

Comprehensive Annual Financial Report

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

For the Fiscal Year Ended December 31, 2014

Elected Officials:

Mayor

Bryan K. Barnett

City Council President

Greg Hooper

City Council Vice-President

Mark Tidel

City Council Members

Kevin Brown

Dale Hetrick

Adam Kochenderfer

Stephanie Morita

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 22, 2015

Bryan K. Barnett
Mayor

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

City Council

Stephanie Morita
District 1

Adam Kochenderfer
District 2

Greg Hooper
District 3

Thomas W. Wiggins
District 4

Kevin S. Brown
At-Large

Dale A. Hetrick
At-Large

Mark A. Tisdell
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, 2014, 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 199 full-time employees and 57

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

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

The City offers quality housing, two award-winning school districts, a hospital, major universities, a premium library, and a downtown offering a hometown atmosphere with excellent shopping and restaurants. The City has 1,100 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 2014 the City did see its state-shared revenue increase by \$151,326. This increase was due to increased sales tax revenue at the State level. Even though the City saw an increase in state shared revenue for 2014, it is still a total decline in state shared revenue since 2001 of over \$1 million, or 16 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	18,831 homes
Condominiums	4,061 units
Low-income/senior citizen (11 buildings)	1,415 units
Rental apartments (16 complexes)	4,590 units
Mobile home parks (2 locations)	1,392 sites
Shopping centers	46 centers
Hotel/motels (2 buildings)	236 rooms
Office space	104 buildings
Commercial	355 buildings
Light industrial	387 buildings

The principal source of the City's revenue is from property taxes. Property tax revenues are a result of applying the City's millage rate, set by City Council (within the restrictions of state law), to the taxable value of real and personal property located within the City. The tables below illustrate the diversity of the City's current tax base, including the LDFA district, which were the basis for property tax revenue for the fiscal year 2014 budget:

2013		
<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 2014, the Major Road Fund had expenditures of \$4.2 million in capital outlay.

Local Streets – Funding for the City’s local street system continues to be a challenge for the City. The residents of Rochester Hills approved local street millages that generated \$2.5 million in tax revenue for the 2014 fiscal year. The City’s Administration, working with the City Council, continues to work toward a long-term local street funding strategy that will address future funding needs. The City has 218 actual miles of paved local streets and 24 actual miles of gravel streets. In 2014, the General Fund transferred nearly \$6 million and Major Road Fund transferred over \$750,000 for local street preservation and winter maintenance. The Local Road Fund had expenditures of \$6.8 million in capital outlay.

Special Police - The City’s Citizen Technical Review Committee is looking for funding solutions that will ensure a stable revenue source to support efficient and effective police services for the community. In 2013, voters approved an increased millage to fund Police Services. Starting in Fiscal Year 2015, Police Services will be fully supported by their own dedicated millage and General Fund transfer will be eliminated. In 2014, the General Fund transferred over \$4.7 million to the Special Police Fund to offset its operational expenditures of \$8.6 million.

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 \$7.1 million in 2014.

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 2015-2020 Capital Improvement Plan was adopted by the City of Rochester Hills Planning Commission. Currently, the commission is reviewing the 2016-2021 Plan as part of the 2016-18 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 to provide

assistance for postemployment health care insurance premiums 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, 2013. This was the 26th 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

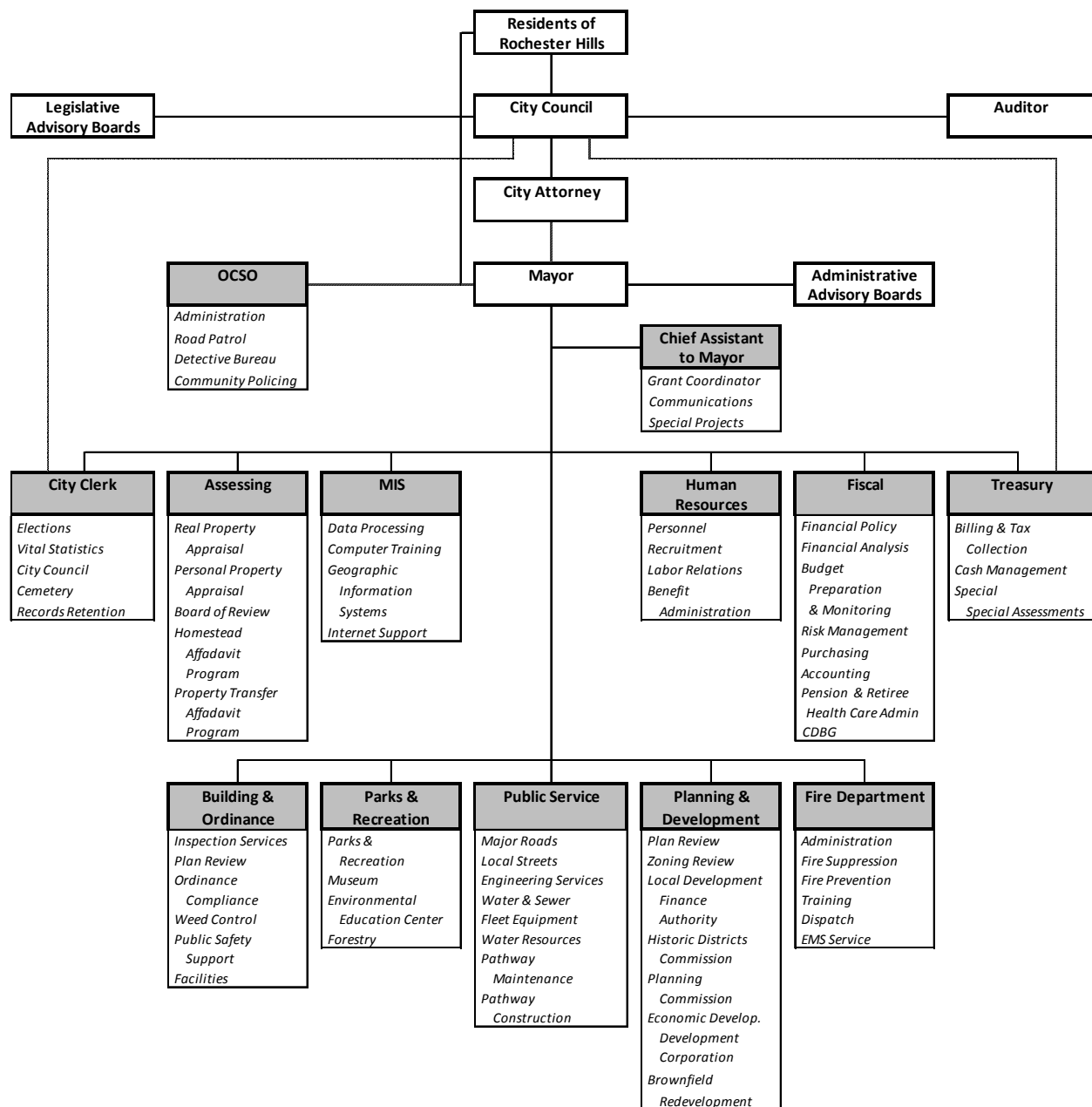
December 31, 2013



Executive Director/CEO

City of Rochester Hills, Michigan

Citywide Organizational Chart



City of Rochester Hills, Michigan

List of Principal Officials Year Ended December 31, 2014

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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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, 2014 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 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, 2014 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 on pages 75-82 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 listed 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 listed 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 20, 2015 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 City of Rochester Hills, Michigan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

April 20, 2015



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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, 2014. 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 percent, or \$7.9 million, from \$390.1 million in 2013 to \$398 million in 2014. The net position for the governmental activity increased from \$245.3 million in 2013 to \$251.4 million in 2014, or \$6.1 million. The primary change in the governmental activities is due to an increase in capital assets of \$6.3 million from \$160.5 million in 2013 to \$166.8 million in 2014 and a reduction in long-term liabilities of \$2.5 million, or 12 percent from \$20.6 million in 2013 to \$18.1 million in 2014. The governmental net investment in capital assets increased from \$147.2 million in 2013 to \$155.2 million, or \$8 million.

The net position of the business-type activity increased from \$144.8 million in 2013 to \$146.6 million in 2014, or \$1.8 million. The increase is attributed to an increase of \$3.1 million in current and other non-current assets, an increase of \$3.8 million in capital assets, a decrease in current liabilities of \$1 million, and an increase of long-term liabilities of \$6.1 million. The unrestricted net position increased by \$3.8 million, or 8.7 percent in the business-type activity from \$42.9 million in 2013 to \$46.7 million in 2014.

The City's assets totaled \$471.6 million in 2014, up by \$13.7 million. This relates primarily to an increase in capital assets by \$10.1 million or 3.7 percent, which is attributed to the net of additions to capital assets of \$23.3 million and \$13.2 million of depreciation. There was also an increase in current assets of \$3.6 million or 1.9 percent.

The City's total liabilities increased \$3 million, or 7.2 percent, from \$41.2 million in 2013 to \$44.2 million in 2014. This relates to the reduction of bonded debt obligations in the governmental activities of \$2.5 and an increase in the business-type activity debt obligations of \$6.1 million, or a net City increase of \$3.6 million.

City of Rochester Hills, Michigan

Management's Discussion and Analysis

In condensed format, the table below shows the comparison of net position (in millions) as of December 31, 2014 to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other non-current assets	\$ 138.1	\$ 137.6	\$ 51.0	\$ 47.9	\$ 189.1	\$ 185.5
Capital assets	<u>166.8</u>	<u>160.5</u>	<u>115.7</u>	<u>111.9</u>	<u>282.5</u>	<u>272.4</u>
Total assets	<u>304.9</u>	<u>298.1</u>	<u>166.7</u>	<u>159.8</u>	<u>471.6</u>	<u>457.9</u>
Liabilities						
Current liabilities	6.0	5.6	3.4	4.4	9.4	10.0
Long-term liabilities	<u>18.1</u>	<u>20.6</u>	<u>16.7</u>	<u>10.6</u>	<u>34.8</u>	<u>31.2</u>
Total liabilities	<u>24.1</u>	<u>26.2</u>	<u>20.1</u>	<u>15.0</u>	<u>44.2</u>	<u>41.2</u>
Deferred Inflow of Resources	<u>29.4</u>	<u>26.6</u>	<u>-</u>	<u>-</u>	<u>29.4</u>	<u>26.6</u>
Net Position						
Net investment in capital assets	155.2	147.2	99.9	101.9	255.1	249.1
Restricted	48.4	51.1	-	-	48.4	51.1
Unrestricted	<u>47.8</u>	<u>47.0</u>	<u>46.7</u>	<u>42.9</u>	<u>94.5</u>	<u>89.9</u>
Total net position	<u>\$ 251.4</u>	<u>\$ 245.3</u>	<u>\$ 146.6</u>	<u>\$ 144.8</u>	<u>\$ 398.0</u>	<u>\$ 390.1</u>

City of Rochester Hills, Michigan

Management's Discussion and Analysis

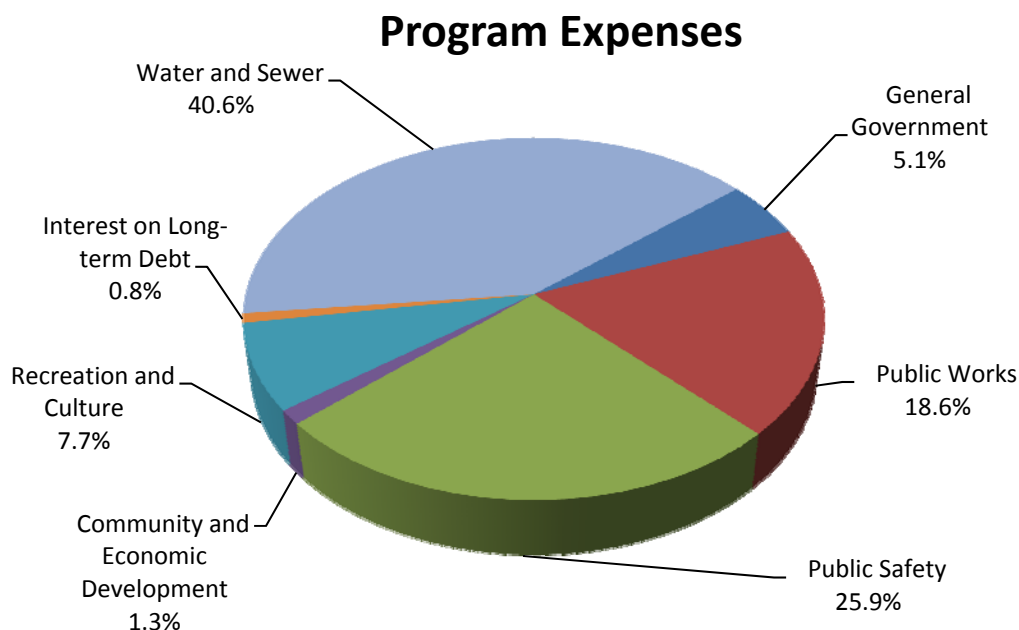
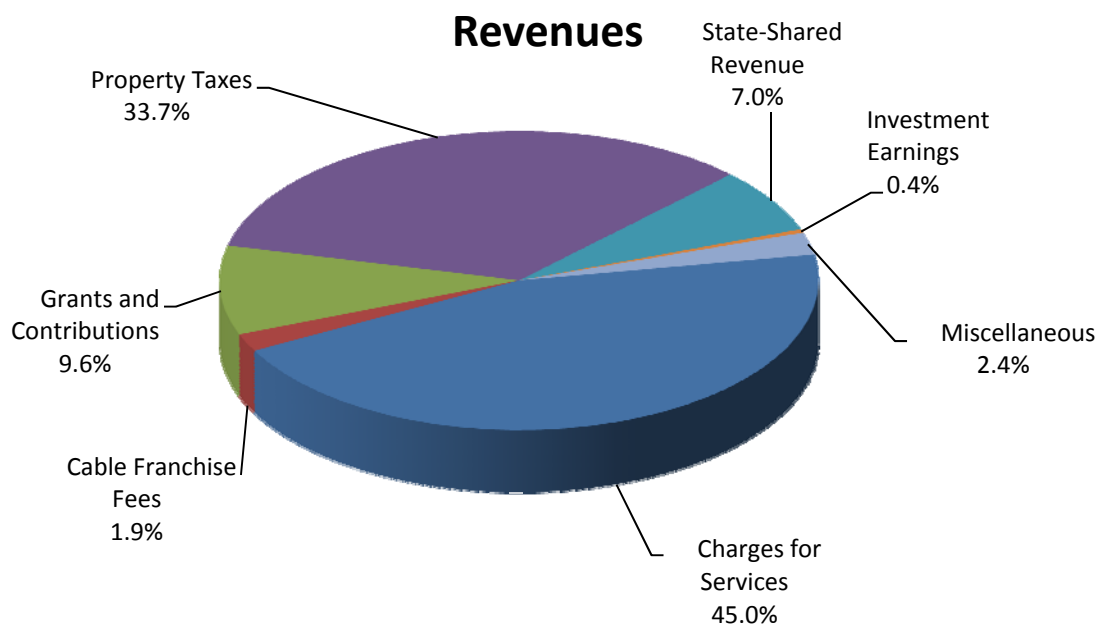
Changes in Net Position - The City's total net position increased by \$7.9 million during the fiscal year ended December 31, 2014. The table below shows the comparison of changes in net position (in millions) to the prior year:

	Governmental		Business-type Activities		Total	
	Activities					
	2014	2013	2014	2013	2014	2013
Revenue						
Program revenue:						
Charges for services	\$ 5.9	\$ 5.7	\$ 29.6	\$ 29.7	\$ 35.5	\$ 35.4
Operating grants and contributions	5.7	5.0	-	-	5.7	5.0
Capital grants and contributions	1.2	1.6	0.7	1.4	1.9	3.0
General revenue:						
Property taxes	26.6	26.2	-	-	26.6	26.2
State-shared revenue	5.5	5.4	-	-	5.5	5.4
Investment earnings	0.2	0.3	0.1	0.1	0.3	0.4
Cable franchise fees	1.5	1.4	-	-	1.5	1.4
Miscellaneous and Special Item	1.7	0.9	0.2	-	1.9	0.9
Total revenue	48.3	46.5	30.6	31.2	78.9	77.7
Program Expenses						
General government	3.6	4.5	-	-	3.6	4.5
Public works	13.2	11.7	-	-	13.2	11.7
Public safety	18.4	18.6	-	-	18.4	18.6
Community and economic development	0.9	0.9	-	-	0.9	0.9
Recreation and culture	5.5	4.3	-	-	5.5	4.3
Interest on long-term debt	0.6	0.8	-	-	0.6	0.8
Water and sewer	-	-	28.8	28.5	28.8	28.5
Total program expenses	42.2	40.8	28.8	28.5	71.0	69.3
Change in Net Position	6.1	5.7	1.8	2.7	7.9	8.4
Net Position - Beginning of year	245.3	239.6	144.8	142.1	390.1	381.7
Net Position - End of year	\$ 251.4	\$ 245.3	\$ 146.6	\$ 144.8	\$ 398.0	\$ 390.1

City of Rochester Hills, Michigan

Management's Discussion and Analysis

The City's revenue for governmental activity exceeded annual expenses by \$6.1 million, resulting in an increase in net position as of December 31, 2014 to \$251.4 million. Annual revenue for business-type activity exceeded expenses by \$1.8 million, resulting in an increase in net position to \$146.6 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, 2014:



City of Rochester Hills, Michigan

Management's Discussion and Analysis

Governmental Activities - Of the City's total revenue generated for fiscal year 2014, property tax comprises the largest segment, \$26.6 million, or 55.1 percent. Property tax revenue increased from the prior year by \$400,000. Property taxable values increased slightly while bottom line millage rates stayed the same. Of the grants and contributions revenue of \$6.9 million, \$5 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 community assistance, contributions, waterway improvements and road system improvements in the amount of \$1.9 million. State-shared revenue is a primary source of revenue for the City of which it received \$5.5 million which is an increase from 2013 of approximately \$150,000.

The majority of governmental expense is associated with the public safety function, which is \$18.4 million, or 43.6 percent of the total governmental activity. Public safety includes building, ordinance enforcement, fire, and contracted police services. Public works expenses were \$13.2 million, or 31.3 percent of the governmental expenses. Public works activity includes roads, drains, forestry, cemetery and pedestrian pathway improvements. Recreation and cultural expenses totaled \$5.5 million, or 13.1 percent that is related to parks, environmental and museum operations as well as youth and senior citizen programs. General government expenses total \$3.6 million, or 8.6 percent.

Business-type Activities - The City's business-type activities are recorded in the Water and Sewer Fund. The City provides water and sewer disposal purchased from the City of Detroit to residents. Of the City's charges for service revenue, the majority is generated from charges passed on to residents, which is \$29.6 million. Charges for service are offset by water and sewer operational expenses of \$28.8 million, or 40.6 percent of the City's total expenses, and after capital contributions, the business activity has an increased net change in position of \$1.8 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 2014 include the General Fund, the Major Road Fund, the Local Street Fund, the Fire Fund, and the Special Police Protection Fund.

The General Fund's fund balance increased from \$30.7 million to \$31.3 million or a total increase of \$600,000. The net increase is a combination of an increase in charges for service, refunds and contribution and an increase in expenditures activity.

City of Rochester Hills, Michigan

Management's Discussion and Analysis

The Major Road Fund fund's balance decreased from \$15.2 million in 2013 to \$12.9 million in 2014. The total expenditures of \$6.1 million exceeded total revenues of \$4.3 million, or total uses of approximately \$454,000. The capital outlay expenditures in 2014 totaled \$4.2 million due to major road improvements and \$1.9 million was used for preservation, traffic control and winter maintenance.

The Local Street Fund fund's balance decreased from \$6.8 million in 2013 to \$6.7 million in 2014. Local Street's expenditures and transfers out of \$11 million exceeded revenues and transfers in of \$10.9 million, or \$125,000. The capital outlay expenditures in 2014 totaled \$6.8 million due to local road improvements, an increase from prior year of \$4.6 million and \$3.6 million was used for preservation, traffic control and winter maintenance.

The Fire Fund fund's balance increased slightly from \$3.7 million in 2013 to \$4 million in 2014. The revenues exceeded the total expenditures of fire operations by approximately \$315,000.

The Special Police Protection Fund fund's balance increased approximately by \$286,000. The cost of police operations were \$8.6 million and the total revenue was \$9.2 million which included a transfer from General Fund of \$4.7 million.

The capital project funds had a combined capital outlay of approximately \$422,000 in 2014. Fund balance for the capital project funds increased by approximately \$208,000 in 2014.

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

The 2014 original budgeted revenue projections were \$24.6 million compared to the amended revenue budget of \$26.2 million. There was anticipated increase in state shared revenue (\$173,000), building permits and fees (\$786,000) and a return of OPEB Contributions (\$620,000). At year-end the actual revenue projections were down slightly (\$180,000) due to fewer building permits and fees collected.

The original budgeted expenditure projections including transfers out were \$26.5 million compared to the amended expenditure budget of \$26.2 million. At year-end the actual expenditures projections were less than projected due to overall personnel costs and professional services being less than projected. Overall the amended budget matched closely to the actual expenditures.

At year-end the actual revenues of \$26 million exceeded the actual operation expenditures of \$13.8 million and transfers to other funds of \$11.7 million by approximately \$516,000.

City of Rochester Hills, Michigan

Management's Discussion and Analysis

Capital Asset and Debt Administration - The City of Rochester Hills has \$282.5 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, 2014. This reflects an increase in net capital assets of \$10.1 million during the year. For detailed information on Capital Assets refer to Note 4.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 22.2	\$ 21.2	\$ 5.0	\$ 5.0	\$ 27.2	\$ 26.2
Construction in progress	-	-	10.8	4.8	10.8	4.8
Right-of-way	48.5	47.2	-	-	48.5	47.2
Infrastructure	68.8	64.6	87.5	89.2	156.3	153.8
Building and land improvements	21.2	22.4	12.1	12.4	33.3	34.8
Vehicles	3.7	3.2	-	-	3.7	3.2
Furniture and equipment	2.4	1.9	0.3	0.5	2.7	2.4
Total	<u>\$ 166.8</u>	<u>\$ 160.5</u>	<u>\$ 115.7</u>	<u>\$ 111.9</u>	<u>\$ 282.5</u>	<u>\$ 272.4</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, 2014 is \$32.3 million. For detail information on outstanding debt refer to Note 6.

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

	Governmental Activities	
	2014	2013
Governmental activities:		
General obligation bonds	\$ 11.7	\$ 13.5
County contractual obligations	3.8	4.3
Special assessment bonds	0.5	0.8
Total governmental activities	<u>\$ 16.0</u>	<u>\$ 18.6</u>
Business-type activities - County contractual obligations	<u>\$ 16.3</u>	<u>\$ 10.3</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 2.25 percent for fiscal year 2015 due primarily to improvements in the City's housing market. The City's total millage rate is set at 10.4496 mills for fiscal year 2015, which continues to be one of the lowest millage rates in Oakland County. An increase of 0.5 mills in the Charter approved Fire Millage was approved by the voters on November 4, 2014 and will begin in fiscal year 2015. In addition, a new Police millage rate for up to 2.5 mills, approved by voters in on August 7, 2012, started in fiscal year 2015. This new police millage increase was offset by an equal millage decrease in the General levy, as the General Fund police subsidy was eliminated. Taxes account for 36 percent of governmental fund revenues and 28.9 percent of General Fund revenues in the fiscal year 2015 budget.

Per the 2015 Adopted Budget, the City's Major Road Fund anticipates utilizing an estimated \$7.7 million of fund balance to help support major road preservation, maintenance, and \$7.4 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 2015 original adopted budget includes a transfer of approximately \$6.1 million from the General Fund and \$388,000 from the Major Road Fund will help support local street preservation, maintenance, and \$5.4 million in reconstruction activities. The Fire Fund's fund balance is anticipated to be unchanged in fiscal year 2015. The Special Police Fund's fund balance is anticipated to be unchanged in fiscal year 2015 as the new voter approved millage begins and the General Fund subsidy ends.

