	4,475	4,532	4,572
Parks and recreation:				
Major/Community parks:				
Buildings	14	15	16	16
Acreage	580.7	580.7	580.7	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	9	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	912.94	922.94
Number of parks	11	11	11	11

Source: City Departments

City of Rochester Hills, Michigan

Operating Information Capital Asset Statistics

2006	2007	2008	2009	2010	2011
1	1	1	1	1	1
1	1	1	1	1	1
17	24	48	55	55	55
1	1	1	1	1	1
5	5	5	5	5	5
10	10	11	23	23	23
8	8	8	12	10	11
1	2	2	2	2	2
37.56	37.65	38.21	38.21	38.21	38.21
215.55	216.11	217.74	218.97	218.97	218.97
439.24	428.27	428.27	428.81	429.29	429.29
4,615	4,369	4,401	4,495	4,583	4,583
4,821	4,829	4,843	4,857	4,893	4,893
322.50	323.92	319.84	322.01	321.70	321.70
54.80	53.07	55.33	54.51	50.22	50.22
7,754	7,857	7,861	7,897	7,888	7,888
822	843	891	866	714	714
4,599	4,662	4,835	4,952	5,114	5,114
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

Modified

Fiscal Year Ended	Accrual Basis	Accrual Basis
December 31	of Accounting	of Accounting
2002	\$ 6,259,299	\$ 6,190,712
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

Gas and weight tax

Fiscal Year Ended	Type of Street		Total Gas and
December 31	Major Roads	Local Streets	Weight Tax
			(Act 51) Receipts
2002	\$ 2,975,980	\$ 1,116,276	\$ 4,092,256
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

Source: City Accounting Division

City of Rochester Hills, Michigan

Operating Information Labor Agreements / December 31, 2011

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	9
Firefighters International Association of Firefighters, Local 3472	12/31/2010	30
Nonunion Employees		
Mayor	N/A	1
Department Directors	N/A	10
Technical/Professional/Management	N/A	41

Note: International Association of Firefighters, Local 3472 currently in negotiations

Source: City Accounting Division



innovative *by* nature