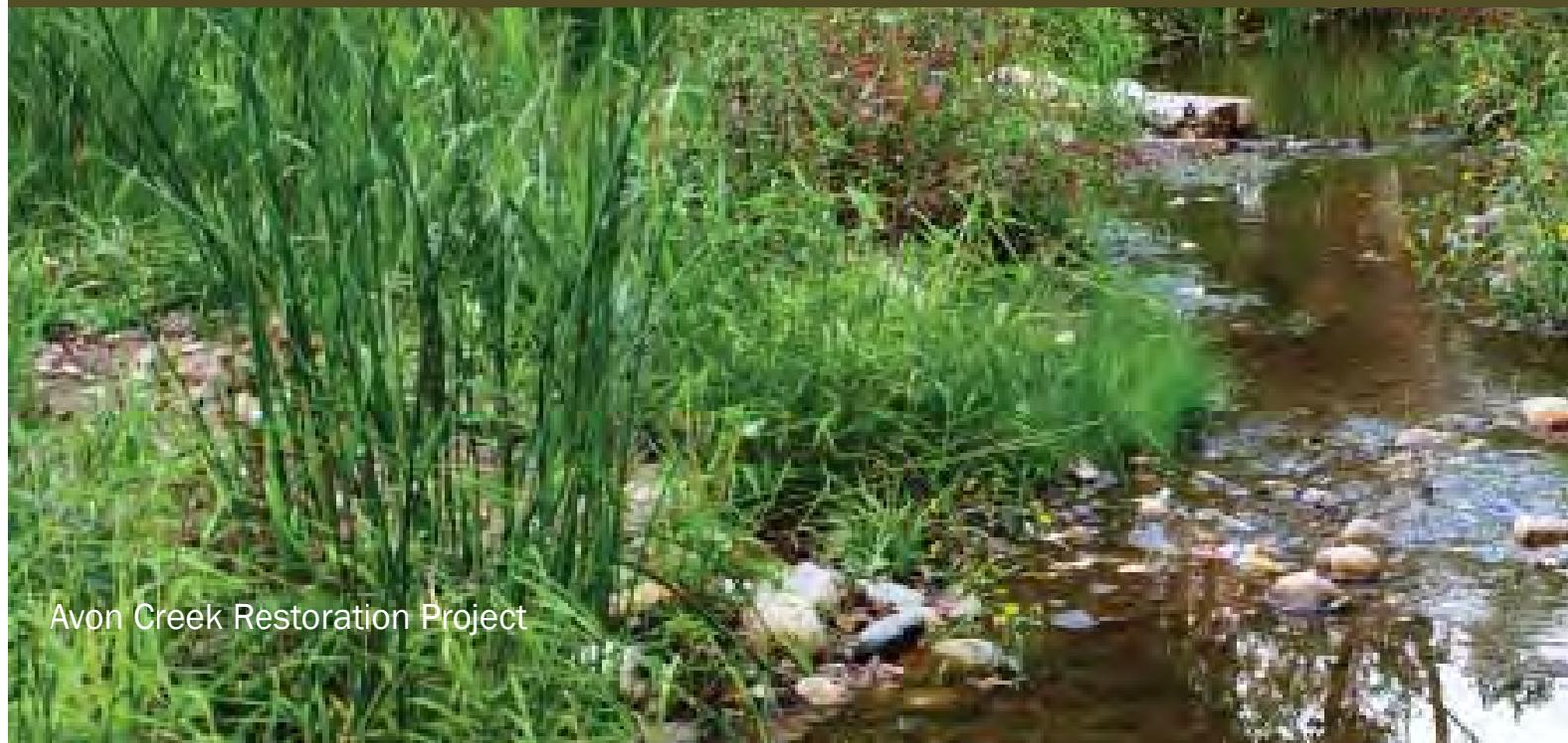




City of Rochester Hills, Michigan

Comprehensive Annual Financial Report For year ending December 31, 2015



Avon Creek Restoration Project

Comprehensive Annual Financial Report

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

For the Fiscal Year Ended December 31, 2015

Elected Officials:

Mayor

Bryan K. Barnett

City Council President

Mark Tisdell

City Council Vice-President

Stephanie Morita

City Council Members

Susan Bowyer, Ph.D.

Kevin Brown

Dale Hetrick

James Kubicina

Thomas Wiggins

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 29, 2016

Bryan K. Barnett
Mayor

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

City Council

Stephanie Morita
District 1

James Kubicina
District 2

Susan M. Bowyer, Ph.D.
District 3

Thomas W. Wiggins
District 4

Kevin S. Brown
At-Large

Dale A. Hetrick
At-Large

Mark A. Tisdal
At-Large

We are pleased to submit the Comprehensive Annual Financial Report for the City of Rochester Hills (the "City") for the year ended December 31, 2015, 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 74,000 and comprises an area of 32.2 square miles. The City employs approximately 212 full-time employees, 58

contracted law enforcement officers and 2 contracted police administration clerks. The City provides a full range of municipal services for the public's health, safety, welfare, and quality of life. City services include general administration, fire protection, contracted police protection, planning and zoning, engineering, building and code enforcement, cemetery operations and maintenance, park operations and maintenance, street construction and maintenance, storm drain improvements, and pedestrian pathway improvements and maintenance.

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

The City offers quality housing, two award-winning school districts, a hospital, major universities, a premium library, and a downtown offering a hometown atmosphere with excellent shopping and restaurants. The City has 1,100 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 fifteen 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 2015 the City did see its state-shared revenue increase by \$51,968. This increase was due to increased sales tax revenue at the State level. Even through the City saw an increase in state shared revenue for 2015, it is still a total decline in state shared revenue since 2001 of just under \$1 million, or 15.2 percent. The overall loss of state shared revenue (over past periods), housing value

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

The local tax base of the City of Rochester Hills is diversified with residential property comprising 76.73 percent, commercial property comprising 13.38 percent, industrial property representing 3.89 percent, and personal property (business equipment, furniture, and machinery) consisting of 6 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	18,922 homes
Condominiums	4,106 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	47 centers
Hotel/motels (2 buildings)	236 rooms
Office space	104 buildings
Commercial	357 buildings
Light industrial	387 buildings

The principal source of the City's revenue is from property taxes. Property tax revenues are a result of applying the City's millage rate, set by City Council (within the restrictions of state law), to the taxable value of real and personal property located within the City. The tables below illustrate the diversity of the City's current tax base, including the LDFA district, which were the basis for property tax revenue for the fiscal year 2015 budget:

	2014	
<u>By Class</u>	<u>Taxable Value</u>	<u>Percent</u>
Real Property	\$ 2,897,009,760	94.00%
Personal Property	184,824,590	6.00%
Total	<u>\$ 3,081,834,350</u>	<u>100.00%</u>
<u>By Use</u>		
Residential	\$ 2,364,678,200	76.73%
Commercial	412,428,510	13.38%
Industrial	119,903,050	3.89%
Personal Property	184,824,590	6.00%
Total	<u>\$ 3,081,834,350</u>	<u>100.00%</u>

Major Initiatives

Major Roads – Major road funding continues to plan, design, acquire right-of-way, construct, and improve the 38 actual miles of major road network and coordinate improvements with the Road Commission of Oakland County and the State of Michigan’s road systems within the City limits. In 2015, the Major Road Fund had expenditures of \$7.8 million in capital outlay.

Local Streets – Funding for the City’s local street system continues to be a challenge for the City. 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 218 actual miles of paved local streets and 24 actual miles of gravel streets. The residents of Rochester Hills approved a local street millage that generated \$2.6 million in tax revenue for the 2015 fiscal year. In 2015, the General Fund transferred nearly \$6.1 million and Major Road Fund transferred over \$387,500 for local street preservation and winter maintenance. The Local Road Fund had expenditures of \$5.9 million in capital outlay.

Fire Fund – The Fire Fund continues to be committed to preserving life, protecting property, and preventing harm to our environment, for our residents, businesses, and visitors through “Excellence in Service.” The Fire Department continues to devote their efforts to community awareness, increased use of technology, staff training, and partnering with neighboring departments and agencies. The Fire Fund had operational expenditures of \$7.8 million in 2015.

Special Police - The Police funding is dedicated to providing efficient, effective and ethical policing services in order to maintain a safe community. Fiscal year 2015 reflects police funding by their own dedicated millage. Total Special Police Fund had operational expenditures of \$8.9 million.

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

The 2016-2021 Capital Improvement Plan was adopted by the City of Rochester Hills Planning Commission. Currently, the commission is reviewing the 2017-2022 Plan as part of the 2017-19 budget process. Significant capital projects include:

- Drain extensions
- Pedestrian pathway rehabilitation and construction
- Major road construction

- Local street improvements and replacements
- Water and sewer rehabilitations and improvements
- Park improvements and development
- City-wide facilities
- Fleet and technology replacement

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

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

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

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

The City has established a retiree health care benefit program, which is comprised of a health savings plan and a supplemental benefit program. Full-time employees who have completed their probation period are eligible for the health savings plan. The City contributes to the health savings plan on a bi-weekly basis and the plan is fully funded. The City has established a Retiree Health Care Benefit Trust for certain eligible employees qualifying for the supplemental benefit program. As of the January 1, 2014 Actuarial Report, the City had 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, 2014. This was the 27th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

We also express our sincere appreciation to the accounting firm of Plante & Moran, PLLC, which made a substantial contribution and assisted with the interpretation, guidance, review, and preparation of this document.

Respectfully submitted,



Pamela Lee
City Accountant



Keith Sawdon
Finance Director



Government Finance Officers Association

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

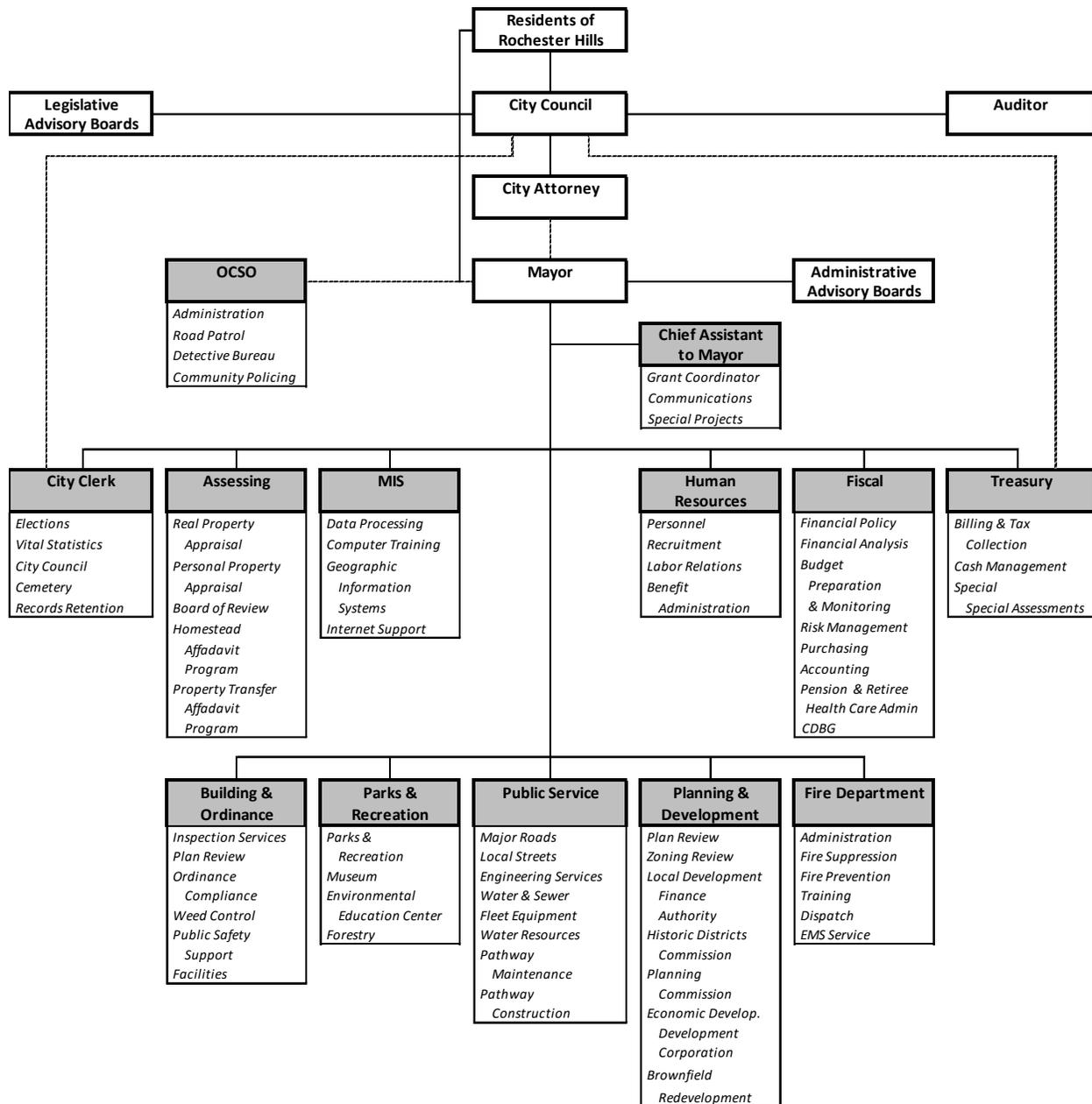
December 31, 2014

A handwritten signature in black ink, appearing to read "Jeffrey R. Emen". The signature is written in a cursive, flowing style.

Executive Director/CEO

City of Rochester Hills, Michigan

Citywide Organizational Chart



City of Rochester Hills, Michigan

List of Principal Officials Year Ended December 31, 2015

Edward Anzek	Director of Planning & Development
Tina Barton	City Clerk
Sean Canto	Fire Chief
Scott Cope	Director of Building
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
Michael Johnson	Command Officer, Oakland County Sheriff's Office – Captain of Rochester Hills Contingent
Keith Sawdon	Director of Finance
Allan Schneck	Director of Public Services/Engineering



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Financial Section



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Southfield, MI 48037-0307
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rochester Hills, Michigan (the "City"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Rochester Hills, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 in accordance with the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Rochester-Avon Recreation Authority were not audited under *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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, 2015, and the respective changes in its financial position, and, where applicable, cash flows, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the major fund budgetary comparison schedules, and the Retiree Health Schedules of Funding and Contributions, as defined in the table of contents, 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rochester Hills, Michigan's basic financial statements. The other supplemental information, as listed in the table of contents (combining statements and budgetary comparison schedules), and introductory section and statistical section, as defined in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information, as listed in the table of contents (combining statements and budgetary comparison schedules), is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, as listed in the table of contents (combining statements and budgetary comparison schedules), is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section, as defined in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2016 on our consideration of the City of Rochester Hills, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Rochester Hills, Michigan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

April 27, 2016



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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, 2015. 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 position 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 position includes all of the City's assets, liabilities and deferred inflows as described in Notes 4 and 6, respectively, to the financial statements. The difference between the City's assets, liabilities and deferred inflows is "net position," which is a way to measure the financial health of the City as it fluctuates from one year to the next. The statement of activities reports all of the current year's earned revenue and accrued expenses, regardless of when cash is received or paid and represents the change in net position from one year to the next.

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

- The governmental activities column reports the City's basic services, including general administration, fire, police, public works, and parks and recreation.
- Business-type activities represent those activities for which the City charges fees to customers to cover the cost of services. The City's water and sewer system is the only business-type activity reported.
- The City has seven 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 Hills Museum Foundation, 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 provide details of each fund's activity; 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 net position and liabilities. Fiduciary activities are excluded from the City's government-wide statements because these assets are not available to finance City operations.

City of Rochester Hills, Michigan

Management's Discussion and Analysis

Financial Analysis of the City as a Whole

Statement of Net Position - The City's combined net position increased 2.9 percent, or \$11.8 million, from \$398 million in 2014 to \$409.8 million in 2015. The net position for the governmental activities increased from \$251.4 million in 2014 to \$261 million in 2015, or \$9.6 million. The primary change in the governmental activities is due to an increase in capital assets of \$9.5 million from \$166.8 million in 2014 to \$176.3 million in 2015 that consisted of road improvements, facility improvements and fleet additions. There was a reduction in long-term liabilities of \$2.6 million, or 14.5 percent from \$18.1 million in 2014 to \$15.5 million in 2015. The governmental net investment in capital assets increased from \$155.2 million in 2014 to \$166.8 million, or \$11.6 million.

The net position of the business-type activity increased from \$146.6 million in 2014 to \$148.8 million in 2015, or \$2.2 million. The increase is attributed to an increase of \$5.7 million in capital assets due to water and sewer mains installed and a decrease in current liabilities of \$1.4 million, and an increase of long-term liabilities of \$2 million due to an increase in bonds due. The unrestricted net position decreased by \$3.8 million, or 8.2 percent in the business-type activity from \$46.7 million in 2014 to \$42.9 million in 2015.

The City's assets totaled \$483.3 million in 2015, up by \$11.7 million. This relates primarily to an increase in capital assets by \$15.2 million or 5.4 percent, which is attributed to the net of additions to capital assets of \$28.6 million and \$13.4 million of depreciation.

The City's total liabilities decreased by approximately \$1.1 million, or 2.6 percent, from \$44.2 million in 2014 to \$43.1 million in 2015. This relates to the reduction of current liabilities from \$9.4 million in 2014 to \$8.9 million in 2015 and a reduction in long term liabilities from \$34.8 million in 2014 to \$34.2 million in 2015.

City of Rochester Hills, Michigan

Management's Discussion and Analysis

In condensed format, the table below shows the comparison of net position (in millions) as of December 31, 2015 to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other non-current assets	\$ 137.5	\$ 138.1	\$ 48.1	\$ 51.0	\$ 185.6	\$ 189.1
Capital assets	<u>176.3</u>	<u>166.8</u>	<u>121.4</u>	<u>115.7</u>	<u>297.7</u>	<u>282.5</u>
Total assets	<u>313.8</u>	<u>304.9</u>	<u>169.5</u>	<u>166.7</u>	<u>483.3</u>	<u>471.6</u>
Liabilities						
Current liabilities	6.9	6.0	2.0	3.4	8.9	9.4
Long-term liabilities	<u>15.5</u>	<u>18.1</u>	<u>18.7</u>	<u>16.7</u>	<u>34.2</u>	<u>34.8</u>
Total liabilities	<u>22.4</u>	<u>24.1</u>	<u>20.7</u>	<u>20.1</u>	<u>43.1</u>	<u>44.2</u>
Deferred Inflow of Resources	<u>30.4</u>	<u>29.4</u>	<u>-</u>	<u>-</u>	<u>30.4</u>	<u>29.4</u>
Net Position						
Net investment in capital assets	166.8	155.2	105.9	99.9	272.7	255.1
Restricted	46.8	48.4	-	-	46.8	48.4
Unrestricted	<u>47.4</u>	<u>47.8</u>	<u>42.9</u>	<u>46.7</u>	<u>90.3</u>	<u>94.5</u>
Total net position	<u>\$ 261.0</u>	<u>\$ 251.4</u>	<u>\$ 148.8</u>	<u>\$ 146.6</u>	<u>\$ 409.8</u>	<u>\$ 398.0</u>

City of Rochester Hills, Michigan

Management's Discussion and Analysis

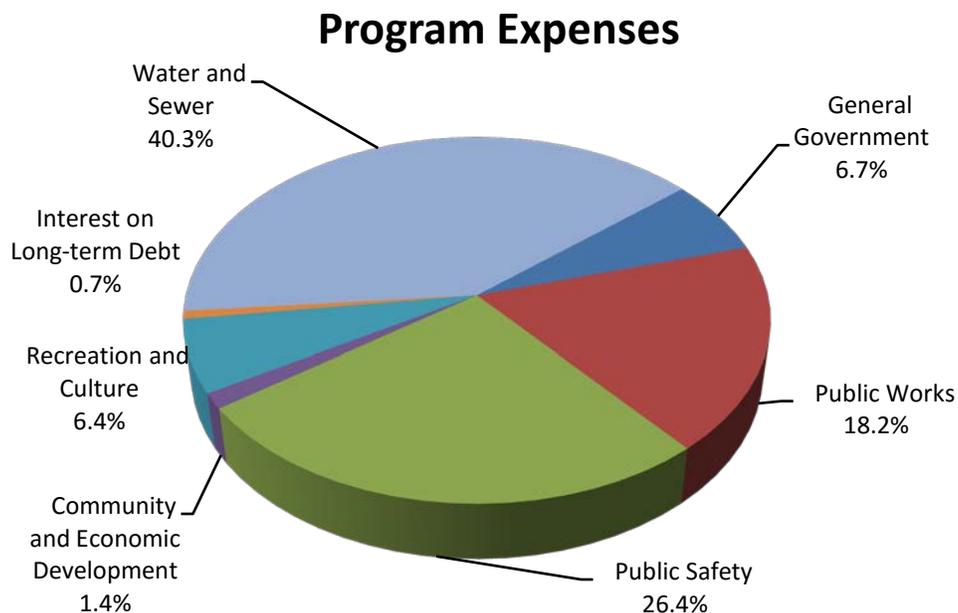
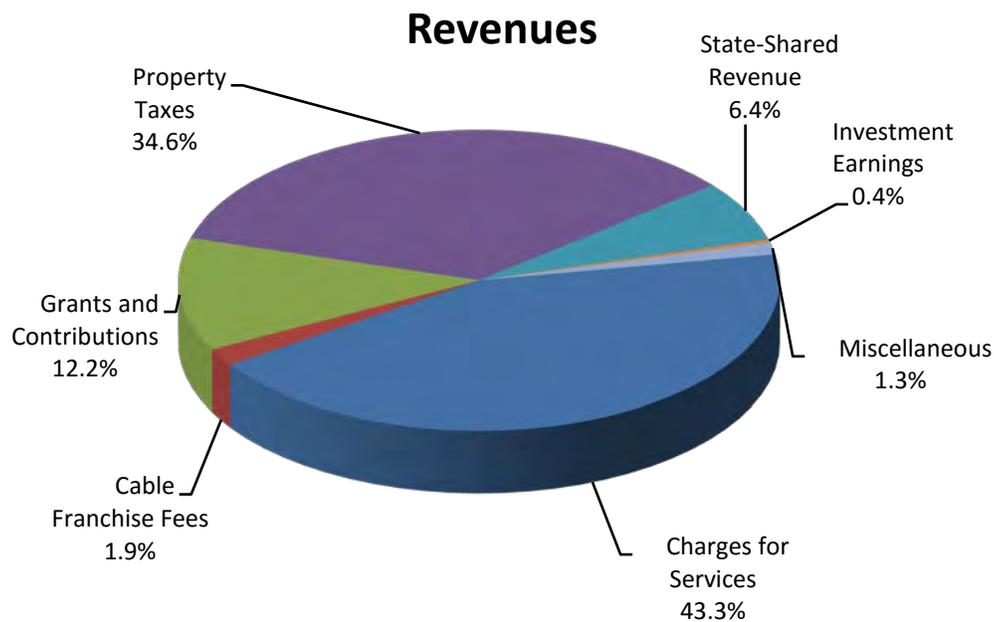
Changes in Net Position - The City's total net position increased by \$11.8 million during the fiscal year ended December 31, 2015. The table below shows the comparison of changes in net position (in millions) to the prior year:

	Governmental					
	Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue						
Program revenue:						
Charges for services	\$ 6.2	\$ 5.9	\$ 30.7	\$ 29.6	\$ 36.9	\$ 35.5
Operating grants and contributions	6.3	5.7	-	-	6.3	5.7
Capital grants and contributions	3.1	1.2	1.0	0.7	4.1	1.9
General revenue:						
Property taxes	29.5	26.6	-	-	29.5	26.6
State-shared revenue	5.5	5.5	-	-	5.5	5.5
Investment earnings	0.1	0.2	0.1	0.1	0.2	0.3
Cable franchise fees	1.6	1.5	-	-	1.6	1.5
Miscellaneous and Special Item	<u>1.2</u>	<u>1.7</u>	<u>-</u>	<u>0.2</u>	<u>1.2</u>	<u>1.9</u>
Total revenue	53.5	48.3	31.8	30.6	85.3	78.9
Program Expenses						
General government	4.9	3.6	-	-	4.9	3.6
Public works	13.4	13.2	-	-	13.4	13.2
Public safety	19.4	18.4	-	-	19.4	18.4
Community and economic development	1.0	0.9	-	-	1.0	0.9
Recreation and culture	4.7	5.5	-	-	4.7	5.5
Interest on long-term debt	0.5	0.6	-	-	0.5	0.6
Water and sewer	<u>-</u>	<u>-</u>	<u>29.6</u>	<u>28.8</u>	<u>29.6</u>	<u>28.8</u>
Total program expenses	43.9	42.2	29.6	28.8	73.5	71.0
Change in Net Position	9.6	6.1	2.2	1.8	11.8	7.9
Net Position - Beginning of year	<u>251.4</u>	<u>245.3</u>	<u>146.6</u>	<u>144.8</u>	<u>398.0</u>	<u>390.1</u>
Net Position - End of year	<u>\$ 261.0</u>	<u>\$ 251.4</u>	<u>\$ 148.8</u>	<u>\$ 146.6</u>	<u>\$ 409.8</u>	<u>\$ 398.0</u>

City of Rochester Hills, Michigan

Management's Discussion and Analysis

The City's revenue for governmental activity exceeded annual expenses by \$9.6 million, resulting in an increase in net position as of December 31, 2015 to \$261 million. Annual revenue for business-type activity exceeded expenses by \$2.2 million, resulting in an increase in net position to \$148.8 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, 2015:



City of Rochester Hills, Michigan

Management's Discussion and Analysis

Governmental Activities - Of the City's total revenue generated for fiscal year 2015, property tax comprises the largest segment, \$29.5 million, or 55.1 percent. Property tax revenue increased from the prior year by \$2.9 million. Property taxable values increased while bottom line millage rates stayed the same. Of the grants and contributions revenue of \$9.4 million, \$4.8 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 contributions, waterway improvements, grants and road system improvements in the amount of \$4.6 million. State-shared revenue is a primary source of revenue for the City of which it received \$5.5 million which is unchanged from the prior year.

The majority of governmental expense is associated with the public safety function, which is \$19.4 million, or 44.2 percent of the total governmental activity. Public safety includes building, ordinance enforcement, fire, and contracted police services. Public works expenses were \$13.4 million, or 30.4 percent of the governmental expenses. Public works activity includes roads, drains, forestry, cemetery and pedestrian pathway improvements. Recreation and cultural expenses totaled \$4.7 million, or 10.7 percent that is related to parks, environmental and museum operations as well as youth and senior citizen programs. General government expenses total \$4.9 million, or 10.7 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 indirectly 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 \$30.7 million. Charges for service are offset by water and sewer operational expenses of \$29.6 million, or 40.3 percent of the City's total expenses, and after capital contributions, the business activity has an increased net change in position of \$2.2 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 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 2015 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 decreased from \$31.3 million to \$28.9 million or a total decrease \$2.4 million. The decrease is primarily due to a transfer of \$2.7 million from the General Fund to the Facilities Fund for the renovation of Fire Station #'s 1, 2, 3, and 5.

