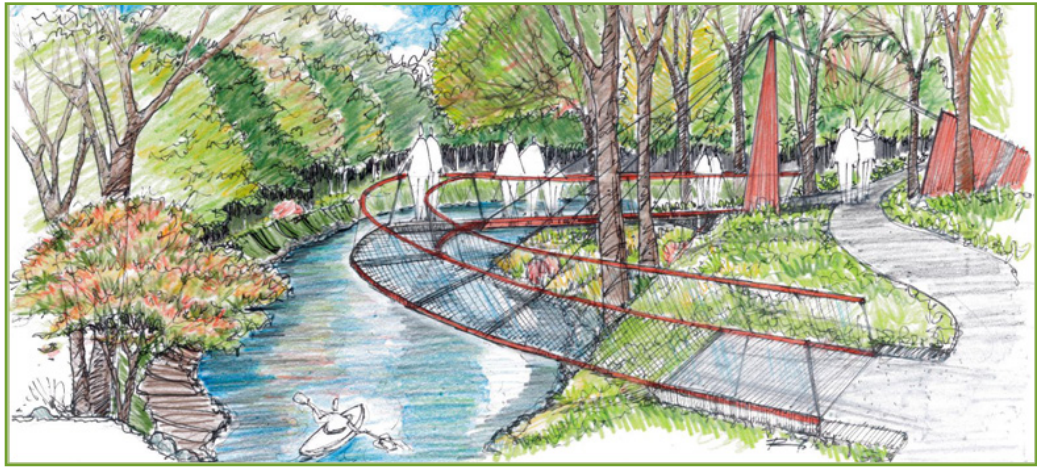
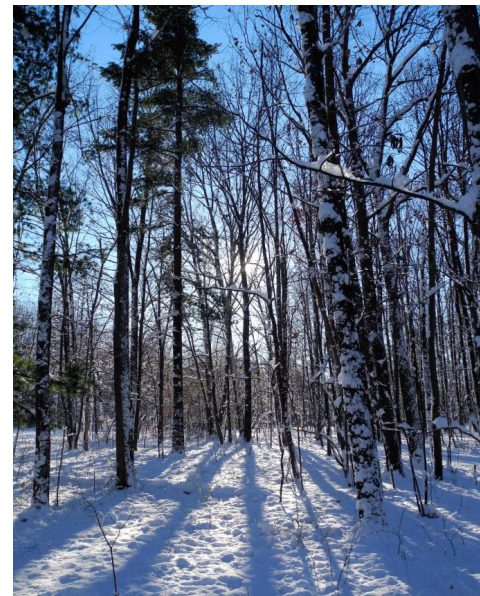


City of Rochester Hills, Michigan



Comprehensive Annual Financial Report For year ending December 31, 2017





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Comprehensive Annual Financial Report

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

For the Fiscal Year Ended December 31, 2017

Elected Officials:

Mayor

Bryan K. Barnett

City Council President

Mark Tisdell

City Council Vice-President

Stephanie Morita

City Council Members

Susan Bowyer, Ph.D.

Ryan Deel

Dale Hetrick

James Kubicina

Jenny McCardell

Prepared By: Accounting and Fiscal Divisions



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City of Rochester Hills, Michigan

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City of Rochester Hills, Michigan

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Introductory Section



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April 23, 2018

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

Bryan K. Barnett
Mayor

City Council

Stephanie Morita
District 1

James Kubicina
District 2

Susan M. Bowyer, Ph.D.
District 3

Ryan J. Deel
District 4

Dale Hetrick
At-Large

Jenny L. McCardell
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, 2017, 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 74,334 and comprises an area of 32.2 square miles. The City employs approximately 213 full-time employees, 58 contracted law enforcement officers and 2 contracted police administration clerks. The City

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

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

The City offers quality housing, two award-winning school districts, a hospital, major universities, a premium library, and a downtown offering a hometown atmosphere with excellent shopping and restaurants. The City has 1,142 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 local tax base of the City of Rochester Hills is diversified with residential property comprising 77.68 percent, commercial property comprising 13.42 percent, industrial property representing 3.80 percent, and personal property (business equipment, furniture, and machinery) consisting of 5.10 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 | 19,004 homes |
| Condominiums | 4,259 units |
| Low-income/senior citizen (11 buildings) | 1,594 units |
| Rental apartments (16 complexes) | 6,220 units |
| Mobile home parks (2 locations) | 1,392 sites |
| Shopping centers | 47 centers |
| Hotel/motels (2 buildings) | 236 rooms |
| Office space | 104 buildings |
| Commercial | 357 buildings |
| Light industrial | 388 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 2017 budget:

| By Class | 2016 | |
|-------------------|-------------------------|----------------|
| | Taxable Value | Percent |
| Real Property | \$ 3,060,819,900 | 94.90% |
| Personal Property | 164,474,500 | 5.10% |
| Total | \$ 3,225,294,400 | 100.00% |

| By Use | Taxable Value | Percent |
|-------------------|-------------------------|----------------|
| Residential | \$ 2,505,199,360 | 77.68% |
| Commercial | 432,989,870 | 13.42% |
| Industrial | 122,630,670 | 3.80% |
| Personal Property | 164,474,500 | 5.10% |
| Total | \$ 3,225,294,400 | 100.00% |

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 that continues to be a valuable tool for financial planning. As part of the budgeting process, the Fiscal Division updates long-range forecasts of revenue and expenditures. The forecasts serve as the framework for budgetary decision-making by clarifying financial parameters 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.

Major Initiatives - The following were among the initiatives that City Administration, City Council and staff dedicated their efforts in 2017.

- Public safety - protect the residents, businesses, and visitors by providing high quality public safety
- Infrastructure management - provide reliable, safe, and effective roadways, utilities and buildings
- Fiscal management - establish fiscal responsibility that ensure short and long-term prosperity
- Recreation, parks and cultural - preserve the City's natural resources and recreational character
- Community and neighborhoods - protect the family oriented community
- Environmental - promote conservation of water, electricity and other utilities

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 2018-2023 Capital Improvement Plan was adopted by the City of Rochester Hills Planning Commission. Currently, the commission is reviewing the 2019-2024 Plan as part of the 2019-2021 budget process.

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

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

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, 2016. This was the 29th 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
Accounting Manager



Joe Snyder
Chief Financial Officer



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

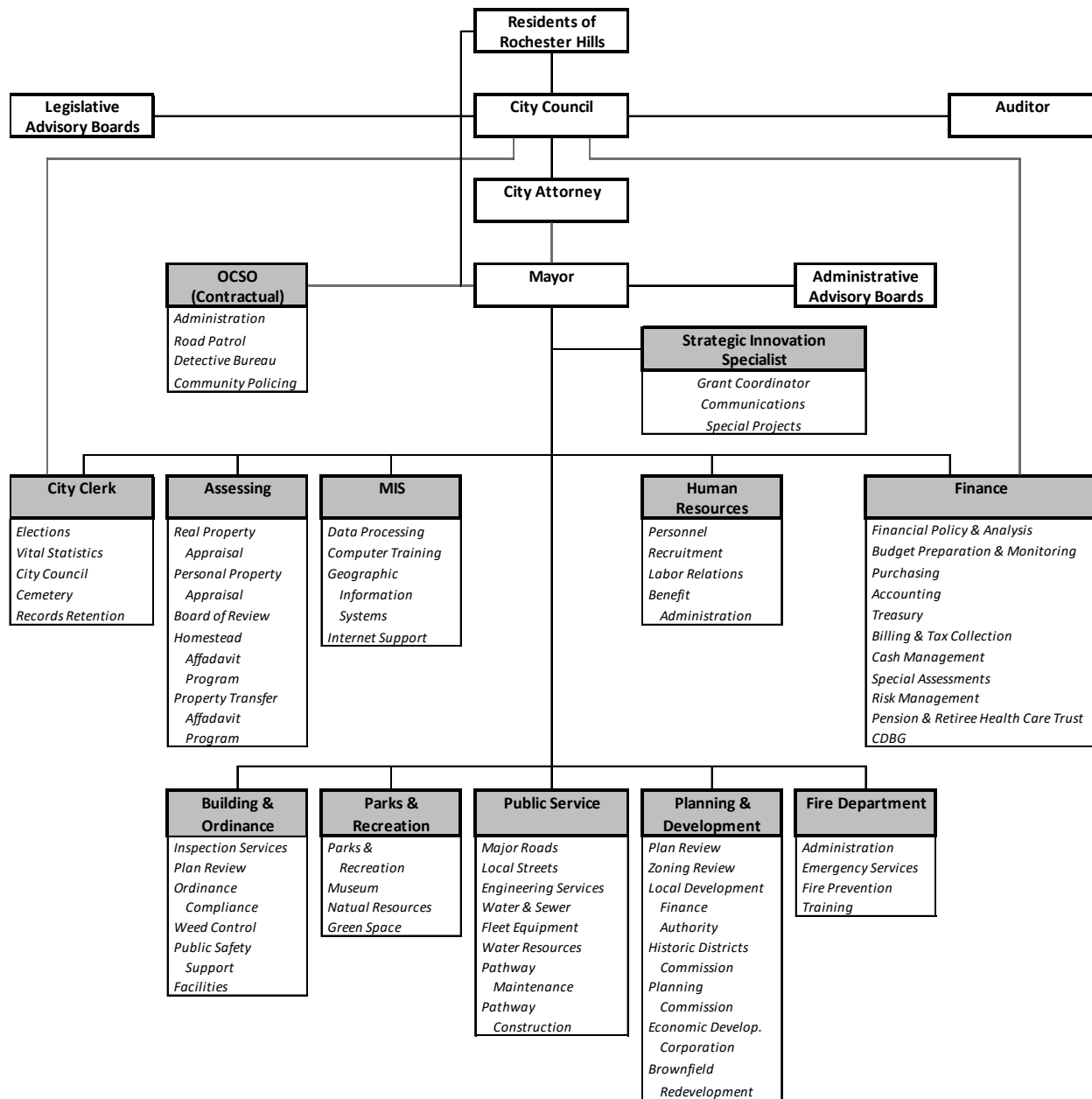
December 31, 2016

Christopher P. Morvill

Executive Director/CEO

City of Rochester Hills, Michigan

CITYWIDE ORGANIZATIONAL CHART



City of Rochester Hills, Michigan

List of Principal Officials Year Ended December 31, 2017

| | |
|-----------------|--|
| Tina Barton | City Clerk |
| Sean Canto | Fire Chief |
| Scott Cope | Director of Building |
| Laurie Taylor | Director of Assessing |
| Ken Elwert | Director of Parks & Natural Resources |
| Pamela Gordon | Director of Human Resources |
| Bob Grace | Director of Management Information Systems |
| Michael Johnson | Command Officer, Oakland County Sheriff's Office – Captain of Rochester Hills Contingent |
| Sara Roediger | Director of Planning & Development |
| Allan Schneck | Director of Public Services & Engineering |
| Joseph Snyder | Chief Financial Officer |

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 City of Rochester Hills, Michigan (the "City") as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 City of Rochester Hills, Michigan as of December 31, 2017 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, and OPEB system schedules, as defined in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Rochester Hills, Michigan's basic financial statements. The other supplemental information, as listed in the table of contents (combining statements and budgetary comparison schedules), and introductory section and statistical section, as defined in the table of contents, are presented for the purpose 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.

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

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

Plante & Moran, PLLC

April 20, 2018



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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, 2017. 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 3.6 percent, or \$14.9 million, from \$419.7 million in 2016 to \$434.6 million in 2017.

The net position for the governmental activities increased from \$267.2 million in 2016 to \$277.7 million in 2017, or \$10.5 million. The primary change in the governmental activities is due to an increase in capital assets of \$5.0 million from \$185.1 million in 2016 to \$190.1 million in 2017 that consisted of road improvements, pathway improvements, fire apparatus, facility improvements and fleet additions. There was a reduction in long-term liabilities of \$2.3 million, or 18 percent from \$12.6 million in 2016 to \$10.3 million in 2017. The governmental net investment in capital assets increased from \$177.7 million in 2016 to \$184.5 million, or \$6.8 million.

The net position of the business-type activity increased from \$152.5 million in 2016 to \$156.9 million in 2017, or \$4.3 million. The net increase in current assets was attributed to a decrease of \$800,000 in cash and investments and an increase in capital assets of \$2.3 million. The unrestricted net position decreased by \$2.5 million, or 2.5 percent in the business-type activity from \$51.4 million in 2016 to \$48.9 million in 2017.

The City's assets totaled \$505.2 million in 2017, up by \$3.6 million from 2016. This relates primarily to an increase in capital assets by \$7.4 million or 2.4 percent, which was attributed to the net of additions to capital assets of \$22.6 million and \$15.2 million of depreciation.

The City's total liabilities decreased by approximately \$2.3 million, or 5.6 percent, from \$40.9 million in 2016 to \$38.6 million in 2017. This relates to an increase in current liabilities from \$10.4 million in 2016 to \$11.6 million in 2017 or \$1.2 million and a \$3.5 million reduction in long-term liabilities from \$30.5 million in 2016 to \$27.0 million in 2017.

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, 2017 to the prior year:

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------------------|-------------------------|-----------------|--------------------------|-----------------|-----------------|-----------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Assets | | | | | | |
| Current and other non-current assets | \$ 138.3 | \$ 134.0 | \$ 57.1 | \$ 55.2 | \$ 195.4 | \$ 189.2 |
| Capital assets | 190.1 | 185.1 | 119.7 | 117.3 | 309.8 | 302.4 |
| Total assets | 328.4 | 319.1 | 176.8 | 172.5 | 505.2 | 491.6 |
| Liabilities | | | | | | |
| Current liabilities | 8.4 | 8.3 | 3.2 | 2.1 | 11.6 | 10.4 |
| Long-term liabilities | 10.3 | 12.6 | 16.7 | 17.9 | 27.0 | 30.5 |
| Total liabilities | 18.7 | 20.9 | 19.9 | 20.0 | 38.6 | 40.9 |
| Deferred Inflow of Resources | 32.0 | 31.0 | - | - | 32.0 | 31.0 |
| Net Position | | | | | | |
| Net investment in capital assets | 184.5 | 177.7 | 108.0 | 101.1 | 292.5 | 278.8 |
| Restricted | 45.4 | 44.2 | | | 45.4 | 44.2 |
| Unrestricted | 47.8 | 45.3 | 48.9 | 51.4 | 96.7 | 96.7 |
| Total net position | \$ 277.7 | \$ 267.2 | \$ 156.9 | \$ 152.5 | \$ 434.6 | \$ 419.7 |

City of Rochester Hills, Michigan

Management's Discussion and Analysis

Changes in Net Position - The City's total net position increased by \$14.9 million during the fiscal year ended December 31, 2017. The table below shows the comparison of changes in net position (in millions) to the prior year:

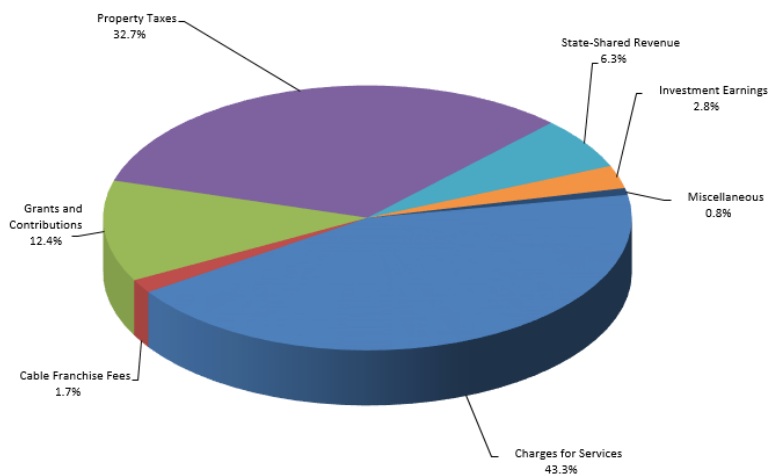
| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|-----------------|--------------------------|-----------------|-----------------|-----------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenue | | | | | | |
| Program revenue: | | | | | | |
| Charges for services | \$ 7.3 | \$ 6.5 | \$ 34.4 | \$ 34.9 | \$ 41.7 | \$ 41.4 |
| Operating grants and contributions | 7.9 | 6.0 | - | - | 7.9 | 6.0 |
| Capital grants and contributions | 1.3 | 0.6 | 2.7 | 2.5 | 4.0 | 3.1 |
| General revenue: | | | | | | |
| Property taxes | 31.5 | 30.5 | - | - | 31.5 | 30.5 |
| State-shared revenue | 6.1 | 5.7 | - | - | 6.1 | 5.7 |
| Investment earnings | 2.2 | 0.9 | 0.5 | 0.2 | 2.7 | 1.1 |
| Cable franchise fees | 1.6 | 1.7 | - | - | 1.6 | 1.7 |
| Miscellaneous | 0.8 | 1.1 | - | - | 0.8 | 1.1 |
| Total revenue | 58.7 | 53.0 | 37.6 | 37.6 | 96.3 | 90.6 |
| Program Expenses | | | | | | |
| General government | 5.4 | 5.1 | - | - | 5.4 | 5.1 |
| Public works | 14.5 | 14.0 | - | - | 14.5 | 14.0 |
| Public safety | 21.8 | 20.6 | - | - | 21.8 | 20.6 |
| Community and economic development | 0.9 | 1.1 | - | - | 0.9 | 1.1 |
| Recreation and culture | 5.3 | 5.6 | - | - | 5.3 | 5.6 |
| Interest on long-term debt | 0.3 | 0.4 | - | - | 0.3 | 0.4 |
| Water and sewer | - | - | 33.2 | 33.9 | 33.2 | 33.9 |
| Total program expenses | 48.2 | 46.8 | 33.2 | 33.9 | 81.4 | 80.7 |
| Change in Net Position | 10.5 | 6.2 | 4.4 | 3.7 | 14.9 | 9.9 |
| Net Position - Beginning of year | 267.2 | 261.0 | 152.5 | 148.8 | 419.7 | 409.8 |
| Net Position - End of year | \$ 277.7 | \$ 267.2 | \$ 156.9 | \$ 152.5 | \$ 434.6 | \$ 419.7 |

City of Rochester Hills, Michigan

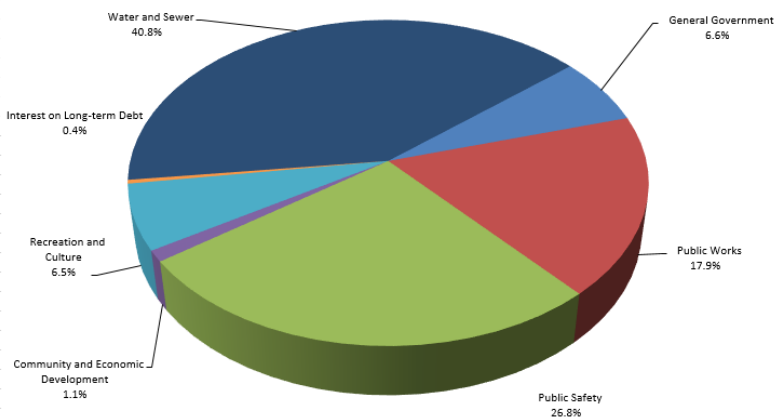
Management's Discussion and Analysis

The City's revenue for governmental activity exceeded annual expenses by \$10.5 million, resulting in an increase in net position as of December 31, 2017 to \$277.7 million. Annual revenue for business-type activity exceeded expenses by \$4.3 million, resulting in an increase in net position to \$156.9 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, 2017:

Revenues



Program Expenses



City of Rochester Hills, Michigan

Management's Discussion and Analysis

Governmental Activities - Of the City's total revenue generated for fiscal year 2017, property tax comprises the largest segment, \$31.5 million, or 53.6 percent. Property tax revenue increased from the prior year by \$1.0 million. Property taxable values increased while bottom line millage rates stayed the same. State-shared revenue also is a primary source of revenue of which the City received \$6.1 million, or 10 percent of the governmental revenue. Of the grants and contributions revenue of \$9.2 million, \$6.4 million is associated with the State of Michigan Act 51 revenues for the major road and local streets. Much of the remaining governmental revenue is associated with public safety and other charges for service of \$7.3 million and cable franchise of \$1.6 million.

The majority of governmental expense is associated with the public safety activity, which was \$21.8 million, or 45.4 percent of the total governmental activity. Public safety includes building, ordinance enforcement, fire, and contracted police services. Public works expenses were \$14.5 million, or 30.1 percent of the governmental expenses. Public works activity includes roads, drains, forestry, cemetery, and pedestrian pathway improvements. Recreation and cultural expenses totaled \$5.3 million, or 11.0 percent, which related to parks, environmental, and museum operations as well as youth and senior citizen programs. General government expenses total \$5.4 million, or 11.0 percent.

Business-type Activities - The City's business-type activities are recorded in the Water and Sewer Fund. The City provides water and sewer disposal purchased indirectly from the Great Lakes Water Authority to residents. Of the City's charges for service revenue, the majority is generated from charges passed on to residents, which is \$34.4 million. Charges for service are offset by water and sewer operational expenses of \$33.2 million, or 40.9 percent of the City's total expenses, and after capital contributions, the business activity has an increased net change in position of \$4.3 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 road 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 2017 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 \$27.7 million to \$30.6 million or a total increase of \$2.9 million. The City saw increases in property taxes of \$503,000, licenses and permits of \$570,000, State-shared revenue of \$1.4 million and interest earnings of \$259,000 while overall expenditures reduced slightly by \$137,000. General Fund transferred a total of \$6.5 million for planned projects to the Facilities Fund for the renovation of fire stations and to Major Road and Local Street Funds for road preservation and Public Improvement Drain Fund for storm drain improvements.

City of Rochester Hills, Michigan

Management's Discussion and Analysis

The Major Road Fund's fund balance decreased from \$8.4 million in 2016 to \$8.1 million in 2017. The total revenues of \$5.0 were less than the total expenditures of \$5.6 million or \$619,922. The capital outlay expenditures in 2017 totaled \$4.3 million that included a road realignment, asphalt rehabilitation and other major road improvements. Another \$1.3 million was used for major road preservation, traffic control, and winter maintenance.

The Local Street Fund's fund balance increased from \$6.2 million in 2016 to \$7.1 million in 2017. Local Street's expenditures and transfers out totaled \$8.4 million while revenues and transfers in of \$9.2 million, an increase of \$832,824. The capital outlay expenditures in 2017 totaled \$4.3 million that included local street concrete and asphalt replacement as well as other local street improvements. Another \$3.7 million was used for street preservation, traffic control and winter maintenance.