Capital projects for governmental-type funds totaling \$15.9 million for fiscal year 2015 include major roads, local streets, pathways, and fire-related capital equipment replacements.

In keeping with the uncertain economic environment, the fiscal year 2015 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 was able to comfortably reintroduce modest capital improvements with 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 December 31, 2014

	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents (Note 3)	\$ 39,176,235	\$ 10,998,124	\$ 50,174,359	\$ 1,794,605
Investments (Note 3)	79,490,674	32,922,514	112,413,188	2,989,155
Receivables - Net:				
Property tax	15,969,581	-	15,969,581	-
Customers	728,514	5,874,519	6,603,033	65,537
Accrued interest	94,699	30,686	125,385	1,986
Due from other governmental units	2,050,713	18,242	2,068,955	894,103
Inventories	72,380	96,330	168,710	-
Long-term receivables	42,453	383,363	425,816	-
Net OPEB asset (Note 10)	40,284	6,517	46,801	-
Other assets	451,224	24,269	475,493	286,935
Restricted assets (Note 7)	-	707,950	707,950	-
Nondepreciable capital assets (Note 4)	70,735,703	15,769,749	86,505,452	3,070,244
Depreciable capital assets - Net (Note 4)	96,039,131	99,819,952	195,859,083	13,796,654
Total assets	304,891,591	166,652,215	471,543,806	22,899,219
Liabilities				
Accounts payable	3,079,065	3,089,619	6,168,684	106,694
Retainage payable	60,299	2,500	62,799	-
Accrued and other liabilities	984,234	225,908	1,210,142	123,933
Deposits and escrows	1,391,389	102,410	1,493,799	-
Unearned revenue	530,019	-	530,019	555,054
Noncurrent liabilities (Note 6):				
Due within one year - Debt	2,630,000	576,747	3,206,747	-
Due in more than one year - Debt	13,648,087	15,786,680	29,434,767	-
Due within one year - Capital lease	19,722	-	19,722	78,413
Due in more than one year - Capital lease	47,369	-	47,369	655,204
Due within one year - Other noncurrent liabilities	1,179,395	63,123	1,242,518	41,233
Due in more than one year - Other noncurrent liabilities	461,904	236,054	697,958	48,568
Total liabilities	24,031,483	20,083,041	44,114,524	1,609,099
Deferred Inflows of Resources				
Property taxes levied for subsequent year's budget	29,425,443	-	29,425,443	779,129
Total deferred inflows of resources	29,425,443	-	29,425,443	779,129
Net Position				
Net investment in capital assets	155,196,747	99,934,224	255,130,971	16,097,926
Restricted:				
Streets and highways	19,606,847	-	19,606,847	-
Dedicated millages	13,779,060	-	13,779,060	-
Debt service	1,909,301	-	1,909,301	-
Capital projects	10,270,228	-	10,270,228	-
Tree preservation	1,608,997	-	1,608,997	-
Cemetery Trust (Expendable)	219,109	-	219,109	-
Cemetery Trust (Non-expendable)	1,073,870	-	1,073,870	-
Unrestricted	-	-	-	4,614
Total net position	<u>\$ 47,770,506</u>	<u>\$ 46,634,950</u>	<u>\$ 94,405,456</u>	<u>\$ 4,408,451</u>

The Notes to the Financial Statements
are an Integral Part of this Statement

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	\$ 3,597,085	\$ 364,640	\$ 120,656	\$ -
Public works	13,234,754	403,736	5,256,594	1,176,625
Public safety	18,429,217	4,154,668	41,387	-
Community and economic development	906,554	48,729	209,233	-
Recreation and culture	5,532,795	843,349	72,094	-
Interest on long-term debt	<u>556,891</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	42,257,296	5,815,122	5,699,964	1,176,625
Business-type activities:				
Sewer	13,384,146	13,887,432	-	569,024
Water	<u>15,465,324</u>	<u>15,735,100</u>	<u>-</u>	<u>167,760</u>
Total business-type activities	<u>28,849,470</u>	<u>29,622,532</u>	<u>-</u>	<u>736,784</u>
Total primary government	<u>\$ 71,106,766</u>	<u>\$ 35,437,654</u>	<u>\$ 5,699,964</u>	<u>\$ 1,913,409</u>
Component units:				
Local Development Finance Authority	\$ 392,439	\$ -	\$ -	\$ -
Economic Development Corporation	280	-	-	-
Automation Alley SmartZone Authority	100,000	-	-	-
Rochester Hills Museum Foundation	20	-	10,000	-
Rochester-Avon Recreation Authority	2,070,587	1,494,312	-	-
Older Persons' Commission	<u>4,565,302</u>	<u>1,278,731</u>	<u>1,171,780</u>	<u>35,339</u>
Total component units	<u>\$ 7,128,628</u>	<u>\$ 2,773,043</u>	<u>\$ 1,181,780</u>	<u>\$ 35,339</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				
Special item-Refund/Return of OPEB Contributions (Note 10)				
Transfers				
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, 2014

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (3,111,789)	\$ -	\$ (3,111,789)	\$ -
(6,397,799)	-	(6,397,799)	-
(14,233,162)	-	(14,233,162)	-
(648,592)	-	(648,592)	-
(4,617,352)	-	(4,617,352)	-
(556,891)	-	(556,891)	-
(29,565,585)	-	(29,565,585)	-
-	1,072,310	1,072,310	-
-	437,536	437,536	-
-	1,509,846	1,509,846	-
(29,565,585)	1,509,846	(28,055,739)	-
\$ -	\$ -	\$ -	\$ (392,439)
-	-	-	(280)
-	-	-	(100,000)
-	-	-	9,980
-	-	-	(576,275)
-	-	-	(2,079,452)
-	-	-	(3,138,466)
26,609,298	-	26,609,298	684,055
-	-	-	2,189,534
5,520,914	-	5,520,914	-
234,752	108,464	343,216	12,021
1,525,713	-	1,525,713	-
644,405	-	644,405	100,148
282,906	-	282,906	-
34,817,988	108,464	34,926,452	2,985,758
42,132	-	42,132	-
801,280	164,418	965,698	-
14,500	(14,500)	-	-
6,110,315	1,768,228	7,878,543	(152,708)
245,324,350	144,800,946	390,125,296	20,663,699
\$ 251,434,665	\$ 146,569,174	\$ 398,003,839	\$ 20,510,991

City of Rochester Hills, Michigan

	General Fund	Major Road Fund	Local Street Fund
Assets			
Cash and cash equivalents	\$ 5,535,895	\$ 1,924,881	\$ 3,302,323
Investments	29,976,704	11,243,327	4,494,829
Receivables:			
Property tax	3,245,623	-	1,387,338
State of Michigan	960,305	733,020	268,078
Oakland County	89,310	-	-
Accounts	482,550	11,738	22,458
Interest and other	38,170	15,232	4,102
Inventories	-	-	72,383
Long-term receivables	-	-	697
Other assets	49,143	2,358	6,234
Total assets	\$ 40,377,700	\$ 13,930,556	\$ 9,558,442
Liabilities, Deferred Inflows of Resources, and Fund Balance			
Liabilities			
Accounts payable	\$ 178,843	\$ 823,961	\$ 154,842
Retainages payable	-	7,427	45,810
Accrued wages	374,777	29,870	42,402
Deposits and escrows	1,068,434	-	5,000
Unearned revenue	482,380	-	-
Other liabilities	22,733	-	385
Total liabilities	2,127,167	861,258	248,439
Deferred inflows of resources			
Property taxes levied for subsequent year's budget	5,979,199	-	2,555,043
Unavailable revenue-not collected within the period of availability	1,013,750	164,196	53,215
Total deferred inflows of resources	6,992,949	164,196	2,608,258
Fund Balances			
Nonspendable			
Inventory	-	-	72,383
Permanent Fund Principal-Cemetery	-	-	-
Restricted			
Road construction and maintenance	-	12,905,102	6,629,362
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	-	-	-
Cemetery Trust	-	-	-
Committed			
Budget stabilization	1,000,000	-	-
Assigned			
Subsequent year's budget	4,313,480	-	-
Capital projects	-	-	-
Unassigned	25,944,104	-	-
Total fund balances	31,257,584	12,905,102	6,701,745
Total liabilities, deferred inflow of resources and fund balances	\$ 40,377,700	\$ 13,930,556	\$ 9,558,442

City of Rochester Hills, Michigan

Governmental Funds Balance Sheet December 31, 2014

Fire Fund	Special Police Protection Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 5,299,994	\$ 5,931,993	\$ 10,813,760	\$ 32,808,846
2,748,278	998,278	18,639,643	68,101,059
4,458,922	4,734,455	2,143,244	15,969,582
-	-	-	1,961,403
-	-	-	89,310
2,851	121,791	10,735	652,123
4,659	572	22,654	85,389
-	-	-	72,383
-	-	41,756	42,453
14,081	28	5,286	77,130
\$ 12,528,785	\$ 11,787,117	\$ 31,677,078	\$ 119,859,678
\$ 55,353	\$ 1,454,005	\$ 87,898	\$ 2,754,902
-	-	-	53,237
226,696	-	10,153	683,898
-	-	317,955	1,391,389
-	47,639	-	530,019
2,126	1,313	1,051	27,608
284,175	1,502,957	417,057	5,441,053
8,212,640	8,719,998	3,958,563	29,425,443
1,151	6,899	44,928	1,284,139
8,213,791	8,726,897	4,003,491	30,709,582
-	-	-	72,383
-	-	1,073,870	1,073,870
-	-	-	19,534,464
4,030,819	-	-	4,030,819
-	-	100,630	100,630
-	-	2,299,054	2,299,054
-	-	1,608,997	1,608,997
-	-	5,791,294	5,791,294
-	-	1,909,301	1,909,301
-	-	1,532,249	1,532,249
-	-	8,737,979	8,737,979
-	-	219,109	219,109
-	-	-	1,000,000
-	-	-	4,313,480
-	-	3,984,047	3,984,047
-	-	-	25,944,104
4,030,819	1,557,263	27,256,530	83,709,043
\$ 12,528,785	\$ 11,787,117	\$ 31,677,078	\$ 119,859,678



innovative *by* nature

City of Rochester Hills, Michigan

Governmental Funds Reconciliation of Fund Balances to Statement of Net Position December 31, 2014

Total Fund Balances for Governmental Funds	\$ 83,709,043
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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	126,795,799
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Net OPEB assets are not available resources to pay current year expenditures	40,284
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Special assessment receivables are not available to pay current year expenditures	42,453
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Certain other receivables are expected to be collected over several years and are not available to pay for current year expenditures	1,241,686
--	-----------

Accrued interest in governmental activities are not reported in the funds	(134,414)
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Amortization of bond premiums are not reported in the funds	(235,143)
---	-----------

Compensated absences in governmental activities are not reported in the funds	(1,434,341)
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Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(14,310,000)

Internal Service Funds are included as part of governmental activities	<u>55,719,298</u>
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Net Position of Government Activities	<u><u>\$ 251,434,665</u></u>
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City of Rochester Hills, Michigan

	General Fund	Major Road Fund	Local Street Fund
Revenue			
Property taxes	\$ 10,821,980	\$ -	\$ 2,498,857
Licenses and permits	2,676,333	-	25,675
Intergovernmental:			
State grants	5,496,518	3,673,872	1,379,738
Federal grants	171,341	1,200	-
Other governmental revenues	-	300,000	-
Charges for services	5,959,407	225,876	153,045
Fines and forfeitures	2,626	-	-
Investment earnings	71,247	31,491	12,905
Special assessments	-	-	13,777
Sale of assets	-	-	-
Refunds and other revenue	186,327	25,682	80,440
Total revenue	25,385,779	4,258,121	4,164,437
Expenditures			
Current:			
General government	6,940,068	-	-
Public works	882,370	-	-
Public safety	2,493,767	-	-
Community and economic development	815,104	-	-
Streets	-	1,935,892	3,586,070
Recreation and culture	2,677,689	-	-
Capital outlay	-	4,178,591	6,800,253
Debt service	-	-	-
Total expenditures	13,808,998	6,114,483	10,386,323
Excess of Revenue Over (Under) Expenditures	11,576,781	(1,856,362)	(6,221,886)
Other Financing Sources (Uses)			
Transfers in	6,240	296,318	6,723,170
Transfers out	(11,688,898)	(750,000)	(627,240)
Total other financing sources (uses)	(11,682,658)	(453,682)	6,095,930
Special item-Refund/Return of OPEB Contribution	622,258	-	-
Net Change in Fund Balance	516,381	(2,310,044)	(125,956)
Fund Balances - Beginning of year	30,741,203	15,215,146	6,827,701
Fund Balances - End of year	\$ 31,257,584	\$ 12,905,102	\$ 6,701,745

The Notes to the Financial Statements
are an Integral Part of this Statement

City of Rochester Hills, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balance Year Ended December 31, 2014

Fire Fund	Special Police Protection Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 5,821,722	\$ 3,595,406	\$ 3,871,333	\$ 26,609,298
6,229	-	-	2,708,237
-	41,387	-	10,591,515
-	-	64,524	237,065
-	292,815	-	592,815
1,560,512	163,037	138,967	8,200,844
3,057	395,928	-	401,611
14,702	6,121	68,250	204,716
-	-	24,696	38,473
-	-	149,151	149,151
4,215	9,742	96,509	402,915
7,410,437	4,504,436	4,413,430	50,136,640
-	-	-	6,940,068
-	-	834,240	1,716,610
7,128,289	8,602,786	-	18,224,842
-	-	-	815,104
-	-	-	5,521,962
-	-	1,580,767	4,258,456
-	-	1,468,912	12,447,756
-	-	2,819,784	2,819,784
7,128,289	8,602,786	6,703,703	52,744,582
282,148	(4,098,350)	(2,290,273)	(2,607,942)
-	4,714,610	2,017,330	13,757,668
(145,860)	(329,795)	(374,720)	(13,916,513)
(145,860)	4,384,815	1,642,610	(158,845)
179,022	-	-	801,280
315,310	286,465	(647,663)	(1,965,507)
3,715,509	1,270,798	27,904,193	85,674,550
<u>\$ 4,030,819</u>	<u>\$ 1,557,263</u>	<u>\$ 27,256,530</u>	<u>\$ 83,709,043</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, 2014

Net Change in Fund Balances - Total Governmental Funds \$ (1,965,507)

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	12,346,628
Depreciation expenses	(6,941,949)
Disposal of capital assets	(179,307)

The donation of capital assets is not considered a current financial resource and is not reported as revenue in the governmental funds 623,718

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 (38,472)

Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds 60,311

Accrued interest payable is recorded when due in governmental funds; in addition, bond issuance costs are amortized during the life of the bond 62,356

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 2,280,000

The change in accumulated employee annual leave and vacation pay, as well as estimated general liability are recorded when earned in the statement of activities (61,683)

The change in the net OPEB obligation is not included in governmental funds (717)

Internal Service Funds are also included as governmental activities (75,063)

Change in Net Position of Governmental Activities \$ 6,110,315

City of Rochester Hills, Michigan

Proprietary Fund Statement of Net Position Year Ended December 31, 2014

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,998,124	\$ 6,367,389
Investments	32,922,514	11,389,615
Receivables:		
Due from Federal Government	8,242	-
Due from State of Michigan	10,000	-
Accounts	5,874,519	-
Accrued interest	30,686	9,309
Inventories	96,330	-
Net OPEB asset	6,517	-
Prepaid costs and other assets	24,269	450,484
Total current assets	49,971,201	18,216,797
Noncurrent assets:		
Restricted assets - Assets held at the County	707,950	-
Capital assets - Net	115,589,701	39,979,035
Long-term receivable	383,363	-
Total assets	166,652,215	58,195,832
Liabilities		
Current liabilities:		
Accounts payable	3,089,619	324,163
Retainages payable	2,500	7,062
Accrued wages	131,331	92,284
Accrued vacation	147,754	143,065
Accrued annual leave	88,300	54,764
Deposits and escrows	102,410	-
Accrued and other liabilities	-	71,738
Payable related to debt and capital lease obligations:		
Current portion of debt obligations	576,747	285,000
Current portion of capital lease obligations	-	19,722
Accrued interest	94,577	11,367
Total current liabilities	4,233,238	1,009,165
Noncurrent liabilities:		
Long-term debt-net current portion	15,786,680	1,467,369
Other non-current liabilities	63,123	-
Total noncurrent liabilities	15,849,803	1,467,369
Total liabilities	20,083,041	2,476,534
Net Position		
Net Investment in capital assets	99,934,224	38,226,666
Unrestricted	46,634,950	17,492,632
Total net position	\$ 146,569,174	\$ 55,719,298

The Notes to the Financial Statements
are an Integral Part of this Statement

City of Rochester Hills, Michigan

Proprietary Fund

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended December 31, 2014

	Enterprise Fund - Water and Sewer Fund	Internal Service Fund
Operating Revenue		
Charges for service	29,610,232	6,976,414
Other charges for services	<u>12,300</u>	<u>460,709</u>
Total operating revenue	29,622,532	7,437,123
Operating Expenses		
Cost of water produced/purchased	9,445,742	-
Cost of sewage treatment	8,299,195	-
Salaries and wages	3,042,346	2,267,449
Professional services	3,669,614	1,755,289
Public utilities	-	585,942
Material and supplies	306,318	225,037
Repairs and maintenance	55,972	1,002,427
Rentals	6,291	7,396
Depreciation and amortization	<u>3,867,622</u>	<u>2,251,024</u>
Total operating expenses	<u>28,693,100</u>	<u>8,094,564</u>
Operating Income (Loss)	929,432	(657,441)
Nonoperating Revenue (Expenses)		
Investment income	108,464	36,899
Interest expense	(147,737)	(37,575)
Gain (loss) on disposal of capital assets	<u>(8,633)</u>	<u>198,735</u>
Total nonoperating revenue	<u>(47,906)</u>	<u>198,059</u>
Income (Loss) - Before contributions and transfers	881,526	(459,382)
Capital Contributions		
Federal grant	15,855	5,591
Capital and lateral charges	360,230	-
Other capital contributions	<u>360,699</u>	<u>205,383</u>
Total capital contributions	736,784	210,974
Transfers		
Transfers in	-	891,885
Transfers out	<u>(14,500)</u>	<u>(718,540)</u>
Total transfers	(14,500)	173,345
Special item-Refund/Return of OPEB Contributions	164,418	-
Change in Net Position	1,768,228	(75,063)
Net Position - Beginning of year	<u>144,800,946</u>	<u>55,794,361</u>
Net Position - End of year	<u><u>\$ 146,569,174</u></u>	<u><u>\$ 55,719,298</u></u>

The Notes to the Financial Statements
are an Integral Part of this Statement

City of Rochester Hills, Michigan

Proprietary Fund Statement of Cash Flows Year Ended December 31, 2014

	Enterprise - Water and Sewer	Internal Service Funds
Cash Flows from Operating Activities		
Cash received from customers	\$ 29,965,804	\$ 6,907,283
Cash payments for goods and services	(22,815,482)	(3,648,130)
Cash payments to employees	(3,026,669)	(2,250,525)
Other operating revenue	<u>12,300</u>	<u>460,709</u>
Net cash provided by operating activities	4,135,953	1,469,337
Cash Flows from Noncapital Financing Activities		
Transfers in from other funds	-	844,955
Transfers out to other funds	<u>(14,500)</u>	<u>(718,540)</u>
Net cash provided by noncapital financing activities	(14,500)	126,415
Cash Flows from Capital and Related Financing Activities		
Payment for capital acquisitions	(825,935)	(2,711,065)
Proceeds from sale of capital assets	6,007	206,578
Principal payments	(523,198)	(308,949)
Interest paid	(260,234)	(43,002)
Federal grants	15,855	5,591
Capital contributions	62,660	205,383
Collection of capital and lateral charges	360,230	-
Transfer in from other funds	-	46,930
Special item	<u>164,418</u>	<u>-</u>
Net cash used in capital and related financing activities	(1,000,197)	(2,598,534)
Cash Flows from Investing Activities		
Purchase of investment securities	(33,922,302)	(11,891,501)
Proceeds from maturities of investment securities	28,627,548	12,592,240
Receipts of interest and dividends	<u>86,992</u>	<u>37,818</u>
Net cash used in investing activities	<u>(5,207,762)</u>	<u>738,557</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,086,506)	(264,225)
Cash and Cash Equivalents - January 1, 2014	<u>13,084,630</u>	<u>6,631,614</u>
Cash and Cash Equivalents - December 31, 2014	<u><u>\$ 10,998,124</u></u>	<u><u>\$ 6,367,389</u></u>

(Continued on next page)

City of Rochester Hills, Michigan

Proprietary Fund Statement of Cash Flows (Continued) Year Ended December 31, 2014

	Enterprise - Water and Sewer	Internal Service Funds
Reconciliation of Operating Loss to Net Cash from		
Operating income (loss)	\$ 929,432	\$ (657,441)
Adjustments to reconcile operating loss to net cash from operating activities - Changes in assets and liabilities:		
Depreciation expense	3,867,622	2,251,024
Decrease (increase) in accounts receivable	366,082	(69,131)
Decrease in other assets	6,399	38,539
Increase in inventories	(32,062)	-
Increase (decrease) in accounts payable and other accrued expenses	(1,006,687)	7,855
Increase in accrued wages, vacation, and annual leave	15,677	16,924
Decrease in other liabilities	(10,510)	(118,433)
Total adjustments	<u>3,206,521</u>	<u>2,126,778</u>
Net cash provided by operating activities	<u><u>\$ 4,135,953</u></u>	<u><u>\$ 1,469,337</u></u>

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2014, the Water and Sewer Fund received \$360,699 of lines donated by developers. In addition, Oakland County constructed \$6.6 million of sewer lines for the Oakland Macomb Interceptor project and the City incurred long term debt of \$6.6 million. The Water and Sewer Fund recognized \$2,441 of unrealized gain in the market value of securities while the Internal Service funds recognized a \$3,813 unrealized loss in the market value of securities.