City of Rochester Hills, Michigan

Management's Discussion and Analysis

The Major Road Fund's fund balance decreased from \$12.9 million in 2014 to \$7.8 million in 2015. The total expenditures of \$9.4 million exceeded total revenues of \$4.4 million, or total uses of approximately \$5 million. The capital outlay expenditures in 2015 totaled \$7.8 million due to major road improvements and \$1.6 million was used for preservation, traffic control and winter maintenance.

The Local Street Fund's fund balance increased from \$6.7 million in 2014 to \$7.7 million in 2015. Local Street's expenditures and transfers out of \$9.8 million were less than revenues and transfers in of \$10.8 million, or \$1 million. The capital outlay expenditures in 2015 totaled \$5.9 million due to local road improvements and \$3.3 million was used for preservation, traffic control and winter maintenance.

The Fire Fund's fund balance increased from \$4 million in 2014 to \$4.5 million in 2015. The revenues exceeded the total expenditures of fire operations and a transfer out by approximately \$510,000.

The Special Police Protection Fund's fund balance increased approximately by \$310,000. The cost of police operations were \$8.9 million and the total revenue was \$9.5 million.

The capital project funds had a combined capital outlay of approximately \$298,000 in 2015. A transfer out for building improvements of \$2.5 was made in 2015 which caused the fund balance for the capital project funds to decrease by \$1.2 million.

General Fund Budgetary Highlights - The Mayor and City Administration continuously monitor budget performance and the City Council amends the budget on a quarterly basis to reflect the most current projections throughout the year.

The 2015 original budget General Fund revenue projections were \$20.4 million compared to the amended revenue budget of \$20.8 million. The primary reasons for the additional revenues were due to increases in Cable Fees and Building License & Permit Fees.

The 2015 original budget expenditure projections including transfers-out were \$24.6 million compared to the amended expenditure budget of \$24.0 million. At year-end actual expenditures were less than budget projections due to overall personnel costs, supplies, and professional services being less than budgeted throughout the General Fund. Overall the amended budget matched closely to the actual expenditures.

At year-end the actual revenues of \$20.8 million were less the actual operational expenditures of \$14.0 million and transfers to other funds of \$9.1 million by approximately \$2.3 million. It should be noted that included in the 2015 General Fund transfer-out is \$2.3 million which was contributed to the Facilities Fund for the renovation of Fire Stations # 1, 2, 3, and 5.

City of Rochester Hills, Michigan

Management's Discussion and Analysis

Capital Asset and Debt Administration - The City of Rochester Hills has \$297.7 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, 2015. This reflects an increase in net capital assets of \$15.2 million during the year. For detailed information on Capital Assets refer to Note 4.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 22.2	\$ 22.2	\$ 5.0	\$ 5.0	\$ 27.2	\$ 27.2
Construction in progress	-	-	14.6	10.8	14.6	10.8
Right-of-way	48.9	48.5	-	-	48.9	48.5
Infrastructure	78.4	68.8	89.5	87.5	167.9	156.3
Building and land improvements	21.4	21.2	11.8	12.1	33.2	33.3
Vehicles	3.3	3.7	-	-	3.3	3.7
Furniture and equipment	2.1	2.4	0.5	0.3	2.6	2.7
Total	<u>\$ 176.3</u>	<u>\$ 166.8</u>	<u>\$ 121.4</u>	<u>\$ 115.7</u>	<u>\$ 297.7</u>	<u>\$ 282.5</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 AAA for the City. The City's total bond indebtedness at December 31, 2015 is \$31.8 million. For detail information on outstanding debt refer to Note 6.

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

	Governmental Activities	
	2015	2014
Governmental activities:		
General obligation bonds	\$ 9.7	\$ 11.7
County contractual obligations	3.2	3.8
Special assessment bonds	0.5	0.5
Total governmental activities	<u>\$ 13.4</u>	<u>\$ 16.0</u>
Business-type activities - County contractual obligations	<u>\$ 18.4</u>	<u>\$ 16.3</u>

City of Rochester Hills, Michigan

Management's Discussion and Analysis

Economic Factors and New Year's Budget and Rates – The City's taxable value is expected to increase by 3.13 percent for fiscal year 2016 due to improvements in the City's existing housing market, redevelopment, and new development. The City's total millage rate is set at 10.4605 mills for fiscal year 2016, which continues to be one of the lowest millage rates in Oakland County. An increase of 0.0109 mills in the Older Person's Commission (OPC) Transportation Millage was approved by the voters on November 3, 2015. Taxes account for 43 percent of governmental fund revenues and 30 percent of General Fund revenues in the fiscal year 2016 budget.

Per the 2016 Adopted Budget, the City's Major Road Fund anticipates utilizing an estimated \$1.0 million of fund balance to help support major road preservation, maintenance, and \$5.5 million in capital improvements to the major road system. The Local Street Fund continues to search for dedicated funding sources as City Council and Administration strive to develop a long-term road fund policy that will address future local street needs. The 2016 original adopted budget includes a transfer of \$5.1 million from the General Fund to help support local street preservation, maintenance, and \$5.2 million in reconstruction activities. The Fire Fund's fund balance is anticipated to be unchanged in fiscal year 2016. The Special Police Fund's fund balance is anticipated to be unchanged in fiscal year 2016.

Capital projects for governmental-type funds totaling \$13.1 million for fiscal year 2016 include major roads, local streets, pathways, and fire-related capital equipment replacements.

Staying conservative due an uncertain economic environment, the fiscal year 2016 budget continues to keep operating expenditures in line with operating revenue streams by redesigning service delivery systems and reducing costs, including city-wide personnel costs. The City is able to comfortably reintroduce modest capital improvements by utilizing funds maintained in reserve.

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

City of Rochester Hills, Michigan

Statement of Net Position Year Ended December 31, 2015

	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents (Note 3)	\$ 46,384,070	\$ 9,579,248	\$ 55,963,318	\$ 2,249,738
Investments (Note 3)	69,195,116	27,314,819	96,509,935	3,234,957
Receivables - Net:				
Property tax	15,441,351	-	15,441,351	-
Customers	781,089	6,153,195	6,934,284	119,112
Accrued interest	124,554	43,915	168,469	4,880
Due from other governmental units	2,470,658	10,712	2,481,370	904,447
Inventories	117,823	93,599	211,422	-
Long-term receivables	18,024	261,901	279,925	-
Other assets	2,888,896	1,803,896	4,692,792	143,041
Restricted assets (Note 7)	-	2,902,786	2,902,786	-
Nondepreciable capital assets (Note 4)	71,173,327	19,586,960	90,760,287	3,070,244
Depreciable capital assets - Net (Note 4)	<u>105,158,149</u>	<u>101,792,522</u>	<u>206,950,671</u>	<u>13,272,862</u>
Total assets	<u>313,753,057</u>	<u>169,543,553</u>	<u>483,296,610</u>	<u>22,999,281</u>
Liabilities				
Accounts payable	4,089,944	1,733,427	5,823,371	124,757
Retainage payable	115,547	27,500	143,047	-
Accrued and other liabilities	812,588	143,167	955,755	38,484
Deposits and escrows	1,540,262	113,930	1,654,192	5,585
Unearned revenue	365,260	-	365,260	371,598
Noncurrent liabilities (Note 6):				
Due within one year - Debt	2,730,000	978,184	3,708,184	-
Due in more than one year - Debt	10,874,330	17,421,342	28,295,672	-
Due within one year - Capital lease	20,528	-	20,528	83,042
Due in more than one year - Capital lease	26,842	-	26,842	572,162
Due within one year - Other noncurrent liabilities	1,428,172	285,640	1,713,812	44,320
Due in more than one year - Other noncurrent liabilities	<u>353,750</u>	<u>12,385</u>	<u>366,135</u>	<u>41,433</u>
Total liabilities	<u>22,357,223</u>	<u>20,715,575</u>	<u>43,072,798</u>	<u>1,281,381</u>
Deferred Inflows of Resources				
Property taxes levied for subsequent year's budget	<u>30,397,997</u>	-	<u>30,397,997</u>	<u>829,666</u>
Total deferred inflows of resources	<u>30,397,997</u>	-	<u>30,397,997</u>	<u>829,666</u>
Net Position				
Net investment in capital assets	166,817,146	105,882,742	272,699,888	15,687,902
Restricted:				
Streets and highways	15,595,629	-	15,595,629	-
Dedicated millages	12,200,428	-	12,200,428	-
Debt service	1,451,712	-	1,451,712	-
Capital projects	11,668,939	-	11,668,939	-
Tree preservation	1,570,860	-	1,570,860	-
Permanent Trusts (Expendable)	221,012	-	221,012	-
Permanent Trusts (Non-expendable)	3,983,580	-	3,983,580	-
Unrestricted	<u>47,488,531</u>	<u>42,945,236</u>	<u>90,433,767</u>	<u>5,200,332</u>
Total net position	<u>\$ 260,997,837</u>	<u>\$ 148,827,978</u>	<u>\$ 409,825,815</u>	<u>\$ 20,888,234</u>

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	\$ 4,885,343	\$ 246,661	\$ 308,260	\$ -
Public works	13,411,829	690,360	5,749,386	3,067,489
Public safety	19,426,114	4,227,208	49,789	-
Community and economic development	1,030,998	64,019	154,454	-
Recreation and culture	4,726,200	928,764	67,781	-
Interest on long-term debt	<u>470,805</u>	-	-	-
Total governmental activities	43,951,289	6,157,012	6,329,670	3,067,489
Business-type activities:				
Sewer	13,581,526	13,931,468	-	896,408
Water	<u>16,085,263</u>	<u>16,738,007</u>	-	<u>167,480</u>
Total business-type activities	<u>29,666,789</u>	<u>30,669,475</u>	-	<u>1,063,888</u>
Total primary government	<u>\$ 73,618,078</u>	<u>\$ 36,826,487</u>	<u>\$ 6,329,670</u>	<u>\$ 4,131,377</u>
Component units:				
Local Development Finance Authority	\$ 303,993	\$ -	\$ -	\$ -
Economic Development Corporation	466	-	-	-
Automation Alley SmartZone Authority	75,000	-	-	-
Rochester Hills Museum Foundation	20	-	-	-
Rochester-Avon Recreation Authority	2,258,762	1,779,201	-	2,410
Older Persons' Commission	<u>4,677,729</u>	<u>1,528,765</u>	<u>1,215,529</u>	-
Total component units	<u>\$ 7,315,970</u>	<u>\$ 3,307,966</u>	<u>\$ 1,215,529</u>	<u>\$ 2,410</u>
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				
Contribution to permanent fund-principal				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

City of Rochester Hills, Michigan

Statement of Activities Year Ended December 31, 2015

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (4,330,422)	\$ -	\$ (4,330,422)	\$ -
(3,904,594)	-	(3,904,594)	-
(15,149,117)	-	(15,149,117)	-
(812,525)	-	(812,525)	-
(3,729,655)	-	(3,729,655)	-
<u>(470,805)</u>	<u>-</u>	<u>(470,805)</u>	<u>-</u>
(28,397,118)	-	(28,397,118)	-
-	1,246,350	1,246,350	-
<u>-</u>	<u>820,224</u>	<u>820,224</u>	<u>-</u>
<u>-</u>	<u>2,066,574</u>	<u>2,066,574</u>	<u>-</u>
(28,397,118)	2,066,574	(26,330,544)	-
\$ -	\$ -	\$ -	\$ (303,993)
-	-	-	(466)
-	-	-	(75,000)
-	-	-	(20)
-	-	-	(477,151)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,933,435)</u>
-	-	-	(2,790,065)
29,505,299	-	29,505,299	779,284
-	-	-	2,197,085
5,522,466	-	5,522,466	-
165,103	161,471	326,574	16,121
1,628,426	-	1,628,426	-
912,932	30,759	943,691	174,818
<u>178,825</u>	<u>-</u>	<u>178,825</u>	<u>-</u>
<u>37,913,051</u>	<u>192,230</u>	<u>38,105,281</u>	<u>3,167,308</u>
47,239	-	47,239	-
9,563,172	2,258,804	11,821,976	377,243
<u>251,434,665</u>	<u>146,569,174</u>	<u>398,003,839</u>	<u>20,510,991</u>
<u>\$ 260,997,837</u>	<u>\$ 148,827,978</u>	<u>\$ 409,825,815</u>	<u>\$ 20,888,234</u>

City of Rochester Hills, Michigan

	General Fund	Major Road Fund	Local Street Fund
Assets			
Cash and cash equivalents	\$ 5,498,559	\$ 3,370,526	\$ 3,965,651
Investments	27,963,929	4,998,550	5,248,245
Receivables:			
Property tax	3,236,325	-	1,812,257
State of Michigan	928,408	941,584	339,146
Oakland County	115,786	-	-
Accounts	504,237	5,869	23,083
Interest and other	59,625	10,221	9,091
Inventories	-	-	117,823
Long-term receivables	-	-	-
Other assets	36,742	3,204	7,737
Total assets	\$ 38,343,611	\$ 9,329,954	\$ 11,523,033
Liabilities, Deferred Inflows of Resources, and Fund Balance			
Liabilities			
Accounts payable	\$ 163,840	\$ 1,174,716	\$ 56,496
Retainages payable	-	14,948	28,790
Accrued wages	119,002	12,993	17,030
Deposits and escrows	1,215,506	-	7,500
Unearned revenue	365,260	-	-
Other liabilities	181,734	-	3,888
Total liabilities	2,045,342	1,202,657	113,704
Deferred inflows of resources			
Property taxes levied for subsequent year's budget	6,369,638	-	3,565,980
Unavailable revenue-not collected within the period of availability	997,419	280,675	94,342
Total deferred inflows of resources	7,367,057	280,675	3,660,322
Fund Balances			
Nonspendable			
Inventory	-	-	117,823
Permanent trust funds principal	-	-	-
Fire vehicles	-	-	-
Restricted			
Road construction and maintenance	-	7,846,622	7,631,184
Fire service	-	-	-
Police protection	-	-	-
Pathway operations and maintenance	-	-	-
Drain improvements	-	-	-
Tree conservation and maintenance	-	-	-
Green space preservation	-	-	-
Debt service	-	-	-
Pathway construction	-	-	-
Fire vehicles and equipment	-	-	-
Permanent trusts	-	-	-
Committed			
Budget stabilization	1,000,000	-	-
Assigned			
Subsequent years budget	1,032,670	-	-
Capital projects	-	-	-
Unassigned	26,898,542	-	-
Total fund balances	28,931,212	7,846,622	7,749,007
Total liabilities, deferred inflow of resources and fund balances	\$ 38,343,611	\$ 9,329,954	\$ 11,523,033

City of Rochester Hills, Michigan

Governmental Funds Balance Sheet December 31, 2015

Fire Fund	Special Police Protection Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 5,598,179	\$ 6,132,654	\$ 11,363,924	\$ 35,929,493
3,247,617	1,499,067	14,352,326	57,309,734
4,306,096	4,483,042	1,603,631	15,441,351
-	-	145,734	2,354,872
-	-	-	115,786
1,775	178,840	37,997	751,801
7,331	4,498	18,374	109,140
-	-	-	117,823
-	-	18,024	18,024
28,909	-	2,572,994	2,649,586
\$ 13,189,907	\$ 12,298,101	\$ 30,113,004	\$ 114,797,610
\$ 72,955	\$ 1,505,953	\$ 297,073	\$ 3,271,033
-	-	3,000	46,738
91,418	-	3,192	243,635
-	-	317,256	1,540,262
-	-	-	365,260
10,284	6,352	4,271	206,529
<u>174,657</u>	<u>1,512,305</u>	<u>624,792</u>	<u>5,673,457</u>
8,473,989	8,822,051	3,166,340	30,397,998
400	96,930	176,962	1,646,728
<u>8,474,389</u>	<u>8,918,981</u>	<u>3,343,302</u>	<u>32,044,726</u>
-	-	-	117,823
-	-	3,983,580	3,983,580
-	-	2,567,444	2,567,444
-	-	-	15,477,806
4,540,861	-	-	4,540,861
-	1,866,815	-	1,866,815
-	-	137,369	137,369
-	-	2,041,319	2,041,319
-	-	1,570,860	1,570,860
-	-	3,614,064	3,614,064
-	-	1,451,712	1,451,712
-	-	1,593,749	1,593,749
-	-	7,507,746	7,507,746
-	-	221,012	221,012
-	-	-	1,000,000
-	-	-	1,032,670
-	-	1,456,055	1,456,055
-	-	-	26,898,542
<u>4,540,861</u>	<u>1,866,815</u>	<u>26,144,910</u>	<u>77,079,427</u>
\$ 13,189,907	\$ 12,298,101	\$ 30,113,004	\$ 114,797,610



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City of Rochester Hills, Michigan

Governmental Funds Reconciliation of Fund Balances to Statement of Net Position December 31, 2015

Total Fund Balances for Governmental Funds	\$	77,079,427
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		136,079,340
Special assessment receivables are not available to pay current year expenditures		18,024
Certain other receivables are expected to be collected over several years and are not available to pay for current year expenditures		1,628,704
Accrued interest in governmental activities are not reported in the funds		(107,986)
Amortization of bond premiums are not reported in the funds		(194,879)
Compensated absences in governmental activities are not reported in the funds		(1,502,038)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Bonds payable		(11,965,000)
Internal Service Funds are included as part of governmental activities		<u>59,962,245</u>
Net Position of Government Activities	\$	<u>260,997,837</u>

City of Rochester Hills, Michigan

	General Fund	Major Road Fund	Local Street Fund
Revenue			
Property taxes	\$ 6,035,939	\$ -	\$ 2,557,126
Licenses and permits	2,995,085	-	18,507
Intergovernmental:			
State grants	5,551,363	3,897,295	1,472,334
Federal grants	168,436	4,750	-
Other governmental revenues	-	200,000	-
Charges for services	5,735,651	252,111	242,602
Fines and forfeitures	2,947	-	-
Investment earnings (loss)	97,093	31,279	19,479
Special assessments	-	-	697
Sale of assets	-	-	-
Refunds and other revenue	203,141	59,460	56,732
Total revenue	<u>20,789,655</u>	<u>4,444,895</u>	<u>4,367,477</u>
Expenditures			
Current:			
General government	6,951,204	-	-
Public works	843,877	-	-
Public safety	2,593,033	-	-
Community and economic development	861,658	-	-
Streets	-	1,569,664	3,315,836
Recreation and culture	2,730,073	-	-
Capital outlay	-	7,849,553	5,874,059
Debt service	-	-	-
Total expenditures	<u>13,979,845</u>	<u>9,419,217</u>	<u>9,189,895</u>
Excess of Revenue Over (Under) Expenditures	6,809,810	(4,974,322)	(4,822,418)
Other Financing Sources (Uses)			
Transfers in	5,280	303,342	6,503,950
Transfers out	(9,141,462)	(387,500)	(634,270)
Total other financing sources (uses)	(9,136,182)	(84,158)	5,869,680
Net Change in Fund Balance	(2,326,372)	(5,058,480)	1,047,262
Fund Balances - Beginning of year	<u>31,257,584</u>	<u>12,905,102</u>	<u>6,701,745</u>
Fund Balances - End of year	<u><u>\$ 28,931,212</u></u>	<u><u>\$ 7,846,622</u></u>	<u><u>\$ 7,749,007</u></u>

City of Rochester Hills, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balance Year Ended December 31, 2015

Fire Fund	Special Police Protection Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 8,221,013	\$ 8,726,047	\$ 3,965,174	\$ 29,505,299
4,825	-	-	3,018,417
1,000	42,599	-	10,964,591
-	-	153,287	326,473
-	159,723	-	359,723
1,639,091	137,643	230,059	8,237,157
3,350	400,905	-	407,202
17,724	11,593	(67,459)	109,709
-	-	23,733	24,430
-	-	15,306	15,306
<u>5,246</u>	<u>8,085</u>	<u>96,558</u>	<u>429,222</u>
9,892,249	9,486,595	4,416,658	53,397,529
-	-	-	6,951,204
-	-	1,371,616	2,215,493
7,760,317	8,857,792	-	19,211,142
-	-	-	861,658
-	-	-	4,885,500
-	-	1,689,655	4,419,728
-	-	297,589	14,021,201
-	-	<u>2,809,008</u>	<u>2,809,008</u>
<u>7,760,317</u>	<u>8,857,792</u>	<u>6,167,868</u>	<u>55,374,934</u>
2,131,932	628,803	(1,751,210)	(1,977,405)
-	-	6,347,680	13,160,252
<u>(1,621,890)</u>	<u>(319,251)</u>	<u>(5,708,090)</u>	<u>(17,812,463)</u>
(1,621,890)	(319,251)	639,590	(4,652,211)
510,042	309,552	(1,111,620)	(6,629,616)
<u>4,030,819</u>	<u>1,557,263</u>	<u>27,256,530</u>	<u>83,709,043</u>
<u>\$ 4,540,861</u>	<u>\$ 1,866,815</u>	<u>\$ 26,144,910</u>	<u>\$ 77,079,427</u>

City of Rochester Hills, Michigan

Governmental Funds

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance to the Statement of Activities Year Ended December 31, 2015

Net Change in Fund Balances - Total Governmental Funds \$ (6,629,616)

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	14,021,201
Depreciation expenses	(7,070,270)
Disposal of capital assets	(174,942)

The donation of capital assets is not considered a current financial resource and is not reported as revenue in the governmental funds	2,507,561
--	-----------

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	(24,430)
--	----------

Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds	387,011
--	---------

Accrued interest payable is recorded when due in governmental funds; in addition, bond issuance costs are amortized during the life of the bond	66,690
---	--------

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	2,345,000
---	-----------

The change in accumulated employee annual leave and vacation pay are recorded when earned in the statement of activities	(67,696)
--	----------

The change in the net OPEB obligation is not included in governmental funds	(40,284)
---	----------

Internal Service Funds are also included as governmental activities	4,242,947
---	-----------

Change in Net Position of Governmental Activities \$ 9,563,172

City of Rochester Hills, Michigan

Proprietary Fund Statement of Net Position Year Ended December 31, 2015

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,579,248	\$ 10,454,577
Investments	27,314,819	11,885,382
Receivables:		
Due from Federal Government	8,000	-
Due from State of Michigan	2,712	-
Accounts	6,153,195	-
Accrued interest	43,915	15,414
Inventories	93,599	-
Prepaid costs and other assets	1,803,896	268,608
Total current assets	44,999,384	22,623,981
Noncurrent assets:		
Restricted assets - Assets held at the County	2,902,786	-
Capital assets - Net	121,379,482	40,252,127
Long-term receivable	261,901	-
Total assets	169,543,553	62,876,108
Liabilities		
Current liabilities:		
Accounts payable	1,733,427	818,911
Retainages payable	27,500	68,809
Accrued wages	36,649	27,901
Accrued vacation	176,365	165,695
Accrued annual leave	109,275	70,037
Deposits and escrows	113,930	-
Accrued and other liabilities	-	285,673
Payable related to debt and capital lease obligations:		
Current portion of debt obligations	978,184	305,000
Current portion of capital lease obligations	-	20,528
Accrued interest	106,518	9,467
Total current liabilities	3,281,848	1,772,021
Noncurrent liabilities:		
Long-term debt-net current portion	17,421,342	1,141,842
Other non-current liabilities	12,385	-
Total noncurrent liabilities	17,433,727	1,141,842
Total liabilities	20,715,575	2,913,863
Net Position		
Net Investment in capital assets	105,882,742	38,784,757
Unrestricted	42,945,236	21,177,488
Total net position	\$ 148,827,978	\$ 59,962,245

City of Rochester Hills, Michigan

Proprietary Fund

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended December 31, 2015

	Enterprise Fund - Water and Sewer Fund	Internal Service Fund
Operating Revenue		
Charges for service	\$ 30,669,475	\$ 6,967,011
Other charges for services	30,759	590,069
Total operating revenue	30,700,234	7,557,080
Operating Expenses		
Cost of water produced/purchased	9,990,265	-
Cost of sewage treatment	8,421,534	-
Salaries and wages	3,228,616	2,312,543
Professional services	3,675,963	2,255,380
Public utilities	-	555,072
Material and supplies	351,983	149,143
Repairs and maintenance	40,764	847,398
Rentals	7,081	6,263
Depreciation and amortization	3,810,293	2,323,661
Total operating expenses	29,526,499	8,449,460
Operating Income (Loss)	1,173,735	(892,380)
Nonoperating Revenue (Expenses)		
Investment income	161,471	58,018
Interest expense	(140,290)	(31,036)
Gain (loss) on disposal of capital assets	-	146,360
Total nonoperating revenue	21,181	173,342
Income (Loss) - Before contributions and transfers	1,194,916	(719,038)
Capital Contributions		
Federal grant	16,233	1,796
Capital and lateral charges	345,560	-
Other capital contributions	702,095	307,978
Total capital contributions	1,063,888	309,774
Transfers		
Transfers in	-	5,442,541
Transfers out	-	(790,330)
Total transfers	-	4,652,211
Change in Net Position	2,258,804	4,242,947
Net Position - Beginning of year	146,569,174	55,719,298
Net Position - End of year	<u>\$ 148,827,978</u>	<u>\$ 59,962,245</u>

City of Rochester Hills, Michigan

Proprietary Fund Statement of Cash Flows Year Ended December 31, 2015

	Enterprise - Water and Sewer	Internal Service Funds
Cash Flows from Operating Activities		
Cash received from customers	\$ 30,409,849	\$ 7,014,105
Cash payments for goods and services	(25,565,757)	(2,899,154)
Cash payments to employees	(3,317,933)	(2,339,024)
Other operating revenue	30,759	590,069
Net cash provided by operating activities	1,556,918	2,365,996
Cash Flows from Noncapital Financing Activities		
Transfers in from other funds	-	792,541
Transfer out to other funds	-	(790,330)
Net cash provided by noncapital financing activities	-	2,211
Cash Flows from Capital and Related Financing Activities		
Payment for capital acquisitions	(5,260,021)	(2,596,748)
Advance payment for capital asset	(2,586,521)	-
Proceeds from sale of capital assets	-	146,355
Principal payments	(940,680)	(304,721)
Interest paid	(391,965)	(36,429)
Federal grants	16,233	1,796
Capital contributions	121,462	307,978
Collection of capital and lateral charges	345,560	-
Transfer in from other funds	-	4,650,000
Net cash used in capital and related financing activities	(8,695,932)	2,168,231
Cash Flows from Investing Activities		
Purchase of investment securities	(29,335,268)	(13,386,956)
Proceeds from maturities of investment securities	34,921,754	12,885,792
Receipts of interest and dividends	133,652	51,914
Net cash used in investing activities	5,720,138	(449,250)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,418,876)	4,087,188
Cash and Cash Equivalents - January 1, 2015	10,998,124	6,367,389
Cash and Cash Equivalents - December 31, 2015	\$ 9,579,248	\$ 10,454,577

(Continued on next page)

City of Rochester Hills, Michigan

Proprietary Fund Statement of Cash Flows (Continued) Year Ended December 31, 2015

	Enterprise - Water and Sewer	Internal Service Funds
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating income (loss)	\$ 1,173,735	\$ (892,380)
Adjustments to reconcile operating loss to net cash from operating activities - Changes in assets and liabilities:		
Depreciation expense	3,810,293	2,323,661
Decrease (increase) in accounts receivable	(271,146)	47,094
Decrease (increase) in other assets	(1,779,627)	226
Decrease in inventories	2,731	-
Decrease (increase) in accounts payable and other accrued expenses	(1,301,271)	556,495
Decrease in accrued wages, vacation, and annual leave	(89,317)	(21,086)
Increase in other liabilities	<u>11,520</u>	<u>351,986</u>
Total adjustments	<u>383,183</u>	<u>3,258,376</u>
Net cash provided by operating activities	<u><u>\$ 1,556,918</u></u>	<u><u>\$ 2,365,996</u></u>

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2015, the Water and Sewer Fund received \$516,431 of lines donated by developers. In addition, Oakland County constructed \$3.8 million of sewer lines for the Oakland Macomb Interceptor project and the City incurred long term debt of \$3.6 million. The Water and Sewer Fund recognized \$10,206 of unrealized gain in the market value of securities while the Internal Service funds recognized a \$6,788 unrealized loss in the market value of securities.