The Fire Fund's fund balance increased from \$4.8 million in 2016 to \$5.2 million in 2017. The revenues of \$10.7 million exceeded the total expenditures of fire operations and a transfer out for fire apparatus of \$10.4 million, or a net increase in fund balance of \$344,206.

The Special Police Protection Fund's fund balance increased by \$1.1 million. The cost of police operations totaled \$8.7 and a transfer out for debt payment of \$317,366. Total revenue was \$10.0 million.

The capital projects fund's fund balance decreased by \$1.9 million. The capital project funds combined capital expenditures including a transfer out were \$3.9 million in 2017 while total revenues including a transfer in were \$2.1 million. In 2017 capital outlay included purchase of fire apparatus, pedestrian pathway rehabilitating and election equipment.

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

The 2017 original budget General Fund revenue projection was \$21.7 million compared to the actual revenue of \$24.2 million. The primary reasons for the additional revenue was due to increases in Building Department charges for services, State Shared revenue, and interest earnings. The 2017 original budget expenditure projection including transfers outs was \$23.4 million compared to the actual expenditure of \$21.3 million. At year-end actual expenditures were less than budget for the vast majority of operating expenditures throughout the General Fund including personnel costs, supplies, and professional services. Overall the amended budget matched closely to the actual expenditures. The primary reasons for the decrease in General Fund expenditure in 2017 was due to salary lapse resulting from staff retirements as well as a decrease in transfers out required to balance other funds. The 2017 original budget projected \$7.2 million of transfers out compared to the actual transfers out of \$6.5 million. The primary transfer out decrease was to the Local Street Fund, for the 2017 Local Street Reconstruction Program.

City of Rochester Hills, Michigan

Management's Discussion and Analysis

Capital Asset and Debt Administration - The City of Rochester Hills has \$309.8 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, 2017. This reflects an increase in net capital assets of \$7.4 million during the year. For detailed information on Capital Assets refer to Note 4.

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------------|-------------------------|-----------------|--------------------------|-----------------|-----------------|-----------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Land | \$ 22.6 | \$ 22.6 | \$ 0.1 | \$ 0.1 | \$ 22.7 | \$ 22.7 |
| Construction in progress | - | - | 0.7 | - | 0.7 | - |
| Right-of-way | 49.8 | 49.4 | - | - | 49.8 | 49.4 |
| Infrastructure | 81.9 | 79.6 | 107.1 | 105.1 | 189.0 | 184.7 |
| Building and land improvements | 25.5 | 25.7 | 11.2 | 11.5 | 36.7 | 37.2 |
| Vehicles | 6.9 | 4.6 | - | - | 6.9 | 4.6 |
| Furniture and equipment | 3.4 | 3.2 | 0.6 | 0.6 | 4.0 | 3.8 |
| Total | \$ 190.1 | \$ 185.1 | \$ 119.7 | \$ 117.3 | \$ 309.8 | \$ 302.4 |

Debt Administration - The City of Rochester Hills debt rating is excellent. Standard & Poor's issued a rating of AAA, Moody's issued a rating of Aaa, and Finch Ratings affirmed a rating of AAA for the City. The City's total bond indebtedness at December 31, 2017 is \$24.7 million. For detail information on outstanding debt refer to Note 6.

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

| | Governmental Activities | |
|--|-------------------------|----------------|
| | 2017 | 2016 |
| Governmental activities: | | |
| General obligation bonds | \$ 5.9 | \$ 7.8 |
| County contractual obligations | 2.4 | 2.9 |
| Total governmental activities | \$ 8.3 | \$ 10.7 |
| Business-type activities - County contractual obligations | \$ 16.4 | \$ 17.4 |

Economic Factors and New Year's Budget and Rates – The City's taxable value is expected to increase by 3.36 percent for fiscal year 2018 due to improvements in the City's existing housing market, redevelopment, and new development. The City's total millage rate is set at 10.4605 mills for fiscal year 2018 which continues to be one of the lowest millage rates in Oakland County. Taxes are anticipated to account for 47 percent of governmental fund revenues and 33 percent of General Fund revenues in the fiscal year 2018 budget.

Per the 2018 Adopted Budget, the Major Road Fund anticipates utilizing an estimated \$1.2 million of fund balance to help support major road preservation, maintenance, and \$4.9 million in capital improvements to the major road system. The Local Street Fund anticipates utilizing \$1.0 million

City of Rochester Hills, Michigan

Management's Discussion and Analysis

of fund balance to help support local street preservation, maintenance, and \$5.1 million in reconstruction activities. The Fire Fund's fund balance is anticipated to be unchanged in fiscal year 2018. The Special Police Fund's fund balance is anticipated to be unchanged in fiscal year 2018.

Capital projects for governmental-type funds totaling \$10.7 million for fiscal year 2018 include major roads, local streets, storm water, pathways, and fire-related capital equipment replacements.

Designed to be conservative and sustainable, the fiscal year 2018 budget continues to keep operating expenditures in line with operating revenue streams by assessing service delivery systems and reducing costs where possible. The City is able to comfortably plan for capital improvements by utilizing funds maintained in reserve.

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

City of Rochester Hills, Michigan

Statement of Net Position Year Ended December 31, 2017

| | Governmental Activities | Business-type Activities | Total | Component Units |
|--|----------------------------|-----------------------------|-----------------------|----------------------|
| Assets | | | | |
| Cash and cash equivalents (Note 3) | \$ 62,060,447 | \$ 17,175,584 | \$ 79,236,031 | \$ 4,967,951 |
| Investments (Note 3) | 57,042,019 | 26,340,727 | 83,382,746 | 2,494,465 |
| Receivables - Net: | | | | |
| Property tax | 14,426,627 | - | 14,426,627 | 37,647 |
| Customers | 569,847 | 6,422,902 | 6,992,749 | 69,819 |
| Accrued interest | 305,495 | 130,018 | 435,513 | 12,639 |
| Due from other governmental units | 2,122,058 | 7,792 | 2,129,850 | - |
| Inventories | 149,520 | 201,258 | 350,778 | - |
| Long-term receivables | 247,074 | 211,595 | 458,669 | - |
| Net OPEB asset (Note 10) | 8,207 | 63,751 | 71,958 | - |
| Other assets | 1,387,731 | 1,814,171 | 3,201,902 | 390,783 |
| Restricted assets (Note 7) | - | 4,747,444 | 4,747,444 | - |
| Nondepreciable capital assets (Note 4) | 72,419,766 | 824,810 | 73,244,576 | 3,505,304 |
| Depreciable capital assets - Net (Note 4) | 117,712,483 | 118,832,883 | 236,545,366 | 14,143,473 |
| Total assets | 328,451,274 | 176,772,935 | 505,224,209 | 25,622,081 |
| Liabilities | | | | |
| Accounts payable | 3,751,321 | 2,838,593 | 6,589,914 | 148,957 |
| Retainage payable | 200,177 | 77,983 | 278,160 | - |
| Accrued and other liabilities | 840,836 | 158,606 | 999,442 | 109,397 |
| Deposits and escrows | 1,625,610 | 128,355 | 1,753,965 | 5,585 |
| Unearned revenue | 2,000,320 | - | 2,000,320 | 604,025 |
| Noncurrent liabilities (Note 6): | | | | |
| Due within one year - Debt | 1,865,000 | 1,009,235 | 2,874,235 | 61,148 |
| Due in more than one year - Debt | 6,591,804 | 15,448,134 | 22,039,938 | - |
| Due within one year - Capital lease | 5,476 | - | 5,476 | 131,827 |
| Due in more than one year - Capital lease | - | - | - | 1,745,778 |
| Due within one year - Other noncurrent liabilities | 1,467,876 | 214,236 | 1,682,112 | - |
| Due in more than one year - Other noncurrent liabilities | 380,019 | 15,115 | 395,134 | 25,307 |
| Total liabilities | 18,728,439 | 19,890,257 | 38,618,696 | 2,832,024 |
| Deferred Inflows of Resources | | | | |
| Property taxes levied for subsequent years budget | 31,975,321 | - | 31,975,321 | 658,365 |
| Total deferred inflows of resources | 31,975,321 | - | 31,975,321 | 658,365 |
| Net Position | | | | |
| Net investment in capital assets | 184,459,969 | 107,947,768 | 292,407,737 | 15,753,097 |
| Restricted: | | | | |
| Streets and highways | 15,168,737 | - | 15,168,737 | - |
| Dedicated millages | 10,850,980 | - | 10,850,980 | - |
| Debt service | 678,336 | - | 678,336 | - |
| Capital projects | 8,621,032 | - | 8,621,032 | - |
| Tree preservation | 1,776,519 | - | 1,776,519 | - |
| Permanent Trusts (Expendable) | 1,484,864 | - | 1,484,864 | - |
| Permanent Trusts (Non-expendable) | 6,945,928 | - | 6,945,928 | - |
| Unrestricted | 47,761,149 | 48,934,910 | 96,696,059 | 6,378,595 |
| Total Net Position | \$ 277,747,514 | \$ 156,882,678 | \$ 434,630,192 | \$ 22,131,692 |

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

City of Rochester Hills, Michigan

Statement of Activities

Year Ended December 31, 2017

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Change in Net Position | | | | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|--|-------------------------|--------------------------|------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Total Program Revenues | Governmental Activities | Business-type Activities | Total | Component Units |
| Primary government: | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| General government | \$ 5,312,761 | \$ 224,608 | \$ 449,515 | \$ - | \$ 674,123 | \$ (4,638,638) | \$ - | \$ (4,638,638) | \$ - |
| Public service | 14,499,490 | 715,086 | 7,295,717 | 1,285,335 | 9,296,138 | (5,203,352) | - | (5,203,352) | - |
| Public safety | 21,817,641 | 5,486,646 | 60,458 | - | 5,547,104 | (16,270,537) | - | (16,270,537) | - |
| Community and economic development | 872,321 | 67,367 | - | - | 67,367 | (804,954) | - | (804,954) | - |
| Recreation and culture | 5,284,571 | 866,734 | 78,567 | - | 945,301 | (4,339,270) | - | (4,339,270) | - |
| Debt service | 308,220 | - | - | - | - | (308,220) | - | (308,220) | - |
| Total governmental activities | 48,095,004 | 7,360,441 | 7,884,257 | 1,285,335 | 16,530,033 | (31,564,971) | - | (31,564,971) | - |
| Business-type activities: | | | | | | | | | |
| Sewer | 12,974,737 | 14,537,114 | - | 789,578 | 15,326,692 | - | 2,351,955 | 2,351,955 | - |
| Water | 20,273,755 | 19,851,023 | - | 1,927,064 | 21,778,087 | - | 1,504,332 | 1,504,332 | - |
| Total business-type activities | 33,248,492 | 34,388,137 | - | 2,716,642 | 37,104,779 | - | 3,856,287 | 3,856,287 | - |
| Total primary government | <u>\$ 81,343,496</u> | <u>\$ 41,748,578</u> | <u>\$ 7,884,257</u> | <u>\$ 4,001,977</u> | <u>\$ 53,634,812</u> | <u>\$ (31,564,971)</u> | <u>\$ 3,856,287</u> | <u>\$ (27,708,684)</u> | <u>\$ -</u> |
| Component units: | | | | | | | | | |
| Local Development Finance Authority | 278,937 | - | - | - | - | - | - | - | (278,937) |
| Economic Development Corporation | 291 | - | 290 | - | 290 | - | - | - | (1) |
| Automation Alley SmartZone Authority | 19,048 | - | - | - | - | - | - | - | (19,048) |
| Brownfield Re-Development Authority | - | 15,796 | - | - | 15,796 | - | - | - | 15,796 |
| Rochester Hills Museum Foundation | 20 | - | - | - | - | - | - | - | (20) |
| Rochester-Avon Recreation Authority | 2,529,283 | 1,837,279 | 628,098 | - | 1,837,329 | - | - | - | (63,906) |
| Older Persons' Commission | 4,509,369 | 1,552,810 | 2,644,945 | 123,060 | 2,609,677 | - | - | - | (188,554) |
| Total component units | <u>\$ 7,336,948</u> | <u>\$ 3,405,885</u> | <u>\$ 3,273,333</u> | <u>\$ 123,060</u> | <u>\$ 4,462,802</u> | - | - | - | <u>(534,670)</u> |
| General revenues: | | | | | | | | | |
| Property taxes | | | | | | 31,456,850 | - | 31,456,850 | 639,054 |
| State-shared revenues | | | | | | 6,089,238 | - | 6,089,238 | - |
| Unrestricted investment earnings | | | | | | 2,180,879 | 477,369 | 2,658,248 | 53,612 |
| Unrestricted cable franchise fees | | | | | | 1,619,020 | - | 1,619,020 | - |
| Miscellaneous - non-program revenue | | | | | | 547,260 | 15,916 | 563,176 | 205,842 |
| Gain (loss) on disposal of capital assets | | | | | | 244,852 | 173 | 245,025 | - |
| Contribution to permanent fund-principal | | | | | | 10,240 | - | 10,240 | - |
| Total general revenues | | | | | | <u>42,148,339</u> | <u>493,458</u> | <u>42,641,797</u> | <u>898,508</u> |
| Change in Net Position | | | | | | <u>10,583,368</u> | <u>4,349,745</u> | <u>14,933,113</u> | <u>363,838</u> |
| Net Position - Beginning of year | | | | | | <u>267,164,146</u> | <u>152,532,933</u> | <u>419,697,079</u> | <u>21,767,854</u> |
| Net Position - End of year | | | | | | <u>\$ 277,747,514</u> | <u>\$ 156,882,678</u> | <u>\$ 434,630,192</u> | <u>\$ 22,131,692</u> |

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



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City of Rochester Hills, Michigan

Governmental Funds

Balance Sheet

December 31, 2017

| | General Fund | Major Road Fund | Local Street Fund |
|---|----------------------|---------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 13,712,216 | \$ 4,630,870 | \$ 6,565,635 |
| Investments | 23,478,807 | 3,478,668 | 2,484,997 |
| Receivables: | | | |
| Property tax | 3,358,626 | - | 1,656,108 |
| State of Michigan | 1,002,812 | 709,167 | 270,624 |
| Oakland County | 3,767 | 85,329 | - |
| Accounts | 493,282 | - | 22,639 |
| Interest and other | 145,439 | 22,805 | 19,143 |
| Inventories | - | - | 149,520 |
| Long-term receivables | - | - | 247,074 |
| Other assets | 54,007 | 5,172 | 13,485 |
| Total assets | <u>\$ 42,248,956</u> | <u>\$ 8,932,011</u> | <u>\$ 11,429,225</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balance | | | |
| Liabilities | | | |
| Accounts payable | \$ 191,074 | \$ 643,488 | \$ 348,447 |
| Retainages payable | - | 97,353 | 34,550 |
| Accrued wages | 187,116 | 9,434 | 35,776 |
| Deposits and escrows | 1,603,544 | - | 19,750 |
| Unearned revenue | 1,917,458 | - | - |
| Other liabilities | 266,318 | - | - |
| Total liabilities | <u>4,165,510</u> | <u>750,275</u> | <u>438,523</u> |
| Deferred inflows of resources | | | |
| Property taxes levied for subsequent year's budget | 7,444,711 | - | 3,669,719 |
| Unavailable revenue-not collected within the period of availability | 33,076 | 85,329 | 248,653 |
| Total deferred inflows of resources | <u>7,477,787</u> | <u>85,329</u> | <u>3,918,372</u> |
| Fund Balances | | | |
| Nonspendable | | | |
| Inventory | - | - | 149,520 |
| Prepays | 54,007 | 5,172 | 13,485 |
| Permanent trust funds principal | - | - | - |
| Restricted | | | |
| Road construction and maintenance | - | 8,091,235 | 6,909,325 |
| Fire service | - | - | - |
| Police protection | - | - | - |
| Pathway operations and maintenance | - | - | - |
| Drain improvements | - | - | - |
| Tree conservation and maintenance | - | - | - |
| Green space preservation | - | - | - |
| Debt service | - | - | - |
| Pathway construction | - | - | - |
| Fire vehicles and equipment | - | - | - |
| Permanent trusts | - | - | - |
| Committed | | | |
| Budget stabilization | 1,000,000 | - | - |
| Assigned: | | | |
| Subsequent years budget | 1,137,000 | - | - |
| Capital projects | - | - | - |
| Unassigned | 28,414,652 | - | - |
| Total fund balances | <u>30,605,659</u> | <u>8,096,407</u> | <u>7,072,330</u> |
| Total liabilities, deferred inflow of resources and fund balances | <u>\$ 42,248,956</u> | <u>\$ 8,932,011</u> | <u>\$ 11,429,225</u> |

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

| Fire Fund | Special Police Protection Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------|--------------------------------|-----------------------------|--------------------------|
| \$ 7,714,642 | \$ 7,816,529 | \$ 8,314,751 | \$ 48,754,643 |
| 2,476,556 | 1,976,556 | 15,419,830 | 49,315,414 |
| 4,016,649 | 3,945,789 | 1,449,455 | 14,426,627 |
| - | - | - | 1,982,603 |
| - | 50,359 | - | 139,455 |
| 7,325 | 25,958 | 232 | 549,436 |
| 21,418 | 15,542 | 41,952 | 266,299 |
| - | - | - | 149,520 |
| - | - | - | 247,074 |
| 66,557 | - | 987,548 | 1,126,769 |
| \$ 14,303,147 | \$ 13,830,733 | \$ 26,213,768 | \$ 116,957,840 |
| \$ 108,597 | \$ 1,396,120 | \$ 302,522 | \$ 2,990,248 |
| - | - | - | 131,903 |
| 108,864 | - | 6,047 | 347,237 |
| 1,772 | - | 544 | 1,625,610 |
| - | 82,864 | - | 2,000,322 |
| - | - | - | 266,318 |
| 219,233 | 1,478,984 | 309,113 | 7,361,638 |
| 8,901,484 | 8,744,057 | 3,215,350 | 31,975,321 |
| 6,500 | 9,931 | 232 | 383,721 |
| 8,907,984 | 8,753,988 | 3,215,582 | 32,359,042 |
| - | - | - | 149,520 |
| 66,557 | - | 987,548 | 1,126,769 |
| - | - | 6,945,928 | 6,945,928 |
| - | - | - | 15,000,560 |
| 5,109,373 | - | - | 5,109,373 |
| - | 3,597,761 | - | 3,597,761 |
| - | - | 226,597 | 226,597 |
| - | - | 1,762,903 | 1,762,903 |
| - | - | 1,776,519 | 1,776,519 |
| - | - | 81,700 | 81,700 |
| - | - | 678,336 | 678,336 |
| - | - | 1,234,439 | 1,234,439 |
| - | - | 6,405,134 | 6,405,134 |
| - | - | 1,484,864 | 1,484,864 |
| - | - | - | 1,000,000 |
| - | - | - | 1,137,000 |
| - | - | 1,105,105 | 1,105,105 |
| - | - | - | 28,414,652 |
| 5,175,930 | 3,597,761 | 22,689,073 | 77,237,160 |
| \$ 14,303,147 | \$ 13,830,733 | \$ 26,213,768 | \$ 116,957,840 |

City of Rochester Hills, Michigan

Governmental Funds Reconciliation of Fund Balances to Statement of Net Position December 31, 2017

| | |
|--|------------------------------|
| Total Fund Balances for Governmental Funds | \$ 77,237,160 |
| 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 | 145,365,565 |
| Net OPEB assets are not available resources to pay current year expenditures | 8,207 |
| Special assessment receivables are not available to pay current year expenditures | 247,074 |
| Certain other receivables are expected to be collected over several years and are not available to pay for current year expenditures | 136,649 |
| Accrued interest in governmental activities are not reported in the funds | (66,966) |
| Amortization of bond premiums are not reported in the funds | (114,339) |
| Compensated absences in governmental activities are not reported in the funds | (1,635,923) |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds: | |
| Bonds payable | (7,505,000) |
| Internal Service Funds are included as part of governmental activities | <u>64,075,087</u> |
| Net Position of Government Activities | <u><u>\$ 277,747,514</u></u> |

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



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City of Rochester Hills, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balance Year Ended December 31, 2017

| | General Fund | Major Road Fund | Local Street Fund |
|--|----------------------|---------------------|---------------------|
| Revenue | | | |
| Property taxes | \$ 6,913,380 | \$ - | \$ 3,646,841 |
| Licenses and permits | 3,408,799 | - | 54,855 |
| Intergovernmental: | | | |
| State grants | 7,072,213 | 4,646,727 | 1,772,992 |
| Federal grants | 107,901 | - | - |
| Other governmental revenues | - | - | - |
| Charges for services | 6,065,735 | 261,600 | 198,607 |
| Fines and forfeitures | 1,085 | - | - |
| Investment earnings | 429,772 | 90,388 | 91,000 |
| Special assessments | - | - | 36,926 |
| Sale of assets | 1,806 | - | - |
| Refunds and other revenue | 182,479 | 29,599 | 108,698 |
| Total revenue | <u>24,183,170</u> | <u>5,028,314</u> | <u>5,909,919</u> |
| Expenditure | | | |
| Current: | | | |
| General government | 7,009,974 | - | - |
| Public works | 860,925 | - | - |
| Public safety | 3,050,713 | - | - |
| Community and economic development | 825,439 | - | - |
| Streets | - | 1,343,465 | 3,744,919 |
| Recreation and culture | 3,017,238 | - | - |
| Capital outlay | - | 4,304,771 | 4,344,989 |
| Debt service: | | | |
| Principal retirement | - | - | - |
| Interest | - | - | - |
| Miscellaneous | - | - | - |
| Total expenditures | <u>14,764,289</u> | <u>5,648,236</u> | <u>8,089,908</u> |
| Excess of Revenue Over (Under) Expenditures | <u>9,418,881</u> | <u>(619,922)</u> | <u>(2,179,989)</u> |
| Other Financing Sources (Uses) | | | |
| Transfers in | 8,630 | 317,050 | 3,327,530 |
| Transfers out | (6,548,870) | - | (314,717) |
| Total other financing sources (uses) | <u>(6,540,240)</u> | <u>317,050</u> | <u>3,012,813</u> |
| Net Change in Fund Balance | 2,878,641 | (302,872) | 832,824 |
| Fund Balances - Beginning of year | <u>27,727,018</u> | <u>8,399,279</u> | <u>6,239,506</u> |
| Fund Balances - End of year | <u>\$ 30,605,659</u> | <u>\$ 8,096,407</u> | <u>\$ 7,072,330</u> |