City of Rochester Hills, Michigan

Fiduciary Funds Statement of Net Position December 31, 2014

	Retiree Health Care Benefit Trust	Agency Funds
Assets		
Cash	\$ 65,883	\$ 3,297,928
Investments - Mutual funds	<u>1,962,100</u>	<u>-</u>
Total assets	2,027,983	<u>\$ 3,297,928</u>
Liabilities		
Accounts payable	\$ -	\$ 3,940
Due to other governments	-	3,158,408
Accrued and other liabilities	<u>364</u>	<u>135,580</u>
Total liabilities	<u>364</u>	<u>\$ 3,297,928</u>
Net Position - Held in trust for benefits	<u>\$ 2,027,619</u>	

City of Rochester Hills, Michigan

Fiduciary Funds and Trust Funds Statement of Changes in Fiduciary Net Position Year Ended December 31, 2014

	Retiree Health Care Benefit Trust
Additions	
Investment income	\$ 86,520
Contributions	-
Total additions	86,520
Deductions	
Benefit payments and other expenses	116,799
Refund of contributions	965,698
Total deductions	1,082,497
Net Change in Net Position	(995,977)
Net Position - Beginning of year	3,023,596
Net Position - End of year	\$ 2,027,619

City of Rochester Hills, Michigan

Component Units Statement of Net Position December 31, 2014

	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	\$ 2,959,724	\$ 1,190	\$ 93,869	\$ 320,743	\$ 9,996	\$ 485,445	\$ 912,793	\$ 4,783,760
Due from other governmental units	741,360	-	-	37,769	-	1,000	113,974	894,103
Receivables - Accrued interest and other	1,695	-	-	-	-	38,466	27,362	67,523
Prepaid costs and other assets	1,521	-	-	-	-	115,117	170,297	286,935
Capital assets	-	-	-	-	-	1,941,575	14,925,323	16,866,898
Total assets	3,704,300	1,190	93,869	358,512	9,996	2,581,603	16,149,749	22,899,219
Liabilities								
Accounts payable	-	-	-	-	-	21,003	85,691	106,694
Accrued and other liabilities	2,557	-	-	-	-	26,850	94,526	123,933
Unearned revenue	-	-	-	-	-	308,589	246,465	555,054
Noncurrent liabilities:								
Due within one year - Capital lease	-	-	-	-	-	78,413	-	78,413
Due in more than one year - Capital lease	-	-	-	-	-	655,204	-	655,204
Due within one year - Other noncurrent liabilities	-	-	-	-	-	5,760	35,473	41,233
Due in more than one year - Other noncurrent liabilities	2,910	-	-	-	-	29,807	15,851	48,568
Total liabilities	5,467	-	-	-	-	1,125,626	478,006	1,609,099
Deferred inflows of resources								
Property taxes levied for subsequent year's budget	741,360	-	-	37,769	-	-	-	779,129
Total deferred inflows of resources	741,360	-	-	37,769	-	-	-	779,129
Net Position								
Net investment in capital assets	-	-	-	-	-	1,172,603	14,925,323	16,097,926
Restricted								
Donations for "Acts of Kindness"	-	-	-	-	-	-	4,614	4,614
Unrestricted	2,957,473	1,190	93,869	320,743	9,996	283,374	741,806	4,408,451
Total net position	\$ 2,957,473	\$ 1,190	\$ 93,869	\$ 320,743	\$ 9,996	\$ 1,455,977	\$15,671,743	\$20,510,991

City of Rochester Hills, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions
Local Development Finance Authority - Public service	\$ 392,439	\$ -	\$ -	\$ -
Economic Development Corporation - Community and economic development	280	-	-	-
Automation Alley SmartZone Authority - Public service	100,000	-	-	-
Rochester Hills Museum Foundation - Recreation and culture	20	-	10,000	-
Rochester-Avon Recreation Authority - Recreation and culture	2,070,587	1,494,312	-	-
Older Persons' Commission - Recreation and culture	<u>4,565,302</u>	<u>1,278,731</u>	<u>1,171,780</u>	<u>35,339</u>
Total governmental activities	<u>\$ 7,128,628</u>	<u>\$ 2,773,043</u>	<u>\$ 1,181,780</u>	<u>\$ 35,339</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, 2014

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
\$ (392,439)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (392,439)
-	(280)	-	-	-	-	-	(280)
-	-	(100,000)	-	-	-	-	(100,000)
-	-	-	-	9,980	-	-	9,980
-	-	-	-	-	(576,275)	-	(576,275)
-	-	-	-	-	-	(2,079,452)	(2,079,452)
<u>\$ (392,439)</u>	<u>\$ (280)</u>	<u>\$ (100,000)</u>	<u>\$ -</u>	<u>\$ 9,980</u>	<u>\$ (576,275)</u>	<u>\$ (2,079,452)</u>	<u>\$ (3,138,466)</u>
647,440	-	-	36,615	-	-	-	684,055
-	-	-	-	-	664,464	1,525,070	2,189,534
6,602	3	142	616	16	640	4,002	12,021
-	-	-	-	-	11,759	88,389	100,148
654,042	3	142	37,231	16	676,863	1,617,461	2,985,758
261,603	(277)	(99,858)	37,231	9,996	100,588	(461,991)	(152,708)
<u>\$ 2,695,870</u>	<u>\$ 1,467</u>	<u>\$ 193,727</u>	<u>\$ 283,512</u>	<u>\$ -</u>	<u>\$ 1,355,389</u>	<u>\$ 16,133,734</u>	<u>\$ 20,663,699</u>



innovative *by* nature

Notes to Financial Section



innovative *by* nature

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 13-member board, of which seven members are appointed by the mayor and confirmed by the City Council while the other six members are appointed by the legislative bodies of other taxing authorities. The LDFA was created to provide a means for financing infrastructure improvements within a certain area of the City on behalf of the City and other entities. The City has the ability to impose its will upon LDFA. In addition, the City Council sets the annual budget for LDFA and LDFA is presented as a government fund type. There are no modifications needed to reflect the full accrual basis of reporting for the LDFA. The financial statements presented on pages 29 through 31 also reflect the LDFA's modified accrual basis of reporting. No separate financial statements are issued for the LDFA.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

- b. The Economic Development Corporation (EDC) is governed by a 9-member board, appointed by the mayor and confirmed by the City Council. The EDC was created to provide a means and method for encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City. The City of Rochester Hills, Michigan has the ability to impose its will upon the EDC. 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 13-member board, of which seven members are appointed by the mayor and confirmed by the City Council while the other six members are appointed by the legislative bodies of other taxing authorities. The 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 29 through 31 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 29 through 31 also reflect the Brownfield Authority's modified accrual basis of reporting. No separate financial statements are issued for the Brownfield Authority.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

- 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 29 and 31 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 7 members that include one Council member and two Council-appointed residents from the City of Rochester Hills, one Council member and one Council-appointed resident from City of Rochester, one Board-appointed member from the Rochester Community Schools and one Board-appointed member from the Avondale School District. There is a financial benefit/burden relationship between R.A.R.A. and the City of Rochester Hills. R.A.R.A.'s financial statements can be obtained from its administrative offices at 500 East Second Street, Rochester, MI.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2014

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 8 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 \$18,673 for its operations. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The City does not have an equity interest in the joint venture. Complete financial statements for the Paint Creek Trailways Commission can be obtained from the administrative offices at 4393 Collins Road, Rochester, MI 48306.

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 2013 tax is levied and collectible on December 1, 2013 and is recognized as revenue in the year ended December 31, 2014, 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, 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.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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. Trust and Agency Fund accounts for advance payments and delinquent taxes.
- c. 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.
- d. 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.

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.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

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 \$3,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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 \$88,469 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:

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

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

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 2014 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 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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).

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.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

The City's 2013 tax is levied and collectible on December 1, 2013 and is recognized as revenue in the year ended December 31, 2014, when the proceeds of the levy are budgeted and available for the financing of operations.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

The 2013 taxable valuation of the City totaled approximately \$3 billion on which taxes are levied as follows:

Function	Mills	Dollars
General operating purposes	3.6222	\$ 10,181,264
Local Streets	0.8400	2,488,840
Fire operating services	1.9564	5,797,108
Police protection services	1.2083	3,580,195
OPC operating and transportation	0.3294	975,822
R.A.R.A. operating	0.1950	577,697
Pathway maintenance	0.1858	550,434
Debt service	0.2894	868,324
Green space preservation	0.2972	880,537

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, (\$2.3 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, 2014

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, 2014		\$ (4,759,560)
Building permit revenue		1,751,876
Related expenses:		
Direct expenses	\$ 1,499,235	
Estimated indirect costs	<u>224,885</u>	
Total related expenses		<u>1,724,120</u>
Cumulative shortfall at December 31, 2014		<u><u>\$ (4,731,804)</u></u>

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2014

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, 2014, the City's operating portfolio is as follows:

Investment Type	Fair Value	Percentage
Commercial Paper	\$ 8,993,580	14.3%
US Government Securities	<u>53,969,308</u>	<u>85.7%</u>
	\$ 62,962,888	100.0%

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2014

Note 3 - Deposits and Investments (Continued)

As of December 31, 2014, the City's operating portfolio had the following bank deposits:

Bank Deposit	Deposit Amount	Percent
Bank of America	\$ 18,037,984	20.0%
Comerica Bank	247,028	0.3%
Federated Investors	5,671,141	6.3%
FirstMerit Bank	496,512	0.6%
Flagstar Bank*	4,499,571	5.0%
Huntington Bank	249,281	0.3%
Michigan Class	14,043,779	15.5%
Private Bank**	46,248,939	51.2%
Talmer	743,189	0.8%
	<u>\$ 90,237,424</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) 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 Trust, as defined by its Investment Policy Statement (IPS), is to have 60 percent of its investments in equities and 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, 2014

Note 3 - Deposits and Investments (Continued)

As of December 31, 2014, the Trust was holding the following registered mutual fund investment types:

Investment Type	Fair Value	Percentage	Average Duration	Ticker Symbol
Delaware Foundation Conservative Fund	\$ 640,372	32.63%	N/A	DFIRX
Delaware Foundation Moderate Fund	525,204	26.77%	N/A	DFBRX
Delaware Foundation Growth Fund	796,524	40.60%	N/A	DFGRX
	<u>\$ 1,962,100</u>	<u>100.00%</u>		

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, 2014, \$53,969,308 in U.S. Government obligations and \$8,993,580 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 \$19,714,920. 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 \$18,069,604.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2014

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, Custodial risk is associated with the possible failure of the Trust's safekeeping agent, where the Trust would not be able to recover the value of its investments in the possession the Trust's agent. The Trust's Investment Policy Statement (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, 2014, \$1,988,479 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:

Investments	Market Value	Weighted Average Maturity
Government agency securities	\$ 53,969,308	359 Days
MI CLASS Investment Pool	14,043,779	1 Day
Federated Investment Pool	5,671,141	1 Day
Commercial Paper	8,993,580	238 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.

The Retiree Health Care Benefit 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 that fell in the 7 to 10 year range which is reasonable given the long-term nature of the Trust. The mutual funds within the portfolio of the Trust were holding fixed income investments at year end that did exceed the 30 year limitation but given the reasonable nature of the average duration the Trust was 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	4.48%
3 to 5 Years	13.93%
5 to 7 Years	15.14%
7 to 10 Years	22.45%
10 to 15 Years	6.28%
15 to 20 Years	2.94%
20 to 30 Years	27.90%
Over 30 Years	6.88%
TOTAL	100.00%
Average Duration	7 to 10 years

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2014

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:

Investments	Market Value	Rating
Government agency securities	\$ 53,969,308	AA+
MI CLASS Investment Pool	14,043,779	AAAm
Federated Investment Pool	5,671,141	AAAm
Commercial Paper	8,993,580	A1+
	<u>\$ 82,677,808</u>	

The City's Retiree Health Care Benefit 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, 2014

Note 3 - Deposits and Investments (Continued)

As of December 31, 2014, debt obligation investments held by the Trust, in all four mutual funds had the following ratings:

Retiree Health Care Benefit Trust

Type	% Bonds
AAA	32.1%
AA	3.4%
A	13.1%
BBB	29.3%
BB	10.7%
B	9.1%
Below B	2.2%
Not Rated	0.1%
TOTAL	100.0%
Average Credit Quality	A

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2014

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 2014 Concentration Risk 12/31/2014			
PrivateBancorp, Inc	\$	248,939	0.16%
FirstMerit Bank		496,512	0.32%
Comerica Bank		247,028	0.16%
Flagstar Bank		499,571	0.33%
Huntington Bank		249,281	0.16%
Talmer Bank		743,189	0.49%
CDARS (1)		50,000,000	32.63%
CP - GECC, A-1+ P-1		5,990,627	3.91%
CP - COCA COLA, A-1+ P-1		2,997,923	1.96%
UST - FHLB/FHDN, AA+		29,959,030	19.56%
UST - FHLMC/FMCDN, AA+		23,969,616	15.65%
Michigan Class		14,043,779	9.17%
Federated Investors		5,671,141	3.70%
Bank of America-Pooled Checking		18,037,984	11.77%
Bank of America-Payroll		9,331	0.01%
Bank of America-Flex Spending		25,161	0.02%
TOTAL	\$	153,189,112	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 insurance limits

Note 3 - Deposits and Investments (Continued)

The Retiree Health Care Benefit 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, 2014, 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, 2014.

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

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2014

Note 3 - Deposits and Investments (Continued)

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

At December 31, 2014 the asset allocation mutual fund's equity holdings in developed versus emerging countries was as follows:

Retiree Health Care Benefit Trust		
Market Classification	Percentage	Dollars
Developed Markets	91.7%	\$ 1,047,381
Emerging Markets	8.3%	94,366
TOTAL	100.0%	\$ 1,141,747

Security Lending Transactions

Under current provisions of State statutes, the Retiree Health Care Benefit 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 Trust, were silent related to their security lending practices. The Trust did not lend any securities as of December 31, 2014.

Collateralized Mortgage Obligations (CMOs)

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

The Trust's adopted IPS places the following limits on these securities: must be currently paying interest, receiving principal pay downs and do not contain leverage. The 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, 2014

Note 3 - Deposits and Investments (Continued)

At December 31, 2014 the fixed income portion of the mutual funds were holding just over 23.5 percent of their portfolio in securitized instruments but none in the CMO area.

Retiree Health Care Benefit Trust

Securitized	Total %
Agency Mortgage-Backed	14.29
Non-Agency Residential MBS	3.54
Commercial MBS	4.38
Asset-Backed	<u>1.58</u>
Total	23.79

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2014

Note 4 - Capital Assets

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

Governmental Activities	Balance January 1, 2014	Additions	Disposals and Adjustments	Balance December 31, 2014
Capital assets not being depreciated:				
Land	\$ 21,245,818	\$ 1,074,808	\$ 75,100	\$ 22,245,526
Right of way	<u>47,155,921</u>	<u>1,334,256</u>	<u>-</u>	<u>48,490,177</u>
Subtotal	68,401,739	2,409,064	75,100	70,735,703
Capital assets being depreciated:				
Roads	121,034,474	10,168,541	-	131,203,015
Drain flowage rights	30,772,175	-	-	30,772,175
Land improvements	19,307,902	408,586	-	19,716,488
Building and Building improvements	30,501,874	289,446	39,739	30,751,581
Vehicles	10,511,991	1,085,124	662,582	10,934,533
Office furnishings	5,340,284	940,692	54,483	6,226,493
Other tools and equipment	<u>5,910,985</u>	<u>379,960</u>	<u>34,172</u>	<u>6,256,773</u>
Subtotal	223,379,685	13,272,349	790,976	235,861,058
Accumulated depreciation:				
Roads	70,965,627	5,209,785	-	76,175,412
Drain flowage rights	16,275,451	739,103	-	17,014,554
Land improvements	13,442,126	944,880	-	14,387,006
Building improvements	14,000,688	886,565	31,896	14,855,357
Vehicles	7,281,279	681,081	662,582	7,299,778
Office furnishings	4,999,458	414,616	54,483	5,359,591
Other tools and equipment	<u>4,343,248</u>	<u>420,969</u>	<u>33,988</u>	<u>4,730,229</u>
Subtotal	<u>131,307,877</u>	<u>9,296,999</u>	<u>782,949</u>	<u>139,821,927</u>
Net capital assets being depreciated	<u>92,071,808</u>	<u>3,975,350</u>	<u>8,027</u>	<u>96,039,131</u>
Net capital assets	<u>\$ 160,473,547</u>	<u>\$ 6,384,414</u>	<u>\$ 83,127</u>	<u>\$ 166,774,834</u>

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2014

Note 4 - Capital Assets (Continued)

Business-type Activities	Balance January 1, 2014	Additions	Disposals and Adjustments	Balance December 31, 2014
Capital assets not being depreciated:				
Land	\$ 4,958,172	\$ -	\$ -	\$ 4,958,172
Construction in progress	<u>4,812,858</u>	<u>5,998,719</u>	<u>-</u>	<u>10,811,577</u>
Subtotal	9,771,030	5,998,719	-	15,769,749
Capital assets being depreciated:				
Water and sewer distribution systems	162,877,036	1,597,991	42,824	164,432,203
Land improvements	204,561	-	-	204,561
Building and Building improvements	14,383,521	17,963	42,086	14,359,398
Office furnishings	105,600	-	-	105,600
Other tools and equipment	<u>8,269,543</u>	<u>14,400</u>	<u>47,802</u>	<u>8,236,141</u>
Subtotal	185,840,261	1,630,354	132,712	187,337,903
Accumulated depreciation:				
Water and sewer distribution systems	73,707,261	3,284,461	35,149	76,956,573
Land improvements	197,099	789	-	197,888
Building improvements	1,979,829	319,697	14,167	2,285,359
Office furnishings	105,132	468	-	105,600
Other tools and equipment	<u>7,751,162</u>	<u>262,207</u>	<u>40,838</u>	<u>7,972,531</u>
Subtotal	<u>83,740,483</u>	<u>3,867,622</u>	<u>90,154</u>	<u>87,517,951</u>
Net capital assets being depreciated	<u>102,099,778</u>	<u>(2,237,268)</u>	<u>42,558</u>	<u>99,819,952</u>
Net capital assets	<u>\$ 111,870,808</u>	<u>\$ 3,761,451</u>	<u>\$ 42,558</u>	<u>\$ 115,589,701</u>

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2014

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 January 1, 2014	Additions	Disposals and Adjustments	Balance December 31, 2014
Land	\$ 3,070,244	\$ -	\$ -	\$ 3,070,244
Capital assets being depreciated:				
Buildings	13,839,643	51,502	-	13,891,145
Building improvements	1,830,133	41,575	-	1,871,708
Land improvement	113,532	943,717	-	1,057,249
Machinery and equipment	2,053,876	29,603	2,372	2,081,107
Vehicles	1,183,264	35,339	-	1,218,603
Office equipment and furniture	<u>128,262</u>	<u>-</u>	<u>21,116</u>	<u>107,146</u>
Subtotal	19,148,710	1,101,736	23,488	20,226,958
Less accumulated depreciation	<u>5,761,301</u>	<u>690,323</u>	<u>21,320</u>	<u>6,430,304</u>
Net capital assets being depreciated	<u>13,387,409</u>	<u>411,413</u>	<u>2,168</u>	<u>13,796,654</u>
Net capital assets	<u>\$ 16,457,653</u>	<u>\$ 411,413</u>	<u>\$ 2,168</u>	<u>\$ 16,866,898</u>

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

Governmental Activities:

General government	\$ 1,298,078
Public works	6,817,165
Public safety	706,364
Recreation and culture	<u>475,392</u>
Total Governmental Activities	<u>\$ 9,296,999</u>

Business-type Activities:

Water	2,188,119
Sewer	<u>1,679,503</u>
Total Business-type Activities	<u>\$ 3,867,622</u>

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2014

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

	Total Contract Amount	Remaining Commitment
Road improvements	\$ 9,946,670	\$ 1,211,645
Drain and pathway improvements	1,318,921	1,300,660
Facility improvements	617,756	293,590
Management information systems	1,300,000	444,032
Water and sewer infrastructure	<u>1,832,223</u>	<u>287,886</u>
Total	<u>\$ 15,015,570</u>	<u>\$ 3,537,814</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, 2014

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	\$ 296,318
	Local Street Fund	5,973,170
	Special Police Fund	4,714,610
	Nonmajor governmental funds	251,000
	Internal Service - Facilities Fund	453,800
	Total General Fund	11,688,898
Major Road Fund	Local Road Fund	750,000
Local Street Fund	Nonmajor governmental funds	627,240
Fire Fund	Nonmajor governmental funds	145,860
Special Police Fund	Internal Service - Facilities Fund	329,795
Nonmajor governmental funds	General Fund	6,240
	Nonmajor governmental funds	274,690
	Internal Service - Facilities Fund	93,790
	Total nonmajor governmental funds	374,720
Water & Sewer Fund	Internal Service - Fleet Equipment Fund	14,500
Internal Service - Facilities	Nonmajor governmental funds	718,540
	Total	<u>\$ 14,649,553</u>

The transfers from the General Fund to the Major Roads and Local Street Funds, Special Police Protection Fund, additional non-major governmental funds, and Facilities Fund represent the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations; the transfer from Major Road Fund to the Local Street Fund represents a transfer for local streets improvement and maintenance; the transfer from the Local Street Fund to non-major governmental funds and Special Police Fund to Facilities Fund represents the movement of resources to be used to service debt; the transfer from 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, 2014

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

other non-major governmental and internal service funds represents resources for equipment, pathway improvements and to service debt; the transfer from Water & Sewer Fund to the Fleet Equipment Funds is for equipment; 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%	\$ 5,595,000	\$ -	\$ (525,000)	\$ 5,070,000	\$ 615,000
General Obligation Limited Tax Capital Improvement Refunding Bond, Series 2011 payable through 2017 with interest at 2% to 4%	1,845,000	-	(410,000)	1,435,000	460,000
General Obligation Unlimited Tax Refunding Bonds, OPC, Series 2010 payable through 2021 with interest at 2.0% to 4.5%	5,280,000	-	(580,000)	4,700,000	610,000
Michigan Transportation Fund Bond, MTF-2001 Series payable through 2016 with interest at 4.25% to 4.6%	750,000	-	(250,000)	500,000	250,000
County Contractual Obligations:					
Robert Huber Drain, payable through 2014 with interest at 3.3% to 2%	110,000	-	(110,000)	-	-
Rewold Drain Refunding Bond, payable through 2025 with interest at 2% to 2.25%	2,235,000	-	(155,000)	2,080,000	160,000
Oakland County Building Authority, Building Authority Refunding Bonds Series 2012 payable through 2020 with interest at 2.0%	1,995,000	-	(290,000)	1,705,000	285,000
Special Assessment Bonds:					
Public Improvement City Share Bonds, 2001 Series payable through 2016 with interest at 2.6% to 4.7%	375,000	-	(125,000)	250,000	125,000
Public Improvement Special Assessment Bonds, 2001 Series payable through 2016 with interest at 3.0% to 4.7%	<u>400,000</u>	<u>-</u>	<u>(125,000)</u>	<u>275,000</u>	<u>125,000</u>
Total bond obligations	18,585,000	-	(2,570,000)	16,015,000	2,630,000

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2014

Note 6 - Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Other long-term obligations:					
Tax Tribunal	17,704	9,128	(17,704)	9,128	-
Capital Lease	86,040	-	(18,949)	67,091	19,722
Compensated absences - Governmental activities	1,372,658	1,364,247	(1,302,564)	1,434,341	1,024,833
Compensated absences - Internal Service	197,364	196,914	(196,448)	197,830	154,562
Total other long-term obligations	1,673,766	1,570,289	(1,535,665)	1,708,390	1,199,117
Unamortized premium on refundings	306,853	-	(43,766)	263,087	-
Total governmental activities	\$ 20,565,619	\$ 1,570,289	\$ (4,149,431)	\$ 17,986,477	\$ 3,829,117
Business-type Activities					
County Contractual Obligations:					
Oakland County Water and Sewage Disposal System Refunding Bonds, Series 2012 payable through 2022 with interest at 1.5 % to 2.75%	\$ 1,800,000	\$ -	\$ (195,000)	\$ 1,605,000	\$ 190,000
Oakland-Macomb Interceptor Drain Drainage District-Drain Bonds, Series 2010B payable through 2030 with interest at 1.15% to 5.9%	783,069	-	(31,038)	752,031	32,331
Oakland-Macomb Interceptor Drain Drainage District-Drain Bonds, Series 2010A payable through 2031 with interest at 2.5%	3,105,763	44,734	(138,379)	3,012,118	141,612
Oakland-Macomb Interceptor Drain Drainage District-Drain Bonds, Series 2011 payable through 2033 with interest at 2.5%	3,066,260	303,276	(158,781)	3,210,755	162,751
Oakland-Macomb Interceptor Drain Drainage District-Drain Bonds, Series 2013 payable through 2032 with interest at 2.5%	1,541,408	4,935,097	-	6,476,505	-
Oakland-Macomb Interceptor Drain Drainage District-Drain Bonds, Series 2014A payable through 2034 with interest at 2% to 3.5%	-	1,293,344	-	1,293,344	50,053
Total business-type bond obligations	10,296,500	6,576,451	(523,198)	16,349,753	576,747
Other long-term obligations:					
Compensated absences - Water and Sewer	303,785	295,415	(300,024)	299,176	236,053
Unamortized premium on refundings	15,381	-	(1,707)	13,674	-
Total other long-term obligations	319,166	295,415	(301,731)	312,850	236,053
Total business-type activities	\$ 10,615,666	\$ 6,871,866	\$ (824,929)	\$ 16,662,603	\$ 812,800
Component Units					
Tax Tribunal	\$ 1,105	\$ 3,480	\$ (1,105)	\$ 3,480	\$ -
Capital Lease	807,658	-	(74,041)	733,617	78,413
Turf Payback Agreement	-	37,275	(1,920)	35,355	5,760
Compensated absences	53,865	32,932	(35,473)	51,324	35,473
Total component units	\$ 862,628	\$ 32,932	\$ (112,539)	\$ 823,776	\$ 119,646

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2014

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
2015	\$ 2,630,000	\$ 494,903	\$ 3,124,903	\$ 576,747	\$ 508,822	\$ 1,085,569
2016	2,730,000	409,761	3,139,761	1,035,500	484,994	1,520,494
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
2020-2024	4,270,000	214,373	4,484,373	5,414,194	1,618,784	7,032,978
2025-2029	225,000	2,531	227,531	4,468,146	890,254	5,358,400
2030-2034	-	-	-	1,639,765	92,635	1,732,400
	<u>\$ 16,015,000</u>	<u>\$ 1,901,012</u>	<u>\$ 17,916,012</u>	<u>\$ 16,349,753</u>	<u>\$ 4,897,707</u>	<u>\$ 21,247,460</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 and are eligible to recover tax credit payments from the United States Treasury equal to 45 percent of the interest payable on the bonds. The City's 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 and OMID Series 2013 \$65 million). During the year, the City's portion of SRF draws was \$5,283,107 and with added debt for OMID Series 2014A of \$1,293,344, a total increase of \$6,576,451.