City of Rochester Hills, Michigan

Fiduciary Funds Statement of Net Position December 31, 2015

	Retiree Health Care Benefit Trust	Agency Funds	
Assets			
Cash	\$ 54,616	\$ 11,682,858	
Investments - Mutual funds	1,878,214	-	
Total assets	\$ 1,932,830	\$ 11,682,858	
Liabilities			
Accounts payable	\$ -	\$ 4,265	
Due to other governments	-	11,514,060	
Deposits	-	164,533	
Total liabilities	-	\$ 11,682,858	
Net Position - Held in trust for benefits	\$ 1,932,830		

City of Rochester Hills, Michigan

Fiduciary Funds and Trust Funds Statement of Changes in Fiduciary Net Position Year Ended December 31, 2015

	Retiree Health Care Benefit Trust
Additions	
Investment income	<u>16,225</u>
Total additions	16,225
Deductions	
Payments and other expenses	<u>111,014</u>
Total deductions	<u>111,014</u>
Net Change in Net Position	(94,789)
Net Position - Beginning of year	<u>2,027,619</u>
Net Position - End of year	<u><u>\$ 1,932,830</u></u>

City of Rochester Hills, Michigan

Component Units Statement of Net Position December 31, 2015

	Local Development Finance Authority	Economic Development Corporation	Automation Alley SmartZone Authority	Brownfield Redevelopment Authority	Rochester Hills Museum Foundation	Rochester- Avon Recreation Authority	Older Persons' Commission	Total
Assets								
Cash and investments	\$ 3,409,056	\$ 726	\$ 18,922	\$ 359,029	\$ 9,999	\$ 580,769	\$ 1,106,194	\$ 5,484,695
Due from other governmental units	791,446	-	-	38,219	-	-	74,782	904,447
Receivables - Accrued interest and other	2,233	-	-	-	-	47,670	74,089	123,992
Prepaid costs and other assets	45	-	-	-	-	126,260	16,736	143,041
Capital assets	-	-	-	-	-	<u>1,927,511</u>	<u>14,415,595</u>	<u>16,343,106</u>
Total assets	<u>4,202,780</u>	<u>726</u>	<u>18,922</u>	<u>397,248</u>	<u>9,999</u>	<u>2,682,210</u>	<u>15,687,396</u>	<u>22,999,281</u>
Liabilities								
Accounts payable	-	-	-	-	-	18,488	106,269	124,757
Accrued and other liabilities	866	-	-	-	-	11,081	26,537	38,484
Deposits	-	-	-	-	-	5,585	-	5,585
Unearned revenue	-	-	-	-	-	285,322	86,276	371,598
Noncurrent liabilities:								
Due within one year - Capital lease	-	-	-	-	-	83,042	-	83,042
Due in more than one year - Capital lease	-	-	-	-	-	572,162	-	572,162
Due within one year - Other noncurrent liabilities	-	-	-	-	-	5,760	38,560	44,320
Due in more than one year - Other noncurrent liabilities	<u>5,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,860</u>	<u>10,873</u>	<u>41,433</u>
Total liabilities	<u>6,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,006,300</u>	<u>268,515</u>	<u>1,281,381</u>
Deferred inflows of resources								
Property taxes levied for subsequent year's budget	791,447	-	-	38,219	-	-	-	829,666
Total deferred inflows of resources	791,447	-	-	38,219	-	-	-	829,666
Net Position								
Net investment in capital assets	-	-	-	-	-	1,272,307	14,415,595	15,687,902
Unrestricted	<u>3,404,767</u>	<u>726</u>	<u>18,922</u>	<u>359,029</u>	<u>9,999</u>	<u>403,603</u>	<u>1,003,286</u>	<u>5,200,332</u>
Total net position	<u>\$ 3,404,767</u>	<u>\$ 726</u>	<u>\$ 18,922</u>	<u>\$ 359,029</u>	<u>\$ 9,999</u>	<u>\$ 1,675,910</u>	<u>\$ 15,418,881</u>	<u>\$ 20,888,234</u>

City of Rochester Hills, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions
Local Development Finance Authority - Public service	\$ 303,993	\$ -	\$ -	\$ -
Economic Development Corporation - Community and economic development	466	-	-	-
Automation Alley SmartZone Authority - Public service	75,000	-	-	-
Rochester Hills Museum Foundation - Recreation and culture	20	-	-	-
Rochester-Avon Recreation Authority - Recreation and culture	2,258,762	1,779,201	-	2,410
Older Persons' Commission - Recreation and culture	<u>4,677,729</u>	<u>1,528,765</u>	<u>1,215,529</u>	<u>-</u>
Total governmental activities	<u>\$ 7,315,970</u>	<u>\$ 3,307,966</u>	<u>\$ 1,215,529</u>	<u>\$ 2,410</u>

General revenues:

- Property taxes
- Intergovernmental revenue
- Unrestricted investment earnings
- Miscellaneous

Total general revenues

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

City of Rochester Hills, Michigan

Component Units Statement of Activities Year Ended December 31, 2015

Net (Expense) Revenue and Changes in Net Position							
Local Development Finance Authority	Economic Development Corporation	Automation Alley SmartZone Authority	Brownfield Redevelopment Authority	Rochester Hills Museum Foundation	Rochester- Avon Recreation Authority	Older Persons' Commission	Total
\$ (303,993)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (303,993)
-	(466)	-	-	-	-	-	(466)
-	-	(75,000)	-	-	-	-	(75,000)
-	-	-	-	(20)	-	-	(20)
-	-	-	-	-	(477,151)	-	(477,151)
-	-	-	-	-	-	(1,933,435)	(1,933,435)
(303,993)	(466)	(75,000)	-	(20)	(477,151)	(1,933,435)	(2,790,065)
741,515	-	-	37,769	-	-	-	779,284
-	-	-	-	-	680,683	1,516,402	2,197,085
9,772	2	53	517	23	1,953	3,801	16,121
-	-	-	-	-	14,448	160,370	174,818
<u>751,287</u>	<u>2</u>	<u>53</u>	<u>38,286</u>	<u>23</u>	<u>697,084</u>	<u>1,680,573</u>	<u>3,167,308</u>
447,294	(464)	(74,947)	38,286	3	219,933	(252,862)	377,243
<u>2,957,473</u>	<u>1,190</u>	<u>93,869</u>	<u>320,743</u>	<u>9,996</u>	<u>1,455,977</u>	<u>15,671,743</u>	<u>20,510,991</u>
<u>\$ 3,404,767</u>	<u>\$ 726</u>	<u>\$ 18,922</u>	<u>\$ 359,029</u>	<u>\$ 9,999</u>	<u>\$ 1,675,910</u>	<u>\$ 15,418,881</u>	<u>\$ 20,888,234</u>



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Notes to Financial Section



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Note 1 - Summary of Significant Accounting Policies

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).

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.

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 thirteen member board, of which seven members are appointed by the mayor and confirmed by the City Council while the other six members are appointed by the legislative bodies of other taxing authorities. The LDFA was created to provide a means for financing infrastructure improvements within a certain area of the City on behalf of the City and other entities. The City has the ability to impose its will upon LDFA. In addition, the City Council sets the annual budget for LDFA and LDFA is presented as a government fund type. There are no modifications needed to reflect the full accrual basis of reporting for the LDFA. The financial statements presented on pages 31 through 33 also reflect the LDFA's modified accrual basis of reporting. No separate financial statements are issued for the LDFA.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

- b. The Economic Development Corporation (EDC) is governed by a nine 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. In addition, the City Council sets the annual budget for EDC and EDC is presented as a government fund type. There are no modifications needed to reflect the full accrual basis of reporting for the EDC. The financial statements presented on pages 29 through 31 also reflect the EDC's modified accrual basis of reporting. No separate financial statements are issued for the EDC.

- c. The Automation Alley SmartZone Authority is governed by a thirteen member board, of which seven members are appointed by the mayor and confirmed by the City Council while the other six members are appointed by the legislative bodies of other taxing authorities. The Automation Alley SmartZone Authority was created to foster new economic growth and development by establishing clusters of technology companies. The program also seeks to develop relationships between these businesses and universities by providing businesses resources and accessibility to university facilities for the purpose of commercializing research. The City of Rochester Hills has the ability to impose its will upon the Automation Alley SmartZone and the City Council sets the annual budget for the SmartZone. There were no modifications needed to reflect the full accrual basis of reporting. The financial statements presented on pages 31 through 33 also reflect the SmartZone Authority's modified accrual basis of reporting. No separate financial statements are issued for the SmartZone Authority.

- d. The Brownfield Redevelopment Authority (the "Brownfield Authority") was created, pursuant to Public Act 381 of 1996, to promote revitalization of environmentally distressed areas within the 32.2 square mile boundary of the City. The Brownfield Redevelopment Authority is governed by a seven member board, appointed by the mayor and confirmed by the City Council. The City has the ability to impose its will on the Brownfield Authority. In addition, the City Council sets the annual budget for the Brownfield Authority. There are no modifications needed to reflect the full accrual basis of reporting for the Brownfield Authority. The financial statements presented on pages 31 through

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

33 also reflect the Brownfield Authority's modified accrual basis of reporting. No separate financial statements are issued for the Brownfield Authority.

- e. The Rochester Hills Museum Foundation was organized in 2014 as a 501(c)3 tax exempt organization and will receive and administer funds to promote and assist in the development of the Museum's educational activities and programs including the development of broad public, private and volunteer support to make the Museum's resources more accessible to the public and promote historic preservation in Rochester Hills and the surrounding area. The Foundation is governed by a nine member board. Six of the Board Members will be at-large members and shall be appointed by the City Council. At least two of the at-large Board Members shall be residents of the City of Rochester Hills. The Mayor will nominate three of the six at-large Board Members to be confirmed by the City Council and the City Council shall nominate and appoint three of the six at-large members. The remaining Board Members are ex-officio members. The City Council sets the annual budget for the Rochester Hills Museum Foundation. The financial statements presented on pages 31 through 33 also reflect the Rochester Hills Museum Foundation's modified accrual basis of report. No separate financial statements are issued for the Rochester Hills Museum Foundation.
- f. 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 seven members that include one Council member and two Council-appointed residents from the City of Rochester Hills, one Council member and one Council-appointed resident from City of Rochester, one Board-appointed member from the Rochester Community Schools and one Board-appointed member from the Avondale School District. There is a financial benefit/burden relationship between R.A.R.A. and the City of Rochester Hills. R.A.R.A.'s financial statements can be obtained from its administrative offices at 500 East Second Street, Rochester, MI.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

- g. 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 65% participating member, Oakland Township (23%) 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 a total of eight members including 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.

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 fiscal year, the City contributed \$19,169 for its operations. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The City does not have an equity interest in the joint venture. Complete financial statements for the Paint Creek Trailways Commission can be obtained from the administrative offices at 4393 Collins Road, Rochester, MI 48306.

The City is a member of the North Oakland County Water Authority (NOCWA), which was organized in 2015 as a regional water authority for the purpose of increasing efficiency and containing water service costs for member communities. The member communities are the City of Auburn Hills, the City of Rochester Hills, the Charter Township of Orion, and the Oakland County Water Resources Commission (who manage the City of Pontiac water system). NOCWA was created out of collective concern

Note 1 - Summary of Significant Accounting Policies (Continued)

regarding system reliability, decreased water pressure, rising Great Lakes Water Authority (GLWA) water supplier rates, and overall operating expenses. The City of Rochester Hill acts as the NOCWA Fiduciary by processing invoices owed by NOCWA and in turn billing each of the member communities their predetermined share. The City of Rochester Hills still has monthly water expenses but instead at a rate negotiated by NOCWA. For the period July 1, 2015 to December 31, 2015, the City has saved an estimated \$740,570 by being a member of NOCWA. The City has no equity interest in NOCWA, as NOCWA holds no assets. Complete financial statements for NOCWA can be obtained from the Fiscal Office at 1000 Rochester Hills Drive, Rochester Hills, MI 48309.

Accounting and Reporting Principles

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives – the government wide perspective, and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The government wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. The City's property taxes are levied on each December 1. The City's 2014 tax is levied and collectible on December 1, 2014 and is recognized as revenue in the year ended December 31, 2015, which is the year for which it was levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to a modified accrual based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment that 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 for licensing, permits, or services; (2) operating grants and contributions; and (3) capital grants and contributions,

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

including special assessments. Other items not properly included among program revenues are reported instead as general revenue.

For the most part, the effect of inter-fund activities has been removed from these statements. Exceptions to this general rule are charges between the City's Water and Sewer Fund 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.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the Enterprise Fund are reported separately in the fund financial statements.

Fund Accounting

The City accounts for its various different activities in several different funds, in order to demonstrate accountability for how we have spent certain resources. Separate funds allow us to show the particular expenditures that specific revenues were used for. The various funds are aggregated into three broad fund types:

Governmental funds include all activities that provide general governmental services that are not business type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds and permanent funds. The City reports the following funds as "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 the major road system.
- c. The Local Street Fund accounts for the State of Michigan Public Act 51 monies and special millage, spread by the City, that are used to construct and maintain the local street system.
- 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary funds include enterprise funds, (which provide goods and services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the City). The City reports the Water and Sewer Fund as a “major” enterprise fund. The Water and Sewer Fund accounts for the cost of maintenance and operations for water and sewer provided to City residents and businesses that is financed primarily through user charges.

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

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government’s programs. Activities that are reported as fiduciary include:

- a. Retiree Health Care Trust Fund which accumulates resources for the postemployment employee health care benefit program.
- b. North Oakland County Water Authority Fund which reports resources held by the City on behalf of NOCWA, a separate legal entity comprised of four communities (Rochester Hills, Pontiac, Charter Township of Lake Orion and Auburn Hills).
- c. Trust and Agency Fund accounts for advance payments and delinquent taxes.
- d. Tax Collection Fund which collects taxes on behalf of all the taxing authorities (State, County, School Districts, City and smaller authorities) and remits the taxes to each authority.
- e. Payroll Fund which accounts for payroll activities.

Interfund activity: During the course of operations the government has activity between funds for various purposes. If applicable, any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activity (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activity column.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in the business-type activities are eliminated so that only the net amount is included as transfer in the business-type activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as annual leave and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims and judgments are recorded only when payment is due.

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the City considers accounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow."

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Note 1 - Summary of Significant Accounting Policies (Continued)

Specific Balances and Transactions

Cash, Cash Equivalents 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.

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 7 for additional discussion.

Capital Assets - Capital assets, which include property, buildings, 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 \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest included during the construction of capital assets of business-type activities is included as part of the capitalized value of assets constructed. During the current year \$263,868 of interest expense was capitalized as part of the cost of assets under construction.

Infrastructure, intangibles, buildings, equipment and vehicles are depreciated using the straight-line method over the following useful lives:

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

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 position. Bond premiums and discounts 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 expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The debt service funds are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources – During 2015 the City had no deferred outflows that qualified to be reported in the deferred outflow category.

In addition to liabilities, the statement of financial position and/or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items that arise

Note 1 - Summary of Significant Accounting Policies (Continued)

under a modified accrual basis of accounting that qualifies for reporting in this category. One item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues not collected within the period of availability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Both the governmental funds and governmental activities report deferred inflow for property taxes levied for the next year's budget.

Net Position Flow Assumptions

Sometimes the government will fund outlays for particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider unrestricted – net position to have been depleted before restricted – net position is applied.

Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider all categories of unrestricted fund balance to have been depleted before using restricted fund balance. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the City's policy to spend funds in this order: unassigned, assigned and committed.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of City's highest level of decision-making authority. 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.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. Assigned fund balance represents the City Council's intent to use resources for an intended purpose; the approval for using assigned fund balance is done through the budget process.

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.

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 fund equity of Internal Service Funds will be maintained at a minimum of twenty percent of operating revenues and the Water and Sewer Fund's unrestricted net position be maintained at a minimum of twenty five percent of operating revenue. Funds with a special purpose (Debt Service, Perpetual Care, Tree Fund, Green Space Preservation and Capital Funds) are exempted from this policy due to the nature of their individual function.

Property Tax Revenue

Property taxes are levied and become a lien on each December 1 based on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time they are added to the County tax roll and additional penalties and interest are assessed.

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

The City's 2014 tax is levied and collectible on December 1, 2014 and is recognized as revenue in the year ended December 31, 2015, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2014 taxable valuation of the City totaled approximately \$2.9 billion on which taxes are levied as follows:

<u>Function</u>	<u>Mills</u>	<u>Dollars</u>
General operating purposes	1.9636	\$ 5,662,468
Local Streets	0.8400	2,547,875
Fire operating services	2.7000	8,190,303
Police protection services	2.8668	8,696,149
OPC operating and transportation	0.3294	998,976
R.A.R.A. operating	0.1950	591,403
Pathway maintenance	0.1858	563,494
Debt service	0.2895	890,083
Green space preservation	0.2972	901,425

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, (\$2.4 million) 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.

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

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary Funds Operating Classification - 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. 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. Capital and lateral charges are intended to recover the cost of the infrastructure and are recognized as non-operating revenue.

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:

Cumulative shortfall at January 1, 2015		\$ (4,731,804)
Building permit revenue		1,410,993
Related expenses:		
Direct expenses	\$ 1,511,230	
Estimated indirect costs	<u>226,684</u>	
Total related expenses		<u>1,737,914</u>
Cumulative shortfall at December 31, 2015		<u><u>\$ (5,058,725)</u></u>

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2015

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, operating funds, 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.

The City has designated 13 banks for the deposit of its funds. The investment policy adopted by the City, for its operating funds, 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.

As of December 31, 2015, the City's operating portfolio is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent</u>
Commercial Paper	\$ 1,999,260	4.5%
US Government Securities	<u>42,433,540</u>	<u>95.5%</u>
	\$ 44,432,800	100.0%

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2015

Note 3 - Deposits and Investments (Continued)

As of December 31, 2015, the City's operating portfolio had the following bank deposits:

<u>Bank Deposit</u>	<u>Deposit Amount</u>	<u>Percent</u>
Bank of America	\$ 15,612,694	15.1%
Comerica Bank	247,402	0.2%
Federated Investors	11,672,720	11.3%
FirstMerit Bank	248,521	0.2%
Flagstar*	4,502,153	4.4%
Level One Bank	247,000	0.2%
Michigan Class	23,575,642	22.8%
Private Bank**	46,495,123	45.1%
Talmer Bank	741,855	0.7%
	<u>\$ 103,343,110</u>	<u>100.0%</u>

* Includes \$4,000,000 in CDARS (fully insured)

**Includes \$46,000,000 in CDARS (fully insured)

Investments of the Retiree Health Care Benefit Trust Fund (the Trust) and the Green Space Perpetual Care Trust are made in accordance with Act 314 of 1965, as amended, and are limited to no more than 70 percent in common stock. The general goal of the Trusts, as defined by their Investment Policy Statements (IPS), is to have no more than 60 percent of its investments in equities and to have at least 40 percent in fixed income investments including cash equivalents. Michigan Public Act 314 of 1965, as amended, authorizes certain investments and limitations as allowable including stocks, bonds, reverse repurchase agreements, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), certain state and local government obligations, and certain other specified investment vehicles. In addition, no investments, loans, or leases can be made with parties related to the Trust.

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2015

Note 3 - Deposits and Investments (Continued)

As of December 31, 2015, the Trusts were holding the following registered mutual fund investment types:

Investment Type	Fair Value	Percent	Average Duration	Symbol	Equity
Pioneer Classic Balanced Fund Class Y	\$1,918,998	40%	N/A	AYBLX	\$ 1,173,467
JHancock Lifestyle Moderate A	\$1,611,553	34%	N/A	JALMX	468,470
MFS Growth Allocation R4	<u>\$1,210,133</u>	<u>26%</u>	N/A	MAGJX	<u>888,964</u>
	\$4,740,684	100%			\$ 2,530,901

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

Custodial Risk, Deposits and Investments

Custodial credit risk is the risk that in the event of a custodian failure, the City's deposits may not be returned. The City's operating fund Investment Policy states that "The City will minimize custodial risk by: 1) Using financial institutions and brokers (custodians) meeting pre-established criteria and; 2) Holding all securities in the name of the City of Rochester Hills." The City's Annual Depository Resolution, for its operating portfolio, lists qualified Broker/Dealer/Safekeeping institutions for the purchase and safekeeping of commercial paper and US Government obligations. All security transactions entered into by the city, for its operating portfolio, are conducted on a delivery-versus-payment (DVP) basis, held by a third-party custodian, and evidenced by a safekeeping receipt. As of December 31, 2015, \$42,433,540 in U.S. Government obligations and \$1,999,260 in Commercial Paper are held in third-party safekeeping in the City's name. The City's two Investment Pool Accounts have their securities safe kept with a third-party selected by the counterparty. The balance in the accounts is \$35,248,362. 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.

In addition, the City's deposit policy, for operating funds, related to custodial credit risk, requires that all financial institutions utilized by the City maintain an office within the state of Michigan and meet certain other requirements including financial. At year end, the City had 3 bank depository accounts (certificates of deposit, checking, and savings accounts) that were partially uninsured and uncollateralized in the aggregate amount of \$15,474,482.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2015

Note 3 - Deposits and Investments (Continued)

The City believes whenever possible it is prudent to have FDIC insure the bulk of the City's bank deposits including its Certificate of Deposit portfolio. Due to the size and nature of the City's operating fund investment portfolio, it may be impractical at all times to insure all deposits. As a result, the City evaluates each financial institution with which it has funds on deposit and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

For the Retiree Health Care Benefit Trust Fund and the Green Space Perpetual Care Trust, Custodial risk is associated with the possible failure of the Trust's safekeeping agent, where the Trusts would not be able to recover the value of its investments in the possession the Trust's agent. The Trust's Investment Policy Statements (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 Trust Board through its selected investment provider, and shall be evidenced by a custodial report. As of December 31, 2015, \$4,740,683.95 or 100 percent of the investments were held in third party safekeeping, in the Trust's name.

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 operating fund investment policy restricts investment maturities to two years unless the maturity is matched to a specific cash flow need. Commercial paper purchases have a maximum maturity of 270-days as stated within state law. The City's operating fund 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 flow requirements of ongoing operations, thereby avoiding the need to liquidate securities prior to maturity. This is done by investing operating funds primarily in short-term securities and investment pools and only purchasing securities with the intent to hold to maturity. At year-end, the average maturities of investments are as follows:

<u>Investments</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
Government agency securities	\$ 42,433,540	362 Days
MI CLASS Investment Pool	23,575,642	1 Day
Federated Investment Pool	11,672,720	1 Day
Commercial Paper	1,999,260	179 days

Note 3 - Deposits and Investments (Continued)

All of the investment pool accounts, used for the City’s operating portfolio, are Stable NAV Government Investment Pools that seek to preserve the value of the investment at \$1.00 per share. Using \$1.00 per share funds helps limit the City’s risk exposure that the value of investments will decrease as a result of a rise in interest rates. Since the City began using the listed investment pools, their NAV’s have maintained \$1.00 per share. Both Investment Pools are rated AAAM by Standard & Poors.

The Retiree Health Care Benefit Trust’s and the Green Space Perpetual Care Trust’s adopted IPS does place the maximum effective maturity of any single security at 30 years. As the schedule of investments listed below indicates, the Trust’s fixed income investments had an average duration of 8 years which is reasonable given the long-term nature of the Trust. The mutual funds within the portfolio of the Trust were holding fixed income investments at year end that did exceed the 30 year limitation but given the reasonable nature of the average duration the Trust was comfortable with those positions. A reasonable duration reduces the Trust’s risk exposure to rapidly adjusting interest rates. The following table shows the bond maturity breakdown:

Bond Maturity Breakdown	% Bonds
1 to 3 Years	13.8%
3 to 5 Years	14.1%
5 to 7 Years	15.0%
7 to 10 Years	15.9%
10 to 15 Years	6.9%
15 to 20 Years	4.8%
20 to 30 Years	24.7%
Over 30 Years	4.9%
TOTAL	100.0%
Average Duration	8 Years

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2015

Note 3 - Deposits and Investments (Continued)

Credit Risk

Credit Risk is the possibility that institution(s) for which an investment is being held could fail. State law limits investments, related to the City's operating funds, in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City's operating fund 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. As of year-end, the credit quality ratings of debt securities (other than the U.S. Treasuries) are as follows:

<u>Investments</u>	<u>Market Value</u>	<u>Rating</u>
Government agency securities	\$ 42,433,540	AA+
MI CLASS Investment Pool	23,575,642	AAAm
Federated Investment Pool	11,672,720	AAAm
Commercial Paper	1,999,260	A1+
	<u>\$ 79,681,162</u>	

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

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

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2015

Note 3 - Deposits and Investments (Continued)

As of December 31, 2015, debt obligation investments held by the Trusts, in all three mutual funds had the following ratings:

Retiree Health Care Benefit and Green Space Perpetual Care Trust

<u>Type</u>	<u>% Bonds</u>
AAA	37.5%
AA	6.8%
A	11.2%
BBB	21.7%
BB	10.8%
B	8.0%
Below B	2.3%
Not Rated	1.7%
TOTAL	100.0%
Average Credit Quality	A

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2015

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk

The City's operating fund 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.