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

| Fire Fund | Special Police Protection Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---------------------|--------------------------------|-----------------------------|--------------------------|
| \$ 8,754,487 | \$ 8,944,664 | \$ 3,197,478 | \$ 31,456,850 |
| 4,400 | - | 500 | 3,468,554 |
| 463 | 45,037 | 311,539 | 13,848,971 |
| - | 4,333 | 294,566 | 406,800 |
| - | 279,207 | 200,000 | 479,207 |
| 1,847,679 | 146,654 | 267,972 | 8,788,247 |
| 2,753 | 521,122 | - | 524,960 |
| 105,459 | 92,885 | 1,170,645 | 1,980,149 |
| - | - | - | 36,926 |
| - | 359 | 143,042 | 145,207 |
| 23,725 | 11,212 | 327,949 | 683,662 |
| 10,738,966 | 10,045,473 | 5,913,691 | 61,819,533 |
| - | - | - | 7,009,974 |
| - | - | 1,545,991 | 2,406,916 |
| 9,299,530 | 8,661,338 | - | 21,011,581 |
| - | - | - | 825,439 |
| - | - | - | 5,088,384 |
| - | - | 1,914,623 | 4,931,861 |
| - | - | 3,689,249 | 12,339,009 |
| - | - | 2,035,000 | 2,035,000 |
| - | - | 302,932 | 302,932 |
| - | - | 208,959 | 208,959 |
| 9,299,530 | 8,661,338 | 9,696,754 | 56,160,055 |
| 1,439,436 | 1,384,135 | (3,783,063) | 5,659,478 |
| - | - | 3,912,097 | 7,565,307 |
| (1,095,230) | (317,366) | (981,290) | (9,257,473) |
| (1,095,230) | (317,366) | 2,930,807 | (1,692,166) |
| 344,206 | 1,066,769 | (852,256) | 3,967,312 |
| 4,831,724 | 2,530,992 | 23,541,329 | 73,269,848 |
| \$ 5,175,930 | \$ 3,597,761 | \$ 22,689,073 | \$ 77,237,160 |

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, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 3,967,312

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 | 12,209,287 |
| Depreciation expenses | (8,296,954) |
| Disposal of capital assets | (51,384) |

The donation of capital assets is not considered a current financial resource and is not reported as revenue in the governmental funds 1,336,701

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 (36,926)

Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (1,080,519)

Accrued interest payable is recorded when due in governmental funds; in addition, bond issuance costs are amortized during the life of the bond 56,876

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 2,035,000

The change in accumulated employee annual leave and vacation pay, recorded when earned in statement of activities (148,956)

The change in the net OPEB obligation is not included in governmental funds 7302

Internal Service Funds are also included as governmental activities 585,629

Change in Net Position of Governmental Activities \$ 10,583,368

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

City of Rochester Hills, Michigan

Proprietary Fund

Statement of Net Position

Year Ended December 31, 2017

| | Enterprise Fund - Water and Sewer Fund | Internal Service Funds |
|--|--|------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 17,175,584 | \$ 13,305,804 |
| Investments | 26,340,727 | 7,726,605 |
| Receivables: | | |
| Due from Federal Government | 7,792 | - |
| Accounts | 6,422,902 | 20,411 |
| Accrued interest | 130,018 | 39,196 |
| Inventories | 201,258 | - |
| Net OPEB asset | 63,751 | - |
| Prepaid costs and other assets | 1,814,171 | 260,962 |
| Total current assets | 52,156,203 | 21,352,978 |
| Noncurrent assets: | | |
| Restricted assets - Assets held at the County | 4,747,444 | - |
| Capital assets - Net | 119,657,693 | 44,766,684 |
| Long-term receivable | 211,595 | - |
| Total assets | 176,772,935 | 66,119,662 |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable | 2,838,593 | 761,073 |
| Retainages payable | 77,983 | 68,274 |
| Accrued wages | 60,747 | 41,863 |
| Accrued vacation | 119,094 | 126,426 |
| Accrued annual leave | 95,142 | 64,667 |
| Deposits and escrows | 128,355 | - |
| Accrued and other liabilities | - | 112,985 |
| Payable related to debt and capital lease obligations: | | |
| Current portion of debt obligations | 1,009,235 | 315,000 |
| Current portion of capital lease obligations | - | 5,476 |
| Accrued interest related to debt | 97,859 | 5,467 |
| Total current liabilities | 4,427,008 | 1,501,231 |
| Noncurrent liabilities: | | |
| Long-term debt-net current portion | 15,439,589 | 505,000 |
| Other non-current liabilities | 23,660 | 38,344 |
| Total noncurrent liabilities | 15,463,249 | 543,344 |
| Total liabilities | 19,890,257 | 2,044,575 |
| Net Position | | |
| Net Investment in capital assets | 107,947,768 | 43,941,208 |
| Unrestricted | 48,934,910 | 20,133,879 |
| Total net position | <u>\$ 156,882,678</u> | <u>\$ 64,075,087</u> |

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, 2017

| | Enterprise Fund - Water and Sewer Fund | Internal Service Fund |
|---|---|-----------------------------|
| Operating Revenue | | |
| Charges for service | \$ 34,388,137 | \$ 7,106,652 |
| Other operating revenue | 14,207 | 282,880 |
| Total operating revenue | <u>34,402,344</u> | <u>7,389,532</u> |
| Operating Expense | | |
| Cost of water produced/purchased | 11,997,363 | - |
| Cost of sewage treatment | 8,579,627 | - |
| Salaries and wages | 3,299,422 | 2,484,673 |
| Professional services | 4,175,171 | 1,750,303 |
| Public utilities | - | 739,878 |
| Material and supplies | 454,564 | 230,302 |
| Repairs and maintenance | 44,584 | 964,228 |
| Rentals | 5,748 | 4,661 |
| Depreciation and amortization | 4,301,032 | 2,650,269 |
| Total operating expenses | <u>32,857,511</u> | <u>8,824,314</u> |
| Operating Income (Loss) | 1,544,833 | (1,434,782) |
| Nonoperating Revenue (Expenses) | | |
| Investment income | 477,369 | 200,730 |
| Interest expense | (390,981) | (21,019) |
| Gain (loss) on disposal of capital assets | 173 | 99,645 |
| Other | 1,709 | 3,493 |
| Total nonoperating revenues (expenses) | <u>88,270</u> | <u>282,849</u> |
| Income (Loss) Before Contributions and Transfers | 1,633,103 | (1,151,933) |
| Capital contributions | | |
| Federal grant | 15,562 | - |
| State grant | 397,105 | - |
| Capital and lateral charges | 796,915 | - |
| Other capital contributions | 1,507,060 | 45,396 |
| Total capital contributions | <u>2,716,642</u> | <u>45,396</u> |
| Transfers | | |
| Transfers in | - | 2,530,126 |
| Transfers out | - | (837,960) |
| Total transfers | <u>-</u> | <u>1,692,166</u> |
| Change in Net Position | 4,349,745 | 585,629 |
| Net Position - Beginning of year | <u>152,532,933</u> | <u>63,489,458</u> |
| Net Position - End of year | <u>\$ 156,882,678</u> | <u>\$ 64,075,087</u> |

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

City of Rochester Hills, Michigan

Proprietary Funds

Statement of Cash Flows

Year Ended December 31, 2017

| | Enterprise - Water and Sewer | Internal Service Funds |
|---|------------------------------------|------------------------------|
| Cash Flows from Operating Activities | | |
| Cash received from customers | \$ 35,201,492 | \$ 7,106,652 |
| Cash payments for goods and services | (24,399,871) | (4,153,229) |
| Cash payments to employees | (3,298,372) | (2,489,154) |
| Other operating revenue | 14,207 | 269,266 |
| | <u>7,517,456</u> | <u>733,535</u> |
| Net cash provided by operating activities | 7,517,456 | 733,535 |
| Cash Flows from Noncapital Financing Activities | | |
| Transfers in from other funds | - | 844,796 |
| Transfer out to other funds | - | (837,960) |
| | <u>-</u> | <u>(837,960)</u> |
| Net cash provided by noncapital financing activities | - | 6,836 |
| Cash Flows from Capital and Related Financing Activities | | |
| Payment for capital acquisitions | (4,285,563) | (2,495,610) |
| Advance Payment for capital assets | (4,347,119) | - |
| Proceeds from sale of capital assets | - | 99,645 |
| Principal payments | (990,690) | (316,365) |
| Interest paid | (390,981) | (21,019) |
| Federal grants | 15,562 | - |
| State grant | 379,229 | - |
| Capital contributions | 27,370 | 45,396 |
| Collection of capital and lateral charges | 796,915 | - |
| Transfer in from other funds | - | 1,685,330 |
| | <u>(8,795,277)</u> | <u>(1,002,623)</u> |
| Net cash used in capital and related financing activities | (8,795,277) | (1,002,623) |
| Cash Flows from Investing Activities | | |
| Purchase of investment securities | (34,311,637) | (11,199,505) |
| Proceeds from maturities of investment securities | 43,497,902 | 12,446,372 |
| Receipts of interest and dividends | 441,300 | 184,854 |
| | <u>9,627,565</u> | <u>1,431,721</u> |
| Net cash used in investing activities | 9,627,565 | 1,431,721 |
| Net Increase in Cash and Cash Equivalents | 8,349,744 | 1,169,469 |
| Cash and Cash Equivalents - January 1, 2017 | 8,825,840 | 12,136,335 |
| Cash and Cash Equivalents - December 31, 2017 | \$ 17,175,584 | \$ 13,305,804 |

(Continued on next page)

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

City of Rochester Hills, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended December 31, 2017

| | Enterprise - Water and Sewer | Internal Service Funds |
|--|------------------------------------|------------------------------|
| Reconciliation of Operating Loss to Net Cash from Operating Activities | | |
| Operating income (loss) | \$ 1,544,833 | \$ (1,434,782) |
| Adjustments to reconcile operating loss to net cash from operating activities - Changes in assets and liabilities: | | |
| Depreciation expense | 4,301,032 | 2,650,269 |
| Decrease in accounts receivable | 838,217 | 24,413 |
| Increase in other assets | (871) | (4,816) |
| Increase in inventories | (9,706) | - |
| Increase (decrease) in accounts payable | 867,763 | (158,941) |
| Increase (decrease) in accrued wages, vacation and annual leave | 1,050 | (4,481) |
| Decrease in other liabilities | (24,862) | (338,127) |
| | <u>5,972,623</u> | <u>2,168,317</u> |
| Total adjustments | | |
| Net cash provided by operating activities | <u>\$ 7,517,456</u> | <u>\$ 733,535</u> |

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2017, the Water and Sewer Fund received \$1,507,060 of water and sewer lines donated by developers. In addition, Oakland County constructed \$132,479 of sewer lines for the Oakland Macomb Interceptor project and \$707,902 for improvements to the Clinton River Water Resource Recovery Facility. The Water and Sewer Fund recognized \$18,833 of unrealized loss in the market value of securities while the Internal Service funds recognized a \$2,628 unrealized loss in the market value of securities.

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

City of Rochester Hills, Michigan

Fiduciary Funds

Statement of Net Position

December 31, 2017

| | Retiree Health Care Benefit Trust | Agency Funds |
|--|---|---------------------|
| Assets | | |
| Cash | \$ 40,994 | \$ 9,846,176 |
| Investments - Mutual Funds | 2,124,884 | - |
| Accrued interest | 14 | - |
| Property Tax | - | - |
| Accounts | - | - |
| Total assets | <u>2,165,892</u> | <u>9,846,176</u> |
| Liabilities | | |
| Accounts payable | \$ - | \$ 5,402,045 |
| Due to other governments | - | 4,444,131 |
| Accrued and other liabilities | 93 | - |
| Total liabilities | <u>93</u> | <u>\$ 9,846,176</u> |
| Net Position - Held in trust for benefits | <u>\$ 2,165,799</u> | |

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

City of Rochester Hills, Michigan

Fiduciary Funds and Trust Funds

Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2017

| | Retiree Health Care Benefit Trust |
|---|---|
| Additions | |
| Investment income | \$ 278,839 |
| Total Additions | <u>278,839</u> |
| Deductions | |
| Payments and other expenses | <u>136,717</u> |
| Total Deductions | <u>136,717</u> |
| Net Change in Net Position | 142,122 |
| Net Position - Beginning of year | <u>2,023,677</u> |
| Net Position - End of year | <u><u>\$ 2,165,799</u></u> |

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

City of Rochester Hills, Michigan

Component Units

Statement of Net Position

December 31, 2017

| | 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 as of September 30, 2017 | Total |
|--|--|--|--|--|---|---|---|---------------|
| Assets | | | | | | | | |
| Cash and investments | \$ 4,212,499 | \$ 765 | \$ - | \$ 442,152 | \$ 10,033 | \$ 142,147 | \$ 2,163,678 | \$ 6,971,274 |
| Due from other governmental units | 343,604 | - | - | 38,020 | - | - | 109,518 | 491,142 |
| Receivables - Accrued interest and other | 48,934 | - | - | - | 3 | 10,090 | 61,078 | 120,105 |
| Prepaid costs and other assets | 1,822 | - | - | - | - | 108,546 | 280,415 | 390,783 |
| Capital assets - Net | - | - | - | - | - | 3,674,642 | 13,974,135 | 17,648,777 |
| Total assets | 4,606,859 | 765 | - | 480,172 | 10,036 | 3,935,425 | 16,588,824 | 25,622,081 |
| Liabilities | | | | | | | | |
| Accounts payable | 1,203 | - | - | - | - | 20,521 | 127,233 | 148,957 |
| Accrued and other liabilities | 1,154 | - | - | - | - | 24,465 | 83,778 | 109,397 |
| Deposits | - | - | - | - | - | 5,585 | - | 5,585 |
| Unearned revenue | - | - | - | - | - | 234,458 | 369,567 | 604,025 |
| Noncurrent liabilities (Note 6): | | | | | | | | |
| Due within one year - Capital lease | - | - | - | - | - | 131,827 | - | 131,827 |
| Due in more than one year - Capital lease | - | - | - | - | - | 1,745,778 | - | 1,745,778 |
| Due within one year - Other noncurrent | - | - | - | - | - | 5,760 | 55,388 | 61,148 |
| Due in more than one year - Other noncurrent | - | - | - | - | - | 12,315 | 12,992 | 25,307 |
| Total liabilities | 2,357 | - | - | - | - | 2,180,709 | 648,958 | 2,832,024 |
| Deferred Inflows of Resources | | | | | | | | |
| Property taxes levied for subsequent year's budget | 620,345 | - | - | 38,020 | - | - | - | 658,365 |
| Total deferred inflows of resources | 620,345 | - | - | 38,020 | - | - | - | 658,365 |
| Net Position | | | | | | | | |
| Net investment in capital assets | - | - | - | - | - | 1,778,962 | 13,974,135 | 15,753,097 |
| Unrestricted | 3,984,157 | 765 | - | 442,152 | 10,036 | (24,246) | 1,965,731 | 6,378,595 |
| Total net position | \$ 3,984,157 | \$ 765 | \$ - | \$ 442,152 | \$ 10,036 | \$ 1,754,716 | \$ 15,939,866 | \$ 22,131,692 |

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

City of Rochester Hills, Michigan

Component Units

Statement of Activities

Year Ended December 31, 2017

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | | | | | | Total |
|--|---------------------|----------------------|------------------------------------|----------------------------------|---|----------------------------------|--------------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|--|----------------------|-----------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Local Development Finance Authority | Economic Development Corporation | Automation Alley SmartZone Authority | Brownfield Re-development Authority | Rochester Hills Museum Foundation | Rochester-Avon Recreation Authority | Older Persons' Commission as of September 30, 2017 | | |
| Public service: | | | | | | | | | | | | | |
| Local Development Finance Authority | \$ 278,937 | \$ - | \$ - | \$ - | \$ (278,937) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | (278,937) |
| Community and economic development: | | | | | | | | | | | | | |
| Economic Development Corporation | 291 | 15,796 | 290 | - | - | (291) | - | - | - | - | - | - | (1) |
| Automation Alley SmartZone Authority | 19,048 | - | - | - | - | - | (19,048) | - | - | - | - | - | (19,048) |
| Brownfield Re-development Authority | - | 15,796 | - | - | - | - | - | 15,796 | - | - | - | - | 15,796 |
| Recreation and culture: | | | | | | | | | | | | | |
| Rochester Hills Museum Foundation | 20 | - | - | - | - | - | - | - | (20) | - | - | - | (20) |
| Rochester-Avon Recreation Authority | 2,529,283 | 1,837,279 | 628,098 | - | - | - | - | - | - | (691,954) | - | - | (63,906) |
| Older Persons' Commission | 4,509,369 | 1,552,810 | 2,644,945 | 123,060 | - | - | - | - | - | - | (1,899,692) | - | (188,554) |
| Total governmental activities | \$ 7,336,948 | \$ 3,405,885 | \$ 3,273,333 | \$ 123,060 | (278,937) | (291) | (19,048) | 15,796 | (20) | (691,954) | (1,899,692) | (534,670) | |
| General revenues: | | | | | | | | | | | | | |
| Property taxes | | | | | 616,600 | - | - | 22,454 | - | - | - | - | 639,054 |
| Unrestricted investment earnings | | | | | 37,178 | 3 | 21 | 4,587 | 49 | 2,684 | 9,090 | - | 53,612 |
| Miscellaneous - non-program revenue | | | | | 730 | - | - | - | - | 36,357 | 168,755 | - | 205,842 |
| Total general revenues | | | | | 654,508 | 293 | 21 | 27,041 | 49 | 667,089 | 1,888,983 | 898,508 | |
| Change in Net Position | | | | | 375,571 | 2 | (19,027) | 42,837 | 29 | (24,865) | (10,709) | 363,838 | |
| Net Position - Beginning of Year | | | | | 3,608,586 | 763 | 19,027 | 399,315 | 10,007 | 1,779,581 | 15,950,575 | 21,767,854 | |
| Net Position - End of year | | | | | \$ 3,984,157 | \$ 765 | \$ - | \$ 442,152 | \$ 10,036 | \$ 1,754,716 | \$ 15,939,866 | \$ 22,131,692 | |

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

Notes to Financial Section

Note 1 - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the City of Rochester Hills, Michigan:

Reporting Entity

The City of Rochester Hills, Michigan is a municipal corporation that is governed by an elected seven-member council. The City provides the following services as authorized by its charter: public safety (fire protection and contracted police service), street maintenance, water and wastewater distribution, parks and recreation, public improvements, planning and zoning, and general administrative services. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

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

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

- a. The Local Development Finance Authority (LDFA) is governed by a thirteen member board, of which seven members are appointed by the mayor and confirmed by the City Council while the other six members are appointed by the legislative bodies of other taxing authorities. The LDFA was created to provide a means for financing infrastructure improvements within a certain area of the City on behalf of the City and other entities. The City has the ability to impose its will upon LDFA. In addition, the City Council sets the annual budget for LDFA and LDFA is presented as a government fund type. There are no modifications needed to reflect the full accrual basis of reporting for the LDFA. The financial statements presented on pages 31 through 32 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, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

- b. The Economic Development Corporation (EDC) is governed by a nine member board, appointed by the mayor and confirmed by the City Council. The EDC was created to provide a means and method for encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City. The City of Rochester Hills, Michigan has the ability to impose its will upon the EDC. In addition, the City Council sets the annual budget for EDC and EDC is presented as a government fund type. There are no modifications needed to reflect the full accrual basis of reporting for the EDC. The financial statements presented on pages 31 through 32 also reflect the EDC's modified accrual basis of reporting. No separate financial statements are issued for the EDC.

- c. The Automation Alley SmartZone Authority is governed by a thirteen member board, of which seven members are appointed by the mayor and confirmed by the City Council while the other six members are appointed by the legislative bodies of other taxing authorities. The Automation Alley SmartZone Authority was created to foster new economic growth and development by establishing clusters of technology companies. The program also seeks to develop relationships between these businesses and universities by providing businesses resources and accessibility to university facilities for the purpose of commercializing research. The City of Rochester Hills has the ability to impose its will upon the Automation Alley SmartZone and the City Council sets the annual budget for the SmartZone. There were no modifications needed to reflect the full accrual basis of reporting. The financial statements presented on pages 31 through 32 also reflect the SmartZone Authority's modified accrual basis of reporting. No separate financial statements are issued for the SmartZone Authority.

- d. The Brownfield Redevelopment Authority (the "Brownfield Authority") was created, pursuant to Public Act 381 of 1996, to promote revitalization of environmentally distressed areas within the 32.2 square mile boundary of the City. The Brownfield Redevelopment Authority is governed by a seven member board, appointed by the mayor and confirmed by the City Council. The City has the ability to impose its will on the Brownfield Authority. In addition, the City Council sets the annual budget for the Brownfield Authority. There are no modifications needed to reflect the full accrual basis of reporting for the Brownfield Authority. The financial statements presented on pages 31 through 32 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, 2017

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 31 through 32 also reflect the Rochester Hills Museum Foundation's modified accrual basis of report. No separate financial statements are issued for the Rochester Hills Museum Foundation.

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

The governing body of the R.A.R.A. consists of a total of seven members that include one Council member and two Council-appointed residents from the City of Rochester Hills, one Council member and one Council-appointed resident from City of Rochester, one Board-appointed member from the Rochester Community Schools and one Board-appointed member from the Avondale School District. There is a financial benefit/burden relationship between the R.A.R.A. and the City of Rochester Hills due to an interlocal agreement. It is agreed that on-going funding to the R.A.R.A. for programs and activities will be based the taxation of properties by the governing bodies. R.A.R.A. had an unrestricted fund balance deficit of \$24,246 at December 31, 2017. R.A.R.A.'s financial statements can be obtained from its administrative offices at 500 East Second Street, Rochester, MI 48307.

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

- g. The Older Persons' Commission (O.P.C.) was organized in 1983 for the purpose of providing activities and services for older persons residing within the jurisdiction of the participating governmental organizations. Along with the City of Rochester Hills, Michigan, which is a 65% participating member, Oakland Township (23%) and the City of Rochester (12%) are also member units of the O.P.C.