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, 2014 the total considered defeased is \$16,845,000. 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, 2014

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 described above. The remaining principal and interest to be paid on the bonds is \$2,331,618. During the current year, net revenue generated by property tax millages was \$128,856 compared to the annual debt requirements of \$310,803 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 \$21,247,460. During the year, net operating revenues of the system were approximately \$4,961,525 compared to the annual debt requirements of \$785,139.

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 \$707,950. 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, 2014

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:

	<u>2014</u>	<u>2013</u>
Estimated liability - Beginning of year	\$ 162,226	\$ 50,609
Estimated claims incurred, including changes in estimates	(116,637)	120,663
Claims payments	<u>(1,796)</u>	<u>(9,046)</u>
Estimated liability - End of year	<u>\$ 43,793</u>	<u>\$ 162,226</u>
Estimated liability for claims reported	\$ 28,793	\$ 147,226
Estimated liability for claims incurred but not reported	<u>15,000</u>	<u>15,000</u>
Total estimated liability	<u>\$ 43,793</u>	<u>\$ 162,226</u>

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2014

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 240 active participants and 60 participants that were terminated or retired, this totals to 300 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 \$1,967,967 during the current year, employees' mandatory contributions were \$391,067, and employee voluntary contributions were \$12,291. There were no forfeitures that reduced the City's pension expense and there were no employer's liability outstanding as of December 31, 2014. 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 193 active participants and 71 participants that were terminated or retired, this totals 264 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 66 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, \$502,553 to the RHS Plan and employee mandatory contributions were \$85,122.

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, 2014

Note 10 - Other Postemployment Benefits (Continued)

participating in the supplemental benefit plan are paid as the applicable costs are incurred. During fiscal year 2014, this amounted to \$96,399.

As of 1/1/2014, the premiums paid by pre-Medicare retirees, who participate in the City's medical/health care policy, were no longer based on the City's blended rate. Their premiums were now based on the pre-Medicare retiree group. That change in premium eliminated the City's the implicit rate subsidy. Due to this change the City requested that the Retiree Health Care Benefit Trust return back to the City \$965,698, which is reported as a special item in 2014.

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	(2,050)	(334)	(2,384)
Adjustment to the ARC	<u>2,767</u>	<u>489</u>	<u>3,256</u>
Annual OPEB cost	717	155	872
Amounts contributed:			
Amounts funded	<u>-</u>	<u>-</u>	<u>-</u>
Decrease in net OPEB obligation	717	155	872
OPEB obligation - Beginning of year	<u>(41,001)</u>	<u>(6,672)</u>	<u>(47,673)</u>
OPEB asset - End of year	<u>\$ (40,284)</u>	<u>\$ (6,517)</u>	<u>\$ (46,801)</u>

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2014

Note 10 - Other Postemployment Benefits (Continued)

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>2012</u>	<u>2013</u>	<u>2014</u>
Annual required contribution	\$ 110,041	\$ 110,041	\$ -
Annual OPEB Costs	110,026	110,871	872
Employer contributions	159,450	110,041	-
Percentage of ARC contributed	144.9%	100.0%	100.0%
Percentage of OPEB costs contributed	144.9%	99.3%	0.0%
Net OPEB obligation (asset)	<u>\$ (48,503)</u>	<u>\$ (47,673)</u>	<u>\$ (46,801)</u>

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>2012</u>	<u>2013</u>	<u>2014</u>
Fund ratio	75%		115%
Annual covered payroll	<u>\$ 13,307,285</u>	<u>\$ 13,520,411</u>	<u>\$ 13,543,337</u>
Ratio of UAAL to covered payroll	6.05%	5.95%	-2.04%

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.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2014

Note 10 - Other Postemployment Benefits (Continued)

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.

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.

Required Supplemental Information



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City of Rochester Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule – General Fund Year Ended December 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 10,713,410	\$ 10,821,430	\$ 10,821,980	\$ 550
Federal sources	130,000	135,000	171,341	36,341
State sources	5,252,000	5,425,000	5,496,518	71,518
Fees and permits	2,266,400	3,052,670	2,676,333	(376,337)
Fines and forfeitures	3,500	2,300	2,626	326
Charges for services	6,046,670	5,878,820	5,959,407	80,587
Investment earnings	117,550	70,000	71,247	1,247
Other	95,000	185,030	186,327	1,297
Transfer in other funds	5,680	6,240	6,240	-
Special item-Refund/Return of OPEB Contribution	17,850	622,260	622,258	(2)
Total revenues	24,648,060	26,198,750	26,014,277	(184,473)
Expenditures				
General government:				
City Council	176,530	237,640	216,910	20,730
City administration	4,288,000	4,068,480	3,936,764	131,716
Clerk	1,260,500	1,230,940	1,133,599	97,341
Assessing	1,082,010	975,520	933,517	42,003
Human resources	744,580	748,570	719,278	29,292
Public works:				
City development	623,240	640,750	601,692	39,058
Cemetery	327,520	321,870	280,678	41,192
Public safety:				
Building	2,810,980	2,602,110	2,450,428	151,682
Crossing guard	52,920	52,100	43,339	8,761
Community and economic development:				
Planning	746,680	732,480	692,203	40,277
Community development block grant	130,000	135,000	122,901	12,099
Recreation and culture:				
Parks and recreation	2,788,590	2,769,220	2,673,147	96,073
Historic district commission	11,080	11,090	4,542	6,548
Transfers out other funds	11,432,510	11,689,290	11,688,898	392
Total expenditures	26,475,140	26,215,060	25,497,896	717,164
Excess of Revenue Over (Under) Expenditures	(1,827,080)	(16,310)	516,381	532,691
Fund Balance - Beginning of year	28,545,401	30,741,203	30,741,203	-
Fund Balance - End of year	<u>\$ 26,718,321</u>	<u>\$ 30,724,893</u>	<u>\$ 31,257,584</u>	<u>\$ 532,691</u>

City of Rochester Hills, Michigan

Required Supplemental Information

Budgetary Comparison Schedule – Major Road Fund

Year Ended December 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Federal grant	\$ -	\$ -	\$ 1,200	\$ 1,200
State sources	3,105,000	3,335,000	3,673,872	338,872
Other governmental sources	300,000	300,000	300,000	-
Charges for services	226,500	215,770	225,876	10,106
Investment earnings	47,610	32,000	31,491	(509)
Other	60,500	38,200	25,682	(12,518)
Transfer from other funds	296,710	296,310	296,318	8
Total revenues	4,036,320	4,217,280	4,554,439	337,159
Expenditures - Public works				
Street maintenance	2,126,890	2,117,470	1,935,892	181,578
Capital outlay	2,379,470	3,838,330	4,178,591	(340,261)
Transfers to other funds	750,000	750,000	750,000	-
Total expenditures	5,256,360	6,705,800	6,864,483	(158,683)
Excess of Revenue Over (Under) Expenditures	(1,220,040)	(2,488,520)	(2,310,044)	178,476
Fund Balance - Beginning of year	13,601,944	15,215,146	15,215,146	-
Fund Balance - End of year	<u>\$ 12,381,904</u>	<u>\$ 12,726,626</u>	<u>\$ 12,905,102</u>	<u>\$ 178,476</u>

City of Rochester Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule – Local Street Fund Year Ended December 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 2,504,430	\$ 2,497,730	\$ 2,498,857	\$ 1,127
State sources	1,192,000	1,259,000	1,379,738	120,738
Licenses and permits	10,000	17,000	25,675	8,675
Charges for services	116,410	109,830	153,045	43,215
Special assessment	4,500	11,800	13,777	1,977
Investment earnings	20,390	11,990	12,905	915
Other	7,500	84,600	80,440	(4,160)
Transfers from other funds	<u>6,462,650</u>	<u>6,723,170</u>	<u>6,723,170</u>	<u>-</u>
Total revenues	10,317,880	10,715,120	10,887,607	172,487
Expenditures - Public works				
Street maintenance	4,253,340	4,138,760	3,586,070	552,690
Capital outlay	5,437,300	6,969,020	6,800,253	168,767
Transfers to other funds	<u>627,240</u>	<u>627,240</u>	<u>627,240</u>	<u>-</u>
Total expenditures	<u>10,317,880</u>	<u>11,735,020</u>	<u>11,013,563</u>	<u>721,457</u>
Excess of Revenue Over (Under) Expenditures	-	(1,019,900)	(125,956)	893,944
Fund Balance - Beginning of year	<u>5,279,393</u>	<u>6,827,701</u>	<u>6,827,701</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 5,279,393</u></u>	<u><u>\$ 5,807,801</u></u>	<u><u>\$ 6,701,745</u></u>	<u><u>\$ 893,944</u></u>

City of Rochester Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule – Fire Fund Year Ended December 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 5,828,250	\$ 5,821,330	\$ 5,821,722	\$ 392
Licenses and permits	6,000	6,200	6,229	29
Fines and forfeitures	3,500	2,500	3,057	557
Charges for services	1,594,250	1,554,460	1,560,512	6,052
Investment earnings	22,320	14,000	14,702	702
Other	2,500	3,850	4,215	365
Special item-Refund/Return of OPEB Contribution	5,950	179,030	179,022	(8)
Total revenue	7,462,770	7,581,370	7,589,459	8,089
Expenditures				
Public safety - Fire	7,371,000	7,435,510	7,128,289	307,221
Transfers out other funds	91,770	145,860	145,860	-
Total expenditures	7,462,770	7,581,370	7,274,149	307,221
Excess of Revenue Over Expenditures	-	-	315,310	315,310
Fund Balance - Beginning of year	3,475,916	3,715,509	3,715,509	-
Fund Balance - End of year	<u>\$ 3,475,916</u>	<u>\$ 3,715,509</u>	<u>\$ 4,030,819</u>	<u>\$ 315,310</u>

City of Rochester Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule – Special Police Fund Year Ended December 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 3,599,160	\$ 3,595,090	\$ 3,595,406	\$ 316
State sources	31,000	41,380	41,387	7
Other governmental sources	258,500	292,760	292,815	55
Fines and forfeitures	365,000	368,000	395,928	27,928
Charges for services	154,910	153,500	163,037	9,537
Investment earnings	9,840	5,000	6,121	1,121
Other	-	9,740	9,742	2
Transfers from other funds	<u>4,779,460</u>	<u>4,714,610</u>	<u>4,714,610</u>	<u>-</u>
Total revenues	9,197,870	9,180,080	9,219,046	38,966
Expenditures				
Public safety - Police	8,867,690	8,849,900	8,602,786	247,114
Transfers to other funds	<u>330,180</u>	<u>330,180</u>	<u>329,795</u>	<u>385</u>
Total expenditures	<u>9,197,870</u>	<u>9,180,080</u>	<u>8,932,581</u>	<u>247,499</u>
Excess of Revenue Over Expenditures	-	-	286,465	286,465
Fund Balance - Beginning of year	<u>1,017,896</u>	<u>1,270,798</u>	<u>1,270,798</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 1,017,896</u></u>	<u><u>\$ 1,270,798</u></u>	<u><u>\$ 1,557,263</u></u>	<u><u>\$ 286,465</u></u>

City of Rochester Hills, Michigan

Required Supplemental Information Retiree Health Care Benefit Trust Fund Year Ended December 31, 2014

Schedule of Funding Progress

Actuarial Valuation Dated December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as of Percentage of Covered Payroll ((b-a)/c)
2008	\$ -	\$ 3,509,633	\$ 3,509,633	0.00%	\$ 13,548,800	10.61%
2010	2,039,331	3,475,690	1,436,359	58.67%	13,307,285	6.05%
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 Contribution	Percentage Contribution
2011	\$ 159,436	196.4%
2012	110,041	144.9%
2013	110,041	100.0%
2014	-	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 operating transfers and debt proceeds have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." All annual appropriations lapse at fiscal year end. During the year, the budget was amended in a legally permissible manner.

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

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

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

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

Excess of Expenditures Over Appropriations in Budgeted Funds - The City had four expenditure budget variances for the year.

<u>Fund Name</u>	<u>Expenditure Line Item</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Major Road Fund	Capital outlay	\$ 3,838,330	\$ 4,178,590	\$ (340,260)
Tree Fund	Public works	10,000	20,540	(10,540)
Fire Capital Fund	Capital outlay	174,680	175,715	(1,035)
Capital Improvement Fund	Miscellaneous	-	1,941	(1,941)



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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, 2014

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
Assets					
Cash and investments	\$ 11,536,948	\$ 2,323,257	\$ 14,300,219	\$ 1,292,979	\$ 29,453,403
Receivables:					
Property tax	1,663,994	479,250	-	-	2,143,244
Accounts	9,444	1,291	-	-	10,735
Accrued interest	7,739	385	14,530	-	22,654
Long-term receivables - Special assessments	-	41,756	-	-	41,756
Other assets	5,286	-	-	-	5,286
Total assets	\$ 13,223,411	\$ 2,845,939	\$ 14,314,749	\$ 1,292,979	\$ 31,677,078
Liabilities, Deferred Inflows of Resources and Fund Balance					
Liabilities					
Accounts payable	\$ 27,404	20	\$ 60,474	\$ -	\$ 87,898
Accrued wages	10,153	-	-	-	10,153
Deposits and escrows	317,955	-	-	-	317,955
Other liabilities	525	526	-	-	1,051
Total liabilities	356,037	546	60,474	-	417,057
Deferred inflows of resources					
Property taxes levied for subsequent year's budget	3,064,227	894,336	-	-	3,958,563
Unavailable revenue-not collected within the period of availability	3,172	41,756	-	-	44,928
Total deferred inflows of resources	3,067,399	936,092	-	-	4,003,491
Fund Balances					
Nonspendable					
Permanent Fund Principal-Cemetery	-	-	-	1,073,870	1,073,870
Restricted					
Pathway operations and maintenance	100,630	-	-	-	100,630
Drain improvements	2,299,054	-	-	-	2,299,054
Tree conservation and maintenance	1,608,997	-	-	-	1,608,997
Green space preservation	5,791,294	-	-	-	5,791,294
Debt service	-	1,909,301	-	-	1,909,301
Pathway construction	-	-	1,532,249	-	1,532,249
Fire vehicles and equipment	-	-	8,737,979	-	8,737,979
Cemetery Trust	-	-	-	219,109	219,109
Assigned					
Capital projects	-	-	3,984,047	-	3,984,047
Total fund balances	9,799,975	1,909,301	14,254,275	1,292,979	27,256,530
Total liabilities, deferred inflows of resources and fund balances	\$ 13,223,411	\$ 2,845,939	\$ 14,314,749	\$ 1,292,979	\$ 31,677,078

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, 2014

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental
Revenue					
Federal grant	\$ 64,524	\$ -	\$ -	\$ -	\$ 64,524
Property taxes	2,997,169	874,164	-	-	3,871,333
Charges for services	138,967	-	-	-	138,967
Investment earnings	22,813	8,852	34,825	1,760	68,250
Special assessments	-	24,696	-	-	24,696
Sale of assets	133,750	-	15,401	-	149,151
Other	20,048	457	33,872	42,132	96,509
Total revenue	3,377,271	908,169	84,098	43,892	4,413,430
Expenditures					
Public works	832,299	-	1,941	-	834,240
Parks and recreation	1,580,767	-	-	-	1,580,767
Capital outlay	1,047,263	-	421,649	-	1,468,912
Debt service:					-
Principal retirement	-	2,280,000	-	-	2,280,000
Interest and fiscal charges	-	537,660	-	-	537,660
Paying agent and other	-	2,124	-	-	2,124
Total expenditures	3,460,329	2,819,784	423,590	-	6,703,703
Excess of Revenue Over (Under)					
Expenditures	(83,058)	(1,911,615)	(339,492)	43,892	(2,290,273)
Other Financing Sources (Uses)					
Transfers in	15,000	1,345,780	656,550	-	2,017,330
Transfers out	(265,930)	-	(108,790)	-	(374,720)
Total other financing sources (uses)	(250,930)	1,345,780	547,760	-	1,642,610
Net Change in Fund Balance	(333,988)	(565,835)	208,268	43,892	(647,663)
Fund Balances - Beginning of year	10,133,963	2,475,136	14,046,007	1,249,087	27,904,193
Fund Balances - End 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>



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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	\$ 271,038	\$ 360,522	\$ 1,924,040
Receivables:			
Property tax	322,097	306,904	-
Accounts	-	8,844	600
Accrued interest	-	-	2,312
Other assets	-	100	-
Total assets	<u>\$ 593,135</u>	<u>\$ 676,370</u>	<u>\$ 1,926,952</u>
Liabilities, Deferred Inflows of Resources and Fund Balance			
Liabilities			
Accounts payable	\$ -	\$ 5,470	\$ -
Accrued wages	-	1,745	-
Deposits and escrows	-	-	317,955
Other liabilities	-	202	-
Total liabilities	-	7,417	317,955
Deferred inflows of resources			
Property taxes levied for subsequent year's budget	593,135	565,151	-
Unavailable revenue-not collected within the period of availability	-	3,172	-
Total deferred inflows of resources	593,135	568,323	-
Fund Balances			
Restricted			
Pathway operations and maintenance	-	100,630	-
Drain improvements	-	-	-
Tree conservation and maintenance	-	-	1,608,997
Green space preservation	-	-	-
Total fund balances	-	100,630	1,608,997
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 593,135</u>	<u>\$ 676,370</u>	<u>\$ 1,926,952</u>

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Special Revenue Funds Combining Balance Sheet December 31, 2014

Public Improvement Fund	Older Persons' Millage Fund	Green Space Preservation	Total Nonmajor Special Revenue Funds
\$ 2,318,247	\$ 457,823	\$ 6,205,278	\$ 11,536,948
-	544,119	490,874	1,663,994
-	-	-	9,444
663	-	4,764	7,739
5,174	-	12	5,286
<u>\$ 2,324,084</u>	<u>\$ 1,001,942</u>	<u>\$ 6,700,928</u>	<u>\$ 13,223,411</u>
\$ 17,142	\$ -	\$ 4,792	\$ 27,404
7,888	-	520	10,153
-	-	-	317,955
-	-	323	525
25,030	-	5,635	356,037
-	1,001,942	903,999	3,064,227
-	-	-	3,172
-	1,001,942	903,999	3,067,399
-	-	-	100,630
2,299,054	-	-	2,299,054
-	-	-	1,608,997
-	-	5,791,294	5,791,294
2,299,054	-	5,791,294	9,799,975
<u>\$ 2,324,084</u>	<u>\$ 1,001,942</u>	<u>\$ 6,700,928</u>	<u>\$ 13,223,411</u>

City of Rochester Hills, Michigan

	R.A.R.A Millage		
	Fund	Pathway Fund	Tree Fund
Revenue			
Property taxes	\$ 580,151	\$ 552,772	\$ -
Federal grant	-	-	-
Charges for services	-	5,880	20,976
Investment earnings	-	771	5,286
Sales of assets	-	-	-
Other	-	5,490	-
Total revenue	580,151	564,913	26,262
Expenditures			
Public works	-	326,326	20,540
Parks and recreation	580,151	-	-
Capital outlay	-	-	-
Total expenditures	580,151	326,326	20,540
Excess of Revenue Over (Under) Expenditures	-	238,587	5,722
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	(259,690)	(6,240)
Total other financing sources (uses)	-	(259,690)	(6,240)
Net Change in Fund Balance	-	(21,103)	(518)
Fund Balances - Beginning of year	-	121,733	1,609,515
Fund Balances - End of year	<u>\$ -</u>	<u>\$ 100,630</u>	<u>\$ 1,608,997</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, 2014

Public Improvement Fund	Older Persons' Millage Fund	Green Space Preservation	Total Nonmajor Special Revenue Funds
\$ -	\$ 979,968	\$ 884,278	\$ 2,997,169
64,524	-	-	64,524
112,111	-	-	138,967
3,065	-	13,691	22,813
133,750	-	-	133,750
<u>14,558</u>	<u>-</u>	<u>-</u>	<u>20,048</u>
328,008	979,968	897,969	3,377,271
485,433	-	-	832,299
-	979,968	20,648	1,580,767
<u>10,030</u>	<u>-</u>	<u>1,037,233</u>	<u>1,047,263</u>
<u>495,463</u>	<u>979,968</u>	<u>1,057,881</u>	<u>3,460,329</u>
(167,455)	-	(159,912)	(83,058)
15,000	-	-	15,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>(265,930)</u>
15,000	-	-	(250,930)
(152,455)	-	(159,912)	(333,988)
<u>2,451,509</u>	<u>-</u>	<u>5,951,206</u>	<u>10,133,963</u>
<u><u>\$ 2,299,054</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,791,294</u></u>	<u><u>\$ 9,799,975</u></u>

City of Rochester Hills, Michigan

	R.A.R.A. Millage Fund			Pathway Fund		
	Amended		Variance	Amended		Variance
	Budget		with	Budget		with
	(Unaudited)	Actual	Amended	(Unaudited)	Actual	Amended
			Budget			Budget
Revenue						
Property taxes	\$ 580,550	\$ 580,151	\$ (399)	\$ 552,530	\$ 552,772	\$ 242
Federal grant	-	-	-	-	-	-
Charges for services	-	-	-	3,370	5,880	2,510
Investment earnings	-	-	-	700	771	71
Sale of assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Other	-	-	-	6,740	5,490	(1,250)
Total revenue	580,550	580,151	(399)	563,340	564,913	1,573
Expenditures						
Public works	-	-	-	367,650	326,326	41,324
Parks and recreation	580,550	580,151	399	-	-	-
Capital outlay	-	-	-	-	-	-
Transfers out	-	-	-	259,690	259,690	-
Total expenditures	580,550	580,151	399	627,340	586,016	41,324
Excess of Revenue Over (Under)						
Expenditures	-	-	-	(64,000)	(21,103)	42,897
Fund Balances - Beginning of year	-	-	-	121,733	121,733	-
Fund Balances - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,733</u>	<u>\$ 100,630</u>	<u>\$ 42,897</u>

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, 2014

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 980,640	\$979,968	\$ (672)
-	-	-	64,520	64,524	4	-	-	-
20,490	20,976	486	127,500	112,111	(15,389)	-	-	-
5,000	5,286	286	2,800	3,065	265	-	-	-
-	-	-	133,750	133,750	-	-	-	-
-	-	-	(15,000)	(15,000)	-	-	-	-
-	-	-	14,540	14,558	18	-	-	-
25,490	26,262	772	328,110	313,008	(15,102)	980,640	979,968	(672)
10,000	20,540	(10,540)	643,240	485,433	157,807	-	-	-
-	-	-	-	-	-	980,640	979,968	672
-	-	-	10,500	10,030	470	-	-	-
6,240	6,240	-	-	-	-	-	-	-
16,240	26,780	(10,540)	653,740	495,463	158,277	980,640	979,968	672
9,250	(518)	(9,768)	(325,630)	(182,455)	143,175	-	-	-
1,609,515	1,609,515	-	2,451,509	2,451,509	-	-	-	-
<u>\$ 1,618,765</u>	<u>\$ 1,608,997</u>	<u>\$ (9,768)</u>	<u>\$ 2,125,879</u>	<u>\$ 2,269,054</u>	<u>\$ 143,175</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, 2014