Operating Portfolio - Concentration Risk 12/31/2015

PrivateBancorp, Inc.	\$	495,123	0.33%
FirstMerit Bank		248,521	0.17%
Comerica		247,402	0.17%
Flagstar Bank		502,153	0.34%
Level One Bank		247,000	0.17%
Talmer Bank		741,855	0.50%
CDARS (1)		50,000,000	33.82%
CP -Nestle, A-1 + P-1		1,997,017	1.35%
UST-FNMA/FNDN, AA+		5,984,728	4.05%
UST-FHLB/FHDN, AA+		9,971,767	6.75%
UST-FHLMC/FMCDN, AA+		26,425,223	17.86%
Michigan Class		23,575,642	15.95%
Federated Investors		11,672,720	7.90%
Bank of America-Pooled Checking		15,612,694	10.56%
Bank of America-Payroll		87,416	0.06%
Bank of America-Flex Spending		24,372	0.02%
TOTAL	\$	147,833,633	100.00%

(1) Through the CDARS network, deposits are placed with one financial institution and through network arrangements the full deposit is placed with other institutions, in the network, to keep the total deposit plus interest within FDIC limits. CDARS-Certificate of Deposit Account Registry Service.

Note 3 - Deposits and Investments (Continued)

The Retiree Health Care Benefit Trust's and the Green Space Perpetual Care Trust'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, 2015, as reported by the mutual funds, no holdings exceed any of the Board's adopted IPS limits.

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 City's operating fund portfolio had no exposure to foreign currency risk at December 31, 2015.

The Retiree Health Care Benefit Trust's and the Green Space Perpetual Care 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,

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2015

Note 3 - Deposits and Investments (Continued)

investments in American Depository Receipts (ADRs) will be designated as foreign securities for asset allocation purposes.

At December 31, 2015 the asset allocation mutual fund's equity holdings in developed versus emerging countries was as follows:

<u>Market Classification</u>	<u>Percent</u>	<u>Dollars</u>
Developed Markets	97%	\$ 4,616,877
Emerging Markets	<u>3%</u>	<u>123,807</u>
TOTAL	100%	\$ 4,740,684

Security Lending Transactions

Under current provisions of State statutes, the Retiree Health Care Benefit Trust and the Green Space Perpetual Care Trust could lend U.S. government securities, corporate bonds, and common stock, to broker and/or dealers in exchange for collateral that will be returned for the same securities in the future. The custodial bank does not have the ability to pledge or sell collateral securities unless the borrower was to default. Borrowers are required to deliver collateral for each loan equal to but not less than 102 percent of the market value of the loaned securities. The summary prospectus for the mutual funds, used by the Trusts, were silent related to their security lending practices. The Trust did not lend any securities as of December 31, 2015.

Collateralized Mortgage Obligations (CMOs)

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

The Retiree Health Care Benefit Trust's and the Green Space Perpetual Care 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 Trust's allocation to CMOs is limited to 10 percent of the market value of the manager's portfolio. For the purpose of this restriction, commercial mortgage backed securities are considered within the CMO category.

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2015

Note 3 - Deposits and Investments (Continued)

At December 31, 2015 the fixed income portion of the mutual funds were holding just over 25.6 percent of their portfolio in securitized instruments but none in the CMO area.

<u>Securitized</u>	<u>Total %</u>
Agency Mortgage-Backed	14.2%
Non-Agency Residential MBS	3.3%
Commercial MBS	4.2%
Asset-Backed	3.9%
Total	25.6%

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2015

Note 4 - Capital Assets

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

	Balance January 1, 2015	Additions	Disposals and Adjustments	Balance December 31, 2015
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 22,245,526	\$ 8,678	\$ -	\$ 22,254,204
Right of way	<u>48,490,177</u>	<u>428,946</u>	<u>-</u>	<u>48,919,123</u>
Subtotal	70,735,703	437,624	-	71,173,327
Capital assets being depreciated:				
Roads	131,203,015	15,787,994	-	146,991,009
Drain flowage rights	30,772,175	-	-	30,772,175
Land improvements	19,716,488	314,240	24,647	20,006,081
Building and building improvements	30,751,581	1,662,193	-	32,413,774
Vehicles	10,934,533	356,577	269,165	11,021,945
Office furniture	6,226,493	153,050	2,567,271	3,812,272
Other tools and equipment	<u>6,256,773</u>	<u>403,767</u>	<u>205,826</u>	<u>6,454,714</u>
Subtotal	235,861,058	18,677,821	3,066,909	251,471,970
Accumulated depreciation:				
Roads	76,175,412	5,562,629	-	81,738,041
Drain flowage rights	17,014,554	717,413	-	17,731,967
Land improvements	14,387,006	872,333	24,079	15,235,260
Building improvements	14,855,357	925,368	-	15,780,725
Vehicles	7,299,778	689,767	269,165	7,720,380
Office furniture	5,359,591	413,231	2,567,271	3,205,551
Other tools and equipment	<u>4,730,229</u>	<u>373,896</u>	<u>202,228</u>	<u>4,901,897</u>
Subtotal	<u>139,821,927</u>	<u>9,554,637</u>	<u>3,062,743</u>	<u>146,313,821</u>
Net capital assets being depreciated	<u>96,039,131</u>	<u>9,123,184</u>	<u>4,166</u>	<u>105,158,149</u>
Net capital assets	<u>\$ 166,774,834</u>	<u>\$ 9,560,808</u>	<u>\$ 4,166</u>	<u>\$ 176,331,476</u>

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2015

Note 4 - Capital Assets (Continued)

	Balance		Disposals and	Balance
Business-type Activities	January 1, 2015	Additions	Adjustments	December 31, 2015
Capital assets not being depreciated:				
Land	\$ 4,958,172	\$ -	\$ -	\$ 4,958,172
Construction in progress	<u>10,811,577</u>	<u>3,817,211</u>	<u>-</u>	<u>14,628,788</u>
Subtotal	15,769,749	3,817,211	-	19,586,960
Capital assets being depreciated:				
Water and sewer distribution systems	164,432,203	5,323,511	-	169,755,714
Land improvements	204,561	-	-	204,561
Building and building improvements	14,359,398	7,097	-	14,366,495
Office furniture	105,600	378,661	-	484,261
Other tools and equipment	<u>8,236,141</u>	<u>73,594</u>	<u>544</u>	<u>8,309,191</u>
Subtotal	187,337,903	5,782,863	544	193,120,222
Accumulated depreciation:				
Water and sewer distribution systems	76,956,573	3,354,966	-	80,311,539
Land improvements	197,888	789	-	198,677
Building improvements	2,285,359	307,116	-	2,592,475
Office furniture	105,600	27,563	-	133,163
Other tools and equipment	<u>7,972,531</u>	<u>119,859</u>	<u>544</u>	<u>8,091,846</u>
Subtotal	<u>87,517,951</u>	<u>3,810,293</u>	<u>544</u>	<u>91,327,700</u>
Net capital assets being depreciated	<u>99,819,952</u>	<u>1,972,570</u>	<u>-</u>	<u>101,792,522</u>
Net capital assets	<u>\$ 115,589,701</u>	<u>\$ 5,789,781</u>	<u>\$ -</u>	<u>\$ 121,379,482</u>

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2015

Note 4 - 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	Balance
	January 1, 2015		Adjustments	December 31, 2015
Land	\$ 3,070,244	\$ -	\$ -	\$ 3,070,244
Capital assets being depreciated:				
Buildings	13,891,145	-	-	13,891,145
Building improvements	1,871,708	42,417	-	1,914,125
Land improvement	1,057,249	7,500	-	1,064,749
Machinery and equipment	2,081,107	71,311	18,135	2,134,283
Vehicles	1,218,603	-	-	1,218,603
Office equipment and furniture	<u>107,146</u>	<u>56,310</u>	<u>1,240</u>	<u>162,216</u>
Subtotal	20,226,958	177,538	19,375	20,385,121
Less accumulated depreciation	<u>6,430,304</u>	<u>701,320</u>	<u>19,365</u>	<u>7,112,259</u>
Net capital assets being depreciated	<u>13,796,654</u>	<u>(523,782)</u>	<u>10</u>	<u>13,272,862</u>
Net capital assets	<u>\$ 16,866,898</u>	<u>\$ (523,782)</u>	<u>\$ 10</u>	<u>\$ 16,343,106</u>

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

Governmental Activities:	
General government	\$ 1,346,577
Public works	7,068,192
Public safety	651,173
Recreation and culture	<u>488,695</u>
Total Governmental Activities	<u>\$ 9,554,637</u>
Business-type Activities:	
Water	\$ 2,187,859
Sewer	<u>1,622,434</u>
Total Business-type Activities	<u>\$ 3,810,293</u>

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2015

Note 4 - 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 and facility improvements. At year-end, the City's commitments are as follows:

	<u>Total Contract Amount</u>	<u>Remaining Commitment</u>
Road improvements	\$ 18,139,795	\$ 2,582,174
Drain and pathway improvements	1,494,091	1,125,607
Facility improvements	6,266,478	5,279,434
Water and sewer infrastructure	<u>7,109,371</u>	<u>1,013,035</u>
Total	<u>\$ 33,009,734</u>	<u>\$ 10,000,249</u>

Note 5 - 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, 2015

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

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

Fund Transferred From	Funds Transferred To	Amount
General Fund	Major Road Fund	\$ 303,342
	Local Street Fund	6,116,450
	Internal Service - Facilities Fund	<u>2,721,670</u>
	Total General Fund	9,141,462
Major Road Fund	Local Road Fund	387,500
Local Street Fund	Nonmajor governmental funds	634,270
Fire Fund	Nonmajor governmental funds	1,621,890
Special Police Fund	Internal Service - Facilities Fund	319,251
Nonmajor governmental funds	General Fund	5,280
	Nonmajor governmental funds	3,301,190
	Internal Service - Facilities Fund	<u>2,401,620</u>
	Total nonmajor governmental funds	5,708,090
Internal Service - Facilities	Nonmajor governmental funds	<u>790,330</u>
	Total	<u>\$ 18,602,793</u>

The transfers from the General Fund to the Major Roads and Local Street Funds Facilities Fund represent the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations; the transfer from Major Road Fund to the Local Street Fund represents a transfer for local streets improvement and maintenance; the transfer from the Local Street Fund to non-major governmental funds and Special Police Fund to Facilities Fund represents the movement of resources to be used to service debt; the transfer from Fire Fund to non-major governmental fund represents a transfer to purchase and replace fire apparatus, the transfer from nonmajor governmental funds to

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2015

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

other non-major governmental, internal service funds, and General Fund represents resources for equipment, pathway improvements, trust principal, and to service debt; and the transfer from Facilities to nonmajor governmental funds is to service debt.

Note 6 - Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds:					
Building Authority Refunding Bonds, Series 2010 payable through 2021 with interest at 2.0% to 4.0%	\$ 5,070,000	\$ -	\$ (615,000)	\$ 4,455,000	\$ 615,000
General Obligation Limited Tax Capital Improvement Refunding Bond, Series 2011 payable through 2017 with interest at 2% to 4%	1,435,000	-	(460,000)	975,000	480,000
General Obligation Unlimited Tax Refunding Bonds, OPC, Series 2010 payable through 2021 with interest at 2.0% to 4.5%	4,700,000	-	(610,000)	4,090,000	640,000
Michigan Transportation Fund Bond, MTF-2001 Series payable through 2016 with interest at 4.25% to 4.6%	500,000	-	(250,000)	250,000	250,000
County Contractual Obligations:					
Rewold Drain Refunding Bond, payable through 2025 with interest at 2% to 2.25%	2,080,000	-	(160,000)	1,920,000	165,000
Oakland County Building Authority, Building Authority Refunding Bonds Series 2012 payable through 2020 with interest at 2.0%	1,705,000	-	(285,000)	1,420,000	305,000
Special Assessment Bonds:					
Public Improvement City Share Bonds, 2001 Series payable through 2016 with interest at 2.6% to 4.7%	250,000	-	(125,000)	125,000	125,000
Public Improvement Special Assessment Bonds, 2001 Series payable through 2016 with interest at 3.0% to 4.7%	275,000	-	(125,000)	150,000	150,000
Total bond obligations	16,015,000	-	(2,630,000)	13,385,000	2,730,000

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2015

Note 6 - Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Other long-term obligations:					
Tax Tribunal	9,128	35,024	-	44,152	-
Capital Lease	67,091	-	(19,721)	47,370	20,528
Compensated absences - Governmental activities	1,434,341	1,221,913	(1,154,216)	1,502,038	1,214,637
Compensated absences - Internal Service	<u>197,830</u>	<u>186,155</u>	<u>(148,253)</u>	<u>235,732</u>	<u>213,535</u>
Total other long-term obligations	1,708,390	1,443,092	(1,322,190)	1,829,292	1,448,700
Unamortized premium on refundings	<u>263,087</u>	<u>-</u>	<u>(43,757)</u>	<u>219,330</u>	<u>-</u>
Total governmental activities	<u>\$ 17,986,477</u>	<u>\$ 1,443,092</u>	<u>\$ (3,995,947)</u>	<u>\$ 15,433,622</u>	<u>\$ 4,178,700</u>
Business-type Activities					
Oakland County Water and Sewage Disposal System Refunding Bonds, Series 2012 payable through 2022 with interest at 1.5 % to 2.75%	\$ 1,605,000	\$ -	\$ (190,000)	\$ 1,415,000	\$ 210,000
Oakland-Macomb Interceptor Drain Drainage District-Drain Bonds, Series 2010B payable through 2030 with interest at 1.15% to 5.9%	752,031	-	(32,332)	719,699	33,625
Oakland-Macomb Interceptor Drain Drainage District-Drain Bonds, Series 2010A payable through 2031 with interest at 2.5%	3,012,118	-	(141,611)	2,870,507	145,492
Oakland-Macomb Interceptor Drain Drainage District-Drain Bonds, Series 2011 payable through 2033 with interest at 2.5%	3,210,755	720,311	(162,751)	3,768,315	166,720
Oakland-Macomb Interceptor Drain Drainage District-Drain Bonds, Series 2013 payable through 2032 with interest at 2.5%	6,476,505	2,258,178	(363,932)	8,370,751	371,399
Oakland-Macomb Interceptor Drain Drainage District-Drain Bonds, Series 2014A payable through 2034 with interest at 2% to 3.125%	<u>1,293,344</u>	<u>-</u>	<u>(50,054)</u>	<u>1,243,290</u>	<u>50,948</u>
Total business-type bond obligations	16,349,753	2,978,489	(940,680)	18,387,562	978,184
Other long-term obligations:					
Compensated absences - Water and Sewer	299,176	268,266	(299,417)	298,025	285,640
Unamortized premium on refundings	<u>13,674</u>	<u>-</u>	<u>(1,710)</u>	<u>11,964</u>	<u>-</u>
Total other long-term obligations	<u>312,850</u>	<u>268,266</u>	<u>(301,127)</u>	<u>309,989</u>	<u>285,640</u>
Total business-type activities	<u>\$ 16,662,603</u>	<u>\$ 3,246,755</u>	<u>\$ (1,241,807)</u>	<u>\$ 18,697,551</u>	<u>\$ 1,263,824</u>
Component Units					
Tax Tribunal	\$ 3,480	\$ 4,977	\$ -	\$ 8,457	\$ -
Capital Lease	733,617	-	(78,413)	655,204	83,042
Turf Payback Agreement	35,355	-	(5,760)	29,595	5,760
Compensated absences	<u>51,324</u>	<u>40,580</u>	<u>(44,203)</u>	<u>47,701</u>	<u>38,560</u>
Total component units	<u>\$ 823,776</u>	<u>\$ 40,580</u>	<u>\$ (128,376)</u>	<u>\$ 740,957</u>	<u>\$ 127,362</u>

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2015

Note 6 - Long-term Debt (Continued)

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
2016	\$ 2,730,000	\$ 409,761	\$ 3,139,761	\$ 978,184	\$ 484,994	\$ 1,463,178
2017	2,330,000	325,232	2,655,232	1,051,528	459,940	1,511,468
2018	1,865,000	258,450	2,123,450	1,073,599	434,300	1,507,899
2019	1,965,000	195,762	2,160,762	1,090,274	407,978	1,498,252
2020	1,865,000	125,888	1,990,888	1,134,932	380,534	1,515,466
2021-2025	2,630,000	91,016	2,721,016	5,320,863	1,480,683	6,801,546
2026-2030	-	-	-	5,644,220	802,161	6,446,381
2031-2035	-	-	-	2,093,962	112,531	2,206,493
	<u>\$ 13,385,000</u>	<u>\$ 1,406,109</u>	<u>\$ 14,791,109</u>	<u>\$ 18,387,562</u>	<u>\$ 4,563,121</u>	<u>\$ 22,950,683</u>

The Oakland-Macomb Interceptor Drainage District (OMID) is a construction and rehabilitation project that began in 2010 and is projected to continue through 2016. The OMID Series 2010B bonds were issued as Federally Taxable Recovery Zone Economic Development Bonds 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 tax credit over the next 16 years will be \$171,752.

OMID was also approved for \$42 million of loans in which \$16 million of the debt was federally forgiven and \$116 million will be loans from the Michigan State Revolving Fund (SRF) (OMID Series 2010A \$26 million, OMID Series 2011 \$25 million, OMID Series 2013 \$65 million, OMID Series 2014 \$20 million, and State of Michigan SAW \$10 million). During the year, the City's portion of SRF draws was \$2,978,489.

Advance and Current Refunding

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust that would provide for all future debt payments on the old bonds. At December 31, 2015 the total considered defeased is \$14,545,000. 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, 2015

Note 6 - Long-term Debt (Continued)

Future Revenues Pledged for Debt Payment

County Contractual Obligations - Governmental Activities - 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 and facilities. The remaining principal and interest to be paid on the bonds is \$3,631,980. During the current year, net revenue generated by property tax millages was \$450,279 compared to the annual debt requirements of \$519,938 with the difference coming from fund balance.

County Contractual Obligations - Business-type Activities - The City has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the County for the above water and sewer obligations. Proceeds from the bonds 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 \$22,950,683. During the year, net operating revenues of the system were approximately \$5,024,028 compared to the annual debt requirements of \$1,332,644.

Note 7 - Restricted Assets

Restricted assets are comprised of the City's unspent portion of bond proceeds held by Oakland County for the improvement of the water and sewer system in the amount of \$2,902,786. 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 8 - 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, 2015

Note 8 - 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:

	2015	2014
Estimated liability - Beginning of year	\$ 43,793	\$ 162,226
Estimated claims incurred, including changes in estimates	233,803	(116,637)
Claims payments	(16,374)	(1,796)
Estimated liability - End of year	\$ 261,222	\$ 43,793
Estimated liability for claims reported	\$ 225,222	\$ 28,793
Estimated liability for claims reserve	21,000	-
Estimated liability for claims incurred but not reported	15,000	15,000
Total estimated liability	\$ 261,222	\$ 43,793

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2015

Note 9 - Defined Contribution Pension Plan

The Rochester Hills Group Pension Plan, which is administered by the City, provides pension benefits for substantially all of its full-time employees, City Council members, and paid on-call firefighters through a defined contribution plan. As of year end there were 236 active participants and 61 participants that were terminated or retired, this totals to 297 participants in the pension 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 an employee pretax mandatory contribution of 1 or 3 percent, and any participant can make contributions to the pension plan, up to applicable Internal Revenue Code limits. In accordance with these requirements, the City contributed \$2,077,966 during the current year, employees' mandatory contributions were \$415,656, and employee voluntary contributions were \$10,407. There were no forfeitures that reduced the City's pension expense and there were no employer's liability outstanding as of December 31, 2015. The City's contributions for each employee (plus interest allocated to each employee's account) are fully vested after five years of continuous service.

Note 10 - Other Postemployment Benefits

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

The Plan consists of two parts. The first or primary component, the Retiree Health Savings Plan (RHS Plan), a defined contribution plan, is available to all eligible employees after they have completed six months of full-time service with the City. As of year-end there were 196 active participants and 73 participants that were terminated or retired, this totals 269 participants in the primary component of the RHS Plan. This component allows retirees to receive reimbursement of eligible health care expenses. The second component, the Supplemental Benefit Plan, is a flat fixed dollar amount based on the years of service as of March 12, 2001. This is a closed program and is only available to employees who met certain criteria at March 12, 2001. As of year-end there are 70 active participants and 40 participants that are terminated or retired and receiving the benefit.

Note 10 - Other Postemployment Benefits (Continued)

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

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 Transamerica Retirement Solutions. Benefits are provided to eligible retirees that have met certain criteria at March 12, 2001. Benefits under this program are defined fixed payments, based on years of service, to be used to cover health care insurance premiums. Both the RHS Plan and the Supplemental Benefit Plan do not issue separate stand-alone financial statements and administrative costs are paid through employer and or employee contributions.

Funding policy: The RHS Plan is funded by City contributions and pre-tax mandatory employee contributions. The value of participant accounts is dependent on the accumulation of employer and employee contributions as well as investment earnings of each participants directed investments. The City contributes to the health savings plan on a bi-weekly basis, a minimum of 3 percent of gross earnings. Certain employee groups who have accrued more than 40 unused annual leave hours must contribute the equivalent of up to 16 hours per year to the RHS Plan and other groups have a mandatory percentage contribution. Benefits paid out depend solely on amounts contributed to the plan plus investment earnings. During the year the City contributed, from various funds, \$529,235 to the RHS Plan and employee mandatory contributions were \$89,088.

The City has established a Retiree Health Care Benefit Trust per P.A. 149 to assist with prefunding the Supplemental Benefit Plan for retiree health care benefits. Investments for the Trust are managed through Transamerica Retirement Solutions. The investment fiduciaries shall invest the Retiree Health Care Benefit Trust in accordance with P.A. 314 of 1965, as amended. The City contributed the Annual Required Contribution (ARC) for the Supplemental Benefit Plan following a one year schedule. All future benefits required under the Supplemental Benefit Plan, including administrative, will come from the Trust Fund. Expenditures for postemployment healthcare costs for employees

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2015

Note 10 - Other Postemployment Benefits (Continued)

participating in the supplemental benefit plan are paid as the applicable costs are incurred. During fiscal year 2015, this amounted to \$101,354.

Funding progress: The City's most recent actuarial valuation report was completed as of January 1, 2014. The results of this report indicated that the assets exceeded the accrued liabilities. The excess was amortized over thirty years as level dollars credits and applied as a credit to completely offset the computed normal cost. The results indicated that the City was not required to make a contribution so no ARC payment was made to the Trust during the year. The next actuarial valuation report is planned to be completed in 2016.

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

	Governmental Activities	Water & Sewer Fund	Total
Actual Funding			
Annual required contribution	\$ -	\$ -	\$ -
Interest on the prior year's net OPEB Obligation	-	-	-
Adjustment to the ARC	<u>40,284</u>	<u>6,517</u>	<u>46,801</u>
Annual OPEB cost	40,284	6,517	46,801
Amounts contributed:			
Amounts funded	<u>-</u>	<u>-</u>	<u>-</u>
Decrease in net OPEB obligation	40,284	6,517	46,801
OPEB obligation - Beginning of year	<u>(40,284)</u>	<u>(6,517)</u>	<u>(46,801)</u>
OPEB obligation - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

OPEB Costs	<u>2013</u>	<u>2014</u>	<u>2015</u>
Annual required contribution	\$ 110,041	\$ -	\$ -
Annual OPEB Costs	110,871	872	46,801
Employer contributions	110,041	-	-
Percentage of ARC contributed	100.0%	100.0%	-
Percentage of OPEB costs contributed	99.3%	0.0%	-
Net OPEB obligation	<u>\$ (47,673)</u>	<u>\$ (46,801)</u>	<u>\$ -</u>

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2015

Note 10 - 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>1/1/2010</u>	<u>1/1/2012</u>	<u>1/1/2014</u>
Actuarial value of assets	\$ 2,039,331	\$ 2,440,766	\$ 2,089,290
Actuarial accrued liability	<u>3,475,690</u>	<u>3,245,483</u>	<u>1,813,465</u>
Unfunded AAL	<u>\$ 1,436,359</u>	<u>\$ 804,717</u>	<u>\$ (275,825)</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Fund ratio			
Annual covered payroll	<u>\$ 13,520,411</u>	<u>\$ 13,543,337</u>	<u>\$ 14,990,622</u>
Ratio of UAAL to covered payroll	5.95%	-2.04%	-1.84%

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, 2014 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). The employer's own investments calculated based on the funded level of the plan at the valuation date and the health care cost trend rate assumed a 10 percent annual rate for inflation reducing by .5 percent increments to an ultimate rate of 6 percent in year 2020.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2015

Note 11 – Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2016 fiscal year.

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statement more extensive footnote disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the City will, after adoption of GASB Statement No. 75, recognize on the face of the financial statements its net OPEB liability. The City is currently evaluating the impact these standards will have on the financial statements when adopted. GASB Statement No. 74 is effective for fiscal years beginning after June 15, 2016 whereas GASB Statement No. 75 is effective one year later.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement will require governments to disclose in their financial statements information related to tax abatement agreements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016 fiscal year.