The governing body of the O.P.C. consists of a total of eight members including two City Council members and two Council-appointed older persons from the City of Rochester Hills, one City Council member, and one Council-appointed older person from the City of Rochester, and one Board Member and one Board-appointed older person from Oakland Township. There is a financial benefit/burden relationship between the O.P.C. and the City of Rochester Hills due to an interlocal agreement between the O.P.C. and the participating governments. It is agreed that on-going funding to the O.P.C. for programs and activities will be based the taxation of properties by the governing bodies. O.P.C.'s financial statements for year ending September 30, 2017 can be obtained from its administrative offices at 650 Letica Drive, Rochester, MI 48307.

Joint Ventures

The City is a member of the Paint Creek Trailways Commission, which was organized in 1981 for the purposes of owning, developing, maintaining, and otherwise operating certain non-motorized public trails within the jurisdiction of the participating governmental organizations. The participating communities, which include Orion Township (23 percent), City of Rochester (22 percent), City of Rochester Hills (24 percent), and Oakland Township (31 percent), provide annual funding for its operations. During the current fiscal year, the City contributed \$19,552 for its operations. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The City does not have an equity interest in the joint venture. Complete financial statements for the Paint Creek Trailways Commission can be obtained from the administrative offices at 4393 Collins Road, Rochester, MI 48306.

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

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

The member communities are the City of Auburn Hills, the City of Rochester Hills, the Charter Township of Orion, and the Oakland County Water Resources Commission (who manage the City of Pontiac water system). NOCWA was created out of collective concern regarding system reliability, decreased water pressure, rising Great Lakes Water Authority (GLWA) water supplier rates, and overall operating expenses. The City of Rochester Hill acts as the NOCWA Fiduciary by processing invoices owed by NOCWA and in turn billing each of the member communities their predetermined share. The City of Rochester Hills still has monthly water expenses but instead at a rate negotiated by NOCWA. For the period January 1, 2017 to December 31, 2017, the City has saved \$1,135,830 by being a member of NOCWA. The City has no equity interest in NOCWA, as NOCWA holds no assets. Complete financial statements for NOCWA can be obtained from the Fiscal Office at 1000 Rochester Hills Drive, Rochester Hills, MI 48309.

Accounting and Reporting Principles

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

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives – the government wide perspective, and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The government wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. The City's property taxes are levied on each December 1. The City's 2016 tax is levied and collectible on December 1, 2016 and is recognized as revenue in the year ended December 31, 2017, 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

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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.

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

- d. The Fire Fund accounts for all revenue and expenditures for citywide fire operations, including millage collection.
- e. The Special Police Protection Fund accounts for the special millage for City police protection contracted with Oakland County.

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

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

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

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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.”

Note 1 - Summary of Significant Accounting Policies (Continued)

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 market value. Investment income from pooled investments is generally allocated to each fund using a weighted average.

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

Restricted Assets - Assets have been restricted in the primary government, as they represent the assets held by Oakland County to be applied against future payment obligations of the City. See Note 7 for additional discussion.

Capital Assets - Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, water and sewer mains, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition 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 there was no interest expense capitalized as part of the cost of assets under construction.

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

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The debt service funds are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources – During 2017 the City had no deferred outflows that qualified to be reported in the deferred outflow category.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Net Position Flow Assumptions

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

Fund Balance Flow Assumption

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

Fund Balance Policies

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

Note 1 - Summary of Significant Accounting Policies (Continued)

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of City's highest level of decision-making authority. Committed fund balance represents funds formally set aside by resolution of the City Council for a particular purpose. The use of committed funds can only be rescinded by resolution of the City Council.

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

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

To preserve a sound financial system and to provide a stable financial base, the City Council adopted a Fund Balance Policy. At a minimum, the fund balance of General Fund and Special Revenue Funds will be maintained at twenty percent of operating revenues. The City Council's Fund Balance Policy included that fund equity of Internal Service Funds will be maintained at a minimum of twenty percent of operating revenues and the Water and Sewer Fund's unrestricted net position be maintained at a minimum of twenty five percent of operating revenue. Funds with a special purpose (Debt Service, Perpetual Care, Tree Fund, Green Space Preservation and Capital Funds) are exempted from this policy due to the nature of their individual function.

Property Tax Revenue

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

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

The City's 2016 tax is levied and collectible on December 1, 2016 and is recognized as revenue in the year ended December 31, 2017, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2016 taxable valuation of the City totaled approximately \$3.2 billion on which taxes are levied as follows:

| Function | Mills | Dollars |
|-------------------------------------|--------|--------------|
| General operating purposes | 2.1136 | \$ 6,565,036 |
| Local streets | 1.1249 | 3,599,321 |
| Fire operating services | 2.7000 | 8,639,944 |
| Police protection services | 2.7587 | 8,827,642 |
| O.P.C. operating and transportation | 0.3367 | 1,077,192 |
| R.A.R.A. operating | 0.1928 | 616,837 |
| Pathway maintenance | 0.1837 | 587,716 |
| Debt service | 0.2762 | 889,422 |

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 .7739 mills, (\$2.5 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, 2017

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, 2017 | | \$ (5,162,532) |
| Building permit revenue | | 2,541,347 |
| Related expenses: | | |
| Direct expenses | \$ 1,819,542 | |
| Estimated indirect costs | 272,931 | |
| Total related expenses | | <u>2,092,473</u> |
| Cumulative shortfall at December 31, 2017 | | <u>\$ (4,713,658)</u> |

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2017

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 into 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 17 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, 2017, the City's operating portfolio is as follows:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Percent</u> |
|--------------------------|----------------------|----------------|
| Commercial Paper | \$ 29,693,465 | 57.0% |
| US Government Securities | <u>22,356,965</u> | <u>43.0%</u> |
| | \$ 52,050,430 | 100.0% |

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2017

Note 3 - Deposits and Investments (Continued)

As of December 31, 2017, the City's operating portfolio had the following bank deposits:

| Bank Deposit | Deposit Amount | Percent |
|------------------------------|-----------------------|---------------|
| Huntington Bank | \$ 13,162,943 | 11.4% |
| Michigan CLASS | 50,691,483 | 44.3% |
| Oakland County LGIP | 25,694,938 | 22.3% |
| CIBC | 5,500,000 | 4.8% |
| Chief Financial Credit Union | 5,000,000 | 4.3% |
| Level One Bank | 5,000,000 | 4.3% |
| TCF Bank | 5,000,000 | 4.3% |
| Chemical Bank | 5,000,000 | 4.3% |
| | \$ 115,049,364 | 100.0% |

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

As of December 31, 2017, the Trusts were holding the following registered mutual fund investment types:

| Investment type | Fair Value | Percentage | Average Duration | Equity |
|---|----------------------|---------------|---------------------|---------------------|
| Pioneer Classic Balanced Fund Class R [CBPRX] | \$ 4,216,746 | 40.1% | N/A | \$ 2,578,961 |
| JHancock Lifestyle Moderate A [JALMX] | 3,603,554 | 34.4% | N/A | 1,334,396 |
| MFS Growth Allocation R4 [MAGJX] | 2,663,373 | 25.5% | N/A | 50,655 |
| | \$ 10,483,673 | 100.0% | | \$ 3,964,012 |

Note 3 - Deposits and Investments (Continued)

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, 2017, \$22,356,965 in U.S. Government obligations and \$29,693,465 in Commercial Paper are held in third-party safekeeping in the City's name. The City's Investment Pool Accounts have their securities safe kept with a third-party selected by the counterparty. The balance in the accounts is \$76,386,422. 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 6 bank depository accounts (certificates of deposit, checking, and savings accounts) that were partially uninsured and uncollateralized in the aggregate amount of \$37,162,944.

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.

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2017

Note 3 - Deposits and Investments (Continued)

For the Retiree Health Care Benefit Trust, Cemetery Perpetual Care Trust, and the Green Space Perpetual Care Trust, Custodial Risk is associated with the possible failure of the Trust's safekeeping agent, where the Trusts would not be able to recover the value of its investments in the possession the Trust's agent. The Trust's Investment Policy Statements (IPS) requires that all investment transactions shall be conducted through a custodian that will act as the Trust's third party. Securities shall be held by the custodian, as designated by the Trust Board through its selected investment provider, and shall be evidenced by a custodial report. As of December 31, 2017, \$10,483,673 or 100 percent of the investments were held in third party safekeeping, in the Trust's name.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's operating fund investment policy restricts investment maturities to two years unless the maturity is matched to a specific cash flow need. Commercial paper purchases have a maximum maturity of 270-days as stated within State law. The City's operating fund investment policy minimizes the risk that the market value of the securities in the portfolio will fall due to changes in the general interest rate by structuring the maturities of the portfolio to meet cash flow requirements of ongoing operations, thereby avoiding the need to liquidate securities prior to maturity. This is done by investing operating funds primarily in short-term securities and investment pools, and only purchasing securities with the intent to hold to maturity. At year-end, the average maturities of investments are as follows:

| <u>Investments</u> | <u>Fair Value</u> | <u>Weighted Average Maturity</u> |
|------------------------------|-------------------|----------------------------------|
| Government agency securities | \$ 22,356,965 | 233 Days |
| MI CLASS Investment Pool | 50,691,483 | 35 Days |
| Oakland County LGIP | 25,694,938 | 372 Days |
| Commercial Paper | 29,693,465 | 240 days |

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.

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2017

Note 3 - Deposits and Investments (Continued)

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

| Bond Maturity Breakdown | % Bonds |
|--------------------------------|----------------|
| Under 3 Years | 16.3% |
| 3 to 5 Years | 12.7% |
| 5 to 7 Years | 13.6% |
| 7 to 10 Years | 17.7% |
| 10 to 15 Years | 5.3% |
| 15 to 20 Years | 3.4% |
| 20 to 30 Years | 27.3% |
| Over 30 Years | 3.7% |
| TOTAL | 100.0% |
| Average Duration | 8 Years |

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:

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2017

Note 3 - Deposits and Investments (Continued)

| Investments | Fair Value | Rating |
|------------------------------|-----------------------|-----------|
| Government agency securities | \$ 22,356,965 | AA+ |
| MI CLASS Investment Pool | 50,691,483 | AAAm |
| Oakland County LGIP | 25,694,938 | N/A |
| Commercial Paper | 29,693,465 | A-1 / P-1 |
| | \$ 128,436,851 | |

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

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

As of December 31, 2017, debt obligation investments held by the Trusts, in all three mutual funds had the following ratings:

| Type | % Bonds |
|-------------------------------|---------------|
| AAA | 43.9% |
| AAA | 4.7% |
| AA | 8.1% |
| BBB | 21.6% |
| BB | 11.2% |
| B | 7.3% |
| Below B | 1.5% |
| Not Rated | 1.7% |
| TOTAL | 100.0% |
| Average Credit Quality | A |

Note 3 - Deposits and Investments (Continued)

Risks and Uncertainties

The City invests in various securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position/balance sheet.

The City categorizes its market value measurements within the market value hierarchy established by generally accepted accounting principals. The hierarchy is based on the valuation inputs used to measure the market value of the asset.

- Level 1 Valuations based on:
 - Principal Market (or the most advantageous market)
 - Transaction prices in that market as of the measurement date
- Level 2 Valuations based on:
 - Quoted prices for similar/identical assets/liabilities in an active market
 - Inputs other than quoted prices that are observable, such as interest rates and yield curves, implied volatilities and credit spreads
- Level 3 Valuations based on:
 - Best information available

In instances whereby inputs used to measure market value fall into different levels in the above market value hierarchy, market value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these market value measurements requires judgement and considers factors specific to each asset or liability.

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2017

Note 3 - Deposits and Investments (Continued)

The City has the following recurring market value measurements as of December 31, 2017:

| | Assets Measured at Fair Value on a Recurring Basis | | | |
|--|--|---|---|--|
| | Balance at December 31, 2017 | Fair Value Measurement Using | | |
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Debt Securities: | | | | |
| Mutual Funds | \$ 10,483,673 | \$ 10,483,673 | \$ - | \$ - |
| Commercial Paper | 29,693,465 | - | 29,693,465 | - |
| US Government Securities | 22,356,965 | - | 22,356,965 | - |
| Total Debt Securities | \$ 62,534,103 | \$ 10,483,673 | \$ 52,050,430 | \$ - |
| Investments measured at the net asset value (NAV): | | | | |
| Michigan CLASS | \$ 50,691,483 | | | |
| Oakland County LGIP | 25,694,938 | | | |
| Total Investments at NAV | \$ 76,386,421 | | | |
| Total investments measured at market value | \$ 138,920,524 | | | |

The market value of mutual funds were determined based upon quoted market prices (Level 1 inputs). The Michigan CLASS and Oakland County LGIP investments are valued at Net Asset Value (NAV).

The market value of commercial paper was determined primarily based on Level 2 inputs. The City estimates the market value of these investments using other inputs such as a matrix pricing model. The market value of U.S. government securities at December 31, 2017 was determined primarily based on Level 2 inputs. The City estimates the market value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

Investments in Entities that Calculate Net Asset Value per Share

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

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2017

Note 3 - Deposits and Investments (Continued)

At the year ended December 31, 2017, the market value, unfunded commitments, and redemption rules of those investments are as follows:

| | Fair Value | Unfunded Commitments | Redemption Frequency, if Eligible | Redemption Notice Period |
|---------------------|---------------|-------------------------|---|-----------------------------|
| Michigan CLASS | \$ 50,691,483 | \$ - | None | N/A |
| Oakland County LGIP | 25,694,938 | - | None | N/A |

The private placement collective trust fund class includes investments in collective trusts that invest in investment-grade fixed-income securities and diversified sector/industry stocks. The trusts are managed and designed to match or exceed the performance of specific stock market indices. The market value of the investments in this class have been estimated using the net asset value per share of the investments.

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

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2017

Note 3 - Deposits and Investments (Continued)

| Operating Portfolio - Concentration Risk 12/31/2017 | | |
|--|-----------------------|---------------|
| Huntington Bank | \$ 13,162,943 | 7.9% |
| Michigan CLASS | 50,691,483 | 30.0% |
| Oakland County LGIP | 25,694,938 | 15.4% |
| CD: CIBC | 5,500,000 | 3.3% |
| CD: Chief Financial Credit Union | 5,000,000 | 3.0% |
| CD: Level One Bank | 5,000,000 | 3.0% |
| CD: TCF Bank | 5,000,000 | 3.0% |
| CD: Chemical Bank | 5,000,000 | 3.0% |
| CP: JP Morgan / A-1, P-1, F-1 | 4,963,514 | 3.0% |
| CP: Ebury Financial / A-1, P-1, F-1 | 4,942,736 | 3.0% |
| CP: ABN AMRO / A-1, P-1, F-1 | 4,943,844 | 3.0% |
| CP: Credit Suisse / A-1, P-1, F-1 | 4,942,464 | 3.0% |
| CP: Abbey National / A-1, P-1, F-1 | 4,960,532 | 3.0% |
| CP: Halkin Financial / A-1, P-1, F-1 | 4,940,375 | 3.0% |
| UST: FHLB/FHDN / AA+ | 6,947,404 | 4.2% |
| UST: FHLMC/FMCDN / AA+ | 10,917,090 | 6.5% |
| UST: FFCB / AA+ | 1,993,740 | 1.2% |
| UST: US Treasury / AA+ | <u>2,498,730</u> | 1.5% |
| | \$ 167,099,793 | 100.0% |

The Retiree Health Care Benefit Trust, Cemetery Perpetual Care Trust, and the Green Space Perpetual Care Trust's adopted IPS states that no more than 5 percent of the assets of the Trust's portfolios 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, 2017, as reported by the mutual funds, no holdings exceed any of the Board's adopted IPS limits.

Note 3 - Deposits and Investments (Continued)

Foreign Currency Risk

Foreign Currency Risk is the possibility that changes (up or down) in exchange rates will adversely affect the market 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, 2017.

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

At December 31, 2017 the asset allocation mutual fund’s equity holdings in developed versus emerging countries was as follows:

| Market Classification | Percentage | Dollars |
|------------------------------|-------------------|----------------------|
| Developed Markets | 96.4% | \$ 10,107,484 |
| Emerging Markets | 3.6% | 376,189 |
| TOTAL | 100.0% | \$ 10,483,673 |

Note 3 - Deposits and Investments (Continued)

Security Lending Transactions

Under current provisions of State statutes, the Retiree Health Care Benefit Trust, Cemetery Perpetual Care Trust, and Green Space Perpetual Care Trust could lend U.S. government securities, corporate bonds, and common stock, to broker and/or dealers in exchange for collateral that will be returned for the same securities in the future. The custodial bank does not have the ability to pledge or sell collateral securities unless the borrower was to default. Borrowers are required to deliver collateral for each loan equal to but not less than 102 percent of the market value of the loaned securities. The summary prospectus for the mutual funds, used by the Trusts, were silent related to their security lending practices. The Trust did not lend any securities as of December 31, 2017.

Collateralized Mortgage Obligations (CMOs)

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

The Retiree Health Care Benefit Trust, Cemetery Perpetual Care Trust, and Green Space Perpetual Care Trust's adopted IPS places the following limits on these securities: must be currently paying interest, receiving principal pay downs, and do not contain leverage. The Trust's allocation to CMOs is limited to 10 percent of the fair value of the manager's portfolio. For the purpose of this restriction, commercial mortgage backed securities are considered within the CMO category.

At December 31, 2017 the fixed income portion of the mutual funds were holding 11.7 percent of their portfolio in securitized instruments but none in the CMO area.

| Securitized | Total % |
|----------------------------|----------------|
| Agency Mortgage-Backed | 8.3% |
| Non-Agency Residential MBS | 0.5% |
| Commercial MBS | 0.9% |
| Asset-Backed | 1.9% |
| Covered Bond | 0.1% |
| Total | 11.7% |

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2017

Note 4 - Capital Assets

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

| | Balance January 1, 2017 | Additions | Disposals and Adjustments | Balance December 31, 2017 |
|---------------------------------------|-------------------------------|---------------------|------------------------------|---------------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 22,642,109 | \$ 1,500 | \$ - | \$ 22,643,609 |
| Right of way | 49,360,467 | 415,690 | - | 49,776,157 |
| Subtotal | 72,002,576 | 417,190 | - | 72,419,766 |
| Capital assets being depreciated: | | | | |
| Roads | 155,097,238 | 9,330,722 | - | 164,427,960 |
| Drain flowage rights | 30,772,175 | - | - | 30,772,175 |
| Land improvements | 21,258,399 | 922,556 | 4,079 | 22,176,876 |
| Building and building improvements | 37,331,197 | 1,210,255 | 13,080 | 38,528,372 |
| Vehicles | 12,271,551 | 3,277,065 | 1,470,832 | 14,077,784 |
| Office furniture | 3,658,564 | 140,712 | 136,671 | 3,662,605 |
| Other tools and equipment | 7,525,758 | 705,924 | 746,186 | 7,485,496 |
| Subtotal | 267,914,882 | 15,587,234 | 2,370,848 | 281,131,268 |
| Accumulated depreciation: | | | | |
| Roads | 87,825,052 | 6,294,776 | - | 94,119,828 |
| Drain flowage rights | 18,449,380 | 692,818 | - | 19,142,198 |
| Land improvements | 16,128,862 | 927,167 | 4,079 | 17,051,950 |
| Building and building improvements | 16,751,885 | 1,366,814 | - | 18,118,699 |
| Vehicles | 7,725,217 | 964,319 | 1,470,832 | 7,218,704 |
| Office furniture | 3,141,500 | 217,895 | 136,671 | 3,222,724 |
| Other tools and equipment | 4,806,304 | 483,434 | 745,056 | 4,544,682 |
| Subtotal | 154,828,200 | 10,947,223 | 2,356,638 | 163,418,785 |
| Net capital assets being depreciated | 113,086,682 | 4,640,011 | 14,210 | 117,712,483 |
| Net capital assets | \$ 185,089,258 | \$ 5,057,201 | \$ 14,210 | \$ 190,132,249 |

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2017

Note 4 - Capital Assets (Continued)

| Business-type Activities | Balance January 1, 2017 | Additions | Disposals and Adjustments | Balance December 31, 2017 |
|--|-------------------------------|---------------------|------------------------------|---------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 116,908 | \$ - | \$ - | \$ 116,908 |
| Construction in progress | - | 707,902 | - | 707,902 |
| Subtotal | 116,908 | 707,902 | - | 824,810 |
| Capital assets being depreciated: | | | | |
| Water and sewer distribution systems | 188,950,791 | 5,900,106 | 21,871 | 194,829,026 |
| Land improvements | 204,561 | - | - | 204,561 |
| Building and building improvements | 14,405,823 | - | - | 14,405,823 |
| Office furniture | 521,361 | - | 15,630 | 505,731 |
| Other tools and equipment | 8,463,370 | 26,672 | - | 8,490,042 |
| Subtotal | 212,545,906 | 5,926,778 | 37,501 | 218,435,183 |
| Accumulated depreciation: | | | | |
| Water and sewer distribution systems | 83,891,414 | 3,879,134 | 19,721 | 87,750,827 |
| Land improvements | 199,466 | 789 | - | 200,255 |
| Building and building improvements | 2,902,394 | 308,688 | - | 3,211,082 |
| Office furniture | 195,973 | 55,221 | - | 251,194 |
| Other tools and equipment | 8,147,372 | 57,200 | 15,630 | 8,188,942 |
| Subtotal | 95,336,619 | 4,301,032 | 35,351 | 99,602,300 |
| Net capital assets being depreciated | 117,209,287 | 1,625,746 | 2,150 | 118,832,883 |
| Net capital assets | \$ 117,326,195 | \$ 2,333,648 | \$ 2,150 | \$ 119,657,693 |

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2017

Note 4 - Capital Assets (Continued)

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

| Component Units - R.A.R.A. | Balance January 1, 2017 | Additions | Disposals and Adjustments | Balance December 31, 2017 |
|---------------------------------------|-------------------------------|-------------------|------------------------------|---------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 415,060 | \$ - | \$ - | \$ 415,060 |
| Capital assets being depreciated: | | | | |
| Buildings | 2,117,177 | - | - | 2,117,177 |
| Building improvements | 729,550 | 658,400 | - | 1,387,950 |
| Land improvement | 20,400 | 23,214 | - | 43,614 |
| Machinery and equipment | 59,635 | 328,116 | - | 387,751 |
| Office equipment and furniture | 106,628 | 13,825 | 331 | 120,122 |
| Subtotal | 3,033,390 | 1,023,555 | 331 | 4,056,614 |
| Less accumulated depreciation | 548,540 | 248,823 | 331 | 797,032 |
| Net capital assets being depreciated | 2,484,850 | 774,732 | - | 3,259,582 |
| Net capital assets | \$ 2,899,910 | \$ 774,732 | \$ - | \$ 3,674,642 |

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2017

Note 4 - Capital Assets (Continued)

| Component Units - Older Persons' Commission | Balance October 1, 2016 | Additions | Disposals and Adjustments | Balance September 30, 2017 |
|--|-------------------------------|----------------------------|------------------------------|----------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 3,090,244 | \$ - | \$ - | \$ 3,090,244 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 13,921,045 | 76,467 | (2,591) | 14,000,103 |
| Land improvement | 1,057,248 | - | - | 1,057,248 |
| Machinery and equipment | 2,147,682 | 99,225 | 308,572 | 1,938,335 |
| Vehicles | 1,218,603 | - | 103,428 | 1,115,175 |
| Subtotal | 18,344,578 | 175,692 | 409,409 | 18,110,861 |
| Less accumulated depreciation | 7,112,056 | 524,323 | 409,409 | 7,226,970 |
| Net capital assets being depreciated | 11,232,522 | (348,631) | - | 10,883,891 |
| Net capital assets | <u>\$ 14,322,766</u> | <u>\$ (348,631)</u> | <u>\$ -</u> | <u>\$ 13,974,135</u> |

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

Governmental Activities:

| | |
|------------------------|--------------|
| General government | \$ 1,267,188 |
| Public works | 7,807,152 |
| Public safety | 1,418,750 |
| Recreation and culture | 454,133 |

Total Governmental Activities **\$ 10,947,223**

Business-type Activities:

| | |
|-------|--------------|
| Water | \$ 2,511,451 |
| Sewer | 1,789,581 |

Total Business-type Activities **\$ 4,301,032**

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2017

Note 4 - Capital Assets (Continued)

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

| | Total Contract Amount | Remaining Commitment |
|--------------------------------|--------------------------|-------------------------|
| Road improvements | \$ 15,051,768 | \$ 2,084,765 |
| Drain and pathway improvements | 84,500 | 35,397 |
| Facility improvements | 5,254,766 | 3,657,694 |
| Water and sewer infrastructure | 7,814,529 | 2,367,023 |
| Total | \$ 28,205,563 | \$ 8,144,879 |

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, 2017

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 | \$ 317,050 |
| | Local Street Fund | 3,327,530 |
| | Nonmajor governmental funds | 732,670 |
| | Internal Service - Facilities Fund | 2,171,620 |
| | Total General Fund | 6,548,870 |
| Local Street Fund | Nonmajor governmental funds | 314,717 |
| Fire Fund | Nonmajor governmental funds | 1,095,230 |
| Special Police Protection Fund | Internal Service - Facilities Fund | 317,366 |
| Nonmajor governmental funds | General Fund | 8,630 |
| | Nonmajor governmental funds | 931,520 |
| | Internal Service - Facilities Fund | 41,140 |
| | Total nonmajor governmental funds | 981,290 |
| Internal Service - Facilities | Nonmajor governmental funds | 837,960 |
| | Total | \$ 10,095,433 |

The transfers from the General Fund to the Major Road Fund, Local Street Fund, Nonmajor governmental funds and the Facilities Fund represent the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations; 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 General Fund, other non-major governmental, and internal service fund represents resources for equipment, pathway improvements, trust principal, and to service debt; and the transfer from Facilities to nonmajor governmental funds is to service debt.