	Green Space Preservation			Total		
	Amended Budget (Unaudited)	Actual	Variance with Amended Budget	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue						
Property taxes	\$ 884,210	\$ 884,278	\$ 68	\$ 2,997,930	\$ 2,997,169	\$ (761)
Federal grant	-	-	-	64,520	64,524	4
Charges for services	-	-	-	151,360	138,967	(12,393)
Investment earnings	12,000	13,691	1,691	20,500	22,813	2,313
Sale of assets	-	-	-	133,750	133,750	-
Transfers in	-	-	-	(15,000)	(15,000)	-
Other	-	-	-	21,280	20,048	(1,232)
Total revenue	896,210	897,969	1,759	3,374,340	3,362,271	(12,069)
Expenditures						
Public works	-	-	-	1,020,890	832,299	188,591
Parks and recreation	44,330	20,648	23,682	1,605,520	1,580,767	24,753
Capital outlay	1,050,000	1,037,233	12,767	1,060,500	1,047,263	13,237
Transfers out	-	-	-	265,930	265,930	-
Total expenditures	1,094,330	1,057,881	36,449	3,952,840	3,726,259	226,581
Excess of Revenue Over (Under)						
Expenditures	(198,120)	(159,912)	38,208	(578,500)	(363,988)	214,512
Fund Balances - Beginning of year	5,951,206	5,951,206	-	10,133,963	10,133,963	-
Fund Balances - End of year	<u>\$ 5,753,086</u>	<u>\$ 5,791,294</u>	<u>\$ 38,208</u>	<u>\$ 9,555,463</u>	<u>\$ 9,769,975</u>	<u>\$ 214,512</u>

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 2001 Fund	Local Street Improvement 2001 Fund	Drain Fund
Assets			
Cash and investments	\$ 216,697	\$ 207,719	\$ 796,807
Receivables:			
Property tax	-	-	69,908
Accounts	-	1,291	-
Accrued interest	-	-	385
Long-term receivables - Special assessments	-	41,756	-
Total assets	<u>\$ 216,697</u>	<u>\$ 250,766</u>	<u>\$ 867,100</u>
Liabilities, Deferred Inflows of Resources and Fund Balance			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 3
Other liabilities	-	-	256
Total liabilities	-	-	259
Deferred inflows of resources			
Property taxes levied for subsequent year's budget	-	-	130,366
Unavailable revenue-not collected within the period of availability	-	41,756	-
Total deferred inflows of resources	-	41,756	130,366
Fund Balances			
Restricted - Debt service	216,697	209,010	736,475
Total fund balances	<u>216,697</u>	<u>250,766</u>	<u>866,841</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 216,697</u>	<u>\$ 250,766</u>	<u>\$ 867,100</u>

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Debt Service Funds Combining Balance Sheet December 31, 2014

OPC Refunding Bond, Series 2010 Fund	Municipal Building Refunding Bond, Series 2010 Fund	Refunding Bond, Capital Improvement Series 2011	Total Nonmajor Debt Service Funds
\$ 522,117	\$ 3,837	\$ 576,080	\$ 2,323,257
409,342	-	-	479,250
-	-	-	1,291
-	-	-	385
-	-	-	41,756
<u>\$ 931,459</u>	<u>\$ 3,837</u>	<u>\$ 576,080</u>	<u>\$ 2,845,939</u>
\$ 17	\$ -	\$ -	\$ 20
<u>270</u>	<u>-</u>	<u>-</u>	<u>526</u>
287	-	-	546
763,970	-	-	894,336
-	-	-	41,756
763,970	-	-	936,092
<u>167,202</u>	<u>3,837</u>	<u>576,080</u>	<u>1,909,301</u>
<u>931,172</u>	<u>3,837</u>	<u>576,080</u>	<u>2,845,393</u>
<u>\$ 931,459</u>	<u>\$ 3,837</u>	<u>\$ 576,080</u>	<u>\$ 2,845,939</u>

City of Rochester Hills, Michigan

	Road Improvement 2001 Fund	Local Street Improvement 2001 Fund	Drain Fund
Revenue			
Property taxes	\$ -	\$ -	\$ 128,856
Investment earnings	52	5,837	1,352
Special assessments	-	24,696	-
Other	-	-	457
Total revenue	52	30,533	130,665
Expenditures			
Principal retirement	250,000	250,000	265,000
Interest	34,000	35,675	45,803
Miscellaneous	300	600	263
Total expenditures	284,300	286,275	311,066
Excess of Revenue Over (Under)			
Expenditures	(284,248)	(255,742)	(180,401)
Other Financing Sources (Uses)			
Transfer in	175,810	185,810	-
Total other financing sources (uses)	175,810	185,810	-
Net Change in Fund Balance	(108,438)	(69,932)	(180,401)
Fund Balances - Beginning of year	325,135	278,942	916,876
Fund Balances - End of year	<u>\$ 216,697</u>	<u>\$ 209,010</u>	<u>\$ 736,475</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, 2014

OPC Refunding Bond Series 2010 Fund	Municipal Building Refunding Bond, Series 2010 Fund	Refunding Bond, Capital Improvement Series 2011	Total Nonmajor Debt Service Funds
\$ 745,308	\$ -	\$ -	\$ 874,164
442	10	1,159	8,852
-	-	-	24,696
-	-	-	457
745,750	10	1,159	908,169
580,000	525,000	410,000	2,280,000
177,450	193,794	50,938	537,660
461	250	250	2,124
757,911	719,044	461,188	2,819,784
(12,161)	(719,034)	(460,029)	(1,911,615)
-	718,540	265,620	1,345,780
-	718,540	265,620	1,345,780
(12,161)	(494)	(194,409)	(565,835)
179,363	4,331	770,489	2,475,136
<u>\$ 167,202</u>	<u>\$ 3,837</u>	<u>\$ 576,080</u>	<u>\$ 1,909,301</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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	40	52	12	4,580	5,837	1,257
Special assessments	-	-	-	19,560	24,696	5,136
Other	-	-	-	-	-	-
Transfers in	<u>175,810</u>	<u>175,810</u>	<u>-</u>	<u>185,810</u>	<u>185,810</u>	<u>-</u>
Total revenue	175,850	175,862	12	209,950	216,343	6,393
Expenditures						
Principal retirement	250,000	250,000	-	250,000	250,000	-
Interest	34,000	34,000	-	35,680	35,675	5
Miscellaneous	<u>300</u>	<u>300</u>	<u>-</u>	<u>600</u>	<u>600</u>	<u>-</u>
Total expenditures	<u>284,300</u>	<u>284,300</u>	<u>-</u>	<u>286,280</u>	<u>286,275</u>	<u>5</u>
Excess of Revenue Over (Under)						
Expenditures	(108,450)	(108,438)	12	(76,330)	(69,932)	6,398
Fund Balances - Beginning of year	<u>325,135</u>	<u>325,135</u>	<u>-</u>	<u>278,942</u>	<u>278,942</u>	<u>-</u>
Fund Balances - End of year	<u>\$ 216,685</u>	<u>\$ 216,697</u>	<u>\$ 12</u>	<u>\$ 202,612</u>	<u>\$ 209,010</u>	<u>\$ 6,398</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, 2014

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
\$ 128,810	\$ 128,856	\$ 46	\$ 758,610	\$ 745,308	\$ (13,302)	\$ -	\$ -	\$ -
1,250	1,352	102	400	442	42	-	10	10
-	-	-	-	-	-	-	-	-
-	457	457	-	-	-	-	-	-
-	-	-	-	-	-	718,540	718,540	-
130,060	130,665	605	759,010	745,750	(13,260)	718,540	718,550	10
265,000	265,000	-	580,000	580,000	-	525,000	525,000	-
46,810	45,803	1,007	177,460	177,450	10	193,800	193,794	6
780	263	517	1,550	461	1,089	280	250	30
312,590	311,066	1,524	759,010	757,911	1,099	719,080	719,044	36
(182,530)	(180,401)	2,129	-	(12,161)	(12,161)	(540)	(494)	46
916,876	916,876	-	179,363	179,363	-	4,331	4,331	-
<u>\$ 734,346</u>	<u>\$ 736,475</u>	<u>\$ 2,129</u>	<u>\$ 179,363</u>	<u>\$ 167,202</u>	<u>\$ (12,161)</u>	<u>\$ 3,791</u>	<u>\$ 3,837</u>	<u>\$ 46</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, 2014

	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	\$ -	\$ -	\$ -	\$ 887,420	\$ 874,164	\$ (13,256)
Investment earnings	950	1,159	209	7,220	8,852	1,632
Special assessments	-	-	-	19,560	24,696	5,136
Other	-	-	-	-	457	457
Transfers in	<u>265,620</u>	<u>265,620</u>	<u>-</u>	<u>1,345,780</u>	<u>1,345,780</u>	<u>-</u>
Total revenue	266,570	266,779	209	2,259,980	2,253,949	(6,031)
Expenditures						
Principal retirement	410,000	410,000	-	2,280,000	2,280,000	-
Interest	50,940	50,938	2	538,690	537,660	1,030
Miscellaneous	<u>280</u>	<u>250</u>	<u>30</u>	<u>3,790</u>	<u>2,124</u>	<u>1,666</u>
Total expenditures	<u>461,220</u>	<u>461,188</u>	<u>32</u>	<u>2,822,480</u>	<u>2,819,784</u>	<u>2,696</u>
Excess of Revenue Over (Under)						
Expenditures	(194,650)	(194,409)	241	(562,500)	(565,835)	(3,335)
Fund Balances - Beginning of year	<u>770,489</u>	<u>770,489</u>	<u>-</u>	<u>2,475,136</u>	<u>2,475,136</u>	<u>-</u>
Fund Balances - End of year	<u>\$ 575,839</u>	<u>\$ 576,080</u>	<u>\$ 241</u>	<u>\$ 1,912,636</u>	<u>\$ 1,909,301</u>	<u>\$ (3,335)</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, 2014

	Fire Capital Fund	Pathway Construction Fund	Capital Improvement Fund	Total Nonmajor Capital Project Funds
Assets				
Cash and investments	\$ 8,786,359	\$ 1,533,639	\$ 3,980,221	\$ 14,300,219
Receivables:				
Accrued interest	<u>9,872</u>	<u>832</u>	<u>3,826</u>	<u>14,530</u>
Total assets	<u>\$ 8,796,231</u>	<u>\$ 1,534,471</u>	<u>\$ 3,984,047</u>	<u>\$ 14,314,749</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 58,252	\$ 2,222	\$ -	\$ 60,474
Retainages payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	58,252	2,222	-	60,474
Fund Balances				
Restricted				
Pathway construction	-	1,532,249	-	1,532,249
Fire vehicles and equipment	8,737,979	-	-	8,737,979
Assigned - Capital projects	<u>-</u>	<u>-</u>	<u>3,984,047</u>	<u>3,984,047</u>
Total fund balances	<u>8,737,979</u>	<u>1,532,249</u>	<u>3,984,047</u>	<u>14,254,275</u>
Total liabilities and fund balances	<u>\$ 8,796,231</u>	<u>\$ 1,534,471</u>	<u>\$ 3,984,047</u>	<u>\$ 14,314,749</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, 2014

	Fire Capital Fund	Pathway Construction Fund	Capital Improvement Fund	Total Nonmajor Capital Project Funds
Revenue				
Investment earnings	\$ 20,104	\$ 4,208	\$ 10,513	\$ 34,825
Sale of assets	15,401	-	-	15,401
Other	<u>770</u>	<u>33,102</u>	<u>-</u>	<u>33,872</u>
Total revenue	36,275	37,310	10,513	84,098
Expenditures				
Capital outlay	175,715	235,924	10,010	421,649
Miscellaneous	<u>-</u>	<u>-</u>	<u>1,941</u>	<u>1,941</u>
Total Expenditures	<u>175,715</u>	<u>235,924</u>	<u>11,951</u>	<u>423,590</u>
Excess of Revenue Over (Under)				
Expenditures	(139,440)	(198,614)	(1,438)	(339,492)
Other Financing Sources				
Transfers in	145,860	259,690	251,000	656,550
Transfers out	<u>-</u>	<u>-</u>	<u>(108,790)</u>	<u>(108,790)</u>
Total other financing sources (uses)	<u>145,860</u>	<u>259,690</u>	<u>142,210</u>	<u>547,760</u>
Net Change in Fund Balance	6,420	61,076	140,772	208,268
Fund Balances - Beginning of year	<u>8,731,559</u>	<u>1,471,173</u>	<u>3,843,275</u>	<u>14,046,007</u>
Fund Balances - End of year	<u><u>\$ 8,737,979</u></u>	<u><u>\$ 1,532,249</u></u>	<u><u>\$ 3,984,047</u></u>	<u><u>\$ 14,254,275</u></u>

City of Rochester Hills, Michigan

	Fire Capital Fund			Pathway Construction Fund		
	Amended Budget (Unaudited)	Actual	Variance with Amended Budget	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue						
Investment earnings	\$ 19,000	\$ 20,104	\$ 1,104	\$ 3,800	\$ 4,208	\$ 408
Sale of assets	15,400	15,401	1	-	-	-
Transfers in	145,860	145,860	-	259,690	259,690	-
Other	<u>770</u>	<u>770</u>	<u>-</u>	<u>230</u>	<u>33,102</u>	<u>32,872</u>
Total revenue	181,030	182,135	1,105	263,720	297,000	33,280
Expenditures						
Capital outlay	174,680	175,715	(1,035)	281,720	235,924	45,796
Miscellaneous	-	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>174,680</u>	<u>175,715</u>	<u>(1,035)</u>	<u>281,720</u>	<u>235,924</u>	<u>45,796</u>
Excess of Revenue Over (Under)						
Expenditures	6,350	6,420	70	(18,000)	61,076	79,076
Fund Balances - Beginning of year	<u>8,731,559</u>	<u>8,731,559</u>	<u>-</u>	<u>1,471,173</u>	<u>1,471,173</u>	<u>-</u>
Fund Balances - End of year	<u>\$ 8,737,909</u>	<u>\$ 8,737,979</u>	<u>\$ 70</u>	<u>\$ 1,453,173</u>	<u>\$ 1,532,249</u>	<u>\$ 79,076</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, 2014

Capital Improvement Fund			Total		
Amended Budget (Unaudited)	Actual	Variance with Amended Budget	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
\$ 10,000	\$ 10,513	\$ 513	\$ 32,800	\$ 34,825	\$ 2,025
-	-	-	15,400	15,401	1
251,000	251,000	-	656,550	656,550	-
<u>13,500</u>	<u>-</u>	<u>(13,500)</u>	<u>14,500</u>	<u>33,872</u>	<u>19,372</u>
274,500	261,513	(12,987)	719,250	740,648	21,398
13,600	10,010	3,590	470,000	421,649	48,351
-	1,941	(1,941)	-	1,941	(1,941)
<u>108,790</u>	<u>108,790</u>	<u>-</u>	<u>108,790</u>	<u>108,790</u>	<u>-</u>
<u>122,390</u>	<u>120,741</u>	<u>1,649</u>	<u>578,790</u>	<u>532,380</u>	<u>46,410</u>
152,110	140,772	(11,338)	140,460	208,268	67,808
<u>3,843,275</u>	<u>3,843,275</u>	<u>-</u>	<u>14,046,007</u>	<u>14,046,007</u>	<u>-</u>
<u>\$ 3,995,385</u>	<u>\$ 3,984,047</u>	<u>\$ (11,338)</u>	<u>\$ 14,186,467</u>	<u>\$ 14,254,275</u>	<u>\$ 67,808</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.

City of Rochester Hills, Michigan

Permanent Fund

Balance Sheet

December 31, 2014

	Cemetery Trust
Assets	
Cash and investments	\$ 1,292,979
Total assets	<u>1,292,979</u>
Fund Balances	
Nonspendable-Permanent Fund Principal	1,073,870
Restricted for Cemetery Trust	<u>219,109</u>
Total fund balances	<u>1,292,979</u>
Total liabilities and fund balances	<u><u>\$ 1,292,979</u></u>

City of Rochester Hills, Michigan

Permanent Fund

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2014

	<u>Cemetery Trust</u>
Revenue	
Investment earnings-spendable	\$ 1,760
Other	<u>42,132</u>
Total revenue	<u>43,892</u>
 Net Change in Fund Balance	 <u>43,892</u>
 Fund Balances - Beginning of year	 <u>1,249,087</u>
 Fund Balances - End of year	 <u><u>\$ 1,292,979</u></u>

City of Rochester Hills, Michigan

Permanent Fund

Schedule of Revenue, Expenditures, and Changes in Fund Balances

Amended Budget to Actual

Year Ended December 31, 2014

	Cemetery Trust		
	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue			
Investment earnings	\$ 1,500	\$ 1,760	\$ 260
Other	<u>42,600</u>	<u>42,132</u>	<u>(468)</u>
Total revenue	44,100	43,892	(208)
Fund Balances - Beginning of year	<u>1,249,087</u>	<u>1,249,087</u>	<u>-</u>
Fund Balances - End of year	<u><u>\$ 1,293,187</u></u>	<u><u>\$ 1,292,979</u></u>	<u><u>\$ (208)</u></u>

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, 2014

	Facilities Fund	Management Information Systems Fund	Fleet Equipment Fund	Insurance Fund	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 2,811,516	\$ 1,187,661	\$ 1,230,064	\$ 1,138,148	\$ 6,367,389
Investments	3,650,000	1,998,420	5,741,195	-	11,389,615
Accrued interest receivable	4,757	1,239	3,313	-	9,309
Other	<u>70,375</u>	<u>1,941</u>	<u>8,736</u>	<u>369,432</u>	<u>450,484</u>
Total current assets	6,536,648	3,189,261	6,983,308	1,507,580	18,216,797
Property, Plant, and Equipment					
Land	17,791,940	-	-	-	17,791,940
Land improvements	4,379,530	-	-	-	4,379,530
Building	30,662,739	-	-	-	30,662,739
Furniture	1,567,403	4,518,370	-	-	6,085,773
Machinery and equipment	1,410,877	-	2,713,956	-	4,124,833
Vehicles	<u>-</u>	<u>-</u>	<u>5,778,118</u>	<u>-</u>	<u>5,778,118</u>
Total property, plant, and equipment	<u>55,812,489</u>	<u>4,518,370</u>	<u>8,492,074</u>	<u>-</u>	<u>68,822,933</u>
Less accumulated depreciation	(20,313,589)	(3,651,469)	(4,878,840)	-	(28,843,898)
Net property, plant, and equipment	<u>35,498,900</u>	<u>866,901</u>	<u>3,613,234</u>	<u>-</u>	<u>39,979,035</u>
Total assets	42,035,548	4,056,162	10,596,542	1,507,580	58,195,832
Liabilities					
Current liabilities:					
Accounts payable	246,059	45,726	32,378	-	324,163
Retainage payable	7,062	-	-	-	7,062
Accrued wages	28,934	36,476	26,874	-	92,284
Accrued vacation	29,092	71,104	42,869	-	143,065
Accrued annual leave	13,879	24,458	16,427	-	54,764
Payable related to debt or capital lease obligations:					
Due in less than one year - Debt	285,000	-	-	-	285,000
Due in less than one year - Capital lease	-	19,722	-	-	19,722
Accrued interest	11,367	-	-	-	11,367
Other liabilities	<u>27,945</u>	<u>-</u>	<u>-</u>	<u>43,793</u>	<u>71,738</u>
Total current liabilities	649,338	197,486	118,548	43,793	1,009,165
Long-term liabilities - debt less current portion	<u>1,420,000</u>	<u>47,369</u>	<u>-</u>	<u>-</u>	<u>1,467,369</u>
Total liabilities	<u>2,069,338</u>	<u>244,855</u>	<u>118,548</u>	<u>43,793</u>	<u>2,476,534</u>
Net Position					
Net investment in capital assets	<u>33,793,900</u>	819,532	3,613,234	-	38,226,666
Unrestricted	<u>6,172,310</u>	<u>2,991,775</u>	<u>6,864,760</u>	<u>1,463,787</u>	<u>17,492,632</u>
Total net position	<u>\$ 39,966,210</u>	<u>\$ 3,811,307</u>	<u>\$ 10,477,994</u>	<u>\$ 1,463,787</u>	<u>\$ 55,719,298</u>

City of Rochester Hills, Michigan

Internal Service Funds

Combining Statement of Revenues, Expenses, and Changes in Net Position Year Ended December 31, 2014

	Facilities Fund	Management Information Systems Fund	Fleet Equipment Fund	Insurance Fund	Total
Operating Revenue					
Charges for services	2,419,146	1,927,750	2,629,518	-	6,976,414
Miscellaneous revenue	<u>1,492</u>	<u>781</u>	<u>53,044</u>	<u>405,392</u>	<u>460,709</u>
Total operating revenue	2,420,638	1,928,531	2,682,562	405,392	7,437,123
Operating Expenses					
Salaries and wages	698,713	904,394	664,342	-	2,267,449
Public utilities	585,942	-	-	-	585,942
Professional services	650,906	329,077	484,472	290,834	1,755,289
Materials and supplies	165,038	41,470	18,529	-	225,037
Repairs and maintenance	234,751	160,854	606,822	-	1,002,427
Rentals	4,825	-	2,571	-	7,396
Depreciation and amortization	<u>1,208,086</u>	<u>414,616</u>	<u>628,322</u>	<u>-</u>	<u>2,251,024</u>
Total operating expenses	<u>3,548,261</u>	<u>1,850,411</u>	<u>2,405,058</u>	<u>290,834</u>	<u>8,094,564</u>
Operating Income (Loss)	(1,127,623)	78,120	277,504	114,558	(657,441)
Nonoperating Revenues (Expenses)					
Investment earnings	14,161	5,184	7,362	10,192	36,899
Interest expense	(34,472)	(3,103)	-	-	(37,575)
Gain (loss) on sale of assets	<u>(5,202)</u>	<u>-</u>	<u>203,937</u>	<u>-</u>	<u>198,735</u>
Total nonoperating revenues (expenses)	<u>(25,513)</u>	<u>2,081</u>	<u>211,299</u>	<u>10,192</u>	<u>198,059</u>
Income (Loss) - Before capital contributions and transfers	(1,153,136)	80,201	488,803	124,750	(459,382)
Capital Contributions					
Federal grant	5,591	-	-	-	5,591
Other capital contributions	<u>205,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>205,383</u>
Total capital contributions	210,974	-	-	-	210,974
Transfers					
Transfer in	830,525	46,860	14,500	-	891,885
Transfer out	<u>(718,540)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(718,540)</u>
Total transfers	<u>111,985</u>	<u>46,860</u>	<u>14,500</u>	<u>-</u>	<u>173,345</u>
Change in Net Position	(830,177)	127,061	503,303	124,750	(75,063)
Net Position - Beginning of year	<u>40,796,387</u>	<u>3,684,246</u>	<u>9,974,691</u>	<u>1,339,037</u>	<u>55,794,361</u>
Net Position - End of year	<u><u>\$ 39,966,210</u></u>	<u><u>\$ 3,811,307</u></u>	<u><u>\$ 10,477,994</u></u>	<u><u>\$ 1,463,787</u></u>	<u><u>\$ 55,719,298</u></u>

City of Rochester Hills, Michigan

Internal Service Funds Combining Statement of Cash Flows Year Ended December 31, 2014

	Facilities	Management Information Systems Fund	Fleet Equipment Fund	Insurance Fund	Total
Cash Flows from Operating Activities					
Cash received from customers	\$ 2,351,188	\$ 1,927,750	\$ 2,628,345	\$ -	6,907,283
Cash payments for goods and services	(1,694,721)	(459,581)	(1,091,904)	(401,924)	(3,648,130)
Cash payments to employees	(698,831)	(894,789)	(656,905)	-	(2,250,525)
Other operating revenue	<u>1,492</u>	<u>781</u>	<u>53,044</u>	<u>405,392</u>	<u>460,709</u>
Net cash provided by (used in) operating activities	(40,872)	574,161	932,580	3,468	1,469,337
Cash Flows from Noncapital Financing Activities					
Transfers in from other funds	783,595	46,860	14,500	-	844,955
Transfers out to other funds	<u>(718,540)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(718,540)</u>
Net cash provided by noncapital financing activities	65,055	46,860	14,500	-	126,415
Cash Flows from Capital and Related Financing Activities					
Proceeds from sale of capital assets	2,641	-	203,937	-	206,578
Payment for capital acquisitions	(681,486)	(940,692)	(1,088,887)	-	(2,711,065)
Principal payments	(290,000)	(18,949)	-	-	(308,949)
Interest paid	(39,899)	(3,103)	-	-	(43,002)
Federal grant	5,591	-	-	-	5,591
Capital contributions	205,383	-	-	-	205,383
Transfer in from other funds	<u>46,930</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,930</u>
Net cash used in capital and related financing activities	(750,840)	(962,744)	(884,950)	-	(2,598,534)
Cash Flows from Investing Activities					
Purchase of investment securities	(3,650,000)	(1,998,844)	(6,242,657)	-	(11,891,501)
Proceeds from maturities of investment securities	4,349,472	1,999,294	6,243,474	-	12,592,240
Receipts of interest and dividends	<u>14,497</u>	<u>5,155</u>	<u>7,974</u>	<u>10,192</u>	<u>37,818</u>
Net cash provided by investing activities	<u>713,969</u>	<u>5,605</u>	<u>8,791</u>	<u>10,192</u>	<u>738,557</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(12,688)	(336,118)	70,921	13,660	(264,225)
Cash and Cash Equivalents - January 1, 2014	<u>2,824,204</u>	<u>1,523,779</u>	<u>1,159,143</u>	<u>1,124,488</u>	<u>6,631,614</u>
Cash and Cash Equivalents - December 31, 2014	<u><u>\$ 2,811,516</u></u>	<u><u>\$ 1,187,661</u></u>	<u><u>\$ 1,230,064</u></u>	<u><u>\$ 1,138,148</u></u>	<u><u>\$ 6,367,389</u></u>

(Continued on next page)

City of Rochester Hills, Michigan

Internal Service Funds

Combining Statement of Cash Flows (Continued)

Year Ended December 31, 2014

	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)	\$ (1,127,623)	\$ 78,120	\$ 277,504	\$ 114,558	\$ (657,441)
Adjustments to reconcile operating income (loss) to net cash from operating activities - Changes in assets and liabilities:					
Depreciation expense	1,208,086	414,616	628,322	-	2,251,024
Increase in accounts receivable	(67,958)	-	(1,173)	-	(69,131)
Decrease in other assets	291	38,111	137	-	38,539
Increase (decrease) in accounts payable and other accrued expenses	(53,550)	33,709	20,353	7,343	7,855
Increase (decrease) in accrued wages, vacation and annual leave	(118)	9,605	7,437	-	16,924
Decrease in other liabilities	-	-	-	(118,433)	(118,433)
Total adjustments	<u>1,086,751</u>	<u>496,041</u>	<u>655,076</u>	<u>(111,090)</u>	<u>2,126,778</u>
Net cash provided by (used in) operating activities	<u>\$ (40,872)</u>	<u>\$ 574,161</u>	<u>\$ 932,580</u>	<u>\$ 3,468</u>	<u>\$ 1,469,337</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.