Required Supplemental Information



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City of Rochester Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule – General Fund Year Ended December 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 5,931,360	\$ 6,035,240	\$ 6,035,939	\$ 699
Federal sources	130,000	227,000	168,436	(58,564)
State sources	5,550,000	5,551,510	5,551,363	(147)
Fees and permits	2,556,400	2,960,350	2,995,085	34,735
Fines and forfeitures	3,500	2,600	2,947	347
Charges for services	6,020,800	5,729,840	5,735,651	5,811
Investment earnings	70,080	90,000	97,093	7,093
Other	110,000	197,200	203,141	5,941
Transfer in other funds	5,580	5,280	5,280	-
Total revenues	<u>20,377,720</u>	<u>20,799,020</u>	<u>20,794,935</u>	<u>(4,085)</u>
Expenditures				
General government:				
City Council	179,940	173,470	161,065	12,405
City administration	4,270,540	4,138,090	3,974,334	163,756
Clerk	1,322,670	1,273,780	1,174,899	98,881
Assessing	1,002,940	970,950	939,786	31,164
Human resources	810,140	768,370	701,120	67,250
Public works:				
City development	632,150	608,340	565,880	42,460
Cemetery	366,360	323,460	277,997	45,463
Public safety:				
Building	2,807,680	2,681,140	2,550,211	130,929
Crossing guard	52,890	53,180	42,822	10,358
Community and economic development:				
Planning	843,080	740,930	706,384	34,546
Community development block grant	130,000	227,000	155,274	71,726
Recreation and culture:				
Parks and recreation	2,436,190	2,320,330	2,201,514	118,816
Historic district commission	553,950	573,670	528,559	45,111
Transfers to other funds	9,218,070	9,141,470	9,141,462	8
Total expenditures	<u>24,626,600</u>	<u>23,994,180</u>	<u>23,121,307</u>	<u>872,873</u>
Excess of Revenue Over (Under) Expenditures	(4,248,880)	(3,195,160)	(2,326,372)	868,788
Fund Balance - Beginning of year	<u>28,031,973</u>	<u>31,257,584</u>	<u>31,257,584</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 23,783,093</u>	<u>\$ 28,062,424</u>	<u>\$ 28,931,212</u>	<u>\$ 868,788</u>

City of Rochester Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule – Major Road Fund Year Ended December 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Federal grant	\$ -	\$ 4,750	\$ 4,750	\$ -
State sources	3,205,000	3,839,310	3,897,295	57,985
Other governmental sources	200,000	200,000	200,000	-
Charges for services	244,500	253,720	252,111	(1,609)
Investment earnings	28,310	30,000	31,279	1,279
Other	36,000	46,790	59,460	12,670
Transfer from other funds	<u>301,510</u>	<u>303,340</u>	<u>303,342</u>	<u>2</u>
Total revenues	4,015,320	4,677,910	4,748,237	70,327
Expenditures - Public works				
Street maintenance	2,019,710	1,865,970	1,569,664	296,306
Capital outlay	7,633,830	8,468,880	7,849,553	619,327
Transfers to other funds	<u>387,500</u>	<u>387,500</u>	<u>387,500</u>	<u>-</u>
Total expenditures	<u>10,041,040</u>	<u>10,722,350</u>	<u>9,806,717</u>	<u>915,633</u>
Excess of Revenue Over (Under) Expenditures	(6,025,720)	(6,044,440)	(5,058,480)	985,960
Fund Balance - Beginning of year	<u>11,324,416</u>	<u>12,905,102</u>	<u>12,905,102</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 5,298,696</u>	<u>\$ 6,860,662</u>	<u>\$ 7,846,622</u>	<u>\$ 985,960</u>

City of Rochester Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule – Local Street Fund Year Ended December 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 2,544,920	\$ 2,557,250	\$ 2,557,126	\$ (124)
State sources	1,192,000	1,441,930	1,472,334	30,404
Licenses and permits	15,000	20,000	18,507	(1,493)
Charges for services	121,380	234,300	242,602	8,302
Special assessment	220	690	697	7
Investment earnings	14,630	18,040	19,479	1,439
Other	-	2,100	56,732	54,632
Transfers from other funds	<u>6,377,820</u>	<u>6,503,950</u>	<u>6,503,950</u>	<u>-</u>
Total revenues	10,265,970	10,778,260	10,871,427	93,167
Expenditures - Public works				
Street maintenance	4,034,770	3,718,070	3,315,836	402,234
Capital outlay	5,596,930	6,425,920	5,874,059	551,861
Transfers to other funds	<u>634,270</u>	<u>634,270</u>	<u>634,270</u>	<u>-</u>
Total expenditures	<u>10,265,970</u>	<u>10,778,260</u>	<u>9,824,165</u>	<u>954,095</u>
Excess of Revenue Over (Under) Expenditures	-	-	1,047,262	1,047,262
Fund Balance - Beginning of year	<u>5,807,801</u>	<u>6,701,745</u>	<u>6,701,745</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 5,807,801</u></u>	<u><u>\$ 6,701,745</u></u>	<u><u>\$ 7,749,007</u></u>	<u><u>\$ 1,047,262</u></u>

City of Rochester Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule – Fire Fund Year Ended December 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 5,922,430	\$ 8,220,910	\$ 8,221,013	\$ 103
State sources	-	1,000	1,000	-
Licenses and permits	6,000	5,000	4,825	(175)
Fines and forfeitures	3,500	600	3,350	2,750
Charges for services	1,619,250	1,617,840	1,639,091	21,251
Investment earnings	9,290	18,000	17,724	(276)
Other	<u>5,500</u>	<u>3,610</u>	<u>5,246</u>	<u>1,636</u>
Total revenue	7,565,970	9,866,960	9,892,249	25,289
Expenditures				
Public safety - Fire	7,618,230	8,245,070	7,760,317	484,753
Transfers to other funds	<u>-</u>	<u>1,621,890</u>	<u>1,621,890</u>	<u>-</u>
Total expenditures	<u>7,618,230</u>	<u>9,866,960</u>	<u>9,382,207</u>	<u>484,753</u>
Excess of Revenue Over Expenditures	(52,260)	-	510,042	510,042
Fund Balance - Beginning of year	<u>3,715,509</u>	<u>4,030,819</u>	<u>4,030,819</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 3,663,249</u>	<u>\$ 4,030,819</u>	<u>\$ 4,540,861</u>	<u>\$ 510,042</u>

City of Rochester Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule – Special Police Fund Year Ended December 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 8,677,360	\$ 8,726,070	\$ 8,726,047	\$ (23)
State sources	38,000	42,500	42,599	99
Other governmental sources	262,910	269,130	159,723	(109,407)
Fines and forfeitures	345,000	378,000	400,905	22,905
Charges for services	171,870	145,000	137,643	(7,357)
Investment earnings	3,180	12,000	11,593	(407)
Other	-	8,080	8,085	5
Total revenues	9,498,320	9,580,780	9,486,595	(94,185)
Expenditures				
Public safety - Police	9,178,940	9,149,680	8,857,792	291,888
Transfers to other funds	319,380	319,380	319,251	129
Total expenditures	9,498,320	9,469,060	9,177,043	292,017
Excess of Revenue Over Expenditures	-	111,720	309,552	197,832
Fund Balance - Beginning of year	1,270,798	1,557,263	1,557,263	-
Fund Balance - End of year	\$ 1,270,798	\$ 1,668,983	\$ 1,866,815	\$ 197,832

City of Rochester Hills, Michigan

Required Supplemental Information Retiree Health Care Benefit Trust Fund Year Ended December 31, 2015

Schedule of Funding Progress

Actuarial Valuation Dated December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as of Percentage of Covered Payroll
		Entry Age (b)	(UAAL) (b-a)	(a/b)	(c)	((b-a)/c)
2010	2,039,331	3,475,690	1,436,359	58.67%	13,307,285	10.79%
2012	2,440,766	3,245,483	804,717	75.21%	13,520,411	5.95%
2014	2,089,290	1,813,465	(275,825)	115.21%	13,543,337	-2.04%

Schedule of Employer Contributions

Year Ended December 31	Annual Required	Percentage
	Contribution	Contribution
2013	110,041	100.0%
2014	-	0.0%
2015	-	0.0%

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 governmental funds except that 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 three expenditure budget variances for the year.

Fund Name	Expenditure			
	Line Item	Final Budget	Actual	Variance
Tree Fund	Public works	\$ 75,000	\$ 82,772	\$ (7,772)
Drain Fund	Miscellaneous	290	433	(143)
OPC Refunding Bond Series 2010 Fund	Miscellaneous	480	1,373	(893)



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Other Supplemental Information

City of Rochester Hills, Michigan

Other Supplemental Information Combining Balance Sheet – All Fund Types Nonmajor Governmental Funds December 31, 2015

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
Assets					
Cash and investments	\$ 8,934,829	\$ 1,900,966	\$ 10,675,863	\$ 4,204,592	\$ 25,716,250
Receivables:					
Property tax	1,149,352	454,279	-	-	1,603,631
State of Michigan	145,734	-	-	-	145,734
Accounts	35,459	2,538	-	-	37,997
Accrued interest	5,093	701	12,580	-	18,374
Long-term receivables - Special assessments	-	18,024	-	-	18,024
Other assets	5,550	-	2,567,444	-	2,572,994
Total assets	<u>\$ 10,276,017</u>	<u>\$ 2,376,508</u>	<u>\$ 13,255,887</u>	<u>\$ 4,204,592</u>	<u>\$ 30,113,004</u>
Liabilities, Deferred Inflows of Resources and Fund Balance					
Liabilities					
Accounts payable	\$ 169,180	\$ -	\$ 127,893	\$ -	\$ 297,073
Retainage	-	-	3,000	-	3,000
Accrued wages	3,192	-	-	-	3,192
Deposits and escrows	317,256	-	-	-	317,256
Other liabilities	2,539	1,732	-	-	4,271
Total liabilities	492,167	1,732	130,893	-	624,792
Deferred inflows of resources					
Property taxes levied for subsequent year's budget	2,261,300	905,040	-	-	3,166,340
Unavailable revenue-not collected within the period of availability	158,938	18,024	-	-	176,962
Total deferred inflows of resources	2,420,238	923,064	-	-	3,343,302
Fund Balances					
Nonspendable					
Permanent funds principal	-	-	-	3,983,580	3,983,580
Fire vehicles	-	-	2,567,444	-	2,567,444
Restricted					
Pathway operations and maintenance	137,369	-	-	-	137,369
Drain improvements	2,041,319	-	-	-	2,041,319
Tree conservation and maintenance	1,570,860	-	-	-	1,570,860
Green space preservation	3,614,064	-	-	-	3,614,064
Debt service	-	1,451,712	-	-	1,451,712
Pathway construction	-	-	1,593,749	-	1,593,749
Fire vehicles and equipment	-	-	7,507,746	-	7,507,746
Trusts	-	-	-	221,012	221,012
Assigned					
Capital projects	-	-	1,456,055	-	1,456,055
Total fund balances	<u>7,363,612</u>	<u>1,451,712</u>	<u>13,124,994</u>	<u>4,204,592</u>	<u>26,144,910</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,276,017</u>	<u>\$ 2,376,508</u>	<u>\$ 13,255,887</u>	<u>\$ 4,204,592</u>	<u>\$ 30,113,004</u>

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, 2015

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental
Revenue					
Federal grant	\$ 153,287	\$ -	\$ -	\$ -	\$ 153,287
Property taxes	3,067,770	897,404	-	-	3,965,174
Charges for services	230,059	-	-	-	230,059
Investment earnings (loss)	23,014	5,682	39,471	(135,626)	(67,459)
Special assessments	-	23,733	-	-	23,733
Sale of assets	-	-	15,306	-	15,306
Other	<u>35,281</u>	<u>-</u>	<u>14,038</u>	<u>47,239</u>	<u>96,558</u>
Total revenue	3,509,411	926,819	68,815	(88,387)	4,416,658
Expenditures					
Public works	1,199,949	-	171,667	-	1,371,616
Parks and recreation	1,689,655	-	-	-	1,689,655
Capital outlay	-	-	297,589	-	297,589
Debt service:					
Principal retirement	-	2,345,000	-	-	2,345,000
Interest and fiscal charges	-	460,802	-	-	460,802
Paying agent and other	<u>-</u>	<u>3,206</u>	<u>-</u>	<u>-</u>	<u>3,206</u>
Total expenditures	<u>2,889,604</u>	<u>2,809,008</u>	<u>469,256</u>	<u>-</u>	<u>6,167,868</u>
Excess of Revenue Over (Under)					
Expenditures	619,807	(1,882,189)	(400,441)	(88,387)	(1,751,210)
Other Financing Sources (Uses)					
Transfers in	125,150	1,424,600	1,797,930	3,000,000	6,347,680
Transfers out	<u>(3,181,320)</u>	<u>-</u>	<u>(2,526,770)</u>	<u>-</u>	<u>(5,708,090)</u>
Total other financing sources (uses)	<u>(3,056,170)</u>	<u>1,424,600</u>	<u>(728,840)</u>	<u>3,000,000</u>	<u>639,590</u>
Net Change in Fund Balance	(2,436,363)	(457,589)	(1,129,281)	2,911,613	(1,111,620)
Fund Balances - Beginning of year	<u>9,799,975</u>	<u>1,909,301</u>	<u>14,254,275</u>	<u>1,292,979</u>	<u>27,256,530</u>
Fund Balances - End of year	<u>\$ 7,363,612</u>	<u>\$ 1,451,712</u>	<u>\$ 13,124,994</u>	<u>\$ 4,204,592</u>	<u>\$ 26,144,910</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 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.

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.

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.

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	Tree Fund
Assets			
Cash and investments	\$ 300,639	\$ 458,606	\$ 1,885,962
Receivables:			
Property tax	310,744	296,071	-
State of Mchigan	-	-	-
Accounts	-	33,959	1,500
Accrued interest	-	-	2,676
Other assets	-	290	-
Total assets	<u>\$ 611,383</u>	<u>\$ 788,926</u>	<u>\$ 1,890,138</u>
Liabilities, Deferred Inflows of Resources and Fund Balance			
Liabilities			
Accounts payable	\$ -	\$ 54,794	\$ 1,272
Accrued wages	-	824	-
Deposits and escrows	-	-	317,256
Other liabilities	-	977	-
Total liabilities	-	56,595	318,528
Deferred inflows of resources			
Property taxes levied for subsequent year's budget	611,383	582,508	-
Unavailable revenue-not collected within the period of availability	-	12,454	750
Total deferred inflows of resources	611,383	594,962	750
Fund Balances			
Restricted			
Pathway operations and maintenance	-	137,369	-
Drain improvements	-	-	-
Tree conservation and maintenance	-	-	1,570,860
Green space preservation	-	-	-
Total fund balances	-	137,369	1,570,860
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 611,383</u>	<u>\$ 788,926</u>	<u>\$ 1,890,138</u>

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Special Revenue Funds Combining Balance Sheet December 31, 2015

Public Improvement Fund	Older Persons' Millage Fund	Green Space Preservation	Total Nonmajor Special Revenue Funds
\$ 2,134,650	\$ 524,872	\$ 3,630,100	\$ 8,934,829
-	542,537	-	1,149,352
145,734	-	-	145,734
-	-	-	35,459
1,260	-	1,157	5,093
5,243	-	17	5,550
<u>\$ 2,286,887</u>	<u>\$ 1,067,409</u>	<u>\$ 3,631,274</u>	<u>\$ 10,276,017</u>
\$ 97,712	\$ -	\$ 15,402	\$ 169,180
2,122	-	246	3,192
-	-	-	317,256
-	-	1,562	2,539
<u>99,834</u>	<u>-</u>	<u>17,210</u>	<u>492,167</u>
-	1,067,409	-	2,261,300
145,734	-	-	158,938
<u>145,734</u>	<u>1,067,409</u>	<u>-</u>	<u>2,420,238</u>
-	-	-	137,369
2,041,319	-	-	2,041,319
-	-	-	1,570,860
-	-	3,614,064	3,614,064
<u>2,041,319</u>	<u>-</u>	<u>3,614,064</u>	<u>7,363,612</u>
<u>\$ 2,286,887</u>	<u>\$ 1,067,409</u>	<u>\$ 3,631,274</u>	<u>\$ 10,276,017</u>

City of Rochester Hills, Michigan

	R.A.R.A Millage		
	Fund	Pathway Fund	Tree Fund
Revenue			
Property taxes	\$ 593,817	\$ 565,795	\$ -
State grant	-	-	750
Charges for services	-	7,677	42,680
Investment earnings	-	622	6,185
Other	-	24,677	300
Total revenue	<u>593,817</u>	<u>598,771</u>	<u>49,915</u>
Expenditures			
Public works	-	385,992	82,772
Parks and recreation	<u>593,817</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>593,817</u>	<u>385,992</u>	<u>82,772</u>
Excess of Revenue Over (Under) Expenditures	-	212,779	(32,857)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	(176,040)	(5,280)
Total other financing sources (uses)	<u>-</u>	<u>(176,040)</u>	<u>(5,280)</u>
Net Change in Fund Balance	-	36,739	(38,137)
Fund Balances - Beginning of year	<u>-</u>	<u>100,630</u>	<u>1,608,997</u>
Fund Balances - End of year	<u>\$ -</u>	<u>\$ 137,369</u>	<u>\$ 1,570,860</u>

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Special Revenue Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Year Ended December 31, 2015

Public Improvement Fund	Older Persons' Millage Fund	Green Space Preservation	Total Nonmajor Special Revenue Funds
\$ -	\$ 1,003,054	\$ 905,104	\$ 3,067,770
152,537	-	-	153,287
179,702	-	-	230,059
5,757	-	10,450	23,014
<u>10,304</u>	<u>-</u>	<u>-</u>	<u>35,281</u>
348,300	1,003,054	915,554	3,509,411
731,185	-	-	1,199,949
<u>-</u>	<u>1,003,054</u>	<u>92,784</u>	<u>1,689,655</u>
<u>731,185</u>	<u>1,003,054</u>	<u>92,784</u>	<u>2,889,604</u>
(382,885)	-	822,770	619,807
125,150	-	-	125,150
<u>-</u>	<u>-</u>	<u>(3,000,000)</u>	<u>(3,181,320)</u>
<u>125,150</u>	<u>-</u>	<u>(3,000,000)</u>	<u>(3,056,170)</u>
(257,735)	-	(2,177,230)	(2,436,363)
<u>2,299,054</u>	<u>-</u>	<u>5,791,294</u>	<u>9,799,975</u>
<u><u>\$ 2,041,319</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,614,064</u></u>	<u><u>\$ 7,363,612</u></u>

City of Rochester Hills, Michigan

	R.A.R.A. Millage Fund			Pathway Fund		
	Amended Budget (Unaudited)	Actual	Variance with Amended Budget	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue						
Property taxes	\$ 594,240	\$ 593,817	\$ (423)	\$ 565,810	\$ 565,795	\$ (15)
State grant	-	-	-	-	-	-
Charges for services	-	-	-	6,700	7,677	977
Investment earnings	-	-	-	550	622	72
Other	-	-	-	52,000	24,677	(27,323)
Transfers in	-	-	-	-	-	-
Total revenue	594,240	593,817	(423)	625,060	598,771	(26,289)
Expenditures						
Public works	-	-	-	449,020	385,992	63,028
Parks and recreation	594,240	593,817	423	-	-	-
Transfers out	-	-	-	176,040	176,040	-
Total expenditures	594,240	593,817	423	625,060	562,032	63,028
Excess of Revenue Over (Under)						
Expenditures	-	-	-	-	36,739	36,739
Fund Balances - Beginning of year	-	-	-	100,630	100,630	-
Fund Balances - End of year	\$ -	\$ -	\$ -	\$ 100,630	\$ 137,369	\$ 36,739

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Special Revenue Funds Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances Amended Budget and Actual Year Ended December 31, 2015

Tree Fund			Public Improvement Fund			Older Persons' Millage Fund		
Amended Budget (Unaudited)	Actual	Variance with Amended Budget	Amended Budget (Unaudited)	Actual	Variance with Amended Budget	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,003,760	\$ 1,003,054	\$ (706)
-	750	750	200,000	152,537	(47,463)	-	-	-
42,680	42,680	-	145,700	179,702	34,002	-	-	-
6,000	6,185	185	3,500	5,757	2,257	-	-	-
300	300	-	10,280	10,304	24	-	-	-
-	-	-	<u>125,150</u>	<u>125,150</u>	-	-	-	-
48,980	49,915	935	484,630	473,450	(11,180)	1,003,760	1,003,054	(706)
75,000	82,772	(7,772)	898,230	731,185	167,045	-	-	-
-	-	-	-	-	-	1,003,760	1,003,054	706
<u>5,280</u>	<u>5,280</u>	-	-	-	-	-	-	-
<u>80,280</u>	<u>88,052</u>	<u>(7,772)</u>	<u>898,230</u>	<u>731,185</u>	<u>167,045</u>	<u>1,003,760</u>	<u>1,003,054</u>	<u>706</u>
(31,300)	(38,137)	(6,837)	(413,600)	(257,735)	155,865	-	-	-
<u>1,608,997</u>	<u>1,608,997</u>	-	<u>2,299,054</u>	<u>2,299,054</u>	-	-	-	-
<u>\$ 1,577,697</u>	<u>\$ 1,570,860</u>	<u>\$ (6,837)</u>	<u>\$ 1,885,454</u>	<u>\$ 2,041,319</u>	<u>\$ 155,865</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued on next page)

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Special Revenue Funds Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances Amended Budget and Actual (Continued) Year Ended December 31, 2015

	Green Space Preservation			Total		
	Amended Budget (Unaudited)	Actual	Variance	Amended Budget (Unaudited)	Actual	Variance
			with Amended Budget			with Amended Budget
Revenue						
Property taxes	\$ 905,120	\$ 905,104	\$ (16)	\$ 3,068,930	\$ 3,067,770	\$ (1,160)
State grant	-	-	-	200,000	153,287	(46,713)
Charges for services	-	-	-	195,080	230,059	34,979
Investment earnings	10,000	10,450	450	20,050	23,014	2,964
Other	-	-	-	62,580	35,281	(27,299)
Transfers in	-	-	-	125,150	125,150	-
Total revenue	915,120	915,554	434	3,671,790	3,634,561	(37,229)
Expenditures						
Public works	-	-	-	1,422,250	1,199,949	222,301
Parks and recreation	93,540	92,784	756	1,691,540	1,689,655	1,885
Transfers out	3,000,000	3,000,000	-	3,181,320	3,181,320	-
Total expenditures	3,093,540	3,092,784	756	6,295,110	6,070,924	224,186
Excess of Revenue Over (Under)						
Expenditures	(2,178,420)	(2,177,230)	1,190	(2,623,320)	(2,436,363)	186,957
Fund Balances - Beginning of year	5,791,294	5,791,294	-	9,799,975	9,799,975	-
Fund Balances - End of year	\$ 3,612,874	\$ 3,614,064	\$ 1,190	\$ 7,176,655	\$ 7,363,612	\$ 186,957

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.

Local Street Improvement 2001 Fund – This fund 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.

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.

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

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

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

City of Rochester Hills, Michigan

	Road Improvement <u>2001 Fund</u>	Local Street Improvement <u>2001 Fund</u>	<u>Drain Fund</u>
Assets			
Cash and investments	\$ 108,243	\$ 127,042	\$ 735,705
Receivables:			
Property tax	-	-	68,240
Accounts	-	2,538	-
Accrued interest	-	-	701
Long-term receivables - Special assessments	-	18,024	-
Total assets	<u>\$ 108,243</u>	<u>\$ 147,604</u>	<u>\$ 804,646</u>
Liabilities, Deferred Inflows of Resources and Fund Balance			
Liabilities			
Other liabilities	\$ -	\$ -	\$ 433
Total liabilities	-	-	433
Deferred inflows of resources			
Property taxes levied for subsequent year's budget	-	-	135,852
Unavailable revenue-not collected within the period of availability	-	18,024	-
Total deferred inflows of resources	-	18,024	135,852
Fund Balances			
Restricted - Debt service	<u>108,243</u>	<u>129,580</u>	<u>668,361</u>
Total fund balances	<u>108,243</u>	<u>129,580</u>	<u>668,361</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 108,243</u>	<u>\$ 147,604</u>	<u>\$ 804,646</u>

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Debt Service Funds Combining Balance Sheet December 31, 2015

OPC Refunding Bond Series 2010 Fund	Municipal Building Refunding Bond Series 2010 Fund	Refunding Bond Capital Improvement Series 2011	Total Nonmajor Debt Service Funds
\$ 542,952	\$ 4,122	\$ 382,902	\$ 1,900,966
386,039	-	-	454,279
-	-	-	2,538
-	-	-	701
-	-	-	18,024
<u>\$ 928,991</u>	<u>\$ 4,122</u>	<u>\$ 382,902</u>	<u>\$ 2,376,508</u>
\$ 1,299	\$ -	\$ -	\$ 1,732
1,299	-	-	1,732
769,188	-	-	905,040
-	-	-	18,024
769,188	-	-	923,064
158,504	4,122	382,902	1,451,712
<u>158,504</u>	<u>4,122</u>	<u>382,902</u>	<u>1,451,712</u>
<u>\$ 928,991</u>	<u>\$ 4,122</u>	<u>\$ 382,902</u>	<u>\$ 2,376,508</u>

City of Rochester Hills, Michigan

	Road Improvement 2001 Fund	Local Street Improvement 2001 Fund	Drain Fund
Revenue			
Property taxes	\$ -	\$ 136	\$ 131,179
Investment earnings	41	2,986	1,978
Special assessments	-	23,733	-
Total revenue	41	26,855	133,157
Expenditures			
Principal retirement	250,000	250,000	160,000
Interest	22,875	24,425	40,838
Miscellaneous	300	600	433
Total expenditures	273,175	275,025	201,271
Excess of Revenue Over (Under) Expenditures	(273,134)	(248,170)	(68,114)
Other Financing Sources (Uses)			
Transfer in	164,680	168,740	-
Total other financing sources (uses)	164,680	168,740	-
Net Change in Fund Balance	(108,454)	(79,430)	(68,114)
Fund Balances - Beginning of year	216,697	209,010	736,475
Fund Balances - End of year	<u>\$ 108,243</u>	<u>\$ 129,580</u>	<u>\$ 668,361</u>

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Debt Service Funds Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2015

OPC Refunding Bond Series 2010 Fund	Municipal Building Refunding Bond Series 2010 Fund	Refunding Bond Capital Improvement Series 2011	Total Nonmajor Debt Service Funds
\$ 764,814	\$ 784	\$ 491	\$ 897,404
399	9	269	5,682
-	-	-	23,733
<u>765,213</u>	<u>793</u>	<u>760</u>	<u>926,819</u>
610,000	615,000	460,000	2,345,000
162,538	175,588	34,538	460,802
<u>1,373</u>	<u>250</u>	<u>250</u>	<u>3,206</u>
<u>773,911</u>	<u>790,838</u>	<u>494,788</u>	<u>2,809,008</u>
(8,698)	(790,045)	(494,028)	(1,882,189)
-	<u>790,330</u>	<u>300,850</u>	<u>1,424,600</u>
-	<u>790,330</u>	<u>300,850</u>	<u>1,424,600</u>
(8,698)	285	(193,178)	(457,589)
<u>167,202</u>	<u>3,837</u>	<u>576,080</u>	<u>1,909,301</u>
<u>\$ 158,504</u>	<u>\$ 4,122</u>	<u>\$ 382,902</u>	<u>\$ 1,451,712</u>

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	\$ -	\$ -	\$ -	\$ 130	\$ 136	\$ 6
Investment earnings	20	41	21	2,360	2,986	626
Special assessments	-	-	-	24,280	23,733	(547)
Transfers in	<u>164,680</u>	<u>164,680</u>	<u>-</u>	<u>168,740</u>	<u>168,740</u>	<u>-</u>
Total revenue	164,700	164,721	21	195,510	195,595	85
Expenditures						
Principal retirement	250,000	250,000	-	250,000	250,000	-
Interest	22,880	22,875	5	24,430	24,425	5
Miscellaneous	<u>300</u>	<u>300</u>	<u>-</u>	<u>600</u>	<u>600</u>	<u>-</u>
Total expenditures	<u>273,180</u>	<u>273,175</u>	<u>5</u>	<u>275,030</u>	<u>275,025</u>	<u>5</u>
Excess of Revenue Over (Under)						
Expenditures	(108,480)	(108,454)	26	(79,520)	(79,430)	90
Fund Balances - Beginning of year	<u>216,697</u>	<u>216,697</u>	<u>-</u>	<u>209,010</u>	<u>209,010</u>	<u>-</u>
Fund Balances - End of year	<u>\$ 108,217</u>	<u>\$ 108,243</u>	<u>\$ 26</u>	<u>\$ 129,490</u>	<u>\$ 129,580</u>	<u>\$ 90</u>

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Debt Service Funds Combining Schedules of Revenue, Expenditures, and Changes in Fund Balances Amended Budget and Actual Year Ended December 31, 2015

Drain Fund			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	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
\$ 131,100	\$ 131,179	\$ 79	\$ 764,810	\$ 764,814	\$ 4	\$ 780	\$ 784	\$ 4
1,840	1,978	138	350	399	49	-	9	9
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	790,330	790,330	-
132,940	133,157	217	765,160	765,213	53	791,110	791,123	13
160,000	160,000	-	610,000	610,000	-	615,000	615,000	-
41,840	40,838	1,002	162,540	162,538	2	175,590	175,588	2
290	433	(143)	480	1,373	(893)	280	250	30
202,130	201,271	859	773,020	773,911	(891)	790,870	790,838	32
(69,190)	(68,114)	1,076	(7,860)	(8,698)	(838)	240	285	45
736,475	736,475	-	167,202	167,202	-	3,837	3,837	-
<u>\$ 667,285</u>	<u>\$ 668,361</u>	<u>\$ 1,076</u>	<u>\$ 159,342</u>	<u>\$ 158,504</u>	<u>\$ (838)</u>	<u>\$ 4,077</u>	<u>\$ 4,122</u>	<u>\$ 45</u>

(Continued on next page)

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Debt Service Funds (Continued) Combining Schedule of Revenue, Expenditures, and Changes in Fund Balances Amended Budget and Actual Year Ended December 31, 2015

	Refunding Bond Capital Improvement, Series 2011			Total		
	Amended Budget (Unaudited)	Actual	Variance with Amended Budget	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
	Revenue					
Property taxes	\$ 490	\$ 491	\$ 1	\$ 897,310	\$ 897,404	\$ 94
Investment earnings	240	269	29	4,810	5,682	872
Special assessments	-	-	-	24,280	23,733	(547)
Transfers in	<u>300,850</u>	<u>300,850</u>	<u>-</u>	<u>1,424,600</u>	<u>1,424,600</u>	<u>-</u>
Total revenue	301,580	301,610	30	2,351,000	2,351,419	419
Expenditures						
Principal retirement	460,000	460,000	-	2,345,000	2,345,000	-
Interest	34,540	34,538	2	461,820	460,802	1,018
Miscellaneous	<u>280</u>	<u>250</u>	<u>30</u>	<u>2,230</u>	<u>3,206</u>	<u>(976)</u>
Total expenditures	<u>494,820</u>	<u>494,788</u>	<u>32</u>	<u>2,809,050</u>	<u>2,809,008</u>	<u>42</u>
Excess of Revenue Over (Under)						
Expenditures	(193,240)	(193,178)	62	(458,050)	(457,589)	461
Fund Balances - Beginning of year	<u>576,080</u>	<u>576,080</u>	<u>-</u>	<u>1,909,301</u>	<u>1,909,301</u>	<u>-</u>
Fund Balances - End of year	<u>\$ 382,840</u>	<u>\$ 382,902</u>	<u>\$ 62</u>	<u>\$ 1,451,251</u>	<u>\$ 1,451,712</u>	<u>\$ 461</u>

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.