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2017

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% | \$ 3,840,000 | \$ - | \$ (705,000) | \$ 3,135,000 | \$ 695,000 |
| General Obligation Limited Tax Capital Improvement Refunding Bond, Series 2011 payable through 2017 with interest at 2% to 4% | 495,000 | - | (495,000) | - | - |
| General Obligation Unlimited Tax Refunding Bonds, OPC, Series 2010 payable through 2021 with interest at 2.0% to 4.5% | 3,450,000 | - | (660,000) | 2,790,000 | 680,000 |
| County Contractual Obligations: | | | | | |
| Rewold Drain Refunding Bond, payable through 2025 with interest at 2% to 2.25% | 1,755,000 | - | (175,000) | 1,580,000 | 175,000 |
| Oakland County Building Authority, Building Authority Refunding Bonds Series 2012 payable through 2020 with interest at 2.0% | 1,115,000 | - | (295,000) | 820,000 | 315,000 |
| Total bond obligations | 10,655,000 | - | (2,330,000) | 8,325,000 | 1,865,000 |
| Unamortized premium on refunding bonds | 175,567 | - | (43,763) | 131,804 | - |
| Total governmental bond activity | 10,830,567 | - | (2,373,763) | 8,456,804 | 1,865,000 |

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2017

Note 6 - Long-term Debt (Continued)

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|---------------------|-----------------------|----------------------|------------------------|
| Other long-term obligations: | | | | | |
| Capital Lease | \$ 26,841 | \$ - | \$ (21,365) | \$ 5,476 | \$ 5,476 |
| Compensated absences - Governmental activities | 1,486,965 | 1,295,521 | (1,146,562) | 1,635,924 | 1,276,783 |
| Compensated absences - Internal Service | 219,842 | 182,857 | (190,728) | 211,971 | 191,093 |
| Total other long-term obligations | 1,733,648 | 1,478,378 | (1,358,655) | 1,853,371 | 1,473,352 |
| Total governmental activities | \$ 12,564,215 | \$ 1,478,378 | \$ (3,732,418) | \$ 10,310,175 | \$ 3,338,352 |
| 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% | \$ 1,205,000 | \$ - | \$ (205,000) | \$ 1,000,000 | \$ 205,000 |
| Oakland-Macomb Interceptor Drain Drainage District-Drain Bonds, Series 2010B payable through 2030 with interest at 1.15% to 5.9% | 686,074 | - | (34,918) | 651,156 | 36,211 |
| Oakland-Macomb Interceptor Drain Drainage District-Drain Bonds, Series 2010A payable through 2031 with interest at 2.5% | 2,680,280 | - | (149,371) | 2,530,909 | 152,604 |
| Oakland-Macomb Interceptor Drain Drainage District-Drain Bonds, Series 2011 payable through 2033 with interest at 2.5% | 3,565,435 | - | (170,690) | 3,394,745 | 175,453 |
| Oakland-Macomb Interceptor Drain Drainage District-Drain Bonds, Series 2013 payable through 2032 with interest at 2.5% | 8,110,382 | - | (378,869) | 7,731,513 | 386,338 |
| Oakland-Macomb Interceptor Drain Drainage District-Drain Bonds, Series 2014A payable through 2034 with interest at 2% to 3.125% | 1,192,342 | - | (51,841) | 1,140,501 | 53,629 |
| Total business-type bond obligations | 17,439,513 | - | (990,689) | 16,448,824 | 1,009,235 |
| Unamortized premium on refunding bonds | 10,257 | - | (1,712) | 8,545 | - |
| Total business-type bond activities | 17,449,770 | - | (992,401) | 16,457,369 | 1,009,235 |
| Other long-term obligations: | | | | | |
| Compensated absences - Water and Sewer | 251,166 | 227,505 | (249,320) | 229,351 | 214,236 |
| Total business-type activities | \$ 17,700,936 | \$ 227,505 | \$ (1,241,721) | \$ 16,686,720 | \$ 1,223,471 |
| Component Units | | | | | |
| Capital Lease-Building | \$ 1,642,789 | \$ - | \$ (60,245) | \$ 1,582,544 | \$ 65,245 |
| Capital Lease-Fitness Equipment | - | 353,114 | (67,657) | 285,457 | 63,842 |
| Capital Lease-Fitness Wellbeats | - | 11,773 | (2,169) | 9,604 | 2,740 |
| Turf Payback Agreement | 23,835 | - | (5,760) | 18,075 | 5,760 |
| Compensated absences | 54,524 | 13,856 | - | 68,380 | 55,388 |
| Total component units | \$ 1,721,148 | \$ 378,743 | \$ (135,831) | \$ 1,964,060 | \$ 192,975 |

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2017

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 |
| 2018 | \$ 1,865,000 | \$ 258,450 | \$ 2,123,450 | \$ 1,009,235 | \$ 386,690 | \$ 1,395,925 |
| 2019 | 1,965,000 | 195,762 | 2,160,762 | 1,022,387 | 363,908 | 1,386,295 |
| 2020 | 1,865,000 | 125,888 | 1,990,888 | 1,063,552 | 340,130 | 1,403,682 |
| 2021 | 1,775,000 | 53,312 | 1,828,312 | 1,078,178 | 315,073 | 1,393,251 |
| 2022 | 200,000 | 15,937 | 215,937 | 1,042,900 | 289,718 | 1,332,618 |
| 2023-2027 | 655,000 | 21,767 | 676,767 | 4,753,007 | 1,106,867 | 5,859,874 |
| 2028-2032 | - | - | - | 5,008,788 | 493,254 | 5,502,042 |
| 2033-2035 | - | - | - | 1,470,777 | 45,346 | 1,516,123 |
| | <u>\$ 8,325,000</u> | <u>\$ 671,116</u> | <u>\$ 8,996,116</u> | <u>\$ 16,448,824</u> | <u>\$ 3,340,986</u> | <u>\$ 19,789,810</u> |

The Oakland-Macomb Interceptor Drainage District (OMID) is a construction and rehabilitation project that began in 2010 and is projected to continue through 2018. The OMID Series 2010B bonds were issued as Federally Taxable Recovery Zone Economic Development Bonds are eligible to recover tax credit payments from the United States Treasury equal to 45 percent of the interest payable on the bonds. The City's tax credit over the next 16 years will be \$171,752.

OMID was also approved for \$42 million of loans in which \$16 million of the debt was federally forgiven and \$116 million will be loans from the Michigan State Revolving Fund (SRF) (OMID Series 2010A \$26 million, OMID Series 2011 \$25 million, OMID Series 2013 \$65 million, OMID Series 2014 \$20 million, and State of Michigan SAW \$10 million). No SRF draws were required for 2017.

The Clinton River Water Resource Recovery Facility Drainage District is a construction project that began in 2017. The estimated amount of the project is \$38.5 million to \$42 million. Oakland County Drain Bonds Series 2017 were issued for \$32 million in which \$2.5 million of debt was federally forgiven making the net Michigan State Revolving Fund (SRF) loan of \$29 million. The City paid their total portion of the estimated assessment which came to \$4.4, so the City has no debt obligation for this project.

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, 2017 the total considered defeased is \$9,650,000. Accordingly, the trust

Note 6 - Long-term Debt (Continued)

accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements.

Future Revenues Pledged for Debt Payment

County Contractual Obligations - Governmental Activities - The above contractual obligations to the County are the result of the County issuance of bonds on the City's behalf. The City has pledged to raise property taxes, to the extent permitted by law, if necessary to fund the obligation to repay the County. Proceeds from the County bonds provided financing for the construction of drains and facilities. The remaining principal and interest to be paid on the bonds is \$2,569,504. During the current year, net revenue generated by property tax millages was \$453,539 compared to the annual debt requirements of \$526,488 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 \$19,789,810. During the year, net operating revenues of the system were approximately \$5,848,851 compared to the annual debt requirements of \$1,399,946.

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 \$4,747,444. The County holds these monies to apply against future water and sewer system construction for the City. Oakland County has invested these monies and allocated interest earned as an increase to the amount due the City.

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2017

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.

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:

| | 2017 | 2016 |
|---|------------|------------|
| Estimated liability - Beginning of year | \$ 451,112 | \$ 261,222 |
| Estimated claims incurred, including changes in estimates | (319,290) | 205,865 |
| Claims payments | (18,837) | (15,975) |
| Estimated liability - End of year | \$ 112,985 | \$ 451,112 |
| Estimated liability for claims reported | \$ 97,985 | \$ 380,991 |
| Estimated liability for claims reserve | - | 55,121 |
| Estimated liability for claims incurred but not reported | 15,000 | 15,000 |
| Total estimated liability | \$ 112,985 | \$ 451,112 |

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 228 active participants and 70 participants that were separated or retired, this totals to 298 participants in the pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees over 18 years of age are eligible to participate after a six-month probationary period. As established by the pension contract, the City contributes 12 percent to 14 percent of employees' gross earnings, certain employee groups have an employee pretax mandatory contribution of 1 or 3 percent, and any participant can make contributions to the pension plan, up to applicable Internal Revenue Code limits. In accordance with these requirements, the City contributed \$2,202,186 during the current year, employees' mandatory contributions were \$447,575, and employee voluntary contributions were \$8,405. There were no forfeitures that reduced the City's pension contributions and there were no employer's liability outstanding as of December 31, 2017. 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 - GASB No. 45

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. 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 benefit program has two parts.

The first or primary component, the Retiree Health Savings Plan (RHS Plan), a defined contribution plan, is available to all eligible employees after they have completed six months of full-time service with the City. As of year-end there were 198 active participants and 84 participants that were separated or retired, this totals 282 participants in the primary component of the RHS Plan. This component allows retirees to receive reimbursement of eligible health care expenses.

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.

Note 10 - Other Postemployment Benefits - GASB 45 (Continued)

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 53 active participants and 56 participants that are separated or retired and eligible to receive the benefit.

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. Employee groups have a mandatory percentage contribution that range from 1 to 2 percent. Benefits paid out depend solely on amounts contributed to the plan plus investment earnings. During the year the City contributed, from various funds, \$624,783 to the RHS Plan and employee mandatory contributions were \$162,289.

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 participating in the supplemental benefit plan are paid as the applicable costs are incurred. During fiscal year 2017, this amounted to \$127,157.

City of Rochester Hills, Michigan

Notes to Financial Statements December 31, 2017

Note 10 - Other Postemployment Benefits - GASB 45 (Continued)

Funding progress: The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). For the year ended December 31, 2017, the City has estimated the cost of providing retiree health care benefit through an actuarial valuation as of January 1, 2016.

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

| Actual Funding | Governmental Activities | Water & Sewer Fund | Total |
|--|----------------------------|-----------------------|--------------------|
| Annual required contribution | \$ 8,455 | \$ 6,067 | \$ 14,522 |
| Interest on the prior year's net OPEB obligation | (2,565) | (1,858) | (4,423) |
| Adjustment to the ARC | 3,718 | 2,693 | 6,411 |
| | | | |
| Annual OPEB cost | 9,608 | 6,902 | 16,510 |
| | | | |
| Amounts contributed: | | | |
| Amounts funded | - | - | - |
| Increase in net OPEB obligation | 9,608 | 6,902 | 16,510 |
| | | | |
| OPEB asset - Beginning of year | (17,815) | (70,653) | (88,468) |
| | | | |
| OPEB asset - End of year | <u>\$ (8,207)</u> | <u>\$ (63,751)</u> | <u>\$ (71,958)</u> |

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

| Fiscal Year Ended | Annual OPEB Costs | Percentage Contributed | Net OPEB Asset |
|--------------------------|--------------------------|-----------------------------------|-----------------------|
| 12/31/2015 | \$ 46,801 | - | \$ - |
| 12/31/2016 | 14,522 | 709.2% | (88,468) |
| 12/31/2017 | 16,510 | - | (71,958) |

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

| Funding progress | <u>1/1/2014</u> | <u>1/1/2016</u> | <u>1/1/2018</u> |
|----------------------------------|----------------------|----------------------|----------------------|
| Valuation as of: | | | |
| Actuarial value of assets | \$ 2,089,290 | \$ 1,932,831 | \$ 2,165,878 |
| Actuarial accrued liability | 1,813,465 | 2,035,804 | 2,114,591 |
| Unfunded AAL | <u>\$ (275,825)</u> | <u>\$ 102,973</u> | <u>\$ (51,287)</u> |
| | | | |
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| Fund ratio | | | |
| Annual covered payroll | <u>\$ 14,990,622</u> | <u>\$ 14,480,984</u> | <u>\$ 15,444,492</u> |
| | | | |
| Ratio of UAAL to covered payroll | -1.84% | 0.71% | -0.33% |

Note 10 - Other Postemployment Benefits - GASB 45 (Continued)

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

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

In the December 31, 2017 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. Health care costs or trends are not included in the actuarial assumptions due to the benefit being a fixed dollar amount with no correlation health care costs.

Note 11 – Other Postemployment Benefits (OPEB) Plan – GASB No. 74

During the year, the City adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement required changes to the actuarial valuations resulting in a different measurement of the liability of the employer to participants for benefits provided through the other postemployment benefits (OPEB) plan.

Plan Description: The Retiree Health Care Benefit Trust - Supplemental Plan (the “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. The Plan is the start-up program for certain employees who had years of service with the City and a shorter period of time to work, and receive contributions prior to their retirement. It is a closed plan. The Trust was established per P.A. 149 to assist with prefunding the Plan, which is a fixed dollar amount reimbursable to a retiree for health care premiums. The investment fiduciaries shall invest the Trust in accordance with P.A. 314 of 1965, as amended. Investments for the Trust are managed through Transamerica Retirement Solutions.

Plan Administration: The City of Rochester Hills, Michigan, administers the Retiree Health Care Benefit Trust, a single-employer defined benefit other postemployment benefits (OPEB) plan that is used to provide a fixed dollar amount for a retiree to be reimbursed for health care premiums. Rochester Hills City Council (seven elected members) approved the plan by City ordinance.

Plan Members: At December 31, 2017, plan membership consisted of the following:

| | |
|---|-----|
| Active plan members | 53 |
| Inactive plan members entitled to benefit but not receiving a benefit | 6 |
| Retirees receiving the benefit | 50 |
| Total | 109 |

Benefits Provided: The benefit provides to eligible participants who had 10 years of service as of March 12, 2001, a fixed dollar amount for a fixed period, maximum of 25 years. The participant is reimbursed this fixed amount for their healthcare premiums they pay for. Below is the formula for the benefit provided:

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2017

Note 11 – Other Postemployment Benefits (OPEB) Plan – GASB No. 74 (Continued)

| Years of Service | Fixed Amount |
|------------------|--------------|
| 10 | \$ 75.00 |
| 11 | 91.00 |
| 12 | 108.00 |
| 13 | 127.00 |
| 14 | 147.00 |
| 15 | 169.00 |
| 16 | 192.00 |
| 17 | 217.00 |
| 18 | 243.00 |
| 19 | 271.00 |
| 20 | 300.00 |
| 21 | 331.00 |
| 22 | 363.00 |
| 23 | 397.00 |
| 24 | 432.00 |
| 25 | 469.00 |

Contributions: The City is responsible to fund the Retiree Health Care Benefit Trust. Historically, unfunded accrued liability from the actuarial valuation is budgeted to fund the Trust. When the Trust was created the City contributed approximately \$2 million, the City continues to make annual required contributions or pre-funding ahead of scheduled amounts.

Investment Policy: The Plan’s policy in regard to the allocation of invested assets is established and may be amended by the Retiree Health Care Benefit Trust Board by a majority vote of its board members. The following was the Board's adopted asset allocation policy as of December 31, 2017:

| Asset Class | Minimum Allocation % | Target Allocation % | Maximum Allocation % |
|--------------|----------------------|---------------------|----------------------|
| Equities | 60% | 65% | 69% |
| Fixed Income | 30% | 35% | 40% |

Rate of Return: For the year ended December 31, 2017, the annual rate of return on plan investments, net of investment expenses, was 14.65%.

Net OPEB Liability: The City reports OPEB expenses based on funding requirements, as directed by GASB Statement No. 45. Beginning next year, The City will adopt GASB Statement

City of Rochester Hills, Michigan

Notes to Financial Statements

December 31, 2017

Note 11 – Other Postemployment Benefits (OPEB) Plan – GASB No. 74 (Continued)

No. 75, which will require the measurement of OPEB expenses as it is earned rather than as it is funded. The net OPEB liability of the City has been measured as of December 31, 2017 and is as follows:

| | |
|---|--------------|
| Total OPEB liability | \$ 2,124,615 |
| Plan fiduciary net position | 2,165,799 |
| | |
| Net OPEB asset | \$(41,184) |
| | |
| Plan fiduciary net position as a percentage of the total OPEB asset | 101.94% |

Actuarial Assumptions: The total OPEB liability was determined by an actuarial valuation as of December 31, 2017. The valuation used the following actuarial assumptions:

| | |
|---------------------------|---|
| Actuarial cost method | Entry Age |
| Inflation | Not applicable |
| Healthcare trends | Not applicable |
| Salary increases | Not applicable |
| Investment rate of return | 5.00% |
| Mortality | RP 2014 Healthy Annuitant Mortality Table |

Discount Rate: The discount rate used to measure the total employer OPEB liability was 4.94%. The projection of cash flows used to determine the discount rate assumed that Plan contributions would not be made at a rate equal to the actuarially determined contribution rates.

Projected Cash Flows: Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members.

Note 11 – Other Postemployment Benefits (OPEB) Plan – GASB No. 74 (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following shows the net OPEB liability, calculated using the discount rate of 4.94 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (3.94 percent) or 1 percent higher (5.94 percent) than the current rate:

| | 1% Decrease 3.94% | GASB 74 Computed Rate 4.94% | 1% Increase 5.94% |
|--------------------|----------------------|-----------------------------------|----------------------|
| Net OPEB liability | \$130,828 | (\$41,184) | (\$193,979) |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The healthcare costs trends are not applicable to the Plan. The City does not pay for retiree healthcare costs, the City reimburses a retiree a fixed dollar amount for premiums that the retiree has paid.

Note 12 – Tax Abatements

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

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

As of December 31, 2017, the City's property tax revenue were reduced by \$93,669 under these programs.

Note 13 - Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the City to recognize on the face of the financial statements its net OPEB liability related to its participation in the City of Rochester Hills Retiree Health Care Plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending December 31, 2018.

The Governmental Accounting Standards Board issued GASB Statement No. 83, Certain Asset Retirement Obligations. This standard defines an asset retirement obligation (ARO) as "a legally enforceable liability associated with the retirement of a tangible capital asset." Examples include the removal of a sewage treatment plant or the removal of wind turbines. The GASB recognizes that specific guidance did not exist for these types of AROs as there did for the closure and post closure care costs for landfills. This statement provides guidance for measuring and recording other AROs and is effective for the City's financial statements for the year ending December 31, 2019.

Note 13 – Upcoming Accounting Pronouncements (Continued)

The Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*. This standard improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The provisions of this statement are effective for the City's financial statements for the year ending December 31, 2019.