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, 2014

	Retiree Health	<u>Agency Funds</u>			
	Care Benefit	Trust and	Tax	Payroll	Total Agency
	Trust	Agency Fund	Collection	Fund	Funds
			Fund		
Assets					
Cash	\$ 65,883	\$ 3,000	\$ 3,258,988	\$ 35,940	\$ 3,297,928
Investments - Mutual funds	<u>1,962,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	2,027,983	<u>\$ 3,000</u>	<u>\$ 3,258,988</u>	<u>\$ 35,940</u>	<u>\$ 3,297,928</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 3,940	\$ 3,940
Due to other governmental units	-	3,000	3,123,408	32,000	3,158,408
Accrued and other liabilities	<u>364</u>	<u>-</u>	<u>135,580</u>	<u>-</u>	<u>135,580</u>
Total liabilities	<u>364</u>	<u>\$ 3,000</u>	<u>\$ 3,258,988</u>	<u>\$ 35,940</u>	<u>\$ 3,297,928</u>
Net Position - Held in trust for benefits	<u>\$ 2,027,619</u>				

City of Rochester Hills, Michigan

Agency Funds Combining Statement of Changes in Assets and Liabilities Year Ended December 31, 2014

	Balance January 1, 2014	Additions	Deductions	Balance December 31, 2014
<u>Trust and Agency Fund</u>				
Assets - Cash	<u>\$ 2,157</u>	<u>\$ 221,970</u>	<u>\$ 221,127</u>	<u>\$ 3,000</u>
Liabilities				
Accounts payable	\$ -	\$ 185,275	\$ 185,275	\$ -
Due to other governmental units	<u>2,157</u>	<u>1,838,513</u>	<u>1,837,670</u>	<u>3,000</u>
Total liabilities	<u>\$ 2,157</u>	<u>\$ 2,023,788</u>	<u>\$ 2,022,945</u>	<u>\$ 3,000</u>
<u>Tax Collection Fund</u>				
Assets - Cash	<u>\$ 3,154,178</u>	<u>\$ 114,040,180</u>	<u>\$ 113,935,370</u>	<u>\$ 3,258,988</u>
Liabilities				
Accounts payable	\$ -	\$ 89,221	\$ 89,221	\$ -
Due to other governmental/component units	3,030,994	129,813,218	129,720,804	3,123,408
Other liabilities	<u>123,184</u>	<u>675,268</u>	<u>662,872</u>	<u>135,580</u>
Total liabilities	<u>\$ 3,154,178</u>	<u>\$ 130,577,707</u>	<u>\$ 130,472,897</u>	<u>\$ 3,258,988</u>
<u>Payroll Fund</u>				
Assets - Cash	<u>\$ 36,479</u>	<u>\$ 16,303,239</u>	<u>\$ 16,303,778</u>	<u>\$ 35,940</u>
Liabilities				
Accounts payable	\$ 4,479	\$ 146,127	\$ 146,666	\$ 3,940
Due to other governmental/component units	<u>32,000</u>	<u>3,887,537</u>	<u>3,887,537</u>	<u>32,000</u>
Total liabilities	<u>\$ 36,479</u>	<u>\$ 4,033,664</u>	<u>\$ 4,034,203</u>	<u>\$ 35,940</u>



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Statistical Section



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

The statistical section is organized into the following main categories:

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

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



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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			
	2005	2006	2007	2008
Governmental Activities				
Net investment in capital assets	\$ 110,689,829	\$ 114,283,971	\$ 120,942,021	\$ 132,920,551
Restricted	44,263,028	49,911,176	49,530,590	46,078,458
Unrestricted	<u>19,576,062</u>	<u>20,562,505</u>	<u>26,878,656</u>	<u>28,657,852</u>
Total net position	174,528,919	184,757,652	197,351,267	207,656,861
Business-type Activities				
Net investment in capital assets	102,222,247	103,730,294	112,770,535	112,451,368
Unrestricted	<u>19,971,163</u>	<u>21,865,974</u>	<u>15,377,599</u>	<u>16,349,812</u>
Total net position	122,193,410	125,596,268	128,148,134	128,801,180
Primary Government in Total				
Net investment in capital assets	212,912,076	218,014,265	233,712,556	245,371,919
Restricted	44,263,028	49,911,176	49,530,590	46,078,458
Unrestricted	<u>39,547,225</u>	<u>42,428,479</u>	<u>42,256,255</u>	<u>45,007,664</u>
Total net position	<u>\$ 296,722,329</u>	<u>\$ 310,353,920</u>	<u>\$ 325,499,401</u>	<u>\$ 336,458,041</u>

City of Rochester Hills, Michigan

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

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 143,262,388	\$ 145,384,763	\$ 145,640,716	\$ 145,142,346	\$ 147,168,547	\$ 155,196,747
45,513,634	47,311,191	47,528,421	50,063,452	51,090,072	48,467,412
<u>30,532,380</u>	<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>
219,308,402	228,707,953	234,280,339	239,554,601	245,324,350	251,434,665
109,473,244	108,400,368	105,213,118	102,227,501	101,946,407	99,934,224
<u>18,894,276</u>	<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>
128,367,520	133,008,246	136,555,907	142,143,058	144,800,946	146,569,174
252,735,632	253,785,131	250,853,834	247,369,847	249,114,954	255,130,971
45,513,634	47,311,191	47,528,421	50,063,452	51,090,072	48,467,412
<u>49,426,656</u>	<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><u>\$ 347,675,922</u></u>	<u><u>\$ 361,716,199</u></u>	<u><u>\$ 370,836,246</u></u>	<u><u>\$ 381,697,659</u></u>	<u><u>\$ 390,125,296</u></u>	<u><u>\$ 398,003,839</u></u>

City of Rochester Hills, Michigan

	Fiscal Year			
	2005	2006	2007	2008
Expenses				
Governmental activities:				
General government	\$ 4,682,613	\$ 6,299,416	\$ 5,190,888	\$ 5,090,089
Public works	10,077,715	10,138,213	11,521,381	12,195,118
Public safety	15,572,006	16,632,031	17,721,910	18,700,427
Community and economic development	1,321,727	1,153,060	1,193,025	1,203,475
Recreation and culture	4,478,326	4,744,567	5,098,671	6,626,340
Interest on long-term debt	<u>2,383,866</u>	<u>2,231,178</u>	<u>2,020,901</u>	<u>1,822,708</u>
Total governmental activities expenses	38,516,253	41,198,465	42,746,776	45,638,157
Business-type activities - Water and sewer	<u>23,062,151</u>	<u>22,710,087</u>	<u>23,983,445</u>	<u>26,363,970</u>
Total primary government expenses	<u>61,578,404</u>	<u>63,908,552</u>	<u>66,730,221</u>	<u>72,002,127</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	210,223	171,991	191,352	193,570
Public works	494,101	360,254	220,996	274,862
Public safety	3,703,136	3,453,260	3,387,525	3,432,773
Community and economic development	198,384	204,898	84,036	91,197
Recreation and culture	636,928	604,141	663,262	694,404
Operating grants and contributions	4,468,171	4,721,131	4,759,738	4,579,943
Capital grants and contributions	<u>6,162,297</u>	<u>2,450,364</u>	<u>1,662,224</u>	<u>3,160,070</u>
Total governmental activities program revenues	15,873,240	11,966,039	10,969,133	12,426,819
Business-type activities - Water and sewer				
Charges for service	20,535,851	21,271,242	24,423,551	24,887,533
Capital grants and contributions	<u>3,840,383</u>	<u>3,782,154</u>	<u>1,159,068</u>	<u>1,611,334</u>
Total business-type activities program revenues	<u>24,376,234</u>	<u>25,053,396</u>	<u>25,582,619</u>	<u>26,498,867</u>
Total primary government program revenues	<u>40,249,474</u>	<u>37,019,435</u>	<u>36,551,752</u>	<u>38,925,686</u>
Net (Expense) Revenue				
Governmental activities	(22,643,013)	(29,232,426)	(31,777,643)	(33,211,338)
Business-type activities	<u>1,314,083</u>	<u>2,343,309</u>	<u>1,599,174</u>	<u>134,897</u>
Total primary government net expenses	<u>(21,328,930)</u>	<u>(26,889,117)</u>	<u>(30,178,469)</u>	<u>(33,076,441)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	27,492,422	29,985,752	31,851,346	32,791,719
State-shared revenues	5,395,634	5,341,983	5,362,252	5,270,042
Unrestricted investment earnings	2,618,951	4,900,644	5,578,240	3,861,984
Unrestricted cable franchise fees	647,350	968,467	944,073	978,304
Miscellaneous	1,031,921	619,505	571,400	572,796
Gain on sale of capital assets	1,118,104	87,108	63,947	42,087
Transfer	-	-	-	-
Contribution to permanent fund-principal	-	-	-	-
Special item	-	-	-	-
Extraordinary item - Consent judgment	-	(2,443,300)	-	-
Total general governmental revenues	38,304,382	39,460,159	44,371,258	43,516,932
Business-type activities				
Unrestricted investment earnings	517,710	972,934	918,369	498,092
Miscellaneous	495,024	86,615	34,323	20,057
Transfer	-	-	-	-
Special item	-	-	-	-
Total general business-type revenues	<u>1,012,734</u>	<u>1,059,549</u>	<u>952,692</u>	<u>518,149</u>
Total primary government program revenues	39,317,116	40,519,708	45,323,950	44,035,081
Change in Net Position				
Governmental activities	15,661,369	10,227,733	12,593,615	10,305,594
Business-type activities	<u>2,326,817</u>	<u>3,402,858</u>	<u>2,551,866</u>	<u>653,046</u>
Total primary government	<u>\$ 17,988,186</u>	<u>\$ 13,630,591</u>	<u>\$ 15,145,481</u>	<u>\$ 10,958,640</u>

City of Rochester Hills, Michigan

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

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 6,347,983	\$ 5,225,635	\$ 5,046,903	\$ 4,695,356	\$ 4,465,008	\$ 3,597,085
11,263,739	12,220,800	11,965,328	11,621,301	11,699,421	13,234,754
18,392,571	18,072,766	17,885,660	17,920,001	18,548,887	18,429,217
1,066,989	894,785	793,710	864,268	932,396	906,554
4,876,599	4,612,372	4,482,418	4,364,953	4,299,082	5,532,795
<u>1,616,853</u>	<u>1,317,638</u>	<u>944,612</u>	<u>818,736</u>	<u>832,141</u>	<u>556,891</u>
43,564,734	42,343,996	41,118,631	40,284,615	40,776,935	42,257,296
<u>26,896,023</u>	<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>70,460,757</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>
197,758	250,305	271,264	282,168	335,060	364,640
328,823	62,222	364,902	231,815	533,505	403,736
3,078,049	3,740,432	3,974,851	4,087,803	3,979,720	4,154,668
30,326	47,516	21,505	22,709	37,156	48,729
758,658	842,766	825,893	844,302	850,706	843,349
4,453,885	4,449,772	4,470,444	4,816,403	4,975,418	5,699,964
<u>5,425,635</u>	<u>3,597,135</u>	<u>874,157</u>	<u>593,955</u>	<u>1,620,345</u>	<u>1,176,625</u>
14,273,134	12,990,148	10,803,016	10,879,155	12,331,910	12,691,711
25,901,158	28,970,666	30,055,678	32,375,117	29,727,018	29,610,232
<u>362,930</u>	<u>2,653,340</u>	<u>639,083</u>	<u>441,084</u>	<u>1,383,227</u>	<u>736,784</u>
<u>26,264,088</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>40,537,222</u>	<u>44,614,154</u>	<u>41,497,777</u>	<u>43,695,356</u>	<u>43,442,155</u>	<u>43,038,727</u>
(29,291,600)	(29,353,848)	(30,315,615)	(29,405,460)	(28,445,025)	(29,565,585)
<u>(631,935)</u>	<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>(29,923,535)</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>
32,898,199	31,667,939	28,181,281	26,417,474	26,270,519	26,609,298
4,543,462	4,449,876	5,077,251	5,247,035	5,372,104	5,520,914
1,180,742	850,707	442,713	350,337	292,100	234,752
1,037,993	1,217,626	1,267,159	1,359,968	1,409,770	1,525,713
1,165,537	462,127	772,163	1,078,121	687,926	644,405
117,208	105,124	147,434	226,787	182,355	282,906
-	-	-	-	-	14,500
-	-	-	-	-	42,132
-	-	-	-	-	801,280
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
40,943,141	38,753,399	35,888,001	34,679,722	34,214,774	35,675,900
194,351	122,272	80,553	117,210	111,624	108,464
3,924	7,008	85	-	-	12,300
-	-	-	-	-	(14,500)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,418</u>
<u>198,275</u>	<u>129,280</u>	<u>80,638</u>	<u>117,210</u>	<u>111,624</u>	<u>270,682</u>
41,141,416	38,882,679	35,968,639	34,796,932	34,326,398	35,946,582
11,651,541	9,399,551	5,572,386	5,274,262	5,769,749	6,110,315
<u>(433,660)</u>	<u>4,640,726</u>	<u>3,547,661</u>	<u>5,587,151</u>	<u>2,657,888</u>	<u>1,768,228</u>
<u>\$ 11,217,881</u>	<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>

City of Rochester Hills, Michigan

	2005	2006	2007	2008
General Fund				
Committed				
Budget stabilization	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Consent judgment	-	2,443,300	-	-
Assigned	-	-	-	-
Unassigned	11,002,987	10,136,148	12,885,787	14,429,937
Total General Fund	12,002,987	13,579,448	13,885,787	15,429,937
All Other Governmental Funds				
Nonspendable				
Inventory	43,808	60,563	60,151	107,532
Permanent Fund Principal-Cemetery	742,769	784,983	825,755	854,339
Restricted				
Road construction and maintenance	18,915,593	21,301,410	20,213,575	18,687,480
Fire service	1,172,238	1,227,513	1,642,698	1,794,465
Police protection	742,979	407,633	200,003	245,991
Pathway operations and maintenance	230,296	241,870	75,302	111,456
Drain improvements	5,704,215	6,038,430	6,050,306	5,113,813
Tree conservation and maintenance	1,343,801	1,441,848	1,557,407	1,638,492
Green space preservation	-	1,052,673	1,543,267	1,425,054
Debt service	6,999,896	6,569,620	5,983,256	4,923,532
Pathway construction	2,312,626	2,469,796	2,661,979	2,511,653
Fire vehicles and equipment	5,918,327	7,980,300	8,445,574	8,370,923
Cemetery Trust	136,480	334,537	271,317	293,728
Assigned				
Capital projects	2,230,385	2,824,669	3,602,963	3,947,103
Total other governmental funds	46,493,413	52,735,845	53,133,553	50,025,561
Total of all governmental funds	\$ 58,496,400	\$ 66,315,293	\$ 67,019,340	\$ 65,455,498

City of Rochester Hills, Michigan

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

2009	2010	2011	2012	2013	2014
\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
-	-	-	-	-	-
-	-	-	-	-	4,313,480
<u>14,153,056</u>	<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>
15,153,056	19,175,688	24,793,530	28,286,912	30,741,203	31,257,584
108,824	130,100	100,938	165,288	64,159	72,383
898,772	927,311	961,329	986,949	1,031,738	1,073,870
18,106,023	19,441,018	19,585,696	20,969,948	21,978,688	19,534,464
1,938,315	2,634,008	3,073,339	3,475,915	3,715,509	4,030,819
383,932	563,609	694,720	1,017,897	1,270,798	1,557,263
144,891	208,313	135,738	126,228	121,733	100,630
4,520,953	4,317,799	3,573,694	3,028,107	2,451,509	2,299,054
1,659,911	1,643,884	1,665,859	1,641,439	1,609,515	1,608,997
2,265,823	3,303,468	4,220,263	5,093,769	5,951,206	5,791,294
4,706,620	4,250,814	3,809,902	3,373,388	2,475,136	1,909,301
2,603,150	1,607,372	1,570,471	1,609,849	1,471,173	1,532,249
8,064,185	8,162,349	7,935,237	8,370,007	8,731,559	8,737,979
112,235	121,146	214,843	213,578	217,349	219,109
<u>3,810,494</u>	<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>49,324,128</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>\$ 64,477,184</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>

City of Rochester Hills, Michigan

	2005	2006	2007	2008
Revenue				
Property taxes	\$ 27,492,422	\$ 29,985,752	\$ 31,851,346	\$ 32,791,719
Licenses and permits	1,929,475	2,085,161	1,833,330	1,812,760
Federal grants	271,076	196,306	417,451	1,088,216
State-shared revenues and grants	9,805,835	9,720,235	9,632,935	9,447,908
Other governmental revenues	260,660	271,548	278,750	1,834,527
Charges for services	6,974,473	6,365,265	6,052,030	6,770,913
Fines and forfeitures	575,901	446,243	421,141	471,195
Interest earnings	2,226,383	4,003,059	4,663,989	3,175,803
Sale of assets	38,401	-	-	-
Other	<u>1,410,503</u>	<u>471,312</u>	<u>452,595</u>	<u>476,695</u>
Total revenue	50,985,129	53,544,881	55,603,567	57,869,736
Expenditures				
Current:				
General government	7,149,633	6,747,880	8,799,097	7,367,155
Public works	2,527,976	2,298,684	1,819,806	1,965,170
Public safety	15,695,576	16,599,439	17,726,727	18,418,447
Community and economic development	1,325,230	1,144,244	1,182,824	1,199,020
Streets	2,764,324	3,294,116	4,433,168	4,855,495
Recreation and culture	4,315,311	4,691,740	5,064,526	5,146,701
Capital outlay	5,253,484	3,510,025	8,080,138	13,763,238
Debt service				
Principal	4,498,024	4,286,060	4,496,018	4,644,708
Interest	2,087,708	2,077,158	1,887,132	1,717,185
Miscellaneous	<u>103,387</u>	<u>1,359</u>	<u>824</u>	<u>24,559</u>
Total expenditures	<u>45,720,653</u>	<u>44,650,705</u>	<u>53,490,260</u>	<u>59,101,678</u>
Excess of Revenue Over (Under)				
Expenditures	5,264,476	8,894,176	2,113,307	(1,231,942)
Other Financing Sources (Uses)				
Debt issuance	3,235,000	-	-	-
Debt premium or discount	-	-	-	-
Transfers in	9,949,344	10,208,696	10,105,249	11,739,222
Transfers out	(12,758,196)	(11,284,976)	(11,514,509)	(12,071,122)
Payment to refund bond escrow agent	-	-	-	-
Total other financing sources (uses)	<u>426,148</u>	<u>(1,076,280)</u>	<u>(1,409,260)</u>	<u>(331,900)</u>
Special item	-	-	-	-
Net Change in Fund Balances	5,690,624	7,817,896	704,047	(1,563,842)
Fund Balances - Beginning of year	<u>52,806,773</u>	<u>58,497,397</u>	<u>66,315,293</u>	<u>67,019,340</u>
Fund Balances - End of year	<u>\$ 58,497,397</u>	<u>\$ 66,315,293</u>	<u>\$ 67,019,340</u>	<u>\$ 65,455,498</u>
Debt Service as a Percentage of				
Noncapital Expenditures	19.44%	18.30%	16.36%	16.32%

City of Rochester Hills, Michigan

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

2009	2010	2011	2012	2013	2014
\$ 32,898,199	\$ 31,667,939	\$ 28,181,282	\$ 26,417,474	\$ 26,270,519	\$ 26,609,298
1,684,243	2,277,128	2,467,531	2,577,130	2,571,550	2,708,237
326,125	941,478	1,504,851	201,632	174,056	237,065
8,700,365	8,466,325	9,218,464	9,634,631	9,865,099	10,591,515
1,332,549	600,690	489,146	453,796	528,096	592,815
7,305,795	7,557,775	7,382,311	7,464,602	7,769,831	8,242,976
380,016	440,886	426,922	378,247	336,031	401,611
954,946	792,526	374,599	291,907	245,859	204,716
-	-	-	-	-	149,151
<u>1,369,885</u>	<u>754,424</u>	<u>412,708</u>	<u>392,907</u>	<u>573,634</u>	<u>399,256</u>
54,952,123	53,499,171	50,457,814	47,812,326	48,334,675	50,136,640
8,551,010	7,076,133	6,740,159	6,438,938	6,530,376	6,940,068
2,240,229	2,020,511	1,875,536	1,656,614	1,704,769	1,716,610
18,543,168	18,038,190	17,364,296	17,288,660	17,691,504	18,224,842
1,060,982	887,169	751,195	796,056	824,991	815,104
4,947,355	5,141,160	4,850,974	4,210,522	4,844,567	5,521,962
4,801,681	4,605,997	4,219,325	4,121,970	4,119,257	4,258,456
8,880,496	3,261,641	4,308,443	3,540,040	5,200,576	12,447,756
4,997,417	4,848,247	3,494,040	3,005,889	3,037,611	2,280,000
1,528,045	1,270,761	910,686	746,836	640,710	537,660
<u>53,069</u>	<u>184,038</u>	<u>80,010</u>	<u>2,638</u>	<u>48,808</u>	<u>2,124</u>
<u>55,603,452</u>	<u>47,333,847</u>	<u>44,594,664</u>	<u>41,808,163</u>	<u>44,643,169</u>	<u>52,744,582</u>
(651,329)	6,165,324	5,863,150	6,004,163	3,691,506	(2,607,942)
-	13,645,000	2,270,000	-	2,235,000	-
-	-	82,781	-	-	-
12,218,041	9,993,536	8,682,371	12,584,684	12,501,659	13,757,668
(12,545,026)	(10,144,746)	(8,630,932)	(12,646,937)	(12,889,250)	(13,916,513)
-	(13,726,779)	(2,293,322)	-	(2,189,842)	-
<u>(326,985)</u>	<u>(232,989)</u>	<u>110,898</u>	<u>(62,253)</u>	<u>(342,433)</u>	<u>(158,845)</u>
-	-	-	-	-	801,280
(978,314)	5,932,335	5,974,048	5,941,910	3,349,073	(1,965,507)
<u>65,455,498</u>	<u>64,477,184</u>	<u>70,409,519</u>	<u>76,383,567</u>	<u>82,325,477</u>	<u>85,674,550</u>
<u>\$ 64,477,184</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>
16.23%	16.12%	12.28%	10.87%	10.28%	7.52%



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

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.