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.

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.

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.

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Capital Projects Funds Combining Balance Sheet December 31, 2015

	Fire Capital Fund	Pathway Construction Fund	Capital Improvement Fund	Total Nonmajor Capital Project Funds
Assets				
Cash and investments	\$ 7,575,797	\$ 1,645,168	\$ 1,454,898	\$ 10,675,863
Receivables:				
Accrued interest	10,570	853	1,157	12,580
Prepaid cost and other assets	<u>2,567,444</u>	<u>-</u>	<u>-</u>	<u>2,567,444</u>
 Total assets	 <u>\$ 10,153,811</u>	 <u>\$ 1,646,021</u>	 <u>\$ 1,456,055</u>	 <u>\$ 13,255,887</u>
 Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 78,621	\$ 49,272	\$ -	\$ 127,893
Retainages payable	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total liabilities	78,621	52,272	-	130,893
 Fund Balances				
Nonspendable				
Fire vehicles	2,567,444	-	-	2,567,444
Restricted				
Pathway construction	-	1,593,749	-	1,593,749
Fire vehicles and equipment	7,507,746	-	-	7,507,746
Assigned - Capital projects	<u>-</u>	<u>-</u>	<u>1,456,055</u>	<u>1,456,055</u>
Total fund balances	<u>10,075,190</u>	<u>1,593,749</u>	<u>1,456,055</u>	<u>13,124,994</u>
 Total liabilities and fund balances	 <u>\$ 10,153,811</u>	 <u>\$ 1,646,021</u>	 <u>\$ 1,456,055</u>	 <u>\$ 13,255,887</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, 2015

	Fire Capital Fund	Pathway Construction Fund	Capital Improvement Fund	Total Nonmajor Capital Project Funds
Revenue				
Investment earnings	\$ 25,974	\$ 5,299	\$ 8,198	\$ 39,471
Sale of assets	15,306	-	-	15,306
Other	<u>938</u>	<u>13,100</u>	<u>-</u>	<u>14,038</u>
Total revenue	42,218	18,399	8,198	68,815
Expenditures				
Capital outlay	164,650	132,939	-	297,589
Miscellaneous	<u>162,247</u>	<u>-</u>	<u>9,420</u>	<u>171,667</u>
Total Expenditures	<u>326,897</u>	<u>132,939</u>	<u>9,420</u>	<u>469,256</u>
Excess of Revenue Over (Under)				
Expenditures	(284,679)	(114,540)	(1,222)	(400,441)
Other Financing Sources				
Transfers in	1,621,890	176,040	-	1,797,930
Transfers out	<u>-</u>	<u>-</u>	<u>(2,526,770)</u>	<u>(2,526,770)</u>
Total other financing sources (uses)	<u>1,621,890</u>	<u>176,040</u>	<u>(2,526,770)</u>	<u>(728,840)</u>
Net Change in Fund Balance	1,337,211	61,500	(2,527,992)	(1,129,281)
Fund Balances - Beginning of year	<u>8,737,979</u>	<u>1,532,249</u>	<u>3,984,047</u>	<u>14,254,275</u>
Fund Balances - End of year	<u><u>\$ 10,075,190</u></u>	<u><u>\$ 1,593,749</u></u>	<u><u>\$ 1,456,055</u></u>	<u><u>\$ 13,124,994</u></u>

City of Rochester Hills, Michigan

	Fire Capital Fund			Pathway Construction Fund		
	Amended		Variance	Amended		Variance
	Budget	Actual	with	Budget	Actual	with
	(Unaudited)		Amended	(Unaudited)		Amended
			Budget			Budget
Revenue						
Investment earnings	\$ 23,000	\$ 25,974	\$ 2,974	\$ 4,500	\$ 5,299	\$ 799
Sale of assets	15,000	15,306	306	-	-	-
Transfers in	1,621,890	1,621,890	-	176,040	176,040	-
Other	1,000	938	(62)	230	13,100	12,870
Total revenue	1,660,890	1,664,108	3,218	180,770	194,439	13,669
Expenditures						
Capital outlay	213,660	164,650	49,010	183,680	132,939	50,741
Miscellaneous	200,000	162,247	37,753	-	-	-
Transfers out	-	-	-	-	-	-
Total expenditures	413,660	326,897	86,763	183,680	132,939	50,741
Excess of Revenue Over (Under)						
Expenditures	1,247,230	1,337,211	89,981	(2,910)	61,500	64,410
Fund Balances - Beginning of year	<u>8,737,979</u>	<u>8,737,979</u>	<u>-</u>	<u>1,532,249</u>	<u>1,532,249</u>	<u>-</u>
Fund Balances - End of year	<u>\$ 9,985,209</u>	<u>\$ 10,075,190</u>	<u>\$ 89,981</u>	<u>\$ 1,529,339</u>	<u>\$ 1,593,749</u>	<u>\$ 64,410</u>

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Capital Projects Funds Combining Schedules of Revenue, Expenditures, and Changes in Fund Balances Amended Budget to Actual Year Ended December 31, 2015

Capital Improvement Fund			Total		
Amended Budget (Unaudited)	Actual	Variance with Amended Budget	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
\$ 8,000	\$ 8,198	\$ 198	\$ 35,500	\$ 39,471	\$ 3,971
-	-	-	15,000	15,306	306
-	-	-	1,797,930	1,797,930	-
-	-	-	1,230	14,038	12,808
8,000	8,198	198	1,849,660	1,866,745	17,085
15,000	-	15,000	412,340	297,589	114,751
10,000	9,420	580	210,000	171,667	38,333
<u>2,526,770</u>	<u>2,526,770</u>	<u>-</u>	<u>2,526,770</u>	<u>2,526,770</u>	<u>-</u>
<u>2,551,770</u>	<u>2,536,190</u>	<u>15,580</u>	<u>3,149,110</u>	<u>2,996,026</u>	<u>153,084</u>
(2,543,770)	(2,527,992)	15,778	(1,299,450)	(1,129,281)	170,169
<u>3,984,047</u>	<u>3,984,047</u>	<u>-</u>	<u>14,254,275</u>	<u>14,254,275</u>	<u>-</u>
<u>\$ 1,440,277</u>	<u>\$ 1,456,055</u>	<u>\$ 15,778</u>	<u>\$ 12,954,825</u>	<u>\$ 13,124,994</u>	<u>\$ 170,169</u>



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Permanent Funds

Permanent Funds are used to account for the resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes the government's specific activity.

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

Green Space Trust Fund – This fund accounts for the general care, maintenance, protection of, and to improve pedestrian accessibility to and within the green spaces properties owned, acquired or controlled by the City.

City of Rochester Hills, Michigan

Permanent Funds Balance Sheet December 31, 2015

	Cemetery Trust	Green Space Trust	Total
Assets			
Cash and investments	\$ 1,342,122	\$ 2,862,470	\$ 4,204,592
Total assets	<u>\$ 1,342,122</u>	<u>\$ 2,862,470</u>	<u>\$ 4,204,592</u>
Fund Balances			
Nonspendable - Permanent Fund Principal	\$ 1,121,110	\$ 2,862,470	\$ 3,983,580
Restricted for Trust	<u>221,012</u>	<u>-</u>	<u>221,012</u>
Total fund balances	<u>1,342,122</u>	<u>2,862,470</u>	<u>4,204,592</u>
Total liabilities and fund balances	<u>\$ 1,342,122</u>	<u>\$ 2,862,470</u>	<u>\$ 4,204,592</u>

City of Rochester Hills, Michigan

Permanent Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2015

	Cemetery Trust	Green Space Trust	Total
Revenue			
Investment earnings (loss) - spendable	\$ 1,904	\$ (137,530)	\$ (135,626)
Transfer in	-	3,000,000	3,000,000
Other	47,239	-	47,239
Total revenue	49,143	2,862,470	2,911,613
 Net Change in Fund Balance	 49,143	 2,862,470	 2,911,613
 Fund Balances - Beginning of year	 1,292,979	 -	 1,292,979
 Fund Balances - End of year	 \$ 1,342,122	 \$ 2,862,470	 \$ 4,204,592

City of Rochester Hills, Michigan

Permanent Funds

Schedule of Revenue, Expenditures, and Changes in Fund Balances

Amended Budget to Actual

Year Ended December 31, 2015

	Cemetery Trust		
	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue			
Investment earnings (loss) - spendable	\$ 1,500	\$ 1,904	\$ 404
Transfer in	-	-	-
Other	49,500	47,239	(2,261)
 Total revenue	 51,000	 49,143	 (1,857)
 Fund Balances - Beginning of year	 <u>1,292,979</u>	 <u>1,292,979</u>	 <u>-</u>
 Fund Balances - End of year	 <u>\$ 1,343,979</u>	 <u>\$ 1,342,122</u>	 <u>\$ (1,857)</u>

City of Rochester Hills, Michigan

Permanent Funds Schedule of Revenue, Expenditures, and Changes in Fund Balances Amended Budget to Actual Year Ended December 31, 2015

Green Space Trust			Total		
Amended Budget (Unaudited)	Actual	Variance with Amended Budget	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
\$ -	\$ (137,530)	\$ (137,530)	\$ 1,500	\$ (135,626)	\$ (137,126)
3,000,000	3,000,000	-	3,000,000	3,000,000	-
-	-	-	49,500	47,239	(2,261)
3,000,000	2,862,470	(137,530)	3,051,000	2,911,613	(139,387)
-	-	-	1,292,979	1,292,979	-
<u>\$ 3,000,000</u>	<u>\$ 2,862,470</u>	<u>\$ (137,530)</u>	<u>\$ 4,343,979</u>	<u>\$ 4,204,592</u>	<u>\$ (139,387)</u>



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Internal Service Funds

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

Facilities Fund – This fund accounts for the costs of operating and maintaining the land and buildings of the City, excluding the water and sewer building.

Management Information Systems Fund – This fund accounts for the costs of data processing services provided to various City departments. The actual cost of materials and services is reimbursed to this fund by the user departments.

Fleet Equipment Fund – This fund accounts for the costs of acquiring and maintaining City-operated vehicles used by various City departments. The actual cost of labor and materials is reimbursed to this fund by the user departments.

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



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City of Rochester Hills, Michigan

Internal Service Funds Combining Statement of Net Position December 31, 2015

	Facilities Fund	Management Information Systems Fund	Fleet Equipment Fund	Insurance Fund	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 5,032,462	\$ 1,869,758	\$ 2,246,340	\$ 1,306,017	\$ 10,454,577
Investments	5,150,000	1,498,984	5,236,398	-	11,885,382
Accrued interest receivable	5,663	1,426	8,325	-	15,414
Other	<u>10,891</u>	<u>588</u>	<u>22,254</u>	<u>234,875</u>	<u>268,608</u>
Total current assets	10,199,016	3,370,756	7,513,317	1,540,892	22,623,981
Property, Plant, and Equipment					
Land	17,791,940	-	-	-	17,791,940
Land improvements	4,544,862	-	-	-	4,544,862
Building	32,324,933	-	-	-	32,324,933
Furniture	1,555,399	2,126,310	-	-	3,681,709
Machinery and equipment	1,486,467	-	2,762,238	-	4,248,705
Vehicles	<u>-</u>	<u>-</u>	<u>5,925,499</u>	<u>-</u>	<u>5,925,499</u>
Total property, plant, and equipment	<u>57,703,601</u>	<u>2,126,310</u>	<u>8,687,737</u>	<u>-</u>	<u>68,517,648</u>
Less accumulated depreciation	(21,542,025)	(1,519,590)	(5,203,906)	-	(28,265,521)
Net property, plant, and equipment	<u>36,161,576</u>	<u>606,720</u>	<u>3,483,831</u>	<u>-</u>	<u>40,252,127</u>
Total assets	46,360,592	3,977,476	10,997,148	1,540,892	62,876,108
Liabilities					
Current liabilities:					
Accounts payable	721,990	30,277	61,683	4,961	818,911
Retainage payable	68,809	-	-	-	68,809
Accrued wages	8,569	11,499	7,833	-	27,901
Accrued vacation	52,850	73,030	39,815	-	165,695
Accrued annual leave	21,782	28,858	19,397	-	70,037
Payable related to debt or capital lease obligations:					
Due in less than one year - Debt	305,000	-	-	-	305,000
Due in less than one year - Capital lease	-	20,528	-	-	20,528
Accrued interest	9,467	-	-	-	9,467
Other liabilities	<u>24,451</u>	<u>-</u>	<u>-</u>	<u>261,222</u>	<u>285,673</u>
Total current liabilities	1,212,918	164,192	128,728	266,183	1,772,021
Long-term liabilities - debt less current portion	<u>1,115,000</u>	<u>26,842</u>	<u>-</u>	<u>-</u>	<u>1,141,842</u>
Total liabilities	<u>2,327,918</u>	<u>191,034</u>	<u>128,728</u>	<u>266,183</u>	<u>2,913,863</u>
Net Position					
Net investment in capital assets	34,741,576	559,350	3,483,831	-	38,784,757
Unrestricted	<u>9,291,098</u>	<u>3,227,092</u>	<u>7,384,589</u>	<u>1,274,709</u>	<u>21,177,488</u>
Total net position	<u>\$ 44,032,674</u>	<u>\$ 3,786,442</u>	<u>\$ 10,868,420</u>	<u>\$ 1,274,709</u>	<u>\$ 59,962,245</u>

City of Rochester Hills, Michigan

Internal Service Funds

Combining Statement of Revenues, Expenses, and Changes in Net Position Year Ended December 31, 2015

	Facilities Fund	Management Information Systems Fund	Fleet Equipment Fund	Insurance Fund	Total
Operating Revenue					
Charges for services	\$ 2,531,505	\$ 1,848,030	\$ 2,587,476	\$ -	\$ 6,967,011
Miscellaneous revenue	13,555	3,101	7,998	565,415	590,069
Total operating revenue	2,545,060	1,851,131	2,595,474	565,415	7,557,080
Operating Expenses					
Salaries and wages	685,910	931,336	695,297	-	2,312,543
Public utilities	555,072	-	-	-	555,072
Professional services	646,011	346,654	499,837	762,878	2,255,380
Materials and supplies	90,470	38,574	20,099	-	149,143
Repairs and maintenance	186,281	158,495	502,622	-	847,398
Rentals	3,709	-	2,554	-	6,263
Depreciation and amortization	1,264,520	413,231	645,910	-	2,323,661
Total operating expenses	3,431,973	1,888,290	2,366,319	762,878	8,449,460
Operating Income (Loss)	(886,913)	(37,159)	229,155	(197,463)	(892,380)
Nonoperating Revenues (Expenses)					
Investment earnings	20,094	8,298	21,241	8,385	58,018
Interest expense	(28,707)	(2,329)	-	-	(31,036)
Gain (loss) on sale of assets	5	6,325	140,030	-	146,360
Total nonoperating revenues (expenses)	(8,608)	12,294	161,271	8,385	173,342
Income (Loss) - Before capital contributions and transfers	(895,521)	(24,865)	390,426	(189,078)	(719,038)
Capital Contributions					
Federal grant	1,796	-	-	-	1,796
Other capital contributions	307,978	-	-	-	307,978
Total capital contributions	309,774	-	-	-	309,774
Transfers					
Transfer in	5,442,541	-	-	-	5,442,541
Transfer out	(790,330)	-	-	-	(790,330)
Total transfers	4,652,211	-	-	-	4,652,211
Change in Net Position	4,066,464	(24,865)	390,426	(189,078)	4,242,947
Net Position - Beginning of year	39,966,210	3,811,307	10,477,994	1,463,787	55,719,298
Net Position - End of year	<u>\$ 44,032,674</u>	<u>\$ 3,786,442</u>	<u>\$ 10,868,420</u>	<u>\$ 1,274,709</u>	<u>\$ 59,962,245</u>

City of Rochester Hills, Michigan

Internal Service Funds Combining Statement of Cash Flows Year Ended December 31, 2015

	Facilities	Management Information Systems Fund	Fleet Equipment Fund	Insurance Fund	Total
Cash Flows from Operating Activities					
Cash received from customers	\$ 2,591,258	\$ 1,848,030	\$ 2,574,817	\$ -	\$ 7,014,105
Cash payments for goods and services	(938,738)	(557,819)	(996,666)	(405,931)	(2,899,154)
Cash payments to employees	(674,614)	(949,988)	(714,422)	-	(2,339,024)
Other operating revenue	<u>13,555</u>	<u>3,101</u>	<u>7,998</u>	<u>565,415</u>	<u>590,069</u>
Net cash provided by (used in) operating activities	991,461	343,324	871,727	159,484	2,365,996
Cash Flows from Noncapital Financing Activities					
Transfer in from other funds	792,541	-	-	-	792,541
Transfers out to other funds	<u>(790,330)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(790,330)</u>
Net cash provided by noncapital financing activities	2,211	-	-	-	2,211
Cash Flows from Capital and Related Financing Activities					
Proceeds from sale of capital assets	-	6,325	140,030	-	146,355
Payment for capital acquisitions	(1,927,192)	(153,050)	(516,506)	-	(2,596,748)
Principal payments	(285,000)	(19,721)	-	-	(304,721)
Interest paid	(34,100)	(2,329)	-	-	(36,429)
Federal grant	1,796	-	-	-	1,796
Capital contributions	307,978	-	-	-	307,978
Transfer in from other funds	4,650,000	-	-	-	4,650,000
Transfer out to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used in capital and related financing activities	2,713,482	(168,775)	(376,476)	-	2,148,231
Cash Flows from Investing Activities					
Purchase of investment securities	(6,150,000)	(1,499,408)	(5,737,548)	-	(13,386,956)
Proceeds from maturities of investment securities	4,664,605	1,998,843	6,242,344	-	12,885,792
Receipts of interest and dividends	<u>19,187</u>	<u>8,113</u>	<u>16,229</u>	<u>8,385</u>	<u>51,914</u>
Net cash provided by investing activities	<u>(1,486,208)</u>	<u>507,548</u>	<u>521,025</u>	<u>8,385</u>	<u>(449,250)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,220,946	682,097	1,016,276	167,869	4,087,188
Cash and Cash Equivalents - January 1, 2015	<u>2,811,516</u>	<u>1,187,661</u>	<u>1,230,064</u>	<u>1,138,148</u>	<u>6,367,389</u>
Cash and Cash Equivalents - December 31, 2015	<u>\$ 5,032,462</u>	<u>\$ 1,869,758</u>	<u>\$ 2,246,340</u>	<u>\$ 1,306,017</u>	<u>\$ 10,454,577</u>

(Continued on next page)

City of Rochester Hills, Michigan

Internal Service Funds

Combining Statement of Cash Flows (Continued)

Year Ended December 31, 2015

	Facilities	Management Information Systems Fund	Fleet Equipment Fund	Insurance Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ (886,913)	\$ (37,159)	\$ 229,155	\$ (197,463)	\$ (892,380)
Adjustments to reconcile operating income (loss) to net cash from operating activities - Changes in assets and liabilities:					
Depreciation expense	1,264,520	413,231	645,910	-	2,323,661
Decrease (increase) in accounts receivable	59,753	-	(12,659)	-	47,094
Decrease (increase) in other assets	(268)	1,353	(859)	-	226
Increase (decrease) in accounts payable and other accrued expenses	537,678	(15,449)	29,305	4,961	556,495
Increase (decrease) in accrued wages, vacation and annual leave	16,691	(18,652)	(19,125)	-	(21,086)
Increase in other liabilities	-	-	-	351,986	351,986
Total adjustments	<u>1,878,374</u>	<u>380,483</u>	<u>642,572</u>	<u>356,947</u>	<u>3,258,376</u>
Net cash provided by (used in) operating activities	<u>\$ 991,461</u>	<u>\$ 343,324</u>	<u>\$ 871,727</u>	<u>\$ 159,484</u>	<u>\$ 2,365,996</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 Benefit 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.

North Oakland County Water Authority – This fund accounts for resources to purchase water for four local governmental communities.

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

City of Rochester Hills, Michigan

Fiduciary Funds Combining Statement of Net Position December 31, 2015

	Retiree Health Care Benefit Trust	Agency Funds				Total Agency Funds
		Trust and Agency Fund	Tax Collection Fund	North Oakland County Water Authority	Payroll Fund	
Assets						
Cash	\$ 54,616	\$ 2,682	\$ 4,136,424	\$ 7,508,487	\$ 35,265	\$ 11,682,858
Investments - Mutual funds	<u>1,878,214</u>	-	-	-	-	-
Total assets	<u>\$ 1,932,830</u>	<u>\$ 2,682</u>	<u>\$ 4,136,424</u>	<u>\$ 7,508,487</u>	<u>\$ 35,265</u>	<u>\$ 11,682,858</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 4,265	\$ 4,265
Due to other governmental units	-	2,682	3,971,891	7,508,487	31,000	11,514,060
Accrued and other liabilities	-	-	<u>164,533</u>	-	-	<u>164,533</u>
Total liabilities	-	<u>\$ 2,682</u>	<u>\$ 4,136,424</u>	<u>\$ 7,508,487</u>	<u>\$ 35,265</u>	<u>\$ 11,682,858</u>
Net Position - Held in trust for benefits	<u>\$ 1,932,830</u>					

City of Rochester Hills, Michigan

Agency Funds Combining Statement of Changes in Assets and Liabilities Year Ended December 31, 2015

	Balance January 1, 2015	Additions	Deductions	Balance December 31, 2015
<u>Trust and Agency Fund</u>				
Assets - Cash	\$ 3,000	\$ 342,014	\$ 342,332	\$ 2,682
Liabilities				
Accounts payable	\$ -	\$ 143,553	\$ 143,553	\$ -
Due to other governmental units	3,000	1,095,640	1,095,958	2,682
Total liabilities	\$ 3,000	\$ 1,239,193	\$ 1,239,511	\$ 2,682
<u>Tax Collection Fund</u>				
Assets - Cash	\$ 3,258,988	\$ 119,461,126	\$ 118,583,690	\$ 4,136,424
Liabilities				
Accounts payable	\$ -	\$ 560,390	\$ 560,390	\$ -
Due to other governmental/component units	3,123,408	136,033,149	135,184,666	3,971,891
Other liabilities	135,580	680,457	651,504	164,533
Total liabilities	\$ 3,258,988	\$ 137,273,996	\$ 136,396,560	\$ 4,136,424
<u>North Oakland County Water Authority</u>				
Assets - Cash	\$ -	\$ 13,344,044	\$ 5,835,557	\$ 7,508,487
Liabilities				
Accounts payable	\$ -	\$ 11,610,796	\$ 11,610,796	\$ -
Due to other governmental/component units	-	15,407,400	7,898,913	7,508,487
Total liabilities	\$ -	\$ 27,018,196	\$ 19,509,709	\$ 7,508,487
<u>Payroll Fund</u>				
Assets - Cash	\$ 35,940	\$ 17,160,686	\$ 17,161,361	\$ 35,265
Liabilities				
Accounts payable	\$ 3,940	\$ 152,959	\$ 152,634	\$ 4,265
Due to other governmental/component units	32,000	4,156,586	4,157,586	31,000
Total liabilities	\$ 35,940	\$ 4,309,545	\$ 4,310,220	\$ 35,265



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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.