In March 2017, the Governmental Accounting Standards Board issued GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB statements. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits (OPEB)). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending December 31, 2018.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for insubstance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending December 31, 2018.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a

Note 13 – Upcoming Accounting Pronouncements (Continued)

lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending December 31, 2021.



innovative *by* nature

Required Supplemental Information



innovative *by* nature

City of Rochester Hills, Michigan
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
Year Ended December 31, 2017

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|--|----------------------|----------------------|----------------------|------------------------------------|
| Revenues | | | | |
| Property taxes | \$ 6,821,340 | \$ 6,911,690 | \$ 6,913,380 | \$ 1,690 |
| Licenses and permits | 2,914,900 | 3,499,890 | 3,408,799 | (91,091) |
| State sources | 5,650,000 | 6,000,000 | 7,072,213 | 1,072,213 |
| Federal sources | 130,000 | 95,000 | 107,901 | 12,901 |
| Charges for services | 5,993,360 | 5,912,390 | 6,065,735 | 153,345 |
| Fines and forfeitures | 2,500 | 770 | 1,085 | 315 |
| Investment earnings | 124,520 | 390,000 | 429,772 | 39,772 |
| Other | - | 1,720 | 1,806 | 86 |
| Refunds and other revenue | 105,000 | 146,870 | 182,479 | 35,609 |
| Total revenues | 21,741,620 | 22,958,330 | 24,183,170 | 1,224,840 |
| Expenditures | | | | |
| General government: | | | | |
| City Council | 178,020 | 179,450 | 166,428 | 13,022 |
| City administration | 4,297,000 | 4,135,550 | 4,001,556 | 133,994 |
| Clerk | 1,373,770 | 1,251,830 | 1,142,203 | 109,627 |
| Assessing | 1,100,170 | 993,020 | 954,956 | 38,064 |
| Human resources | 854,740 | 826,660 | 744,831 | 81,829 |
| Public works: | | | | |
| Natural resources | 624,430 | 608,520 | 587,184 | 21,336 |
| Cemetery | 359,070 | 301,650 | 273,741 | 27,909 |
| Public safety: | | | | |
| Building | 3,053,280 | 3,117,240 | 2,999,480 | 117,760 |
| Crossing guard | 53,140 | 55,440 | 51,233 | 4,207 |
| Community and economic development: | | | | |
| Planning | 936,800 | 790,990 | 740,111 | 50,879 |
| Community development block grant | 130,000 | 130,000 | 85,328 | 44,672 |
| Recreation and culture: | | | | |
| Parks and recreation | 2,556,690 | 2,399,190 | 2,338,335 | 60,855 |
| Historic district commission | 709,340 | 700,270 | 678,903 | 21,367 |
| Total expenditures | 16,226,450 | 15,489,810 | 14,764,289 | 725,521 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 5,515,170 | 7,468,520 | 9,418,881 | 1,950,361 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 4,660 | 8,630 | 8,630 | - |
| Transfers out | (7,169,830) | (6,548,870) | (6,548,870) | - |
| Total other financing sources (uses) | (7,165,170) | (6,540,240) | (6,540,240) | - |
| Net Change in Fund Balance | (1,650,000) | 928,280 | 2,878,641 | 1,950,361 |
| Fund Balance - Beginning of year | 25,694,614 | 28,931,212 | 27,727,018 | (1,204,194) |
| Fund Balance - End of year | \$ 24,044,614 | \$ 29,859,492 | \$ 30,605,659 | \$ 746,167 |

City of Rochester Hills, Michigan

**Required Supplemental Information
Budgetary Comparison Schedule - Major Road Fund
Year Ended December 31, 2017**

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|--|----------------------------|----------------------------|----------------------------|------------------------------------|
| Revenues | | | | |
| State sources | \$ 3,595,000 | \$ 4,510,000 | \$ 4,646,727 | \$ 136,727 |
| Charges for services | 229,000 | 258,900 | 261,600 | 2,700 |
| Investment earnings | 24,170 | 80,000 | 90,388 | 10,388 |
| Refunds and other revenue | 36,000 | 27,450 | 29,599 | 2,149 |
| Total revenues | <u>3,884,170</u> | <u>4,876,350</u> | <u>5,028,314</u> | <u>151,964</u> |
| Expenditures | | | | |
| Street maintenance | 1,946,060 | 1,686,560 | 1,343,465 | 343,095 |
| Capital outlay | 3,036,580 | 4,835,100 | 4,304,771 | 530,329 |
| Total expenditures | <u>4,982,640</u> | <u>6,521,660</u> | <u>5,648,236</u> | <u>873,424</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(1,098,470)</u> | <u>(1,645,310)</u> | <u>(619,922)</u> | <u>1,025,388</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 317,050 | 317,050 | 317,050 | - |
| Total other financing sources (uses) | <u>317,050</u> | <u>317,050</u> | <u>317,050</u> | <u>-</u> |
| Net Change in Fund Balance | <u>(781,420)</u> | <u>(1,328,260)</u> | <u>(302,872)</u> | <u>1,025,388</u> |
| Fund Balance - Beginning of year | <u>4,670,202</u> | <u>7,846,622</u> | <u>8,399,279</u> | <u>552,657</u> |
| Fund Balance - End of year | <u><u>\$ 3,888,782</u></u> | <u><u>\$ 6,518,362</u></u> | <u><u>\$ 8,096,407</u></u> | <u><u>\$ 1,578,045</u></u> |

City of Rochester Hills, Michigan

**Required Supplemental Information
Budgetary Comparison Schedule - Local Street Fund
Year Ended December 31, 2017**

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|--|---------------------|---------------------|---------------------|------------------------------------|
| Revenues | | | | |
| Property taxes | \$ 3,592,560 | \$ 3,646,600 | \$ 3,646,841 | \$ 241 |
| Licenses and permits | 15,000 | 30,000 | 54,855 | 24,855 |
| State sources | 1,349,000 | 1,742,000 | 1,772,992 | 30,992 |
| Charges for services | 171,080 | 183,430 | 198,607 | 15,177 |
| Investment earnings | 37,640 | 81,000 | 91,000 | 10,000 |
| Special assessments | 23,330 | 26,550 | 36,926 | 10,376 |
| Refunds and other revenue | 25,000 | 97,760 | 108,698 | 10,938 |
| Total revenues | 5,213,610 | 5,807,340 | 5,909,919 | 102,579 |
| Expenditures | | | | |
| Street maintenance | 4,125,790 | 4,327,120 | 3,744,919 | 582,201 |
| Capital outlay | 4,997,010 | 4,492,960 | 4,344,989 | 147,971 |
| Total expenditures | 9,122,800 | 8,820,080 | 8,089,908 | 730,172 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (3,909,190) | (3,012,740) | (2,179,989) | 832,751 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 4,223,980 | 3,327,530 | 3,327,530 | - |
| Transfers out | (314,790) | (314,790) | (314,717) | 73 |
| Total other financing sources (uses) | 3,909,190 | 3,012,740 | 3,012,813 | 73 |
| Net Change in Fund Balance | - | - | 832,824 | 832,824 |
| Fund Balance - Beginning of year | 6,701,745 | 7,749,007 | 6,239,506 | (1,509,501) |
| Fund Balance - End of year | <u>\$ 6,701,745</u> | <u>\$ 7,749,007</u> | <u>\$ 7,072,330</u> | <u>\$ (676,677)</u> |

City of Rochester Hills, Michigan
Required Supplemental Information
Budgetary Comparison Schedule - Fire Fund
Year Ended December 31, 2017

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|--|---------------------|---------------------|---------------------|------------------------------------|
| Revenues | | | | |
| Property taxes | \$ 8,646,300 | \$ 8,753,770 | \$ 8,754,487 | \$ 717 |
| Licenses and permits | 6,000 | 4,320 | 4,400 | 80 |
| State sources | - | 460 | 463 | 3 |
| Charges for services | 1,695,960 | 1,797,380 | 1,847,679 | 50,299 |
| Fines and forfeitures | 3,500 | 1,960 | 2,753 | 793 |
| Investment earnings | 22,700 | 105,000 | 105,459 | 459 |
| Sale of assets | 500 | - | - | - |
| Refunds and other revenue | 5,000 | 23,720 | 23,725 | 5 |
| Total revenues | 10,379,960 | 10,686,610 | 10,738,966 | 52,356 |
| Expenditures | | | | |
| Public safety - Fire | 10,160,100 | 9,591,380 | 9,299,530 | 291,850 |
| Total expenditures | 10,160,100 | 9,591,380 | 9,299,530 | 291,850 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 219,860 | 1,095,230 | 1,439,436 | 344,206 |
| Other Financing Sources (Uses) | | | | |
| Transfers out | (219,860) | (1,095,230) | (1,095,230) | - |
| Total other financing sources (uses) | (219,860) | (1,095,230) | (1,095,230) | - |
| Net Change in Fund Balance | - | - | 344,206 | 344,206 |
| Fund Balance - Beginning of year | 4,030,819 | 4,540,861 | 4,831,724 | 290,863 |
| Fund Balance - End of year | \$ 4,030,819 | \$ 4,540,861 | \$ 5,175,930 | \$ 635,069 |

City of Rochester Hills, Michigan

**Required Supplemental Information
Budgetary Comparison Schedule - Special Police Fund
Year Ended December 31, 2017**

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|--|---------------------|---------------------|---------------------|------------------------------------|
| Revenues | | | | |
| Property taxes | \$ 8,811,310 | \$ 8,944,140 | \$ 8,944,664 | \$ 524 |
| State sources | 40,000 | 45,000 | 45,037 | 37 |
| Federal grants | - | - | 4,333 | 4,333 |
| Other governmental sources | 269,800 | 279,200 | 279,207 | 7 |
| Charges for services | 133,500 | 128,700 | 146,654 | 17,954 |
| Fines and forfeitures | 380,000 | 416,500 | 521,122 | 104,622 |
| Investment earnings | 9,330 | 90,000 | 92,885 | 2,885 |
| Sale of assets | - | 350 | 359 | 9 |
| Refunds and other revenue | - | 10,630 | 11,212 | 582 |
| Total revenues | 9,643,940 | 9,914,520 | 10,045,473 | 130,953 |
| Expenditures | | | | |
| Public safety - Police | 9,326,360 | 9,003,660 | 8,661,338 | 342,322 |
| Total expenditures | 9,326,360 | 9,003,660 | 8,661,338 | 342,322 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 317,580 | 910,860 | 1,384,135 | 473,275 |
| Other Financing Sources (Uses) | | | | |
| Transfers out | (317,580) | (317,580) | (317,366) | 214 |
| Total other financing sources (uses) | (317,580) | (317,580) | (317,366) | 214 |
| Net Change in Fund Balance | - | 593,280 | 1,066,769 | 473,489 |
| Fund Balance - Beginning of year | 1,609,683 | 1,866,815 | 2,530,992 | 664,177 |
| Fund Balance - End of year | \$ 1,609,683 | \$ 2,460,095 | \$ 3,597,761 | \$ 1,137,666 |

City of Rochester Hills, Michigan

Required Supplemental Information Schedule of OPEB Funding Progress Year Ended December 31, 2017

Schedule of Funding Progress

| Actuarial Valuation Dated December 31 | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as of Percentage of Covered Payroll ((b- a)/c) |
|--|--|---|---------------------------------|-----------------------|---------------------------|---|
| 2014 | \$ 2,089,290 | \$ 1,813,465 | \$ (275,825) | 115.21% | \$ 13,543,337 | -2.04% |
| 2016 | 1,932,831 | 2,035,804 | 102,973 | 94.94% | 14,480,984 | 0.71% |
| 2017 | 2,165,878 | 2,114,591 | (51,287) | 102.43% | 15,444,492 | -3.32% |

Schedule of Employer Contributions

| Year Ended December 31 | Annual Required Contribution | Percentage Contribution |
|---------------------------|------------------------------------|----------------------------|
| 2015 | - | 0.0% |
| 2016 | \$ 14,522 | 100.0% |
| 2017 | 14,522 | 0.0% |

City of Rochester Hills, Michigan

Required Supplemental Information

OPEB Plan

Schedule of Changes in the City's Net OPEB Liability and Related Ratios

(Schedule is built prospectively upon implementation of GASB No. 74)

Year Ended December 31, 2017

Total OPEB Liability

| | | |
|--|----|-----------------|
| Service cost | \$ | 3,349 |
| Interest | | 102,677 |
| Changes in benefit terms | | - |
| Differences between expected and actual experience | | 10,148 |
| Changes in assumptions | | - |
| Benefit payments, including refunds | | (136,717) |
| Net Increase in Total OPEB Liability | | (20,543) |

| | | |
|---|--|-----------|
| Total OPEB Liability - Beginning of year | | 2,145,158 |
| Total OPEB Liability - End of year | | 2,124,615 |

Plan Fiduciary Net Position

| | | |
|--|--|----------------|
| Contributions - Employer | | - |
| Contributions - Members | | - |
| Net investment income | | 278,839 |
| Benefit payments, including refunds | | (136,717) |
| Administrative expenses | | - |
| Other | | - |
| Net Increase in Plan Fiduciary Net Position | | 142,122 |

| | | |
|--|-----------|------------------|
| Plan Fiduciary Net Position - Beginning of year | | 2,023,677 |
| Plan Fiduciary Net Position - End of year | \$ | 2,165,799 |

| | | |
|--------------------------------|-----------|-----------------|
| Net OPEB Asset - Ending | \$ | (41,184) |
|--------------------------------|-----------|-----------------|

| | |
|--|---------|
| Plan Fiduciary Net Position as a Percentage of Total OPEB Asset | 101.94% |
|--|---------|

| | |
|---------------------------------|-----------------|
| Covered Employee Payroll | Not applicable* |
|---------------------------------|-----------------|

| | |
|---|-----------------|
| Net OPEB Liability as a Percentage of Covered Employee Payroll | Not applicable* |
|---|-----------------|

*Payroll is not a part of the calculation of this benefit, the benefit is years of service and a fixed dollar amount

City of Rochester Hills, Michigan

Required Supplemental Information Schedule of OPEB Contributions Last Ten Fiscal Years Year Ended December 31, 2017

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|----------------|-------------|
| Actuarially determined contributions | \$ 14,522 | \$ 14,522 | \$ - | \$ - | \$ 110,041 | \$ 110,041 | \$ 159,436 | \$ 159,436 | \$ 288,637 | \$ 288,637 |
| Contributions in relation to the actuarially determined contributions | - | 102,990 | - | - | 110,041 | 159,450 | 313,150 | 155,640 | 2,124,480 | 91,026 |
| Contribution (Excess) Deficiency | \$ 14,522 | \$ (88,468) | \$ - | \$ - | \$ - | \$ (49,409) | \$ (153,714) | \$ 3,796 | \$ (1,835,843) | \$ 197,611 |
| Covered Payroll* | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Contributions as a Percentage of Covered Payroll* | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date December 31, 2017

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--|
| Actuarial cost method | Entry-age |
| Amortization method | Level dollars, open |
| Remaining amortization period | 30 years |
| Asset valuation | Market value of assets |
| Healthcare cost trend rates** | Not applicable |
| Salary increases | Not applicable |
| Investment rate of return | 5.0 percent, net of plan investment expenses |
| Mortality | RP 2014 Healthy Annuitant Mortality Table |
| Other information | None |

*Payroll is not a part of the calculation of this benefit, the benefit is years of service and a fixed dollar amount

**City does not provide healthcare coverage, retirees have to purchase their own and the City reimburses retirees a fixed dollar amount

| | |
|--|-----------------------|
| Annual money-weighted rate of return, net of investment expenses | <u>2017</u> 14.55% |
|--|-----------------------|

City of Rochester Hills, Michigan

Notes to Required Supplemental Information

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except that transfers and debt proceeds have been included in the “revenue” and “expenditures” categories, rather than as “other financing sources (uses).” All annual appropriations lapse at fiscal year end. During the year, the budget was amended in a legally permissible manner.

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

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

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

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

Excess of Expenditures Over Appropriations in Budgeted Funds - The City had five 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> |
|---------------------------|------------------------------|---------------------|---------------|-----------------|
| Fire Capital Fund | Miscellaneous | \$ 180,000 | \$ 192,348 | \$ (12,348) |
| Pathway Construction Fund | Capital outlay | 489,170 | 492,917 | (3,747) |
| Capital Improvement Fund | Capital outlay | 270,000 | 562,260 | (292,260) |
| Cemetery Trust | Public works | - | 370 | (370) |
| Green Space Trust | Recreation and culture | - | 1,583 | (1,583) |



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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, 2017

| | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Permanent Funds | Total Nonmajor Governmental |
|---|-----------------------------|-----------------------|------------------------------|---------------------|-----------------------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 3,878,821 | \$ 814,604 | \$ 3,549,348 | \$ 71,978 | \$ 8,314,751 |
| Investments | 1,491,208 | 350,000 | 5,219,833 | 8,358,789 | 15,419,830 |
| Receivables: | | | | | |
| Property tax | 1,049,832 | 399,623 | - | - | 1,449,455 |
| Accounts | 232 | - | - | - | 232 |
| Accrued interest | 10,151 | 3,902 | 27,874 | 25 | 41,952 |
| Other assets | 6,089 | - | 981,459 | - | 987,548 |
| Total assets | <u>\$ 6,436,333</u> | <u>\$ 1,568,129</u> | <u>\$ 9,778,514</u> | <u>\$ 8,430,792</u> | <u>\$ 26,213,768</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balance | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 250,145 | \$ - | \$ 52,377 | \$ - | \$ 302,522 |
| Accrued wages | 6,047 | - | - | - | 6,047 |
| Deposits and escrows | 544 | - | - | - | 544 |
| Total liabilities | 256,736 | - | 52,377 | - | 309,113 |
| Deferred inflows of resources | | | | | |
| Property taxes levied for subsequent year's budget | 2,325,557 | 889,793 | - | - | 3,215,350 |
| Unavailable revenue-not collected within the period of availability | 232 | - | - | - | 232 |
| Total deferred inflows of resources | 2,325,789 | 889,793 | - | - | 3,215,582 |
| Fund Balances | | | | | |
| Nonspendable | | | | | |
| Prepays | 6,089 | - | 981,459 | - | 987,548 |
| Permanent funds principal | - | - | - | 6,945,928 | 6,945,928 |
| Restricted | | | | | |
| Pathway operations and maintenance | 226,597 | - | - | - | 226,597 |
| Drain improvements | 1,762,903 | - | - | - | 1,762,903 |
| Tree conservation and maintenance | 1,776,519 | - | - | - | 1,776,519 |
| Green space preservation | 81,700 | - | - | - | 81,700 |
| Debt service | - | 678,336 | - | - | 678,336 |
| Pathway construction | - | - | 1,234,439 | - | 1,234,439 |
| Fire vehicles and equipment | - | - | 6,405,134 | - | 6,405,134 |
| Trusts | - | - | - | 1,484,864 | 1,484,864 |
| Assigned | | | | | |
| Capital projects | - | - | 1,105,105 | - | 1,105,105 |
| Total fund balances | 3,853,808 | 678,336 | 9,726,137 | 8,430,792 | 22,689,073 |
| Total liabilities, deferred inflow of resources and fund balances | <u>\$ 6,436,333</u> | <u>\$ 1,568,129</u> | <u>\$ 9,778,514</u> | <u>\$ 8,430,792</u> | <u>\$ 26,213,768</u> |

City of Rochester Hills, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - All Fund Types Nonmajor Governmental Funds Year Ended December 31, 2017

| | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Permanent Funds | Total Nonmajor Government |
|--|-----------------------------|-----------------------|------------------------------|---------------------|---------------------------------|
| Revenue | | | | | |
| Property taxes | \$ 2,295,036 | \$ 902,442 | \$ - | \$ - | \$ 3,197,478 |
| Licenses and permits | 500 | - | - | - | 500 |
| Intergovernmental: | | | | | |
| State grants | 311,539 | - | - | - | 311,539 |
| Federal grants | - | - | 294,566 | - | 294,566 |
| Other governmental revenues | - | - | 200,000 | - | 200,000 |
| Charges for services | 182,266 | - | 1,955 | 83,751 | 267,972 |
| Investment earnings | 36,667 | 14,826 | 78,530 | 1,040,622 | 1,170,645 |
| Sale of assets | - | - | 143,042 | - | 143,042 |
| Refunds and other revenue | 308,532 | - | 19,417 | - | 327,949 |
| Total revenues | <u>3,134,540</u> | <u>917,268</u> | <u>737,510</u> | <u>1,124,373</u> | <u>5,913,691</u> |
| Expenditure | | | | | |
| Public works | 1,545,621 | - | - | 370 | 1,545,991 |
| Recreation and culture | 1,913,040 | - | - | 1,583 | 1,914,623 |
| Capital outlay | - | - | 3,689,249 | - | 3,689,249 |
| Debt service: | | | | | |
| Principal retirement | - | 2,035,000 | - | - | 2,035,000 |
| Interest | - | 302,932 | - | - | 302,932 |
| Miscellaneous | - | 99 | 208,860 | - | 208,959 |
| Total expenditures | <u>3,458,661</u> | <u>2,338,031</u> | <u>3,898,109</u> | <u>1,953</u> | <u>9,696,754</u> |
| Excess of Revenue Over (Under) | | | | | |
| Expenditures | (324,121) | (1,420,763) | (3,160,599) | 1,122,420 | (3,783,063) |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 732,670 | 1,152,677 | 1,326,750 | 700,000 | 3,912,097 |
| Transfers out | (940,150) | - | (41,140) | - | (981,290) |
| Total other financing sources (uses) | <u>(207,480)</u> | <u>1,152,677</u> | <u>1,285,610</u> | <u>700,000</u> | <u>2,930,807</u> |
| Net Change in Fund Balance | (531,601) | (268,086) | (1,874,989) | 1,822,420 | (852,256) |
| Fund Balances - Beginning of year | <u>4,385,409</u> | <u>946,422</u> | <u>11,601,126</u> | <u>6,608,372</u> | <u>23,541,329</u> |
| Fund Balances - End of year | <u>\$ 3,853,808</u> | <u>\$ 678,336</u> | <u>\$ 9,726,137</u> | <u>\$ 8,430,792</u> | <u>\$ 22,689,073</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