City of Rochester Hills, Michigan

Millage Rates - Direct City Taxes					Overlapping Taxes					
Tax Year	General Operating	Special Purpose	Debt	Total Direct Taxes	Oakland County Operating	Huron/Clint on Metro Authority	County Parks	Zoo Authority	Art Institute	Oakland Community College
2005										
Homestead	3.2169	5.1809	1.2703	9.6681	4.1900	0.2146	0.2415	0.0000	0.0000	1.5844
Nonhomestead	3.2169	5.1809	1.2703	9.6681	4.1900	0.2146	0.2415	0.0000	0.0000	1.5844
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

Source: City of Rochester Hills

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

	General Operating	Special Purpose	Debt
2014	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	
Rochester Community				Avondale School District						
Oakland Intermediate School District	State Education	State Education							Rochester Community Schools	Avondale Schools
	Tax	Operating	Debt	Tax	Operating	Supplemental	Sinking	Debt		
3.3690	6.0000	0.0000	5.1800	6.0000	0.0000	1.3203	0.5989	7.0000	26.5379	25.0881
3.3690	6.0000	18.0000	5.1800	6.0000	18.0000	0.0000	0.5989	7.0000	44.5379	41.7678
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	48.5855	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	48.5855	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

City of Rochester Hills, Michigan

Revenue Capacity Information Principal Property Taxpayers

Taxpayer	2014			2005		
	2014 Taxable Value	Percentage of Total	2014 Rank	2005 Taxable Value	Percentage of Total	2005 Rank
Detroit Edison	\$ 26,510,850	0.86%	1	\$ 21,587,960	0.63%	2
Singh Cider Mill Village	24,397,750	0.79%	2	-		
Vorh Assoc. LLC (Meadowbrook/The Village RH)	20,890,960	0.67%	3	24,420,700	0.72%	1
New Plan (Hampton Village Center)	18,375,610	0.59%	4	21,008,500	0.62%	3
Winchester Center LLC	13,216,760	0.43%	5	13,042,590	0.38%	9
Joel Nosanchuk	12,798,570	0.41%	6	12,674,140	0.37%	10
Stuart Frankel	12,785,960	0.41%	7	17,429,350	0.51%	4
Associate Estates Realty: Apartments	11,231,320	0.36%	8	13,422,860	0.39%	8
1185 River Oaks North, LLC (Solomon Properties)	10,828,680	0.39%	9	15,700,550	0.46%	6
Consumers Power	10,101,663	0.32%	10			
FANUC Robotics				15,997,590	0.47%	5
First Industrial Realty				14,847,780	0.44%	7
Subtotal	161,138,123	5.23%		170,132,020	4.99%	
Other	<u>2,852,674,217</u>	<u>94.77%</u>		<u>3,231,843,890</u>	<u>95.01%</u>	
Total	<u>\$ 3,013,812,340</u>	<u>100.00%</u>		<u>\$ 3,401,975,910</u>	<u>100.00%</u>	

Source: City Assessing Department

City of Rochester Hills, Michigan

Revenue Capacity Information Property Tax Levies and Collections

Fiscal Year	Total Levy	Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Percent of Levy
						Collected
2005	\$ 30,256,675	\$ 28,998,137	95.8	\$ 1,051,151	\$ 30,049,288	99.3
2006	32,875,767	31,774,138	96.6	1,091,374	32,865,512	100.0
2007	34,941,567	33,496,756	95.9	1,471,825	34,968,580	100.0
2008	36,122,159	34,486,540	95.5	1,625,429	36,111,968	100.0
2009	36,290,684	34,712,620	95.7	1,625,806	36,338,426	100.0
2010	34,842,029	33,466,594	96.0	1,370,511	34,834,105	100.0
2011	30,923,844	29,965,392	96.9	959,858	30,925,250	100.0
2012	28,951,559	28,060,297	96.9	907,455	28,967,752	100.0
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



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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

	2005	2006	2007	2008
Governmental Activities				
General obligation bonds	\$ 30,760,000	\$ 28,505,000	\$ 26,150,000	\$ 23,680,000
County contractual obligations	19,515,013	16,893,953	15,032,935	13,108,228
Special assessment bonds	<u>3,535,000</u>	<u>3,105,000</u>	<u>2,625,000</u>	<u>2,150,000</u>
Total	53,810,013	48,503,953	43,807,935	38,938,228
Business-type Activities				
County contractual obligations	<u>3,800,000</u>	<u>3,700,000</u>	<u>3,550,000</u>	<u>3,400,000</u>
Total debt of the government	<u>\$ 57,610,013</u>	<u>\$ 52,203,953</u>	<u>\$ 47,357,935</u>	<u>\$ 42,338,228</u>
Total taxable value	\$ 3,230,824,070	\$ 3,401,975,910	\$ 3,602,018,960	\$ 3,727,386,610
Ratio of total debt to taxable value	1.78%	1.53%	1.31%	1.14%
Total population	68,825	69,405	69,183	68,120
Total debt per capita based on taxable value	\$ 837.05	\$ 752.16	\$ 684.53	\$ 621.52

City of Rochester Hills, Michigan

Debt Capacity Information Ratios of Outstanding Debt

2009	2010	2011	2012	2013	2014
\$ 20,880,000	\$ 18,320,000	\$ 16,840,000	\$ 15,175,000	\$ 13,470,000	\$ 11,705,000
11,160,811	9,097,564	7,103,511	5,692,611	4,340,000	3,785,000
<u>1,675,000</u>	<u>1,350,000</u>	<u>1,175,000</u>	<u>975,000</u>	<u>775,000</u>	<u>525,000</u>
33,715,811	28,767,564	25,118,511	21,842,611	18,585,000	16,015,000
<u>3,250,000</u>	<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>\$ 36,965,811</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>
\$ 3,742,654,190	\$ 3,600,917,135	\$ 3,194,661,270	\$ 299,331,163	\$ 2,972,809,776	\$ 3,013,812,340
0.99%	0.91%	1.00%	10.00%	0.97%	1.07%
69,014	70,995	70,995	71,452	73,875	73,556
\$ 535.63	\$ 463.97	\$ 449.09	\$ 419.10	\$ 390.95	\$ 440.00

City of Rochester Hills, Michigan

Debt Capacity Information

Ratios of General Bonded Debt Outstanding

Fiscal Year	State Equalization Value	Population	General Bonded Debt Obligation Outstanding (1)	Other General Bonded Debt Obligations Outstanding (2)	Total Debt General Bonded Debt Obligation Outstanding	Obligation Debt to Taxable Value	General Obligation Debt per Capita
2005	\$ 4,012,356,450	68,825	\$ 30,760,000	\$ 19,515,013	\$ 50,275,013	1.25%	\$ 730.48
2006	4,184,283,990	69,405	28,505,000	16,893,953	45,398,953	1.08%	654.12
2007	4,175,552,010	69,183	26,150,000	15,032,935	41,182,935	0.99%	595.28
2008	4,042,390,520	68,120	23,680,000	13,108,228	36,788,228	0.91%	540.05
2009	3,728,995,735	69,014	20,880,000	11,160,811	32,040,811	0.86%	464.27
2010	3,238,195,190	70,995	16,945,000	9,097,564	26,042,564	0.80%	366.82
2011	3,020,846,313	70,995	15,665,000	7,103,511	22,768,511	0.75%	320.71
2012	3,014,328,696	71,452	14,200,000	5,692,611	19,892,611	0.66%	278.41
2013	3,080,117,630	73,875	12,720,000	4,340,000	17,060,000	0.55%	230.93
2014	3,354,077,190	73,556	11,205,000	3,785,000	14,990,000	0.45%	203.79

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 2014	City Share as Percent of Gross	Net City Share Fiscal Year 2014
Direct debt - City of Rochester Hills	\$ 11,730,000	100.00	\$ 11,730,000
Overlapping debt:			
Rochester School District	104,210,000	59.20	61,692,320
Avondale School District	129,496,600	50.86	65,861,971
Oakland County at Large	448,667,894	6.15	27,593,075
Oakland Community College	3,075,000	6.19	190,343
Oakland Intermediate School District	<u>55,625,000</u>	6.17	<u>3,432,063</u>
Total overlapping debt	<u>741,074,494</u>		<u>158,769,772</u>
Total	<u><u>\$ 752,804,494</u></u>		<u><u>\$ 170,499,772</u></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

	2005	2006	2007	2008
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	57,610,013	52,203,953	47,357,935	42,338,228
Less deduction:				
Special Assessment Bonds	3,555,000	3,105,000	2,625,000	2,150,000
Michigan Transportation Highway Fund Bonds	<u>2,125,000</u>	<u>2,025,000</u>	<u>1,875,000</u>	<u>1,725,000</u>
 Total amount of debt subject to limit	 <u>51,930,013</u>	 <u>47,073,953</u>	 <u>42,857,935</u>	 <u>38,463,228</u>
 Legal Debt Margin	 <u>\$ 349,305,632</u>	 <u>\$ 371,354,446</u>	 <u>\$ 374,697,266</u>	 <u>\$ 365,775,824</u>
 Net Debt Subject to Limit as				
Percentage of Debt Limit	12.94%	11.25%	10.26%	9.51%

City of Rochester Hills, Michigan

Debt Capacity Information Legal Debt Margin

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 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
36,965,811	32,939,633	32,012,812	29,945,569	28,881,500	32,364,753
1,675,000	1,350,000	1,175,000	975,000	775,000	525,000
<u>1,575,000</u>	<u>1,375,000</u>	<u>1,175,000</u>	<u>975,000</u>	<u>750,000</u>	<u>500,000</u>
<u>33,715,811</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>\$ 339,183,763</u>	<u>\$ 293,604,886</u>	<u>\$ 272,421,819</u>	<u>\$ 273,437,301</u>	<u>\$ 280,655,263</u>	<u>\$ 304,067,966</u>
9.04%	9.33%	9.82%	9.29%	8.88%	9.34%

City of Rochester Hills, Michigan

Fiscal Year	Water and Sewer Revenue					
	Operating Revenue	Operating Expenses (Less Depreciation)	Net Operating - Income	Debt Service		
				Principal	Interest	Coverage
2005	\$ 20,516,429	\$ 19,955,285	\$ 561,144	\$ -	\$ 26,630	21.07
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

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

City of Rochester Hills, Michigan

Debt Capacity Information Pledged-revenue Coverage

Special Assessment Bonds			
Special Assessment Collections	Debt Service		
	Principal	Interest	Coverage
164,366	405,000	184,884	0.28
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



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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)
2005	68,825	(3)	(1)	(1)	3.3	(5)	29,590
2006	69,405	(2)	(1)	(1)	3.3	(5)	29,813
2007	69,183	(2)	(1)	(1)	3.6	(5)	29,760
2008	68,120	(2)	(1)	(1)	4.1	(5)	29,800
2009	69,014	(2)	(1)	(1)	7.9	(5)	29,303
2010	70,995	(3)	(1)	(1)	7.5	(5)	29,861
2011	70,995	(3)	(1)	(1)	5.9	(6)	30,104
2012	71,452	(2)	(1)	(1)	5.1	(6)	30,221
2013	73,875	(2)	(1)	(1)	4.8	(6)	30,287
2014	73,556	(2)	(1)	(1)	4.7	(6)	30,502

(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

2014 Rank	Principal Employers	2014 Employees	Percentage of Total	2005 Employees	Percentage of Total	2005 Rank
1	Oakland University	2,213	6.77%	(1)	(1)	(1)
2	Rochester Community Schools	1,970	6.02%	(1)	(1)	(1)
3	Crittenton Hospital	1,447	4.42%	(1)	(1)	(1)
4	FANUC America Corp.	775	2.37%	(1)	(1)	(1)
5	Webasto Roof Systems	620	1.90%	(1)	(1)	(1)
6	Lear Corporation	335	1.02%	(1)	(1)	(1)
7	Henry Ford Health System	250	0.76%	(1)	(1)	(1)
8	Hi Tech Mold & Eng.	215	0.66%	(1)	(1)	(1)
9	3 Dimensional Services	210	0.64%	(1)	(1)	(1)
10	Guardian Angel Health Services	207	0.63%	(1)	(1)	(1)
Total Employed		32,709				

Source: City Planning Department & SEMCOG

(1) Information not available

City of Rochester Hills, Michigan

Demographic and Economic Information Construction Activity

<u>Fiscal Year</u>	<u>Total Building Permits</u>	<u>Total Construction Valuation</u>
2005	780	\$ 118,058,400
2006	604	93,315,021
2007	621	89,856,530
2008	459	73,550,900
2009	426	48,545,250
2010	502	63,610,325
2011	524	69,003,350
2012	528	105,108,990
2013	532	76,511,572
2014	584	128,541,287

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		
Less than \$10,000	1,054	Agriculture, forestry, fishing, hunting, and mining	43
\$10,000 - \$14,999	808	Construction	1,069
\$15,000 - \$24,999	2,230	Manufacturing	7,540
\$25,000 - \$34,999	1,821	Wholesale trade	1,003
\$35,000 - \$49,999	2,802	Retail trade	3,716
\$50,000 - \$74,999	4,526	Transportation, warehousing, and utilities	652
\$75,000 - \$99,999	3,978	Information	505
\$100,000 - \$149,999	5,305	Finance, insurance, real estate, rental, and leasing	2,457
\$150,000 or more	4,935	Professional, scientific, management, administrative, and waste management services	5,227
		Educational, health, and social services	7,773
		Arts, entertainment, recreation, accommodation, and food services	3,133
		Other professional and related services	1,330
		Public administration	602
		Total	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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government:										
Mayor	11	10	12	12	13	11	11	11	11	11
Clerks and Election	8	9	9	8	8	8	8	8	6	6
Accounting	9	9	9	9	9	7	7	7	7	8
Assessing	11	10	10	10	10	9	8	8	8	7
Human Resources	5	4	5	5	5	4	4	4	4	4
Treasury	3	3	3	3	3	3	3	3	3	3
Planning and zoning	8	7	8	7	6	5	5	5	5	5
Parks and recreation	19	17	17	15	15	14	14	14	13	15
Management information systems	7	8	8	8	8	8	8	8	8	8
Cemetery	2	2	2	2	2	2	2	2	2	1
Public safety:										
Police services (contracted officers)	58	59	59	60	59	60	57	57	57	57
Police administration (contracted)	2	2	2	2	2	2	2	2	2	2
Fire and EMS	43	46	46	45	43	39	37	37	36	36
Building	20	18	18	14	13	12	13	13	13	13
Ordinance enforcement	7	7	7	6	6	5	5	5	5	5
Public works:										
Department of Public Service	68	64	68	67	66	60	61	61	62	58
Forestry	5	5	5	4	4	4	4	4	4	4
Fleet	7	7	7	7	7	6	6	6	6	7
Facilities	7	7	7	6	6	5	5	5	6	6
Total	<u>300</u>	<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>

Source: City Accounting Division

City of Rochester Hills, Michigan

Function/Program	2005	2006	2007	2008
Election:				
Number of elections	3	3	2	3
Registered voters	47,289	46,929	48,304	50,292
New registrations	4,237	4,886	4,607	6,409
Building:				
Permits issued	4,674	3,894	3,465	3,044
Inspections	12,163	10,784	9,078	7,878
Parks and recreation:				
Park attendance (estimate)	902,626	895,671	832,950	863,359
Museum attendance (estimate)	22,153	17,163	19,354	18,060
Education Programs attendance (estimate)	4,431	4,560	3,412	3,335
Forestry - Tree inventory	19,362	19,283	19,434	19,182
Major roads:				
Winter material applied - Salt (in tons)	2,770	1,118	2,572	3,165
Other material applied to major roads (in tons)	112	88	85	175
Linear feet of ditches cleaned - Major roads	-	888	-	335
Local streets:				
Pothole repair - Solvex applied (in tons)	113	60	85	57
Other material applied to local streets (in tons)	2,192	3,417	1,726	1,984
Winter material applied (in tons)	1,683	648	1,373	1,935
Fire:				
Fire inspections/reviews/investigations	1,281	1,792	1,671	1,527
Number of fires	134	136	96	73
Number of rescues and Emergency Medical Service	2,819	3,014	3,452	3,321
Number of community education programs	353	426	485	736
Number of participants in education programs	8,624	12,324	9,512	20,773
Police (contracted services) - Dispatched calls for service	28,535	30,041	29,706	30,650
Patrol investigators:				
Criminal activity - New cases	683	775	680	900
Criminal activity - Recovered property	\$51,709	\$20,413	\$89,214	\$62,529
Uniformed patrol:				
Criminal activity - New cases	1,008	949	859	795
Criminal activity - Recovered property	\$90,293	\$51,709	\$153,333	\$24,621
Crime statistics:				
Part A crimes	2,926	3,169	2,554	2,467
Part B crimes	1,253	1,192	1,259	1,683
Part C crimes (Miscellaneous)	23,843	23,843	23,754	24,404
Water and sewer:				
Water and sewer utility billings	136,749	138,081	138,787	138,928
Water sales (million cubic feet)	428	434	428	365
Meter reads	175,490	176,378	194,874	196,272
Meter installations	1,772	1,660	2,074	1,382
Water purchased (million cubic feet)	464	434	470	406

Source: City of Rochester Hills

City of Rochester Hills, Michigan

Operating Information Operating Indicators by Function

2009	2010	2011	2012	2013	2014
2	2	2	3	1	2
50,292	50,975	51,548	52,709	53,132	53,184
4,413	5,055	4,584	5,740	3,916	3,979
2,827	3,532	3,472	3,530	3,404	3,395
7,287	8,660	9,352	11,774	10,599	11,620
971,505	1,098,388	1,001,058	1,099,337	1,044,907	1,051,037
26,089	30,480	31,900	50,812	51,113	52,250
2,487	3,235	389	1,200	743	436
19,003	19,051	19,158	19,187	18,885	18,736
1,817	1,903	2,559	1,438	1,339	729
172	66	82	179	91	24
800	320	280	10	250	521
61	54	68	73	65	173
1,742	2,309	3,523	700	1,971	1,969
1,115	1,678	1,836	981	1,057	372
1,802	1,327	1,202	932	1,258	1,418
70	100	110	172	123	109
3,300	3,690	4,569	4,732	4,489	4,763
630	668	290	377	423	654
14,110	24,956	24,241	7,495	6,255	8,052
27,352	31,135	30,194	30,258	31,198	31,697
720	695	679	944	1,090	1,091
\$7,563	\$7,148	\$11,496	\$17,652	\$31,419	\$67,469
732	812	750	663	621	583
\$23,004	\$17,199	\$18,181	\$19,114	\$20,104	\$18,688
2,137	2,154	1,896	1,898	1,502	1,401
155	1,344	759	692	465	380
21,826	25,063	24,680	26,137	27,410	27,167
139,928	140,340	141,080	141,768	141,281	141,952
338	360	339	357	303	288
197,049	198,528	199,794	204,387	204,995	206,562
1,122	1,325	1,207	1,108	1,306	643
385	395	368	379	323	301

City of Rochester Hills, Michigan

Function/Program	2005	2006	2007	2008
General government:				
Buildings - City Hall	1	1	1	1
Cemetery	1	1	1	1
Acreage	17	17	17	24
Public safety:				
Police station	1	1	1	1
Fire:				
Stations	5	5	5	5
Fire response vehicles	8	10	10	10
Emergency response vehicles	7	8	8	8
Public works:				
Buildings	1	1	1	2
Streets (miles):				
Miles of major roads (actual)	36.66	37.62	37.56	37.65
Miles of local streets (actual)	206.50	211.52	215.55	216.11
Water:				
Mains (miles)	429.88	434.32	439.24	428.27
Gate valves	4,435	4,506	4,615	4,369
Hydrants	4,699	4,772	4,821	4,829
Sewer:				
Miles of sanitary sewers	317.29	321.47	322.50	323.92
Miles of storm sewers	53.67	54.00	54.80	53.07
Manholes - Sanitary	7,630	7,726	7,754	7,857
Manholes - Storm	814	822	822	843
Inlets and catch basins	4,532	4,572	4,599	4,662
Parks and recreation:				
Major/Community parks:				
Buildings	16	16	16	16
Acreage	580.7	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
Total park acreage	1,009.20	1,019.20	1,026.24	1,053.04
Number of parks	11	11	11	11

Source: City Departments

City of Rochester Hills, Michigan

Operating Information Capital Asset Statistics

2009	2010	2011	2012	2013	2014
1	1	1	1	1	1
1	1	1	1	1	1
48	55	55	55	55	55
1	1	1	1	1	1
5	5	5	5	5	5
11	23	23	23	22	22
8	12	10	11	10	10
2	2	2	2	2	3
38.21	38.21	38.21	38.21	38.21	38.21
217.74	218.97	218.97	218.97	218.97	218.97
428.27	428.81	429.29	429.29	431.00	432.00
4,401	4,495	4,583	4,583	4,608	4,628
4,843	4,857	4,893	4,893	4,910	5,028
319.84	322.01	321.70	321.70	323.00	323.00
55.33	54.51	50.22	50.22	51.00	51.00
7,861	7,897	7,888	7,888	7,923	7,937
891	866	714	714	735	757
4,835	4,952	5,114	5,114	5,161	5,228
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	41.3	64.9	113.3
1,060.46	1,060.46	1,060.46	1,060.46	1,084.14	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
2005	\$ 5,474,685	\$ 5,395,634
2006	5,375,537	5,341,983
2007	5,298,510	5,362,252
2008	5,292,542	5,270,042
2009	4,661,073	4,543,462
2010	4,420,538	4,449,876
2011	5,031,743	5,077,251
2012	5,211,578	5,247,035
2013	5,346,706	5,372,104
2014	5,495,218	5,520,914

Gas and weight tax				Total Gas and Weight Tax (Act 51) Receipts
Fiscal Year Ended December 31	Type of Street			
	Major Roads	Local Streets		
2005	\$ 3,114,289	\$ 1,183,035	\$	4,297,324
2006	3,100,240	1,185,402		4,285,642
2007	3,082,171	1,183,456		4,265,627
2008	2,973,260	1,143,744		4,117,004
2009	2,891,351	1,114,510		4,005,861
2010	2,451,532	945,301		3,396,833
2011	2,999,309	1,151,107		4,150,416
2012	3,177,395	1,207,342		4,384,737
2013	3,247,102	1,232,181		4,479,283
2014	3,597,734	1,354,329		4,952,063

Source: City Accounting Division

City of Rochester Hills, Michigan

Operating Information Labor Agreements / December 31, 2014

Name	Contract Expiration Date	Full-Time Employees Covered
Union Employees		
Office/Technical/Public Works Employees		
AFSCME, Local 2491, Council 25	12/31/2015	111
Public Works/Parks-Supervisory		
AFSCME, Local 1917.28, Council 25	12/31/2015	8
Fire Fighters		
International Association of Fire Fighters, Local 3472	12/31/2013	30
Paid on Call Fire Fighters		
Michigan Association of Fire Fighters	12/31/2014	56
-		
Nonunion Employees		
Mayor	N/A	1
Department Directors	N/A	10
Technical/Professional/Management	N/A	37

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

Source: City Accounting Division



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City of Rochester Hills, Michigan

**Federal Awards
Supplemental Information
December 31, 2014**

City of Rochester Hills, Michigan

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**Report on Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133**

Independent Auditor's Report

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

We have audited the basic 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, 2014 and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated April 20, 2015, which contained an unmodified opinion on the basic financial statements of the City of Rochester Hills, Michigan. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited basic financial statements subsequent to April 20, 2015.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

April 20, 2015

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Independent Auditor's Report

To Management, the Honorable Mayor, and
Members of the City Council
City of Rochester Hills, Michigan, and the Board of Directors
Rochester Hills-Oakland-Rochester Older Persons' Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic 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"), which includes the Rochester Hills-Oakland-Rochester Older Persons' Commission, a component unit of the City of Rochester Hills, Michigan (the "Commission") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's and Commission's basic financial statements, and have issued our report thereon dated April 20, 2015. The financial statements of Rochester Avon Recreation Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the City of Rochester Hills, Michigan's and Rochester Hills-Oakland-Rochester Older Persons' Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's and Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's and Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

To Management, the Honorable Mayor, and
Members of the City Council
City of Rochester Hills, Michigan, and the Board of Directors
Rochester Hills-Oakland-Rochester Older Persons' Commission

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2014-001 to be a material weakness.