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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			
	2006	2007	2008	2009
Governmental Activities				
Net investment in capital assets	\$ 114,283,971	\$ 120,942,021	\$ 132,920,551	\$ 143,262,388
Restricted	49,911,176	49,530,590	46,078,458	45,513,634
Unrestricted	<u>20,562,505</u>	<u>26,878,656</u>	<u>28,657,852</u>	<u>30,532,380</u>
Total net position	184,757,652	197,351,267	207,656,861	219,308,402
Business-type Activities				
Net investment in capital assets	103,730,294	112,770,535	112,451,368	109,473,244
Unrestricted	<u>21,865,974</u>	<u>15,377,599</u>	<u>16,349,812</u>	<u>18,894,276</u>
Total net position	125,596,268	128,148,134	128,801,180	128,367,520
Primary Government in Total				
Net investment in capital assets	218,014,265	233,712,556	245,371,919	252,735,632
Restricted	49,911,176	49,530,590	46,078,458	45,513,634
Unrestricted	<u>42,428,479</u>	<u>42,256,255</u>	<u>45,007,664</u>	<u>49,426,656</u>
Total net position	<u>\$ 310,353,920</u>	<u>\$ 325,499,401</u>	<u>\$ 336,458,041</u>	<u>\$ 347,675,922</u>

City of Rochester Hills, Michigan

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

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 145,384,763	\$ 145,640,716	\$ 145,142,346	\$ 147,168,547	\$ 155,196,747	\$ 166,817,146
47,311,191	47,528,421	50,063,452	51,090,072	48,467,412	46,692,160
<u>36,011,999</u>	<u>41,111,202</u>	<u>44,348,803</u>	<u>47,065,731</u>	<u>47,770,506</u>	<u>47,488,531</u>
228,707,953	234,280,339	239,554,601	245,324,350	251,434,665	260,997,837
108,400,368	105,213,118	102,227,501	101,946,407	99,934,224	105,882,742
<u>24,607,878</u>	<u>31,342,789</u>	<u>39,915,557</u>	<u>42,854,539</u>	<u>46,634,950</u>	<u>42,945,236</u>
133,008,246	136,555,907	142,143,058	144,800,946	146,569,174	148,827,978
253,785,131	250,853,834	247,369,847	249,114,954	255,130,971	272,699,888
47,311,191	47,528,421	50,063,452	51,090,072	48,467,412	46,692,160
<u>60,619,877</u>	<u>72,453,991</u>	<u>84,264,360</u>	<u>89,920,270</u>	<u>94,405,456</u>	<u>90,433,767</u>
<u>\$ 361,716,199</u>	<u>\$ 370,836,246</u>	<u>\$ 381,697,659</u>	<u>\$ 390,125,296</u>	<u>\$ 398,003,839</u>	<u>\$ 409,825,815</u>

City of Rochester Hills, Michigan

	Fiscal Year			
	2006	2007	2008	2009
Expenses				
Governmental activities:				
General government	\$ 6,299,416	\$ 5,190,888	\$ 5,090,089	\$ 6,347,983
Public works	10,138,213	11,521,381	12,195,118	11,263,739
Public safety	16,632,031	17,721,910	18,700,427	18,392,571
Community and economic development	1,153,060	1,193,025	1,203,475	1,066,989
Recreation and culture	4,744,567	5,098,671	6,626,340	4,876,599
Interest on long-term debt	<u>2,231,178</u>	<u>2,020,901</u>	<u>1,822,708</u>	<u>1,616,853</u>
Total governmental activities expenses	41,198,465	42,746,776	45,638,157	43,564,734
Business-type activities - Water and sewer	<u>22,710,087</u>	<u>23,983,445</u>	<u>26,363,970</u>	<u>26,896,023</u>
Total primary government expenses	<u>63,908,552</u>	<u>66,730,221</u>	<u>72,002,127</u>	<u>70,460,757</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	171,991	191,352	193,570	197,758
Public works	360,254	220,996	274,862	328,823
Public safety	3,453,260	3,387,525	3,432,773	3,078,049
Community and economic development	204,898	84,036	91,197	30,326
Recreation and culture	604,141	663,262	694,404	758,658
Operating grants and contributions	4,721,131	4,759,738	4,579,943	4,453,885
Capital grants and contributions	<u>2,450,364</u>	<u>1,662,224</u>	<u>3,160,070</u>	<u>5,425,635</u>
Total governmental activities program revenues	11,966,039	10,969,133	12,426,819	14,273,134
Business-type activities - Water and sewer				
Charges for service	21,271,242	24,423,551	24,887,533	25,901,158
Capital grants and contributions	<u>3,782,154</u>	<u>1,159,068</u>	<u>1,611,334</u>	<u>362,930</u>
Total business-type activities program revenues	<u>25,053,396</u>	<u>25,582,619</u>	<u>26,498,867</u>	<u>26,264,088</u>
Total primary government program revenues	<u>37,019,435</u>	<u>36,551,752</u>	<u>38,925,686</u>	<u>40,537,222</u>
Net (Expense) Revenue				
Governmental activities	(29,232,426)	(31,777,643)	(33,211,338)	(29,291,600)
Business-type activities	<u>2,343,309</u>	<u>1,599,174</u>	<u>134,897</u>	<u>(631,935)</u>
Total primary government net expenses	<u>(26,889,117)</u>	<u>(30,178,469)</u>	<u>(33,076,441)</u>	<u>(29,923,535)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	29,985,752	31,851,346	32,791,719	32,898,199
State-shared revenues	5,341,983	5,362,252	5,270,042	4,543,462
Unrestricted investment earnings	4,900,644	5,578,240	3,861,984	1,180,742
Unrestricted cable franchise fees	968,467	944,073	978,304	1,037,993
Miscellaneous	619,505	571,400	572,796	1,165,537
Gain on sale of capital assets	87,108	63,947	42,087	117,208
Transfer	-	-	-	-
Contribution to permanent fund-principal	-	-	-	-
Special item	-	-	-	-
Extraordinary item - Consent judgment	<u>(2,443,300)</u>	-	-	-
Total general governmental revenues	39,460,159	44,371,258	43,516,932	40,943,141
Business-type activities				
Unrestricted investment earnings	972,934	918,369	498,092	194,351
Miscellaneous	86,615	34,323	20,057	3,924
Transfer	-	-	-	-
Special item	-	-	-	-
Total general business-type revenues	<u>1,059,549</u>	<u>952,692</u>	<u>518,149</u>	<u>198,275</u>
Total primary government program revenues	40,519,708	45,323,950	44,035,081	41,141,416
Change in Net Position				
Governmental activities	10,227,733	12,593,615	10,305,594	11,651,541
Business-type activities	<u>3,402,858</u>	<u>2,551,866</u>	<u>653,046</u>	<u>(433,660)</u>
Total primary government	<u>\$ 13,630,591</u>	<u>\$ 15,145,481</u>	<u>\$ 10,958,640</u>	<u>\$ 11,217,881</u>

City of Rochester Hills, Michigan

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

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 5,225,635	\$ 5,046,903	\$ 4,695,356	\$ 4,465,008	\$ 3,597,085	\$ 4,885,343
12,220,800	11,965,328	11,621,301	11,699,421	13,234,754	13,411,829
18,072,766	17,885,660	17,920,001	18,548,887	18,429,217	19,426,114
894,785	793,710	864,268	932,396	906,554	1,030,998
4,612,372	4,482,418	4,364,953	4,299,082	5,532,795	4,726,200
<u>1,317,638</u>	<u>944,612</u>	<u>818,736</u>	<u>832,141</u>	<u>556,891</u>	<u>470,805</u>
42,343,996	41,118,631	40,284,615	40,776,935	42,257,296	43,951,289
<u>27,112,560</u>	<u>27,227,738</u>	<u>27,346,260</u>	<u>28,563,981</u>	<u>28,849,470</u>	<u>29,666,789</u>
<u>69,456,556</u>	<u>68,346,369</u>	<u>67,630,875</u>	<u>69,340,916</u>	<u>71,106,766</u>	<u>73,618,078</u>
250,305	271,264	282,168	335,060	364,640	246,661
62,222	364,902	231,815	533,505	403,736	690,360
3,740,432	3,974,851	4,087,803	3,979,720	4,154,668	4,227,208
47,516	21,505	22,709	37,156	48,729	64,019
842,766	825,893	844,302	850,706	843,349	928,764
4,449,772	4,470,444	4,816,403	4,975,418	5,699,964	6,329,670
<u>3,597,135</u>	<u>874,157</u>	<u>593,955</u>	<u>1,620,345</u>	<u>1,176,625</u>	<u>3,067,489</u>
12,990,148	10,803,016	10,879,155	12,331,910	12,691,711	15,554,171
28,970,666	30,055,678	32,375,117	29,727,018	29,610,232	30,669,475
<u>2,653,340</u>	<u>639,083</u>	<u>441,084</u>	<u>1,383,227</u>	<u>736,784</u>	<u>1,063,888</u>
<u>31,624,006</u>	<u>30,694,761</u>	<u>32,816,201</u>	<u>31,110,245</u>	<u>30,347,016</u>	<u>31,733,363</u>
44,614,154	41,497,777	43,695,356	43,442,155	43,038,727	47,287,534
(29,353,848)	(30,315,615)	(29,405,460)	(28,445,025)	(29,565,585)	(28,397,118)
<u>4,511,446</u>	<u>3,467,023</u>	<u>5,469,941</u>	<u>2,546,264</u>	<u>1,497,546</u>	<u>2,066,574</u>
<u>(24,842,402)</u>	<u>(26,848,592)</u>	<u>(23,935,519)</u>	<u>(25,898,761)</u>	<u>(28,068,039)</u>	<u>(26,330,544)</u>
31,667,939	28,181,281	26,417,474	26,270,519	26,609,298	29,505,299
4,449,876	5,077,251	5,247,035	5,372,104	5,520,914	5,522,466
4	442,713	350,337	292,100	234,752	165,103
1,217,626	1,267,159	1,359,968	1,409,770	1,525,713	1,628,426
462,127	772,163	1,078,121	687,926	644,405	912,932
105,124	147,434	226,787	182,355	282,906	178,825
-	-	-	-	14,500	-
-	-	-	-	42,132	47,239
-	-	-	-	801,280	-
-	-	-	-	-	-
38,753,399	35,888,001	34,679,722	34,214,774	35,675,900	37,960,290
122,272	80,553	117,210	111,624	108,464	161,471
7,008	85	-	-	12,300	30,759
-	-	-	-	(14,500)	-
-	-	-	-	164,418	-
<u>129,280</u>	<u>80,638</u>	<u>117,210</u>	<u>111,624</u>	<u>270,682</u>	<u>192,230</u>
38,882,679	35,968,639	34,796,932	34,326,398	35,946,582	38,152,520
9,399,551	5,572,386	5,274,262	5,769,749	6,110,315	9,563,172
4,640,726	3,547,661	5,587,151	2,657,888	1,768,228	2,258,804
<u>14,040,277</u>	<u>9,120,047</u>	<u>10,861,413</u>	<u>8,427,637</u>	<u>7,878,543</u>	<u>11,821,976</u>

City of Rochester Hills, Michigan

	2006	2007	2008	2009
General Fund				
Committed				
Budget stabilization	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Consent judgment	2,443,300	-	-	-
Assigned	-	-	-	-
Unassigned	<u>10,136,148</u>	<u>12,885,787</u>	<u>14,429,937</u>	<u>14,153,056</u>
Total General Fund	13,579,448	13,885,787	15,429,937	15,153,056
All Other Governmental Funds				
Nonspendable				
Inventory	60,563	60,151	107,532	108,824
Permanent Fund Principal	784,983	825,755	854,339	898,772
Fire vehicles	-	-	-	-
Restricted				
Road construction and maintenance	21,301,410	20,213,575	18,687,480	18,106,023
Fire service	1,227,513	1,642,698	1,794,465	1,938,315
Police protection	407,633	200,003	245,991	383,932
Pathway operations and maintenance	241,870	75,302	111,456	144,891
Drain improvements	6,038,430	6,050,306	5,113,813	4,520,953
Tree conservation and maintenance	1,441,848	1,557,407	1,638,492	1,659,911
Green space preservation	1,052,673	1,543,267	1,425,054	2,265,823
Debt service	6,569,620	5,983,256	4,923,532	4,706,620
Pathway construction	2,469,796	2,661,979	2,511,653	2,603,150
Fire vehicles and equipment	7,980,300	8,445,574	8,370,923	8,064,185
Cemetery Trust	334,537	271,317	293,728	112,235
Assigned				
Capital projects	<u>2,824,669</u>	<u>3,602,963</u>	<u>3,947,103</u>	<u>3,810,494</u>
Total other governmental funds	<u>52,735,845</u>	<u>53,133,553</u>	<u>50,025,561</u>	<u>49,324,128</u>
Total of all governmental funds	<u>\$ 66,315,293</u>	<u>\$ 67,019,340</u>	<u>\$ 65,455,498</u>	<u>\$ 64,477,184</u>

City of Rochester Hills, Michigan

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

2010	2011	2012	2013	2014	2015
\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
-	-	-	-	-	-
-	-	-	-	4,313,480	1,032,670
<u>18,175,688</u>	<u>23,793,530</u>	<u>27,286,912</u>	<u>29,741,203</u>	<u>25,944,104</u>	<u>26,898,542</u>
19,175,688	24,793,530	28,286,912	30,741,203	31,257,584	28,931,212
130,100	100,938	165,288	64,159	72,383	117,823
927,311	961,329	986,949	1,031,738	1,073,870	3,983,580
-	-	-	-	-	2,567,444
19,441,018	19,585,696	20,969,948	21,978,688	19,534,464	15,477,806
2,634,008	3,073,339	3,475,915	3,715,509	4,030,819	4,540,861
563,609	694,720	1,017,897	1,270,798	1,557,263	1,866,815
208,313	135,738	126,228	121,733	100,630	137,369
4,317,799	3,573,694	3,028,107	2,451,509	2,299,054	2,041,319
1,643,884	1,665,859	1,641,439	1,609,515	1,608,997	1,570,860
3,303,468	4,220,263	5,093,769	5,951,206	5,791,294	3,614,064
4,250,814	3,809,902	3,373,388	2,475,136	1,909,301	1,451,712
1,607,372	1,570,471	1,609,849	1,471,173	1,532,249	1,593,749
8,162,349	7,935,237	8,370,007	8,731,559	8,737,979	7,507,746
121,146	214,843	213,578	217,349	219,109	221,012
<u>3,922,640</u>	<u>4,048,008</u>	<u>3,966,203</u>	<u>3,843,275</u>	<u>3,984,047</u>	<u>1,456,055</u>
<u>51,233,831</u>	<u>51,590,037</u>	<u>54,038,565</u>	<u>54,933,347</u>	<u>52,451,459</u>	<u>48,148,215</u>
<u>\$ 70,409,519</u>	<u>\$ 76,383,567</u>	<u>\$ 82,325,477</u>	<u>\$ 85,674,550</u>	<u>\$ 83,709,043</u>	<u>\$ 77,079,427</u>

City of Rochester Hills, Michigan

	2006	2007	2008	2009
Revenue				
Property taxes	\$ 29,985,752	\$ 31,851,346	\$ 32,791,719	\$ 32,898,199
Licenses and permits	2,085,161	1,833,330	1,812,760	1,684,243
Federal grants	196,306	417,451	1,088,216	326,125
State-shared revenues and grants	9,720,235	9,632,935	9,447,908	8,700,365
Other governmental revenues	271,548	278,750	1,834,527	1,332,549
Charges for services	6,365,265	6,052,030	6,770,913	7,305,795
Fines and forfeitures	446,243	421,141	471,195	380,016
Interest earnings	4,003,059	4,663,989	3,175,803	954,946
Sale of assets	-	-	-	-
Other	471,312	452,595	476,695	1,369,885
Total revenue	53,544,881	55,603,567	57,869,736	54,952,123
Expenditures				
Current:				
General government	6,747,880	8,799,097	7,367,155	8,551,010
Public works	2,298,684	1,819,806	1,965,170	2,240,229
Public safety	16,599,439	17,726,727	18,418,447	18,543,168
Community and economic development	1,144,244	1,182,824	1,199,020	1,060,982
Streets	3,294,116	4,433,168	4,855,495	4,947,355
Recreation and culture	4,691,740	5,064,526	5,146,701	4,801,681
Capital outlay	3,510,025	8,080,138	13,763,238	8,880,496
Debt service				
Principal	4,286,060	4,496,018	4,644,708	4,997,417
Interest	2,077,158	1,887,132	1,717,185	1,528,045
Miscellaneous	1,359	824	24,559	53,069
Total expenditures	44,650,705	53,490,260	59,101,678	55,603,452
Excess of Revenue Over (Under) Expenditures	8,894,176	2,113,307	(1,231,942)	(651,329)
Other Financing Sources (Uses)				
Debt issuance	-	-	-	-
Debt premium or discount	-	-	-	-
Transfers in	10,208,696	10,105,249	11,739,222	12,218,041
Transfers out	(11,284,976)	(11,514,509)	(12,071,122)	(12,545,026)
Payment to refund bond escrow agent	-	-	-	-
Total other financing sources (uses)	(1,076,280)	(1,409,260)	(331,900)	(326,985)
Special item	-	-	-	-
Net Change in Fund Balances	7,817,896	704,047	(1,563,842)	(978,314)
Fund Balances - Beginning of year	58,497,397	66,315,293	67,019,340	65,455,498
Fund Balances - End of year	\$ 66,315,293	\$ 67,019,340	\$ 65,455,498	\$ 64,477,184
Debt Service as a Percentage of Noncapital Expenditures	18.30%	16.36%	16.32%	16.23%

City of Rochester Hills, Michigan

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

2010	2011	2012	2013	2014	2015
\$ 31,667,939	\$ 28,181,282	\$ 26,417,474	\$ 26,270,519	\$ 26,609,298	\$ 29,505,299
2,277,128	2,467,531	2,577,130	2,571,550	2,708,237	3,018,417
941,478	1,504,851	201,632	174,056	237,065	326,473
8,466,325	9,218,464	9,634,631	9,865,099	10,591,515	10,964,591
600,690	489,146	453,796	528,096	592,815	359,723
7,557,775	7,382,311	7,464,602	7,769,831	8,242,976	8,237,157
440,886	426,922	378,247	336,031	401,611	407,202
792,526	374,599	291,907	245,859	204,716	109,709
-	-	-	-	149,151	15,306
754,424	412,708	392,907	573,634	399,256	3,453,652
53,499,171	50,457,814	47,812,326	48,334,675	50,136,640	56,397,529
7,076,133	6,740,159	6,438,938	6,530,376	6,940,068	6,951,204
2,020,511	1,875,536	1,656,614	1,704,769	1,716,610	2,215,493
18,038,190	17,364,296	17,288,660	17,691,504	18,224,842	19,211,142
887,169	751,195	796,056	824,991	815,104	861,658
5,141,160	4,850,974	4,210,522	4,844,567	5,521,962	4,885,500
4,605,997	4,219,325	4,121,970	4,119,257	4,258,456	4,419,728
3,261,641	4,308,443	3,540,040	5,200,576	12,447,756	14,021,201
4,848,247	3,494,040	3,005,889	3,037,611	2,280,000	2,345,000
1,270,761	910,686	746,836	640,710	537,660	460,802
184,038	80,010	2,638	48,808	2,124	3,206
47,333,847	44,594,664	41,808,163	44,643,169	52,744,582	55,374,934
6,165,324	5,863,150	6,004,163	3,691,506	(2,607,942)	1,022,595
13,645,000	2,270,000	-	2,235,000	-	-
-	82,781	-	-	-	-
9,993,536	8,682,371	12,584,684	12,501,659	13,757,668	10,160,252
(10,144,746)	(8,630,932)	(12,646,937)	(12,889,250)	(13,916,513)	(17,812,463)
(13,726,779)	(2,293,322)	-	(2,189,842)	-	-
(232,989)	110,898	(62,253)	(342,433)	(158,845)	(7,652,211)
-	-	-	-	-	-
5,932,335	5,974,048	5,941,910	3,349,073	(1,965,507)	(6,629,616)
64,477,184	70,409,519	76,383,567	82,325,477	85,674,550	83,709,043
\$ 70,409,519	\$ 76,383,567	\$ 82,325,477	\$ 85,674,550	\$ 83,709,043	\$ 77,079,427
13.88%	10.93%	9.81%	9.33%	6.99%	6.78%



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Revenue Capacity

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



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City of Rochester Hills, Michigan

Revenue Capacity Information Taxable Value and Actual Value of Taxable Property

Fiscal Year	Tax Year	Taxable Value by Property Type					Tax Rate (Mills)	Estimated Actual Value	Taxable Value as a Percentage of Actual	
		Real Property				Personal Property				Total Value
		Residential	Commercial	Industrial						
2006	2005	\$ 2,573,882,270	\$ 440,887,010	\$ 199,880,260	\$ 187,326,370	\$ 3,401,975,910	9.6681	\$ 8,024,712,900	42.39%	
2007	2006	2,720,759,290	478,220,740	202,502,370	200,536,560	3,602,018,960	9.7060	8,368,567,980	43.04%	
2008	2007	2,801,498,910	510,999,610	209,350,210	205,537,880	3,727,386,610	9.7060	8,351,078,480	44.63%	
2009	2008	2,782,059,550	545,149,070	211,159,600	204,285,970	3,742,654,190	9.7060	8,084,781,040	46.29%	
2010	2009	2,637,547,585	564,580,740	207,544,800	191,244,010	3,600,917,135	9.7060	7,472,052,230	48.19%	
2011	2010	2,337,061,650	502,972,330	178,594,910	176,032,380	3,194,661,270	9.7060	6,476,390,380	49.33%	
2012	2011	2,232,908,563	444,293,600	139,646,680	176,466,320	2,993,315,163	9.7060	6,041,692,626	49.54%	
2013	2012	2,253,441,406	419,075,040	118,567,180	181,726,150	2,972,809,776	9.7060	6,028,657,392	49.31%	
2014	2013	2,298,696,600	409,303,060	118,804,730	187,007,950	3,013,812,340	9.7060	6,160,235,260	48.92%	
2015	2014	2,364,678,200	412,428,510	119,903,050	184,824,590	3,081,834,350	10.4496	6,708,154,380	45.94%	

Source: City of Rochester Hills

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

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

City of Rochester Hills, Michigan

Tax Year	Millage Rates - Direct City Taxes				Overlapping Taxes					
	General Operating	Special Purpose	Debt	Total Direct Taxes	Oakland County Operating	Huron / Clinton Metro Authority	County Parks	Zoo Authority	Art Institute	Oakland Community College
2006										
Homestead	3.7220	4.7980	1.1860	9.7060	4.1900	0.2146	0.2415	0.0000	0.0000	1.5844
Nonhomestead	3.7220	4.7980	1.1860	9.7060	4.1900	0.2146	0.2415	0.0000	0.0000	1.5844
2007										
Homestead	3.8226	4.7980	1.0854	9.7060	4.1900	0.2146	0.2415	0.0000	0.0000	1.5844
Nonhomestead	3.8226	4.7980	1.0854	9.7060	4.1900	0.2146	0.2415	0.0000	0.0000	1.5844
2008										
Homestead	3.7298	4.7980	1.1782	9.7060	4.1900	0.2146	0.2415	0.1000	0.0000	1.5844
Nonhomestead	3.7298	4.7980	1.1782	9.7060	4.1900	0.2146	0.2415	0.1000	0.0000	1.5844
2009										
Homestead	3.7545	4.7980	1.1535	9.7060	4.1900	0.2146	0.2415	0.1000	0.0000	1.5844
Nonhomestead	3.7545	4.7980	1.1535	9.7060	4.1900	0.2146	0.2415	0.1000	0.0000	1.5844
2010										
Homestead	3.7242	5.1525	0.8293	9.7060	4.1900	0.2146	0.2415	0.1000	0.0000	1.5844
Nonhomestead	3.7242	5.1525	0.8293	9.7060	4.1900	0.2146	0.2415	0.1000	0.0000	1.5844
2011										
Homestead	3.7465	5.3089	0.6506	9.7060	4.1900	0.2146	0.2415	0.1000	0.0000	1.5844
Nonhomestead	3.7465	5.3089	0.6506	9.7060	4.1900	0.2146	0.2415	0.1000	0.0000	1.5844
2012										
Homestead	3.9132	5.3089	0.4839	9.7060	4.1900	0.2146	0.2415	0.1000	0.2000	1.5844
Nonhomestead	3.9132	5.3089	0.4839	9.7060	4.1900	0.2146	0.2415	0.1000	0.2000	1.5844
2013										
Homestead	3.6222	5.7944	0.2894	9.7060	4.1900	0.2146	0.2415	0.1000	0.2000	1.5844
Nonhomestead	3.6222	5.7944	0.2894	9.7060	4.1900	0.2146	0.2415	0.1000	0.2000	1.5844
2014										
Homestead	1.9636	8.1965	0.2895	10.4496	4.1900	0.2146	0.2415	0.1000	0.2000	1.5844
Nonhomestead	1.9636	8.1965	0.2895	10.4496	4.1900	0.2146	0.2415	0.1000	0.2000	1.5844
2015										
Homestead	2.0275	8.1492	0.2838	10.4605	4.0900	0.2146	0.2410	0.0998	0.1996	1.5819
Nonhomestead	2.0275	8.1492	0.2838	10.4605	4.0900	0.2146	0.2410	0.0998	0.1996	1.5819
2015										
	<u>General Operating</u>	<u>Special Purpose</u>	<u>Debt</u>							
	3.9132	8.1965	No Limit							

City of Rochester Hills, Michigan

Revenue Capacity Information Direct and Overlapping Property Tax Rates

Overlapping Taxes										Total Direct and Overlapping Rates by Resident's School District	
Rochester Community School District				Avondale School District							
Oakland Intermediate School District	State Education			State Education			Rochester Community			Avondale Schools	
	Tax	Operating	Debt	Tax	Operating	Supplemental	Sinking	Debt	Schools		
3.3690	6.0000	0.0000	5.1800	6.0000	0.0000	1.2503	0.5936	7.0000	26.4915	24.9664	
3.3690	6.0000	18.0000	5.1800	6.0000	18.0000	0.0000	0.5936	7.0000	44.4915	41.7161	
3.3690	6.0000	0.0000	5.1800	6.0000	0.0000	1.2602	0.5936	7.0000	30.4855	34.1593	
3.3690	6.0000	18.0000	5.1800	6.0000	18.0000	0.0000	0.5936	7.0000	48.4855	50.8991	
3.3690	6.0000	0.0000	5.1800	6.0000	0.0000	1.0998	0.6000	7.0000	30.5885	34.1050	
3.3690	6.0000	18.0000	5.1800	6.0000	18.0000	0.0000	0.6000	7.0000	48.5885	51.0050	
3.3690	6.0000	0.0000	5.1800	6.0000	0.0000	1.1526	0.6000	7.0000	30.5885	34.1581	
3.3690	6.0000	18.0000	5.1800	6.0000	18.0000	0.0000	0.6000	7.0000	48.5885	51.0055	
3.3690	6.0000	0.0000	6.7000	6.0000	0.0000	1.3120	0.6000	7.0000	32.1055	34.3175	
3.3690	6.0000	18.0000	6.7000	6.0000	18.0000	0.0000	0.6000	7.0000	50.1055	51.0055	
3.3690	6.0000	0.0000	6.7000	6.0000	0.0000	0.0000	0.6000	7.0000	32.1055	33.0055	
3.3690	6.0000	18.0000	6.7000	6.0000	18.0000	0.0000	0.6000	7.0000	50.1055	51.0055	
3.3690	6.0000	0.0000	6.7000	6.0000	0.0000	0.0000	0.6000	7.0000	32.3055	33.2055	
3.3690	6.0000	18.0000	6.7000	6.0000	18.0000	0.0000	0.6000	7.0000	50.3055	51.2055	
3.3690	6.0000	0.0000	6.7000	6.0000	0.0000	0.0000	0.6000	7.3000	32.3055	33.5055	
3.3690	6.0000	18.0000	6.7000	6.0000	18.0000	0.0000	0.6000	7.3000	50.3055	51.5055	
3.3690	6.0000	0.0000	6.4000	6.0000	0.0000	0.0000	0.6000	7.3000	32.7491	34.2491	
3.3690	6.0000	18.0000	6.4000	6.0000	18.0000	0.0000	0.6000	7.3000	50.7491	52.2491	
3.3633	6.0000	0.0000	6.2000	6.0000	0.0000	0.0000	0.6000	7.3000	32.4507	34.1507	
3.3633	6.0000	18.0000	6.2000	6.0000	18.0000	0.0000	0.6000	7.3000	50.4507	52.1507	