Nonmajor Governmental Funds Special Revenue Funds

Combining Balance Sheet

December 31, 2017

| | R.A.R.A Millage Fund | Pathway Fund | Tree Fund |
|---|-------------------------|-------------------|---------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 344,940 | \$ 557,784 | \$ 588,777 |
| Investments | - | - | 1,241,208 |
| Receivables: | | | |
| Property tax | 283,768 | 270,380 | - |
| Accounts | - | 232 | - |
| Accrued interest | - | 32 | 8,388 |
| Other assets | - | 550 | - |
| Total assets | <u>\$ 628,708</u> | <u>\$ 828,978</u> | <u>\$ 1,838,373</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balance | | | |
| Liabilities | | | |
| Accounts payable | \$ - | \$ - | \$ 61,310 |
| Accrued wages | - | 2,563 | - |
| Deposits and escrows | - | - | 544 |
| Total liabilities | - | 2,563 | 61,854 |
| Deferred inflows of resources | | | |
| Property taxes levied for subsequent year's budget | 628,708 | 599,036 | - |
| Unavailable revenue-not collected within the period of availability | - | 232 | - |
| Total deferred inflows of resources | 628,708 | 599,268 | - |
| Fund Balances | | | |
| Nonspendable | | | |
| Prepays | - | 550 | - |
| Restricted | | | |
| Pathway operations and maintenance | - | 226,597 | - |
| Drain improvements | - | - | - |
| Tree conservation and maintenance | - | - | 1,776,519 |
| Green space preservation | - | - | - |
| Total fund balances | <u>-</u> | <u>227,147</u> | <u>1,776,519</u> |
| Total liabilities, deferred inflow of resources and fund balances | <u>\$ 628,708</u> | <u>\$ 828,978</u> | <u>\$ 1,838,373</u> |

| Public Improvement Fund | Older Persons' Millage Fund | Green Space Preservation | Total Nonmajor Special Revenue Funds |
|-------------------------|-----------------------------|--------------------------|--------------------------------------|
| \$ 1,678,039 | \$ 602,129 | \$ 107,152 | \$ 3,878,821 |
| 250,000 | - | - | 1,491,208 |
| - | 495,684 | - | 1,049,832 |
| - | - | - | 232 |
| 1,694 | - | 37 | 10,151 |
| 5,423 | - | 116 | 6,089 |
| \$ 1,935,156 | \$ 1,097,813 | \$ 107,305 | \$ 6,436,333 |
| | | | |
| \$ 163,573 | \$ - | \$ 25,262 | \$ 250,145 |
| 3,257 | - | 227 | 6,047 |
| - | - | - | 544 |
| 166,830 | - | 25,489 | 256,736 |
| - | 1,097,813 | - | 2,325,557 |
| - | - | - | 232 |
| - | 1,097,813 | - | 2,325,789 |
| | | | |
| 5,423 | - | 116 | 6,089 |
| - | - | - | 226,597 |
| 1,762,903 | - | - | 1,762,903 |
| - | - | - | 1,776,519 |
| - | - | 81,700 | 81,700 |
| 1,768,326 | - | 81,816 | 3,853,808 |
| \$ 1,935,156 | \$ 1,097,813 | \$ 107,305 | \$ 6,436,333 |

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Special Revenue Funds

Combining Statement of Revenue, Expenditures, and Changes in Fund Balance

Year Ended December 31, 2017

| | R.A.R.A Millage Fund | Pathway Fund | Tree Fund |
|---|-------------------------|-------------------|---------------------|
| Revenues | | | |
| Property taxes | \$ 618,751 | \$ 595,522 | \$ - |
| Licenses and permits | - | - | - |
| State grants | - | - | - |
| Charges for services | - | 8,930 | 24,372 |
| Investment earnings | - | 4,045 | 16,473 |
| Refunds and other revenue | - | 279 | 297,817 |
| Total revenues | <u>618,751</u> | <u>608,776</u> | <u>338,662</u> |
| Expenditures | | | |
| Public works | - | 324,446 | 107,332 |
| Recreation and culture | 618,751 | - | - |
| Total expenditures | <u>618,751</u> | <u>324,446</u> | <u>107,332</u> |
| Excess of Revenues Over (Under) Expenditures | - | 284,330 | 231,330 |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | - | - |
| Transfers out | - | (231,520) | (8,630) |
| Total other financing sources (uses) | <u>-</u> | <u>(231,520)</u> | <u>(8,630)</u> |
| Net Change in Fund Balance | - | 52,810 | 222,700 |
| Fund Balances - Beginning of year | <u>-</u> | <u>174,337</u> | <u>1,553,819</u> |
| Fund Balances - End of year | <u>\$ -</u> | <u>\$ 227,147</u> | <u>\$ 1,776,519</u> |

| Public Improvement Fund | Older Persons' Millage Fund | Green Space Preservation | Total Nonmajor Special Revenue Funds |
|-------------------------------|--------------------------------|-----------------------------|--|
| \$ - | \$ 1,080,524 | \$ 239 | \$ 2,295,036 |
| 500 | - | - | 500 |
| 311,539 | - | - | 311,539 |
| 148,964 | - | - | 182,266 |
| 14,768 | - | 1,381 | 36,667 |
| 10,381 | - | 55 | 308,532 |
| <u>486,152</u> | <u>1,080,524</u> | <u>1,675</u> | <u>3,134,540</u> |
| 1,113,843 | - | - | 1,545,621 |
| - | 1,080,524 | 213,765 | 1,913,040 |
| <u>1,113,843</u> | <u>1,080,524</u> | <u>213,765</u> | <u>3,458,661</u> |
| (627,691) | - | (212,090) | (324,121) |
| 732,670 | - | - | 732,670 |
| - | - | (700,000) | (940,150) |
| <u>732,670</u> | <u>-</u> | <u>(700,000)</u> | <u>(207,480)</u> |
| 104,979 | - | (912,090) | (531,601) |
| <u>1,663,347</u> | <u>-</u> | <u>993,906</u> | <u>4,385,409</u> |
| <u>\$ 1,768,326</u> | <u>\$ -</u> | <u>\$ 81,816</u> | <u>\$ 3,853,808</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, 2017**

| | R.A.R.A. Millage Fund | | | Pathway Fund | | |
|--|----------------------------|-------------|------------------------------|----------------------------|-------------------|------------------------------|
| | Amended Budget (Unaudited) | Actual | Variance with Amended Budget | Amended Budget (Unaudited) | Actual | Variance with Amended Budget |
| Revenue | | | | | | |
| Property taxes | \$ 619,170 | \$ 618,751 | \$ (419) | \$ 595,490 | \$ 595,522 | \$ 32 |
| Licenses and permits | - | - | - | - | - | - |
| State grants | - | - | - | - | - | - |
| Charges for services | - | - | - | 6,350 | 8,930 | 2,580 |
| Investment earnings | - | - | - | 4,000 | 4,045 | 45 |
| Refunds and other revenue | - | - | - | 270 | 279 | 9 |
| Total revenues | 619,170 | 618,751 | (419) | 606,110 | 608,776 | 2,666 |
| Expenditure | | | | | | |
| Public works | - | - | - | 374,590 | 324,446 | 50,144 |
| Recreation and culture | 619,170 | 618,751 | 419 | - | - | - |
| Total expenditures | 619,170 | 618,751 | 419 | 374,590 | 324,446 | 50,144 |
| Excess of Revenue Over (Under) Expenditures | - | - | - | 231,520 | 284,330 | 52,810 |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | (231,520) | (231,520) | - |
| Total other financing sources (uses) | - | - | - | (231,520) | (231,520) | - |
| Net Change in Fund Balance | - | - | - | - | 52,810 | 52,810 |
| Fund Balances - Beginning of year | - | - | - | 137,369 | 174,337 | 36,968 |
| Fund Balances - End of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 137,369</u> | <u>\$ 227,147</u> | <u>\$ 89,778</u> |

| Tree Fund | | | Public Improvement Fund | | | Older Persons' Millage Fund | | |
|----------------------------|---------------------|------------------------------|----------------------------|---------------------|------------------------------|-----------------------------|--------------|------------------------------|
| Amended Budget (Unaudited) | Actual | Variance with Amended Budget | Amended Budget (Unaudited) | Actual | Variance with Amended Budget | Amended Budget (Unaudited) | Actual | Variance with Amended Budget |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,081,300 | \$ 1,080,524 | \$ (776) |
| - | - | - | - | 500 | 500 | - | - | - |
| - | - | - | 300,000 | 311,539 | 11,539 | - | - | - |
| 23,480 | 24,372 | 892 | 144,450 | 148,964 | 4,514 | - | - | - |
| 15,000 | 16,473 | 1,473 | 12,000 | 14,768 | 2,768 | - | - | - |
| - | 297,817 | 297,817 | 10,380 | 10,381 | 1 | - | - | - |
| 38,480 | 338,662 | 300,182 | 466,830 | 486,152 | 19,322 | 1,081,300 | 1,080,524 | (776) |
| 143,000 | 107,332 | 35,668 | 1,199,500 | 1,113,843 | 85,657 | - | - | - |
| - | - | - | - | - | - | 1,081,300 | 1,080,524 | 776 |
| 143,000 | 107,332 | 35,668 | 1,199,500 | 1,113,843 | 85,657 | 1,081,300 | 1,080,524 | 776 |
| (104,520) | 231,330 | 335,850 | (732,670) | (627,691) | 104,979 | - | - | - |
| - | - | - | 732,670 | 732,670 | - | - | - | - |
| (8,630) | (8,630) | - | - | - | - | - | - | - |
| (8,630) | (8,630) | - | 732,670 | 732,670 | - | - | - | - |
| (113,150) | 222,700 | 335,850 | - | 104,979 | 104,979 | - | - | - |
| 1,570,860 | 1,553,819 | (17,041) | 2,041,319 | 1,663,347 | (377,972) | - | - | - |
| \$ 1,457,710 | \$ 1,776,519 | \$ 318,809 | \$ 2,041,319 | \$ 1,768,326 | \$ (272,993) | \$ - | \$ - | \$ - |

(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, 2017

| | Green Space Preservation | | | Total | | |
|--|----------------------------------|------------------|---------------------------------------|----------------------------------|---------------------|---------------------------------------|
| | Amended Budget (Unaudited) | Actual | Variance with Amended Budget | Amended Budget (Unaudited) | Actual | Variance with Amended Budget |
| Revenue | | | | | | |
| Property taxes | \$ 210 | \$ 239 | \$ 29 | \$ 2,296,170 | \$ 2,295,036 | \$ (1,134) |
| Licenses and permits | - | - | - | - | 500 | 500 |
| State grants | - | - | - | 300,000 | 311,539 | 11,539 |
| Charges for services | - | - | - | 174,280 | 182,266 | 7,986 |
| Investment earnings | 1,500 | 1,381 | (119) | 32,500 | 36,667 | 4,167 |
| Refunds and other revenue | 50 | 55 | 5 | 10,700 | 308,532 | 297,832 |
| Total revenues | 1,760 | 1,675 | (85) | 2,813,650 | 3,134,540 | 320,890 |
| Expenditure | | | | | | |
| Public works | - | - | - | 1,717,090 | 1,545,621 | 171,469 |
| Recreation and culture | 244,000 | 213,765 | 30,235 | 1,944,470 | 1,913,040 | 31,430 |
| Total expenditures | 244,000 | 213,765 | 30,235 | 3,661,560 | 3,458,661 | 202,899 |
| Excess of Revenue Over (Under) | | | | | | |
| Expenditures | (242,240) | (212,090) | 30,150 | (847,910) | (324,121) | 523,789 |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | - | - | - | 732,670 | 732,670 | - |
| Transfers out | (700,000) | (700,000) | - | (940,150) | (940,150) | - |
| Total other financing sources (uses) | (700,000) | (700,000) | - | (207,480) | (207,480) | - |
| Net Change in Fund Balance | (942,240) | (912,090) | 30,150 | (1,055,390) | (531,601) | 523,789 |
| Fund Balances - Beginning of year | 3,614,064 | 993,906 | (2,620,158) | 7,363,612 | 4,385,409 | (2,978,203) |
| Fund Balances - End of year | <u>\$ 2,671,824</u> | <u>\$ 81,816</u> | <u>\$ (2,590,008)</u> | <u>\$ 6,308,222</u> | <u>\$ 3,853,808</u> | <u>\$ (2,454,414)</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.

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
Nonmajor Governmental Funds Debt Service Funds
Combining Balance Sheet
December 31, 2017

| | Drain Fund | OPC Refunding Bond Series 2010 Fund | Municipal Building Refunding Bond Series 2010 Fund | Refunding Bond Capital Improvement Series 2011 | Total Nonmajor Debt Service Funds |
|---|-------------------|---|--|---|---|
| Assets | | | | | |
| Cash and cash equivalents | \$ 367,845 | \$ 443,024 | \$ 3,735 | \$ - | \$ 814,604 |
| Investments | 250,000 | 100,000 | - | - | 350,000 |
| Receivables: | | | | | |
| Property tax | 61,683 | 337,940 | - | - | 399,623 |
| Accrued interest | 2,785 | 1,116 | 1 | - | 3,902 |
| Total assets | <u>\$ 682,313</u> | <u>\$ 882,080</u> | <u>\$ 3,736</u> | <u>\$ -</u> | <u>\$ 1,568,129</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balance | | | | | |
| Deferred inflows of resources | | | | | |
| Property taxes levied for subsequent year's budget | \$ 137,222 | \$ 752,571 | \$ - | \$ - | \$ 889,793 |
| Total deferred inflows of resources | 137,222 | 752,571 | - | - | 889,793 |
| Fund Balances | | | | | |
| Restricted: | | | | | |
| Debt service | 545,091 | 129,509 | 3,736 | - | 678,336 |
| Total fund balances | <u>545,091</u> | <u>129,509</u> | <u>3,736</u> | <u>-</u> | <u>678,336</u> |
| Total liabilities, deferred inflow of resources and fund balances | <u>\$ 682,313</u> | <u>\$ 882,080</u> | <u>\$ 3,736</u> | <u>\$ -</u> | <u>\$ 1,568,129</u> |

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Debt Service Funds

Combining Statement of Revenue, Expenditures, and Changes in Fund Balance

Year Ended December 31, 2017

| | Drain Fund | OPC Refunding Bond Series 2010 Fund | Municipal Building Refunding Bond Series 2010 Fund | Refunding Bond Capital Improvement Series 2011 | Total Nonmajor Debt Service Funds |
|---|-------------------|---|--|---|---|
| Revenues | | | | | |
| Property taxes | \$ 136,173 | \$ 766,269 | \$ - | \$ - | \$ 902,442 |
| Investment earnings | 12,168 | 2,101 | 20 | 537 | 14,826 |
| Total revenues | 148,341 | 768,370 | 20 | 537 | 917,268 |
| Expenditures | | | | | |
| Debt service: | | | | | |
| Principal retirement | 175,000 | 660,000 | 705,000 | 495,000 | 2,035,000 |
| Interest | 34,188 | 124,225 | 133,381 | 11,138 | 302,932 |
| Miscellaneous | 11 | (412) | 250 | 250 | 99 |
| Total expenditures | 209,199 | 783,813 | 838,631 | 506,388 | 2,338,031 |
| Excess of Revenues Over (Under) Expenditures | (60,858) | (15,443) | (838,611) | (505,851) | (1,420,763) |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | - | - | 837,960 | 314,717 | 1,152,677 |
| Total other financing sources (uses) | - | - | 837,960 | 314,717 | 1,152,677 |
| Net Change in Fund Balance | (60,858) | (15,443) | (651) | (191,134) | (268,086) |
| Fund Balances - Beginning of Year | 605,949 | 144,952 | 4,387 | 191,134 | 946,422 |
| Fund Balances - End of Year | \$ 545,091 | \$ 129,509 | \$ 3,736 | \$ - | \$ 678,336 |

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Debt Service Funds

Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances

Amended Budget and Actual

Year Ended December 31, 2017

| | Drain Fund | | | OPC Refunding Bond Series 2010 | | |
|--|----------------------------------|-------------------|------------------------------------|----------------------------------|-------------------|------------------------------------|
| | Amended Budget (Unaudited) | Actual | Variance with Amended Budget | Amended Budget (Unaudited) | Actual | Variance with Amended Budget |
| Revenues | | | | | | |
| Property taxes | \$ 136,100 | \$ 136,173 | \$ 73 | \$ 766,680 | \$ 766,269 | \$ (411) |
| Investment earnings | 12,000 | 12,168 | 168 | 1,000 | 2,101 | 1,101 |
| Total revenues | 148,100 | 148,341 | 241 | 767,680 | 768,370 | 690 |
| Expenditures | | | | | | |
| Principal retirement | 175,000 | 175,000 | - | 660,000 | 660,000 | - |
| Interest | 34,190 | 34,188 | 2 | 124,230 | 124,225 | 5 |
| Miscellaneous | 360 | 11 | 349 | 730 | (412) | 1,142 |
| Total expenditures | 209,550 | 209,199 | 351 | 784,960 | 783,813 | 1,147 |
| Excess of Revenue Over (Under) Expenditures | (61,450) | (60,858) | 592 | (17,280) | (15,443) | 1,837 |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - |
| Net Change in Fund Balance | (61,450) | (60,858) | 592 | (17,280) | (15,443) | 1,837 |
| Fund Balances - Beginning of year | 668,361 | 605,949 | (62,412) | 158,504 | 144,952 | (13,552) |
| Fund Balances - End of year | <u>\$ 606,911</u> | <u>\$ 545,091</u> | <u>\$ (61,820)</u> | <u>\$ 141,224</u> | <u>\$ 129,509</u> | <u>\$ (11,715)</u> |

| Municipal Building Refunding Bond Series 2010 | | | Refunding Bond Capital Improvement Series 2011 | | | Total | | |
|--|-----------------|------------------------------------|---|-------------|------------------------------------|----------------------------------|-------------------|------------------------------------|
| Amended Budget (Unaudited) | Actual | Variance with Amended Budget | Amended Budget (Unaudited) | Actual | Variance with Amended Budget | Amended Budget (Unaudited) | Actual | Variance with Amended Budget |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 902,780 | \$ 902,442 | \$ (338) |
| - | 20 | 20 | 500 | 537 | 37 | 13,500 | 14,826 | 1,326 |
| - | 20 | 20 | 500 | 537 | 37 | 916,280 | 917,268 | 988 |
| 705,000 | 705,000 | - | 495,000 | 495,000 | - | 2,035,000 | 2,035,000 | - |
| 133,390 | 133,381 | 9 | 11,140 | 11,138 | 2 | 302,950 | 302,932 | 18 |
| 280 | 250 | 30 | 280 | 250 | 30 | 1,650 | 99 | 1,551 |
| 838,670 | 838,631 | 39 | 506,420 | 506,388 | 32 | 2,339,600 | 2,338,031 | 1,569 |
| (838,670) | (838,611) | 59 | (505,920) | (505,851) | 69 | (1,423,320) | (1,420,763) | 2,557 |
| 837,960 | 837,960 | - | 314,790 | 314,717 | (73) | 1,152,750 | 1,152,677 | (73) |
| 837,960 | 837,960 | - | 314,790 | 314,717 | (73) | 1,152,750 | 1,152,677 | (73) |
| (710) | (651) | 59 | (191,130) | (191,134) | (4) | (270,570) | (268,086) | 2,484 |
| 4,122 | 4,387 | 265 | 382,902 | 191,134 | (191,768) | 1,213,889 | 946,422 | (267,467) |
| \$ 3,412 | \$ 3,736 | \$ 324 | \$ 191,772 | \$ - | \$ (191,772) | \$ 943,319 | \$ 678,336 | \$ (264,983) |



innovative *by* nature

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, 2017**

| | Fire Capital Fund | Pathway Construction Fund | Capital Improvement Fund | Total Nonmajor Capital Project Funds |
|-------------------------------------|---------------------|---------------------------------|--------------------------------|--|
| Assets | | | | |
| Cash and cash equivalents | \$ 2,927,400 | \$ 271,367 | \$ 350,581 | \$ 3,549,348 |
| Investments | 3,469,833 | 1,000,000 | 750,000 | 5,219,833 |
| Receivables: | | | | |
| Accrued Interest | 20,376 | 2,974 | 4,524 | 27,874 |
| Other assets | 981,459 | - | - | 981,459 |
| | <u>\$ 7,399,068</u> | <u>\$ 1,274,341</u> | <u>\$ 1,105,105</u> | <u>\$ 9,778,514</u> |
| Liabilities and Fund Balance | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 12,475 | \$ 39,902 | \$ - | \$ 52,377 |
| Total liabilities | 12,475 | 39,902 | - | 52,377 |
| Fund Balances | | | | |
| Nonspendable | | | | |
| Prepays | 981,459 | - | - | 981,459 |
| Restricted | | | | |
| Pathway construction | - | 1,234,439 | - | 1,234,439 |
| Fire vehicles and equipment | 6,405,134 | - | - | 6,405,134 |
| Assigned | | | | |
| Capital projects | - | - | 1,105,105 | 1,105,105 |
| Total fund balances | <u>7,386,593</u> | <u>1,234,439</u> | <u>1,105,105</u> | <u>9,726,137</u> |
| Total liabilities and fund balances | <u>\$ 7,399,068</u> | <u>\$ 1,274,341</u> | <u>\$ 1,105,105</u> | <u>\$ 9,778,514</u> |

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Capital Projects Funds

Combining Statement of Revenue, Expenditures, and Changes in Fund Balance

Year Ended December 31, 2017

| | Fire Capital Fund | Pathway Construction Fund | Capital Improvement Fund | Total Nonmajor Capital Project Funds |
|--|----------------------|---------------------------------|--------------------------------|--|
| Revenue | | | | |
| Federal grants | \$ - | \$ - | \$ 294,566 | \$ 294,566 |
| Other governmental revenues | - | 200,000 | - | 200,000 |
| Charges for services | - | 1,955 | - | 1,955 |
| Investment earnings | 57,644 | 9,728 | 11,158 | 78,530 |
| Sale of assets | 143,042 | - | - | 143,042 |
| Refunds and other revenue | 19,417 | - | - | 19,417 |
| Total revenue | 220,103 | 211,683 | 305,724 | 737,510 |
| Expenditure | | | | |
| Capital outlay | 2,634,072 | 492,917 | 562,260 | 3,689,249 |
| Miscellaneous | 192,348 | - | 16,512 | 208,860 |
| Total expenditure | 2,826,420 | 492,917 | 578,772 | 3,898,109 |
| Excess of Revenue Over (Under) | | | | |
| Expenditures | (2,606,317) | (281,234) | (273,048) | (3,160,599) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 1,095,230 | 231,520 | - | 1,326,750 |
| Transfers out | - | - | (41,140) | (41,140) |
| Total other financing sources (uses) | 1,095,230 | 231,520 | (41,140) | 1,285,610 |
| Net Change in Fund Balance | (1,511,087) | (49,714) | (314,188) | (1,874,989) |
| Fund Balances - Beginning of Year | 8,897,680 | 1,284,153 | 1,419,293 | 11,601,126 |
| Fund Balances - End of Year | <u>\$ 7,386,593</u> | <u>\$ 1,234,439</u> | <u>\$ 1,105,105</u> | <u>\$ 9,726,137</u> |