Compliance and Other Matters

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

City of Rochester Hills, Michigan's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Rochester Hills, Michigan's response was not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Plante & Moran, PLLC

Southfield, Michigan
April 20, 2015

**Report on Compliance for the Major Federal Program;
Report on Internal Control Over Compliance**

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council
City of Rochester Hills, Michigan and the Board of Directors
Rochester Hills-Oakland-Rochester Older Persons' Commission

Report on Compliance for the Major Federal Program

We have audited City of Rochester Hills, Michigan's (the "City") and Rochester Hills-Oakland-Rochester Older Persons' Commission's (the "Commission") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended December 31, 2014. The City of Rochester Hills, Michigan's and Rochester Hills-Oakland-Rochester Older Persons' Commission's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Rochester Hills, Michigan's and Rochester Hills-Oakland-Rochester Older Persons' Commission's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Rochester Hills, Michigan's and Rochester Hills-Oakland-Rochester Older Persons' Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the Honorable Mayor and Members of the City Council
City of Rochester Hills, Michigan and the Board of Directors
Rochester Hills-Oakland-Rochester Older Persons' Commission

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Rochester Hills, Michigan's and Rochester Hills-Oakland-Rochester Older Persons' Commission's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Rochester Hills, Michigan and Rochester Hills-Oakland-Rochester Older Persons' Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of the City of Rochester Hills, Michigan and Rochester Hills-Oakland-Rochester Older Persons' Commission are responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's and Commission's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's and Commission's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Honorable Mayor and Members of the City Council
City of Rochester Hills, Michigan and the Board of Directors
Rochester Hills-Oakland-Rochester Older Persons' Commission

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

Southfield, Michigan
April 20, 2015

City of Rochester Hills, Michigan

Schedule of Expenditures of Federal Awards Year Ended December 31, 2014

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Award Amount	Federal Expenditures
Major program - Aging Cluster - U.S. Department of Health and Human Services - Passed through the Area Agency on Aging to the Older Persons' Commission - Special Programs for the Aging - Title III, Part C:				
Nutrition services:	93.045			
2013-2014		14-9059-03	\$ 246,782	\$ 175,120
2014-2015		15-9059-03	258,978	58,177
Program income				<u>168,005</u>
Total nutrition services				401,302
Nutrition Services Incentive Program:	93.053			
2013-2014		14-9059-03	83,594	67,862
2014-2015		15-9059-03	73,969	<u>21,107</u>
Total Nutrition Services Incentive Program				<u>88,969</u>
Total Aging Cluster				490,271
Nonmajor programs:				
Highway Planning and Construction Cluster - U.S. Department of Transportation - Highway Planning and Construction - Passed through Michigan Department of Transportation - Federal Award				
	20.205	RR 8128	207,495	1,200
Community Development Block Grant - Entitlement Grants Cluster - U.S. Department of Housing and Urban Development - Passed through Oakland County Department of Community Development Entitlement Grant:				
	14.218			
Program year 2012-2013 #802261-60010		B-11-UC-26-0002	130,953	5,274
Program year 2013-2014 #802261-60010			138,083	25,537
Program year 2014-2015 #802261-60010			137,859	<u>92,905</u>
Total Community Development Block Grant Cluster				123,716
Medicaid Cluster - U.S. Department of Health and Human Services - Passed through the Area Agency on Aging to the Older Persons' Commission Medicaid Assistance (Medicaid) - Home Delivered Meals				
	93.778	N/A	4,818	4,818

City of Rochester Hills, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended December 31, 2014

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Award Amount	Federal Expenditures
Nonmajor programs (Continued):				
Transit Services Program Cluster - Department of Transportation - Capital Assistance Program for Elderly Persons and Persons with Disabilities - Passed through Suburban Mobility Authority for Regional Transportation - In-kind	20.513	2012-0170 P6-5310	\$ 33,339	\$ 33,339
U.S. Department of Agriculture - Cooperative Forestry Assistance - Passed through Michigan Department of Natural Resources	10.664	N/A	4,000	3,000
U.S. Department of the Interior - Fish and Wildlife Management Assistance	15.608	FXFRI 3340300000W4	90,000	8,606
National Endowment for the Arts - Promotion of the Humanities - Federal/State Partnership - Passed through Michigan Humanities Council	45.129	N/A	2,814	2,814
Environmental Protection Agency - Congressionally Mandated Projects - Wayne County Rouge River - Passed through Environmental Protection Agency	66.202	XP99574309	36,240	36,240
U.S. Department of Homeland Security - Homeland Security - Security Grant Program - Passed through Michigan Department of State Police	97.067	N/A	499	499
Total federal awards				<u>\$ 704,503</u>

City of Rochester Hills, Michigan

Note to Schedule of Expenditures of Federal Awards Year Ended December 31, 2014

Note - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Rochester Hills, Michigan, which includes the Rochester Hills-Oakland-Rochester Older Persons' Commission within its reporting entity, under programs of the federal government for the year ended December 31, 2014. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of the City of Rochester Hills, Michigan and Rochester Hills-Oakland-Rochester Older Persons' Commission, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows, if applicable, of the City of Rochester Hills, Michigan and Rochester Hills-Oakland-Rochester Older Persons' Commission. Pass-through entity identifying numbers are presented where available.

City of Rochester Hills, Michigan

Schedule of Findings and Questioned Costs Year Ended December 31, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
93.045, 93.053	Aging Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

City of Rochester Hills, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2014

Section II - Financial Statement Audit Findings

Reference Number	Finding
2014-001	<p>Finding Type - Material weakness</p> <p>Criteria - The City should evaluate risks and put controls in place to prevent or detect misstatements to the accounting records that could be consequential. This should include recorded amounts whose activity take place outside of the City's normal operating transactions.</p> <p>Condition - The activity related to the City's participation in the Oakland-Macomb Interceptor Drain (OMID) takes place at Oakland County, so it is not able to be subjected to the City's normal internal controls. The City accounts for this activity once per year as it receives the information from Oakland County. However, there is no process in place for a review of how this annual activity has been recorded.</p> <p>Context - In the current year, Oakland County initiated segment 4 of the OMID project, and it included the issuance of new bonds, which were partly attributable to the City. This liability related to the unspent portion of these bond proceeds was not identified and recorded by the City.</p> <p>Cause - The City has put a process in place to record the annual activity of the OMID project, but has not put procedures in place to review the resulting accounting adjustments.</p> <p>Effect - The City properly recorded its portion of the project costs incurred in 2014, but the liability for the unspent portion of the bond proceeds was not recorded in the accounting records.</p> <p>Recommendation - We recommend that the City's Finance Department implement additional controls to ensure that transactions that occur outside of normal operations are properly recorded.</p>

City of Rochester Hills, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2014

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2014-001 (Continued)	<p>Views of Responsible Officials and Planned Corrective Actions - The City makes a rigorous effort to contact and receive information from Oakland County Fiscal Services necessary to record the proper information related to the ongoing Oakland-Macomb Interceptor Drain (OMID) project within the City's records.</p> <p>The City will further refine and increase the number of questions presented to Fiscal Services at Oakland County for OMID. We will also expand those presented with the questions to include Water Resource Commission staff, Oakland County Treasury staff and the Finance Advisor used by the County in selling debt related to OMID.</p> <p>We will also include the review of Drain Board Adopted Minutes as an additional step to ensure that we are receiving all the information needed to properly record OMID-related transactions.</p>

Section III - Federal Program Audit Findings

None

City of Rochester Hills, Michigan

Report to the City Council

December 31, 2014

April 20, 2015

To the Honorable Mayor and
Members of the City Council
City of Rochester Hills, Michigan
1000 Rochester Hills Drive
Rochester Hills, MI 48309

We have audited the financial statements of the City of Rochester Hills, Michigan (the “City”) as of and for the year ended December 31, 2014 and have issued our report thereon dated April 20, 2015. Professional standards require that we provide you with the following information related to our audit which is divided into the following sections:

Section I - Results of the Audit Process

Section II - Legislative and Other Updates

Section I includes information that auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the Honorable Mayor and members of the City Council of the City of Rochester Hills. Section II contains updated legislative and informational items that we believe will be of interest to you.

In addition to the comments and recommendations in this letter, our observations and comments regarding the City’s internal control, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*. This report is included in the supplemental schedule of federal awards and we recommend that the matters we have noted there receive your careful consideration.

We would like to take this opportunity to thank the City’s staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the Honorable Mayor and members of the City Council and management of the City of Rochester Hills, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

To the Honorable Mayor and
Members of the City Council

April 20, 2015

We welcome any questions you may have regarding the following communications and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "Joseph C. Heffernan". The script is cursive and fluid.

Joseph C. Heffernan

A handwritten signature in black ink that reads "Lisa C. Manetta". The script is cursive and fluid.

Lisa C. Manetta

Section I - Results of the Audit Process

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 22, 2014, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the City of Rochester Hills, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the City's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the City, including compliance with certain provisions of laws, regulations, contracts, grant agreements, certain instances of error or fraud, illegal acts applicable to government agencies, and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated April 20, 2015 regarding our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on February 18, 2015.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus.

We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were those related to the recording of the self-insurance liability, the property tax refund liability resulting from appeals filed with the Michigan Tax Tribunal, and the Actuarial Accrued Liability (AAL) for other post-employment benefits, as disclosed in Note 10 to the financial statements. Management's estimate of the self-insurance liability is based on known cases and claims against the City, while factoring in previous years' history. Management's estimate of the property tax refund liability is based on total tax dollars in contention as of year end, as tracked and calculated by management with the assistance of the City's assessor. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The AAL has been calculated by the actuary using numerous assumptions, including reliance on the 1994 Group Annuity Mortality Table to estimate life expectancy of participants. Updated tables have been issued and thus use of the 1994 table may not provide an accurate estimate of life expectancy as of December 31, 2014. The total computed AAL using this assumption is approximately \$1.8 million. The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Management has corrected all such misstatements.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the City, and business plans and strategies that may affect the risks of material misstatement with management each year prior to our retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 20, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the City's financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such other information is properly stated. However, we read the introductory and statistical sections of the CAFR and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information or manner of its presentation appearing in the financial statements.

Section II - Legislative and Other Updates

Financial Outlook

Following five years of overall revenue decline, the City experienced an increase of 1.1 percent in 2013 and 3.7 percent in 2014 in total governmental fund-type revenue. The 2014 taxable value (used for 2015 revenue) increased 2.4 percent. While these numbers are modest, they represent good news relative to the difficult times experienced from 2008 through 2012. With the tax base now approximately 20 percent lower than its high point, the City has resized itself, reduced its compensation costs, yet has continued to provide the services its residents expect and maintained a sufficient level of financial health.

During 2014, the City took certain steps which indicate continued focus on containing or reducing costs while still advancing priority initiatives. These include:

- Curtailment of the Implicit Rate Subsidy benefit component of the City's retiree health care (which resulted in the return of approximately \$966,000 of contributions made to fund the plan in previous years)
- Creation of the North Oakland County Water Authority (an inter-local cooperation of four communities created to jointly contract for water service beginning in 2015)
- A \$2 million Stormwater, Asset Management and Wastewater (SAW) grant awarded from the Michigan Department of Environmental Quality
- Establishment of the Cemetery Perpetual Care Fund Trust and Greenspace Trust
- Creation of the Rochester Hills Museum Foundation (a 501(c)(3) exempt organization)
- Investment in the City's roads of over \$10 million

In addition, the 2015 fiscal year will see the renewal of millages and the introduction of new voter approved millages for fire and police protection. The increased revenue for fire will be used to hire new firefighters and the new millage for police protection will be used to replace the General Fund's subsidy. In addition, the General Fund reduced its millage for the 2015 fiscal year in recognition of discontinuing the police protection subsidy. Given the lack of unfunded legacy costs for pension and retiree health care, the City appears to be in a strong and fiscally sustainable financial position for the next several years. The only significant uncertainty is the funding of road costs, which will be impacted by the passage of Proposal I, or (failing that) some alternative legislation to correct the long term funding for roads.

In the near future, we expect revenues to continue to increase, but modestly so (likely by less than inflation). A challenge for many communities will be finding ways to keep cost increases below inflation as well, particularly related to employee benefits. We encourage the City to continue its practice of preparing a three-year budget and periodically updating its five-year financial projection, in order to maintain its long-term financial sustainability.

New Rules Governing Management of Federal Programs

The Office of Management and Budget (OMB) has issued significant reforms to the compliance requirements that must be followed by non-federal entities receiving federal funding. All entities receiving federal dollars will need to understand the changes made as a result of these reforms and may be required to make changes to internal procedures, processes, and controls.

These reforms impact three key areas of federal grants management:

1. **Audit Requirements** - For fiscal years beginning on or after January 1, 2015, the threshold for obtaining a federal awards audit will increase from the current threshold of \$500,000 of annual federal spending to \$750,000. There will also be significant changes to the criteria for qualifying as a low-risk auditee and a reduction in the number of major programs required to be tested for some grant recipients.
2. **Cost Principles** - Effective for all federal awards received on or after December 26, 2014, the grant reforms related to cost principles go into effect. Not only were certain changes made to allowable costs under this new guidance, but there were significant changes in the area of time and effort reporting and indirect costs.
3. **Administrative Requirements** - Also effective for all federal awards received on or after December 26, 2014, non-federal entities receiving federal funding must adhere to new rules related to administering federal awards. Most notably, these requirements may impact the City's procurement systems, including maintaining written conflict of interest policies and disclosures.

These revisions are clearly the most significant change to occur to federal grants management in recent history. Entities receiving federal funding will need to carefully digest these changes in order to ensure that the implementation of the new regulations occurs in a timely and complete manner. Plante & Moran, PLLC has been on the cutting edge of these reforms, offering our clients free webinars, implementation checklists, and other tools to aid in implementation. We have many experts in this area and welcome any questions you may have.

Retro-pay Prohibition Exceptions

Public Act 54 of 2011, which was signed by the Governor on June 7, 2011, prohibits retroactive pay on an expired contract and calls for employees working under an expired agreement to bear the cost of any increased healthcare costs until a new contract is in effect. During that period, the public employer is authorized to make payroll deductions necessary to pay the increased cost of maintaining those benefits.

HB 5097 of 2013, which has now been signed into law by the Governor as PA 301 of 2014, provides for exceptions to the retro-pay prohibition for public safety personnel that are subject to compulsory arbitration of labor disputes under PA 312 of 1969. In addition, these employees would only be required to pay increases in insurance benefits after a collective bargaining agreement expired and before a new agreement is in place that would not exceed the amount of the employee's share under the Publicly Funded Health Insurance Contribution Act.

New Freedom of Information Act (FOIA) Regulations

The Governor signed PA 563 of 2014 into effect in January 2015. This new act is effective beginning July 1, 2015 and will change the regulations on how governmental entities charge for FOIA requests. Under the new law, public bodies will need to establish and make publically available written procedures and guidelines for FOIA requests. This can be done by providing paper copies or a link on the government's website. The written procedures and guidelines, which must be provided free of charge upon request, must include certain items, including fee calculations and procedures for submitting written requests and to appeal denials.

The new Act has numerous other very specific requirements and guidelines that will require a significant change in practice. We strongly advise you to read the entire Act to ensure understanding with all the related provisions. Written documentation and appropriate tracking mechanisms will need to be put in place to ensure compliance by July 1, 2015.

MDOT Performance Audit Requirements

Public Act 298 of 2012 allows the Michigan Department of Transportation (MDOT) to conduct performance audits to evaluate whether local governments that received funds under Public Act 51 of 1951 used them in compliance with the applicable regulations. Recent guidance from MDOT administration clarifies that the State will not be performing these audits directly, but rather is requiring local units to request that certain additional procedures be performed by the local unit's financial statement auditing firm and that a separate report of these procedures be issued. This will be required for a local unit's first audit period starting after October 1, 2015 (for the City of Rochester Hills, this is the year ended December 31, 2016). It is not clear at this time whether this will be an annual requirement, but we will keep you apprised as information becomes available.

EVIP-like Requirements Tied to Act 51 Monies (Public Act 301 of 2014)

PA 301 of 2014 became effective October 9, 2014. This Act creates EVIP-like requirements for those who pay employees with Act 51 monies. For the purposes of this Act, "transportation employee" means an employee paid in whole or in part through Act 51 revenues or who is engaged in work funded through Act 51 revenues.

The act requires local units receiving ACT 51 money for the construction or maintenance of roads to comply with **one of the following** conditions by September 30, 2015:

1. Develop and publicize a transportation employee compensation plan that the local agency intends to implement with any new, modified, or extended employment contracts or agreements. This compensation plan must include certain limitations on employer contribution toward retirement plans and health insurance as well as limitations on factors that determine pension benefits.
2. Comply with Public Act 152 of 2011 using one of the three following options: place hard caps on the amount contributed toward healthcare costs, elect an 80 percent employer contribution cap, or adopt a motion to opt out.

3. Certify that the local road agency does not offer medical benefits to its transportation employees or elected public officials.

If a local unit receiving Act 51 money does not certify that it complies with one of the above criteria by September 30th of each year, the Department of Transportation may withhold Act 51 distributions until compliance is established. Act 301 also requires local road agencies to maintain a searchable website (accessible to the public) that includes the current budget, the number of active transportation employees by job classification and wage rate, a financial performance dashboard, the names and contact information of the governing body, and a copy of the annual certification provided to MDOT.

For communities who are already complying with the requirements of Public Act 152 of 2011, we do not expect this new legislation to have a significant impact on operations since it essentially just creates a new reporting requirement; however, please contact your audit team if you would like to talk through the details of the act and the City's compliance.

Revenue Sharing

In 2014 the City received \$5.3 million in constitutional revenue sharing and \$66,000 in statutory revenue sharing (EVIP). As you are likely aware, the State of Michigan's 2014-2015 budget eliminated the Economic Vitality Incentive Program (EVIP) for cities, villages, and townships and replaced it with a component now called City, Village, and Township Revenue Sharing (CVTRS).

This new revenue-sharing model eliminates two of the three EVIP requirements, but it retains the requirement to publish a citizen's guide and performance dashboard, along with some enhancements related to debt service requirements and future budgets. The City has already met these requirements.

In addition, the 2014-2015 budget added a one-time payment for those receiving no or minimal statutory revenue sharing; as a result, the City should see an additional \$120,000 this year. We currently do not expect this to continue in the future. We will keep you apprised of any changes to CVTRS that occur during the 2015-2016 State budget process.

Personal Property Tax

In August 2014, Michigan voters put the last piece of personal property tax reform in place. As a result, personal property taxes will be reduced in two respects:

1. Small taxpayers with total personal property within a taxing unit valued at less than \$80,000 will be able to sign an affidavit exempting this personal property from taxation. This exemption began with the 2014 tax billings.
2. Personal property used in a manufacturing process that is purchased after December 31, 2012 will be exempt. This exemption will begin in the 2016 tax billings.

The package of legislation is generally intended to fully reimburse local units of government for revenue losses that result from this exempt property.

The changes include creation of a new Local Community Stabilization Authority (LCSA) that will receive money from two sources:

- Use tax: the legislation includes specific amounts of the use tax that will be diverted from the State's General Fund to the new LCSA; and
- Essential Services Assessment: Manufacturers will pay a "local community essential services assessment" to the LCSA based on the value of their exempt manufacturing property. The rate is set at 2.4 mills for a property's first five years; then 1.25 mills for the next five; then 0.9 mills thereafter.

The losses described by the bill are to be paid in order of this priority:

- a) School debt
- b) Intermediate School District losses
- c) School operations
- d) Government essential services (police, fire, ambulance, and jail)
- e) Debt and TIFA forgone increases
- f) All other reimbursements (defined below)

In theory, if there is not enough money available, the lower priority items may not be fully reimbursed. However, that department has indicated that it expects the fund to have enough to cover all reimbursements.

All other reimbursements - These reimbursements come from the use tax and would also begin in 2015-2016 and initially be proportional to each local unit's share of total "qualified losses," taking into account the losses of all municipalities. Over time, the reimbursement will shift to be based on each entity's share of eligible manufacturing personal property (based on the amount used in the ESA calculation above). Beginning in FY 2017-2018, 5 percent of the revenue would be distributed proportionally based on each local unit's share of eligible manufacturing personal property. The 5 percent portion would increase in 5 percent increments in each subsequent year. By FY 2036-2037, all revenue in the last category of reimbursements would be distributed based on the local unit's share of eligible manufacturing personal property. In short, in the beginning, the reimbursement is closely tied to the amount of lost personal property taxes, but over time, the community's reimbursement will be tied to the level of eligible manufacturing personal property then in existence.

Determining the Amount of Community Loss

Communities will first need to calculate their losses. Losses are classified as either debt loss or non-debt loss, as follows:

- **Debt Loss** - Debt loss is defined as the amount of ad valorem and dedicated taxes that go toward debt that are lost as a result of the personal property tax exemption. During FY 2014-2015 and 2015-2016, revenue distributed by the newly created Local Community Stabilization Authority (LCSA) would equal either a community's debt loss or, in the case of a TIF, the small taxpayer loss. Through the 2015-2016 fiscal year, the losses are limited to the impact of the \$80,000 small business exemption. When the phase-out of eligible manufacturing property would begin to occur when tax bills go out in 2016, the debt loss (and corresponding reimbursement) will increase.
- **Non-debt Loss** - Non-debt loss is calculated using the lowest rate of each individual millage levied in the period between 2012 and the year immediately preceding the current year. This will exclude debt millage. The department will compute the loss by comparing the current year taxable value of commercial and industrial property to the taxable value that existed at December 31, 2012 (2013 tax year). In 2016, cities will be reimbursed for non-debt loss for 2014 and 2015 related to the small taxpayer exemption loss. This is for cities only. For 2014 and 2015, townships will be reimbursed for the debt loss related to the small business exemption, but not the other losses created by the small business exemption. Starting in 2016, all municipalities are reimbursed for non-debt loss.