City of Rochester Hills, Michigan

Revenue Capacity Information

Principal Property Taxpayers

Taxpayer	2015 Taxable Value	2015		2006 Taxable Value	2006	
		Percentage of Total	Rank		Percentage of Total	Rank
Detroit Edison	\$ 26,510,850	0.86%	1	\$ 22,130,340	0.61%	2
Singh Cider Mill Village	24,397,750	0.79%	2	12,995,530	0.36%	10
Vorh Assoc. LLC (Meadowbrook/The Village RH)	20,890,960	0.68%	3	25,074,090	0.70%	1
New Plan (Hampton Village Center)	18,375,610	0.60%	4	21,600,450	0.60%	3
Winchester Center LLC	13,216,760	0.43%	5	13,472,990	0.37%	9
Joel Nosanchuk	12,798,570	0.42%	6	-		
Stuart Frankel	12,785,960	0.41%	7	17,415,810	0.48%	4
Associate Estates Realty: Apartments	11,231,320	0.36%	8	13,865,800	0.39%	8
1185 River Oaks North, LLC (Solomon Properties)	10,828,680	0.35%	9	15,700,550	0.44%	6
Consumers Power	10,101,663	0.32%	10	-		
FANUC Robotics	-			16,478,150	0.46%	5
First Industrial Realty	-			<u>15,303,130</u>	0.42%	7
Subtotal	161,138,123	5.23%		174,036,840	4.83%	
Other	<u>2,920,696,227</u>	<u>94.77%</u>		<u>3,427,982,120</u>	<u>95.17%</u>	
Total	<u>\$ 3,081,834,350</u>	<u>100.00%</u>		<u>\$ 3,602,018,960</u>	<u>100.00%</u>	

Source: City Assessing Department

City of Rochester Hills, Michigan

Revenue Capacity Information Property Tax Levies and Collections

<u>Fiscal Year</u>	<u>Total Levy</u>	<u>Current Collections</u>	<u>Percent Collected</u>	<u>Delinquent Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Levy Collected</u>
2006	\$ 32,875,767	\$ 31,774,138	96.6	\$ 1,091,374	\$ 32,865,512	100.0
2007	34,941,567	33,496,756	95.9	1,471,825	34,968,580	100.0
2008	36,122,159	34,486,540	95.5	1,625,429	36,111,968	100.0
2009	36,290,684	34,712,620	95.7	1,625,806	36,338,426	100.0
2010	34,842,029	33,466,594	96.0	1,370,511	34,834,105	100.0
2011	30,923,844	29,965,392	96.9	959,858	30,925,250	100.0
2012	28,951,559	28,060,297	96.9	907,455	28,967,752	100.0
2013	28,768,092	28,079,464	97.6	741,000	28,820,464	100.2
2014	29,173,993	28,418,086	97.4	579,126	28,997,212	99.4
2015	32,170,115	31,589,510	98.2	574,776	32,164,286	99.9



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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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental Activities				
General obligation bonds	\$ 28,505,000	\$ 26,150,000	\$ 23,680,000	\$ 20,880,000
County contractual obligations	16,893,953	15,032,935	13,108,228	11,160,811
Special assessment bonds	<u>3,105,000</u>	<u>2,625,000</u>	<u>2,150,000</u>	<u>1,675,000</u>
Total	48,503,953	43,807,935	38,938,228	33,715,811
Business-type Activities				
County contractual obligations	<u>3,700,000</u>	<u>3,550,000</u>	<u>3,400,000</u>	<u>3,250,000</u>
Total debt of the government	<u>\$ 52,203,953</u>	<u>\$ 47,357,935</u>	<u>\$ 42,338,228</u>	<u>\$ 36,965,811</u>
Total taxable value	\$ 3,401,975,910	\$ 3,602,018,960	\$ 3,727,386,610	\$ 3,742,654,190
Ratio of total debt to taxable value	1.53%	1.31%	1.14%	0.99%
Total population	69,405	69,183	68,120	69,014
Total debt per capita based on taxable value	\$ 752.16	\$ 684.53	\$ 621.52	\$ 535.63

City of Rochester Hills, Michigan

Debt Capacity Information Ratios of Outstanding Debt

	2010	2011	2012	2013	2014	2015
\$	18,320,000	16,840,000	15,175,000	13,470,000	11,705,000	9,770,000
	9,097,564	7,103,511	5,692,611	4,340,000	3,785,000	3,340,000
	<u>1,350,000</u>	<u>1,175,000</u>	<u>975,000</u>	<u>775,000</u>	<u>525,000</u>	<u>275,000</u>
	28,767,564	25,118,511	21,842,611	18,585,000	16,015,000	13,385,000
	<u>4,172,069</u>	<u>6,764,940</u>	<u>8,102,958</u>	<u>10,296,500</u>	<u>16,349,753</u>	<u>18,387,562</u>
\$	<u>32,939,633</u>	<u>31,883,451</u>	<u>29,945,569</u>	<u>28,881,500</u>	<u>32,364,753</u>	<u>31,772,562</u>
\$	3,600,917,135	3,194,661,270	299,331,163	2,972,809,776	3,013,812,340	3,081,834,350
	0.91%	1.00%	10.00%	0.97%	1.07%	1.03%
	70,995	70,995	71,452	73,875	73,556	73,257
\$	463.97	449.09	419.10	390.95	440.00	433.71

City of Rochester Hills, Michigan

Debt Capacity Information

Ratios of General Bonded Debt Outstanding

Fiscal Year	Tax 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
2006	2005	\$ 4,012,356,450	69,405	\$ 28,505,000	\$ 16,893,953	\$ 45,398,953	1.13%	\$ 654.12
2007	2006	4,184,283,990	69,183	26,150,000	15,032,935	41,182,935	0.98%	595.28
2008	2007	4,175,552,010	68,120	23,680,000	13,108,228	36,788,228	0.88%	540.05
2009	2008	4,042,390,520	69,014	20,880,000	11,160,811	32,040,811	0.79%	464.27
2010	2009	3,728,995,735	70,995	16,945,000	9,097,564	26,042,564	0.70%	366.82
2011	2010	3,238,195,190	70,995	15,665,000	7,103,511	22,768,511	0.70%	320.71
2012	2011	3,020,846,313	71,452	14,200,000	5,692,611	19,892,611	0.66%	278.41
2013	2012	3,014,328,696	73,875	12,720,000	4,340,000	17,060,000	0.57%	230.93
2014	2013	3,080,117,630	73,556	11,205,000	3,785,000	14,990,000	0.49%	203.79
2015	2014	3,354,077,190	73,257	9,520,000	3,340,000	12,860,000	0.38%	175.55

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 2015	City Share as Percent of Gross	Net City Share Fiscal Year 2015
Direct debt - City of Rochester Hills	\$ 13,385,000	100.00	\$ 13,385,000
Overlapping debt:			
Rochester School District	80,590,000	59.20	47,709,280
Avondale School District	124,766,600	50.86	63,456,293
Oakland County at Large	424,683,527	6.15	26,118,037
Oakland Community College	2,355,000	6.19	145,775
Oakland Intermediate School District	<u>54,540,000</u>	6.17	<u>3,365,118</u>
Total overlapping debt	<u>686,935,127</u>		<u>140,794,503</u>
Total	<u>\$ 700,320,127</u>		<u>\$ 154,179,503</u>

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

Overlapping debt figures supplied by Municipal Advisory Council of Michigan.

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

City of Rochester Hills, Michigan

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt Limit				
State equalized valuation	\$ 4,012,356,450	\$ 4,184,283,990	\$ 4,175,552,010	\$ 4,042,390,520
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	 401,235,645	 418,428,399	 417,555,201	 404,239,052
Debt Subject to Debt Limit				
Total debt	52,203,953	47,357,935	42,338,228	36,965,811
Less deduction:				
Special Assessment Bonds	3,105,000	2,625,000	2,150,000	1,675,000
Michigan Transportation Highway Fund Bonds	<u>2,025,000</u>	<u>1,875,000</u>	<u>1,725,000</u>	<u>1,575,000</u>
 Total amount of debt subject to limit	 <u>47,073,953</u>	 <u>42,857,935</u>	 <u>38,463,228</u>	 <u>33,715,811</u>
 Legal Debt Margin	 <u>\$ 354,161,692</u>	 <u>\$ 375,570,464</u>	 <u>\$ 379,091,973</u>	 <u>\$ 370,523,241</u>
 Net Debt Subject to Limit as Percentage of Debt Limit	 11.73%	 10.24%	 9.21%	 8.34%

City of Rochester Hills, Michigan

Debt Capacity Information Legal Debt Margin

2010	2011	2012	2013	2014	2015
\$ 3,728,995,735	\$ 3,238,195,190	\$ 3,020,846,313	\$ 3,014,328,696	\$ 3,080,117,630	\$3,354,077,190
<u>10.00</u>	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>
372,899,574	323,819,519	302,084,631	301,432,870	308,011,763	335,407,719
32,939,633	32,012,812	29,945,569	28,881,500	32,364,753	31,772,562
1,350,000	1,175,000	975,000	775,000	525,000	275,000
<u>1,375,000</u>	<u>1,175,000</u>	<u>975,000</u>	<u>750,000</u>	<u>500,000</u>	<u>250,000</u>
<u>30,214,633</u>	<u>29,662,812</u>	<u>27,995,569</u>	<u>27,356,500</u>	<u>31,339,753</u>	<u>31,247,562</u>
<u>\$ 342,684,941</u>	<u>\$ 294,156,707</u>	<u>\$ 274,089,062</u>	<u>\$ 274,076,370</u>	<u>\$ 276,672,010</u>	<u>\$ 304,160,157</u>
8.10%	9.16%	9.27%	9.08%	10.17%	9.32%

City of Rochester Hills, Michigan

Fiscal Year	Water and Sewer Revenue			Debt Service		
	Operating Revenue	Operating Expenses (Less Depreciation)	Net Operating - Income	Principal	Interest	Coverage
2006	\$ 24,457,874	\$ 20,406,353	\$ 4,051,521	\$ 100,000	\$131,115	17.53
2007	25,985,763	23,983,445	2,002,318	150,000	152,781	6.61
2008	24,910,422	22,174,326	2,736,096	150,000	146,781	9.22
2009	25,904,015	22,692,599	3,211,416	150,000	140,781	11.04
2010	29,010,706	22,995,479	6,015,227	150,000	133,636	21.21
2011	30,055,678	23,299,258	6,756,420	174,572	171,425	19.53
2012	32,375,117	23,445,562	8,929,555	335,493	215,042	16.22
2013	29,730,969	24,468,955	5,262,014	339,891	200,695	9.73
2014	29,622,532	24,825,478	4,797,054	523,198	261,941	6.11
2015	30,700,234	25,676,206	5,024,028	940,680	391,965	3.77

Note: Details regarding outstanding debt can be found in Note 6 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	
\$ 103,190	\$ 430,000	\$ 165,724	0.17	
90,333	480,000	145,093	0.14	
95,057	475,000	122,020	0.16	
84,006	475,000	99,050	0.15	
68,032	325,000	77,125	0.17	
55,074	175,000	60,250	0.23	
46,186	200,000	53,075	0.18	
44,298	200,000	44,475	0.18	
38,473	250,000	35,675	0.13	
24,429	250,000	34,500	0.09	



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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

Fiscal Year	Population		Personal Income (in Thousands)	Per Capita Personal Income	Annual Unemployment Rate		City Housing Profile Number of Units (4)
2006	69,405	(2)	(1)	(1)	3.3	(5)	29,813
2007	69,183	(2)	(1)	(1)	3.6	(5)	29,760
2008	68,120	(2)	(1)	(1)	4.1	(5)	29,800
2009	69,014	(2)	(1)	(1)	7.9	(5)	29,303
2010	70,995	(3)	(1)	(1)	7.5	(5)	29,861
2011	70,995	(3)	(1)	(1)	5.9	(6)	30,104
2012	71,452	(2)	(1)	(1)	5.1	(6)	30,221
2013	73,875	(2)	(1)	(1)	4.8	(6)	30,287
2014	73,556	(2)	(1)	(1)	4.7	(6)	30,502
2015	73,257	(2)	(1)	(1)	4.1	(6)	30,638

(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

2015 Rank	Principal Employers	2015 Employees	Percentage of Total	2006 Employees	Percentage of Total	2006 Rank
1	Oakland University	2,326	8.72%			
2	Rochester Community Schools	1,479	5.55%	1,700	4.62%	1
3	Crittenton Hospital	1,474	5.53%	1,520	4.13%	2
4	Webasto Roof Systems	800	3.00%	660	1.79%	4
5	FANUC America Corp.	700	2.62%	1,000	2.72%	3
6	Lear Corporation	429	1.61%	400	1.09%	7
7	Henry Ford Health System	280	1.05%			
8	3 Dimensional Services	230	0.86%			
9	Accurate Gauge	222	0.83%			
10	Hi Tech Mold & Eng.	213	0.80%			
	Dana Corp.			575	1.56%	5
	Eagle Ottawa Leather Co.			500	1.36%	6
	Wright & Filippis			363	0.99%	8
	Energy Conversion Devices			324	0.88%	9
	Universal Tube Inc.			260	0.71%	10
	Total Employed	26,670				

Source: City Planning Department & SEMCOG

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>
2006	604	\$ 93,315,021
2007	621	89,856,530
2008	459	73,550,900
2009	426	48,545,250
2010	502	63,610,325
2011	524	69,003,350
2012	528	105,108,990
2013	532	76,511,572
2014	584	128,541,287
2015	565	72,000,000

Source: City Building Department

City of Rochester Hills, Michigan

Demographic and Economic Information

Miscellaneous Demographics

Population (1)		2010 Labor Characteristics (2)	
2010 U.S. Census	70,995	Occupation	Number of Employees
2000 U.S. Census	68,825	Management, professional, and related	19,242
1990 U.S. Census	61,766	Service	4,136
		Sales and office	8,097
		Natural resources, construction, and maintenance	1,367
		Production, transportation, and material moving	2,208
		Total	35,050
2010 Income Characteristics (1)		2010 Industry (2)	
Household Income	Number of Households	Agriculture, forestry, fishing, hunting, and mining	43
Less than \$10,000	1,054	Construction	1,069
\$10,000 - \$14,999	808	Manufacturing	7,540
\$15,000 - \$24,999	2,230	Wholesale trade	1,003
\$25,000 - \$34,999	1,821	Retail trade	3,716
\$35,000 - \$49,999	2,802	Transportation, warehousing, and utilities	652
\$50,000 - \$74,999	4,526	Information	505
\$75,000 - \$99,999	3,978	Finance, insurance, real estate, rental, and leasing	2,457
\$100,000 - \$149,999	5,305	Professional, scientific, management, administrative, and waste management services	5,227
\$150,000 or more	4,935	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	35,050
2010 Residential Characteristics (1)		2010 Educational Characteristics (1)	
Single Family	73.90%	Years of School Completed	Persons 25 and Over
Multi Family	22.30%	Did not graduate high school	5.20%
Mobile Homes	3.80%	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%
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%		

(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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government:										
Mayor	10	12	12	13	11	11	11	11	11	12
Clerks and Election	9	9	8	8	8	8	8	6	6	7
Accounting	9	9	9	9	7	7	7	7	8	8
Assessing	10	10	10	10	9	8	8	8	7	7
Human Resources	4	5	5	5	4	4	4	4	4	4
Treasury	3	3	3	3	3	3	3	3	3	3
Planning and zoning	7	8	7	6	5	5	5	5	5	5
Parks and recreation	17	17	15	15	14	14	14	13	15	15
Management information systems	8	8	8	8	8	8	8	8	8	8
Cemetery	2	2	2	2	2	2	2	2	1	2
Public safety:										
Police services (contracted officers)	59	59	60	59	60	57	57	57	57	58
Police administration (contracted)	2	2	2	2	2	2	2	2	2	2
Fire and EMS	46	46	45	43	39	37	37	36	36	46
Building	18	18	14	13	12	13	13	13	13	13
Ordinance enforcement	7	7	6	6	5	5	5	5	5	5
Public works:										
Department of Public Service	64	68	67	66	60	61	61	62	58	60
Forestry	5	5	4	4	4	4	4	4	4	4
Fleet	7	7	7	7	6	6	6	6	7	7
Facilities	7	7	6	6	5	5	5	6	6	6
Total	<u>294</u>	<u>302</u>	<u>290</u>	<u>285</u>	<u>264</u>	<u>260</u>	<u>260</u>	<u>258</u>	<u>256</u>	<u>272</u>

Source: City Accounting Division

City of Rochester Hills, Michigan

Function/Program	2006	2007	2008	2009
Election:				
Number of elections	3	2	3	2
Registered voters	46,929	48,304	50,292	50,292
New registrations	4,886	4,607	6,409	4,413
Building:				
Permits issued	3,894	3,465	3,044	2,827
Inspections	10,784	9,078	7,878	7,287
Parks and recreation:				
Park attendance (estimate)	895,671	832,950	863,359	971,505
Museum attendance (estimate)	17,163	19,354	18,060	26,089
Education Programs attendance (estimate)	4,560	3,412	3,335	2,487
Forestry - Tree inventory	19,283	19,434	19,182	19,003
Major roads:				
Winter material applied - Salt (in tons)	1,118	2,572	3,165	1,817
Other material applied to major roads (in tons)	88	85	175	172
Linear feet of ditches cleaned - Major roads	888	-	335	800
Local streets:				
Pothole repair - Solvex applied (in tons)	60	85	57	61
Other material applied to local streets (in tons)	3,417	1,726	1,984	1,742
Winter material applied (in tons)	648	1,373	1,935	1,115
Fire:				
Fire inspections/reviews/investigations	1,792	1,671	1,527	1,802
Number of fires	136	96	73	70
Number of rescues and Emergency Medical Service	3,014	3,452	3,321	3,300
Number of community education programs	426	485	736	630
Number of participants in education programs	12,324	9,512	20,773	14,110
Police (contracted services) - Dispatched calls for service	30,041	29,706	30,650	27,352
Patrol investigators:				
Criminal activity - New cases	775	680	900	720
Criminal activity - Recovered property	\$20,413	\$89,214	\$62,529	\$7,563
Uniformed patrol:				
Criminal activity - New cases	949	859	795	732
Criminal activity - Recovered property	\$51,709	\$153,333	\$24,621	\$23,004
Crime statistics:				
Part A crimes	3,169	2,554	2,467	2,137
Part B crimes	1,192	1,259	1,683	155
Part C crimes (Miscellaneous)	23,843	23,754	24,404	21,826
Water and sewer:				
Water and sewer utility billings	138,081	138,787	138,928	139,928
Water sales (million cubic feet)	434	428	365	338
Meter reads	176,378	194,874	196,272	197,049
Meter installations	1,660	2,074	1,382	1,122
Water purchased (million cubic feet)	434	470	406	385

Source: City of Rochester Hills

City of Rochester Hills, Michigan

Operating Information Operating Indicators by Function

2010	2011	2012	2013	2014	2015
2	2	3	1	2	2
50,975	51,548	52,709	53,132	53,184	51,775
5,055	4,584	5,740	3,916	3,979	3,925
3,532	3,472	3,530	3,404	3,395	3,459
8,660	9,352	11,774	10,599	11,620	12,752
1,098,388	1,001,058	1,099,337	1,044,907	1,051,037	1,066,888
30,480	31,900	50,812	51,113	52,250	52,123
3,235	389	1,200	743	436	300
19,051	19,158	19,187	18,885	18,736	18,957
1,903	2,559	1,438	1,339	729	2,951
66	82	179	91	24	57
320	280	10	250	521	30
54	68	73	65	173	98
2,309	3,523	700	1,971	1,969	1,123
1,678	1,836	981	1,057	372	97
1,327	1,202	932	1,258	1,418	952
100	110	172	123	109	108
3,690	4,569	4,732	4,489	4,763	4,811
668	290	377	423	654	607
24,956	24,241	7,495	6,255	8,052	6,527
31,135	30,194	30,258	31,198	31,697	31,521
695	679	944	1,090	1,091	1,214
\$7,148	\$11,496	\$17,652	\$31,419	\$67,469	\$57,388
812	750	663	621	583	611
\$17,199	\$18,181	\$19,114	\$20,104	\$18,688	\$27,507
2,154	1,896	1,898	1,502	1,401	1,385
1,344	759	692	465	380	319
25,063	24,680	26,137	27,410	27,167	28,005
140,340	141,080	141,768	141,281	141,952	142,718
360	339	357	303	288	293
198,528	199,794	204,387	204,995	206,562	205,894
1,325	1,207	1,108	1,306	643	679
395	368	379	323	301	297

City of Rochester Hills, Michigan

Function/Program	2006	2007	2008	2009
General government:				
Buildings - City Hall	1	1	1	1
Cemetery	1	1	1	1
Acreage	17	17	24	48
Public safety:				
Police station	1	1	1	1
Fire:				
Stations	5	5	5	5
Fire response vehicles	10	10	10	11
Emergency response vehicles	8	8	8	8
Public works:				
Buildings	1	1	2	2
Streets (miles):				
Miles of major roads (actual)	37.62	37.56	37.65	38.21
Miles of local streets (actual)	211.52	215.55	216.11	217.74
Water:				
Mains (miles)	434.32	439.24	428.27	428.27
Gate valves	4,506	4,615	4,369	4,401
Hydrants	4,772	4,821	4,829	4,843
Sewer:				
Miles of sanitary sewers	321.47	322.50	323.92	319.84
Miles of storm sewers	54.00	54.80	53.07	55.33
Manholes - Sanitary	7,726	7,754	7,857	7,861
Manholes - Storm	822	822	843	891
Inlets and catch basins	4,572	4,599	4,662	4,835
Parks and recreation:				
Major/Community parks:				
Buildings	16	16	16	16
Acreage	590.7	590.7	590.7	590.7
Developed parks/playgrounds	5	5	5	5
Developed fields (soccer, baseball, etc.)	20	20	20	20
Neighborhood parks:				
Acreage	23.6	23.6	23.6	23.6
Developed parks/playgrounds	1	1	1	1
Developed fields (soccer, baseball, etc.)	2	2	2	2
Special use parks:				
Buildings	10	10	10	10
Acreage	333.10	333.10	333.10	333.10
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
Linear Parks:	71.8	71.8	71.8	71.8
Natural Resource Areas:	-	7.0	33.8	41.3
Total park acreage	1,019.20	1,026.24	1,053.04	1,060.46
Number of parks	11	11	11	11

Source: City Departments

City of Rochester Hills, Michigan

Operating Information Capital Asset Statistics

2010	2011	2012	2013	2014	2015
1	1	1	1	1	1
1	1	1	1	1	1
55	55	55	55	55	55
1	1	1	1	1	1
5	5	5	5	5	5
23	23	23	22	22	22
12	10	11	10	10	10
2	2	2	2	3	3
38.21	38.21	38.21	38.21	38.21	38.61
218.97	218.97	218.97	218.97	218.97	219.14
428.81	429.29	429.29	431.00	432.00	432.00
4,495	4,583	4,583	4,608	4,628	4,653
4,857	4,893	4,893	4,910	5,028	4,952
322.01	321.70	321.70	323.00	323.00	324.00
54.51	50.22	50.22	51.00	51.00	49.00
7,897	7,888	7,888	7,923	7,937	7,972
866	714	714	735	757	761
4,952	5,114	5,114	5,161	5,228	5,268
16	16	16	16	16	16
590.7	590.7	590.7	590.7	590.7	590.7
5	5	5	5	5	5
20	20	20	20	20	20
23.6	23.6	23.6	23.6	23.6	23.6
1	1	1	1	1	1
2	2	2	2	2	2
10	10	10	10	10	10
333.10	333.10	333.10	333.10	333.10	333.10
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
71.8	71.8	71.8	71.8	71.8	71.8
41.3	41.3	41.3	64.9	113.3	113.3
1,060.46	1,060.46	1,060.46	1,084.14	1,132.52	1,132.52
11	11	11	11	11	11

City of Rochester Hills, Michigan

Operating Information

State-shared Revenue and Gas & Weight Tax

Fiscal Year Ended December 31	State-shared revenue	
	Modified Accrual Basis of Accounting	Accrual Basis of Accounting
2006	\$ 5,375,537	\$ 5,341,983
2007	5,298,510	5,362,252
2008	5,292,542	5,270,042
2009	4,661,073	4,543,462
2010	4,420,538	4,449,876
2011	5,031,743	5,077,251
2012	5,211,578	5,247,035
2013	5,346,706	5,372,104
2014	5,495,218	5,520,914
2015	5,549,849	5,522,466

Fiscal Year Ended December 31	Gas and weight tax		Total Gas and Weight Tax (Act 51) Receipts
	Type of Street		
	Major Roads	Local Streets	
2006	\$ 3,100,240	\$ 1,185,402	\$ 4,285,642
2007	3,082,171	1,183,456	4,265,627
2008	2,973,260	1,143,744	4,117,004
2009	2,891,351	1,114,510	4,005,861
2010	2,451,532	945,301	3,396,833
2011	2,999,309	1,151,107	4,150,416
2012	3,177,395	1,207,342	4,384,737
2013	3,247,102	1,232,181	4,479,283
2014	3,312,238	1,259,193	4,571,431
2015	3,466,728	1,319,982	4,786,710

Source: City Accounting Division

City of Rochester Hills, Michigan

Operating Information Labor Agreements / December 31, 2015

Name	Contract Expiration Date	Full-Time Employees Covered
Union Employees		
Office/Technical/Public Works Employees AFSCME, Local 2491, Council 25	12/31/2018	114
Public Works/Parks-Supervisory AFSCME, Local 1917.28, Council 25	12/31/2018	9
Fire Fighters International Association of Fire Fighters, Local 3472	12/31/2015	39
Paid on Call Fire Fighters Michigan Association of Fire Fighters	12/31/2018	28
Nonunion Employees		
Mayor	N/A	1
Department Directors	N/A	10
Technical/Professional/Management	N/A	39

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

Source: City Accounting Division



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