City of Rochester Hills, Michigan

Nonmajor Governmental Funds Capital Projects Funds

Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances

Amended Budget and Actual

Year Ended December 31, 2017

| | Fire Capital Fund | | | Pathway Construction Fund | | |
|--|-------------------------------|---------------------|---------------------------------|-------------------------------|---------------------|---------------------------------|
| | Amended Budget (Unaudited) | Actual | Variance with Amended Budget | Amended Budget (Unaudited) | Actual | Variance with Amended Budget |
| Revenue | | | | | | |
| Federal grants | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other governmental revenues | - | - | - | 200,000 | 200,000 | - |
| Charges for services | - | - | - | 1,950 | 1,955 | 5 |
| Investment earnings | 50,000 | 57,644 | 7,644 | 7,500 | 9,728 | 2,228 |
| Sale of assets | 143,000 | 143,042 | 42 | - | - | - |
| Refunds and other revenue | 19,410 | 19,417 | 7 | - | - | - |
| Total revenue | 212,410 | 220,103 | 7,693 | 209,450 | 211,683 | 2,233 |
| Expenditure | | | | | | |
| Capital outlay | 2,682,710 | 2,634,072 | 48,638 | 489,170 | 492,917 | (3,747) |
| Miscellaneous | 180,000 | 192,348 | (12,348) | - | - | - |
| Total expenditure | 2,862,710 | 2,826,420 | 36,290 | 489,170 | 492,917 | (3,747) |
| Excess of Revenue Over (Under) Expenditures | | | | | | |
| | (2,650,300) | (2,606,317) | 43,983 | (279,720) | (281,234) | (1,514) |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | 1,095,230 | 1,095,230 | - | 231,520 | 231,520 | - |
| Transfers out | - | - | - | - | - | - |
| Total other financing sources (uses) | 1,095,230 | 1,095,230 | - | 231,520 | 231,520 | - |
| Net Change in Fund Balance | | | | | | |
| | (1,555,070) | (1,511,087) | 43,983 | (48,200) | (49,714) | (1,514) |
| Fund Balances - Beginning of year | | | | | | |
| | 10,075,190 | 8,897,680 | (1,177,510) | 1,593,749 | 1,284,153 | (309,596) |
| Fund Balances - End of year | | | | | | |
| | <u>\$ 8,520,120</u> | <u>\$ 7,386,593</u> | <u>\$ (1,133,527)</u> | <u>\$ 1,545,549</u> | <u>\$ 1,234,439</u> | <u>\$ (311,110)</u> |

| Capital Improvement Fund | | | Total | | |
|----------------------------|---------------------|------------------------------|----------------------------|---------------------|------------------------------|
| Amended Budget (Unaudited) | Actual | Variance with Amended Budget | Amended Budget (Unaudited) | Actual | Variance with Amended Budget |
| \$ - | \$ 294,566 | \$ 294,566 | \$ - | \$ 294,566 | \$ 294,566 |
| - | - | - | 200,000 | 200,000 | - |
| - | - | - | 1,950 | 1,955 | 5 |
| 10,000 | 11,158 | 1,158 | 67,500 | 78,530 | 11,030 |
| - | - | - | 143,000 | 143,042 | 42 |
| - | - | - | 19,410 | 19,417 | 7 |
| 10,000 | 305,724 | 295,724 | 431,860 | 737,510 | 305,650 |
| 270,000 | 562,260 | (292,260) | 3,441,880 | 3,689,249 | (247,369) |
| 25,000 | 16,512 | 8,488 | 205,000 | 208,860 | (3,860) |
| 295,000 | 578,772 | (283,772) | 3,646,880 | 3,898,109 | (251,229) |
| (285,000) | (273,048) | 11,952 | (3,215,020) | (3,160,599) | 54,421 |
| - | - | - | 1,326,750 | 1,326,750 | - |
| (41,140) | (41,140) | - | (41,140) | (41,140) | - |
| (41,140) | (41,140) | - | 1,285,610 | 1,285,610 | - |
| (326,140) | (314,188) | 11,952 | (1,929,410) | (1,874,989) | 54,421 |
| 1,456,055 | 1,419,293 | (36,762) | 13,124,994 | 11,601,126 | (1,523,868) |
| \$ 1,129,915 | \$ 1,105,105 | \$ (24,810) | \$ 11,195,584 | \$ 9,726,137 | \$ (1,469,447) |



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Permanent Funds

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

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

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

City of Rochester Hills, Michigan

Permanent Funds Balance Sheet December 31, 2017

| | Cemetery Trust | Green Space Trust | Total |
|---|---------------------|----------------------|---------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 71,978 | \$ - | \$ 71,978 |
| Investments | 1,612,255 | 6,746,534 | 8,358,789 |
| Accrued interest | 25 | - | 25 |
| Total assets | <u>\$ 1,684,258</u> | <u>\$ 6,746,534</u> | <u>\$ 8,430,792</u> |
| Fund Balances | | | |
| Nonspendable - Permanent Fund Principal | \$ 1,245,928 | \$ 5,700,000 | \$ 6,945,928 |
| Restricted for Trust | 438,330 | 1,046,534 | 1,484,864 |
| Total fund balances | <u>\$ 1,684,258</u> | <u>\$ 6,746,534</u> | <u>\$ 8,430,792</u> |

City of Rochester Hills, Michigan

Permanent Funds

Statement of Revenue, Expenditures, and Changes in Fund Balance Year Ended December 31, 2017

| | Cemetery Trust | Green Space Trust | Total |
|---|---------------------|----------------------|---------------------|
| Revenues | | | |
| Charges for services | \$ 83,751 | \$ - | \$ 83,751 |
| Investment earnings-spendable | 197,879 | 842,743 | 1,040,622 |
| Total revenues | <u>281,630</u> | <u>842,743</u> | <u>1,124,373</u> |
| Expenditures | | | |
| Public works | 370 | - | 370 |
| Recreation and culture | - | 1,583 | 1,583 |
| Total expenditures | <u>370</u> | <u>1,583</u> | <u>1,953</u> |
| Excess of Revenues Over (Under) Expenditures | <u>281,260</u> | <u>841,160</u> | <u>1,122,420</u> |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | 700,000 | 700,000 |
| Total other financing sources (uses) | <u>-</u> | <u>700,000</u> | <u>700,000</u> |
| Net Change in Fund Balance | 281,260 | 1,541,160 | 1,822,420 |
| Fund Balances - Beginning of Year | <u>1,402,998</u> | <u>5,205,374</u> | <u>6,608,372</u> |
| Fund Balances - End of Year | <u>\$ 1,684,258</u> | <u>\$ 6,746,534</u> | <u>\$ 8,430,792</u> |

City of Rochester Hills, Michigan

**Nonmajor Governmental Funds Permanent Funds
Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances
Amended Budget and Actual
Year Ended December 31, 2017**

| | Cemetery Trust | | |
|--|----------------------------------|----------------------------|------------------------------------|
| | Amended Budget (Unaudited) | Actual | Variance with Amended Budget |
| Revenues | | | |
| Charges for services | \$ 78,720 | \$ 83,751 | \$ 5,031 |
| Investment earnings-spendable | 140,000 | 197,879 | 57,879 |
| Total revenues | 218,720 | 281,630 | 62,910 |
| Expenditures | | | |
| Public works | - | 370 | (370) |
| Recreation and culture | - | - | - |
| Total expenditures | - | 370 | (370) |
| Excess of Revenue Over (Under) Expenditures | <u>218,720</u> | <u>281,260</u> | <u>62,540</u> |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | - | - |
| Total other financing sources (uses) | - | - | - |
| Net Change in Fund Balance | <u>218,720</u> | <u>281,260</u> | <u>62,540</u> |
| Fund Balances - Beginning of year | <u>1,342,122</u> | <u>1,402,998</u> | <u>60,876</u> |
| Fund Balances - End of year | <u><u>\$ 1,560,842</u></u> | <u><u>\$ 1,684,258</u></u> | <u><u>\$ 123,416</u></u> |

| Green Space Trust | | | Total | | |
|----------------------------|---------------------|------------------------------|----------------------------|---------------------|------------------------------|
| Amended Budget (Unaudited) | Actual | Variance with Amended Budget | Amended Budget (Unaudited) | Actual | Variance with Amended Budget |
| \$ - | \$ - | \$ - | \$ 78,720 | \$ 83,751 | \$ 5,031 |
| 600,000 | 842,743 | 242,743 | 740,000 | 1,040,622 | 300,622 |
| 600,000 | 842,743 | 242,743 | 818,720 | 1,124,373 | 305,653 |
| - | - | - | - | 370 | (370) |
| - | 1,583 | (1,583) | - | 1,583 | (1,583) |
| - | 1,583 | (1,583) | - | 1,953 | (1,953) |
| 600,000 | 841,160 | 241,160 | 818,720 | 1,122,420 | 303,700 |
| 700,000 | 700,000 | - | 700,000 | 700,000 | - |
| 700,000 | 700,000 | - | 700,000 | 700,000 | - |
| 1,300,000 | 1,541,160 | 241,160 | 1,518,720 | 1,822,420 | 303,700 |
| 2,862,470 | 5,205,374 | 2,342,904 | 4,204,592 | 6,608,372 | 2,403,780 |
| \$ 4,162,470 | \$ 6,746,534 | \$ 2,584,064 | \$ 5,723,312 | \$ 8,430,792 | \$ 2,707,480 |



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Internal Service Funds

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

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

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

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

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

City of Rochester Hills, Michigan

Internal Service Funds

Statement of Net Position

Year Ended December 31, 2017

| | Facilities Fund | Management Information Systems Fund | Fleet Equipment Fund | Insurance Fund | Total |
|--|----------------------|--|----------------------------|---------------------|----------------------|
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 7,826,594 | \$ 1,750,792 | \$ 3,189,769 | \$ 538,649 | \$ 13,305,804 |
| Investments | 744,465 | 1,993,125 | 4,489,015 | 500,000 | 7,726,605 |
| Accounts | 17,348 | - | 3,063 | - | 20,411 |
| Accrued interest receivable | 1,275 | 10,388 | 22,941 | 4,592 | 39,196 |
| Other | 3,243 | 2,779 | 5,951 | 248,989 | 260,962 |
| Total current assets | 8,592,925 | 3,757,084 | 7,710,739 | 1,292,230 | 21,352,978 |
| Noncurrent assets: | | | | | |
| Capital assets - Net | 40,343,104 | 439,880 | 3,983,700 | - | 44,766,684 |
| Total assets | 48,936,029 | 4,196,964 | 11,694,439 | 1,292,230 | 66,119,662 |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 672,361 | 8,292 | 80,420 | - | 761,073 |
| Retainages payable | 68,274 | - | - | - | 68,274 |
| Accrued wages | 14,303 | 15,406 | 12,154 | - | 41,863 |
| Accrued vacation | 32,395 | 59,481 | 34,550 | - | 126,426 |
| Accrued annual leave | 15,666 | 31,808 | 17,193 | - | 64,667 |
| Accrued and other liabilities | - | - | - | 112,985 | 112,985 |
| Payable related to debt and capital lease obligations: | | | | | |
| Current portion of debt obligations | 315,000 | - | - | - | 315,000 |
| Current portion of capital lease obligations | - | 5,476 | - | - | 5,476 |
| Accrued interest related to debt | 5,467 | - | - | - | 5,467 |
| Total current liabilities | 1,123,466 | 120,463 | 144,317 | 112,985 | 1,501,231 |
| Noncurrent liabilities: | | | | | |
| Long-term debt-net current portion | 505,000 | - | - | - | 505,000 |
| Other non-current liabilities | 31,596 | 4,506 | 2,242 | - | 38,344 |
| Total noncurrent liabilities | 536,596 | 4,506 | 2,242 | - | 543,344 |
| Total liabilities | 1,660,062 | 124,969 | 146,559 | 112,985 | 2,044,575 |
| Net Position | | | | | |
| Net Investment in capital assets | 39,523,104 | 434,404 | 3,983,700 | - | 43,941,208 |
| Unrestricted | 7,752,863 | 3,637,591 | 7,564,180 | 1,179,245 | 20,133,879 |
| Total net position | <u>\$ 47,275,967</u> | <u>\$ 4,071,995</u> | <u>\$ 11,547,880</u> | <u>\$ 1,179,245</u> | <u>\$ 64,075,087</u> |

City of Rochester Hills, Michigan

Internal Service Funds

Combining Statement of Revenue, Expenses, and Changes in Net Position Year Ended December 31, 2017

| | Facilities Fund | Management Information Systems Fund | Fleet Equipment Fund | Insurance Fund | Total |
|---|----------------------|--|----------------------------|---------------------|----------------------|
| Operating Revenue | | | | | |
| Charges for services | \$ 2,819,449 | \$ 1,822,161 | \$ 2,465,042 | \$ - | \$ 7,106,652 |
| Other operating revenue | 27,057 | 471 | 8,037 | 247,315 | 282,880 |
| Total operating revenue | 2,846,506 | 1,822,632 | 2,473,079 | 247,315 | 7,389,532 |
| Operating Expense | | | | | |
| Salaries and wages | 877,315 | 984,633 | 622,725 | - | 2,484,673 |
| Professional services | 793,129 | 371,685 | 504,451 | 81,038 | 1,750,303 |
| Public utilities | 739,878 | - | - | - | 739,878 |
| Material and supplies | 120,989 | 84,655 | 24,658 | - | 230,302 |
| Repairs and maintenance | 407,444 | 176,036 | 380,748 | - | 964,228 |
| Rentals | 2,312 | - | 2,349 | - | 4,661 |
| Depreciation and amortization | 1,708,766 | 217,895 | 723,608 | - | 2,650,269 |
| Total operating expense | 4,649,833 | 1,834,904 | 2,258,539 | 81,038 | 8,824,314 |
| Operating Income (Loss) | (1,803,327) | (12,272) | 214,540 | 166,277 | (1,434,782) |
| Nonoperating Revenues (Expenses) | | | | | |
| Investment income | 81,043 | 34,269 | 68,597 | 16,821 | 200,730 |
| Interest expense | (20,333) | (686) | - | - | (21,019) |
| Gain (loss) on sale of assets | 3,083 | 54 | 96,508 | - | 99,645 |
| Other | 3,493 | - | - | - | 3,493 |
| Total nonoperating revenues (expenses) | 67,286 | 33,637 | 165,105 | 16,821 | 282,849 |
| Income (Loss) Before Contributions and Transfers | (1,736,041) | 21,365 | 379,645 | 183,098 | (1,151,933) |
| Other capital contributions | 45,396 | - | - | - | 45,396 |
| Transfers | | | | | |
| Transfers in | 2,530,126 | - | - | - | 2,530,126 |
| Transfers out | (837,960) | - | - | - | (837,960) |
| Total transfers | 1,692,166 | - | - | - | 1,692,166 |
| Change in Net Position | 1,521 | 21,365 | 379,645 | 183,098 | 585,629 |
| Net Position, Beginning of year | 47,274,446 | 4,050,630 | 11,168,235 | 996,147 | 63,489,458 |
| Net Position, End of year | <u>\$ 47,275,967</u> | <u>\$ 4,071,995</u> | <u>\$ 11,547,880</u> | <u>\$ 1,179,245</u> | <u>\$ 64,075,087</u> |

City of Rochester Hills, Michigan

Internal Service Funds Combining Statement of Cash Flows Year Ended December 31, 2017

| | Facilities | Management Information Systems Fund | Fleet Equipment Fund | Insurance Fund | Total |
|---|---------------------|---|----------------------------|-------------------|----------------------|
| Cash Flows from Operating Activities | | | | | |
| Cash received from customers | \$ 2,819,449 | \$ 1,822,161 | \$ 2,465,042 | \$ - | \$ 7,106,652 |
| Cash payments for goods and services | (2,267,292) | (633,506) | (865,405) | (387,026) | (4,153,229) |
| Cash payments to employees | (885,521) | (980,217) | (623,416) | - | (2,489,154) |
| Other operating revenue | 12,169 | 471 | 9,311 | 247,315 | 269,266 |
| Net cash provided by (used in) operating activities | (321,195) | 208,909 | 985,532 | (139,711) | 733,535 |
| Cash Flows from Noncapital Financing Activities | | | | | |
| Transfer in from other funds | 844,796 | - | - | - | 844,796 |
| Transfers out to other funds | (837,960) | - | - | - | (837,960) |
| Net cash provided by noncapital financing activities | 6,836 | - | - | - | 6,836 |
| Cash Flows from Capital and Related Financing Activities | | | | | |
| Proceeds from sale of capital assets | 3,083 | 54 | 96,508 | - | 99,645 |
| Payment for capital acquisitions | (1,600,284) | (140,712) | (754,614) | - | (2,495,610) |
| Principal payments | (295,000) | (21,365) | - | - | (316,365) |
| Interest paid | (20,333) | (686) | - | - | (21,019) |
| Capital contributions | 45,396 | - | - | - | 45,396 |
| Transfer in from other funds | 1,685,330 | - | - | - | 1,685,330 |
| Net cash used in capital and related financing activities | (181,808) | (162,709) | (658,106) | - | (1,002,623) |
| Cash Flows from Investing Activities | | | | | |
| Purchase of investment securities | (3,720,415) | (2,489,778) | (4,489,312) | (500,000) | (11,199,505) |
| Proceeds from maturities of investment securities | 5,225,950 | 1,993,576 | 5,226,846 | - | 12,446,372 |
| Receipts of interest and dividends | 82,360 | 27,124 | 62,953 | 12,417 | 184,854 |
| Net cash provided by (used in) investing activities | 1,587,895 | (469,078) | 800,487 | (487,583) | 1,431,721 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,091,728 | (422,878) | 1,127,913 | (627,294) | 1,169,469 |
| Cash and Cash Equivalents - January 1, 2017 | 6,734,866 | 2,173,670 | 2,061,856 | 1,165,943 | 12,136,335 |
| Cash and Cash Equivalents - December 31, 2017 | \$ 7,826,594 | \$ 1,750,792 | \$ 3,189,769 | \$ 538,649 | \$ 13,305,804 |

(Continued on next page)

City of Rochester Hills, Michigan

Internal Service Funds

Combining Statement of Cash Flows (Continued)

Year Ended December 31, 2017

| | 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) | \$ (1,803,327) | \$ (12,272) | \$ 214,540 | \$ 166,277 | \$ (1,434,782) |
| Adjustments to reconcile operating income (loss) to net cash from operating activities - Changes in assets and liabilities: | | | | | |
| Depreciation expense | 1,708,766 | 217,895 | 723,608 | - | 2,650,269 |
| Decrease (increase) in accounts receivable | (14,888) | - | 1,274 | 38,027 | 24,413 |
| Increase in other assets | (612) | (160) | (3,384) | (660) | (4,816) |
| Increase (decrease) in accounts payable and other accrued expenses | (202,928) | (970) | 50,185 | (5,228) | (158,941) |
| Increase (decrease) in accrued wages, vacation and annual leave | (8,206) | 4,416 | (691) | - | (4,481) |
| Decrease in other liabilities | - | - | - | (338,127) | (338,127) |
| Total adjustments | 1,482,132 | 221,181 | 770,992 | (305,988) | 2,168,317 |
| Net cash provided by (used in) operating activities | \$ (321,195) | \$ 208,909 | \$ 985,532 | \$ (139,711) | \$ 733,535 |



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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.

Agency Funds:

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

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

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

City of Rochester Hills, Michigan

Fiduciary Funds

Combining Statement of Net Position

December 31, 2017

| | Agency Funds | | | |
|--------------------------|----------------------------------|--------------------------------|---|-------------------------------|
| | <u>Trust and Agency Fund</u> | <u>Tax Collection Fund</u> | <u>North Oakland County Water Authority</u> | <u>Total Agency Funds</u> |
| Assets | | | | |
| Cash | \$ 1,963 | \$ 4,404,721 | \$ 5,439,492 | \$ 9,846,176 |
| Total assets | <u>\$ 1,963</u> | <u>\$ 4,404,721</u> | <u>\$ 5,439,492</u> | <u>\$ 9,846,176</u> |
| Liabilities | | | | |
| Accounts payable | - | - | 5,402,045 | 5,402,045 |
| Due to other governments | \$ 1,963 | \$ 4,404,721 | \$ 37,447 | \$ 4,444,131 |
| Total liabilities | <u>\$ 1,963</u> | <u>\$ 4,404,721</u> | <u>\$ 5,439,492</u> | <u>\$ 9,846,176</u> |

City of Rochester Hills, Michigan

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year Ended December 31, 2017

| | Balance January 1, 2017 | Additions | Deductions | Balance December 31, 2017 |
|---|-------------------------------|-----------------------|-----------------------|---------------------------------|
| Trust and Agency Fund | | | | |
| Assets - Cash | \$ 1,430 | \$ 582,381 | \$ 581,848 | \$ 1,963 |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ 171,890 | \$ 171,890 | \$ - |
| Due to other governmental units | 1,430 | 293,617 | 293,084 | 1,963 |
| Total liabilities | \$ 1,430 | \$ 465,507 | \$ 464,974 | \$ 1,963 |
| Tax Collection Fund | | | | |
| Assets - Cash | \$ 2,083,953 | \$ 160,643,107 | \$ 158,322,339 | \$ 4,404,721 |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ 26,531 | \$ 26,531 | \$ - |
| Due to other governmental/component units | 2,020,840 | 177,951,381 | 175,567,500 | 4,404,721 |
| Other liabilities | 63113 | 1,385,025 | 1,448,138 | - |
| Total liabilities | \$ 2,083,953 | \$ 179,362,937 | \$ 177,042,169 | \$ 4,404,721 |
| North Oakland County Water Authority | | | | |
| Assets - Cash | \$ 6,455,169 | \$ 24,265,676 | \$ 25,281,353 | \$ 5,439,492 |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ 30,298,613 | \$ 24,896,568 | \$ 5,402,045 |
| Due to other governmental/component units | 6,455,169 | 10,979,415 | 17,397,137 | 37,447 |
| Total liabilities | \$ 6,455,169 | \$ 41,278,028 | \$ 42,293,705 | \$ 5,439,492 |



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Statistical Section

City of Rochester Hills, Michigan

Statistical Section

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.

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

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

| | 2008 | 2009 | 2010 | 2011 |
|------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Governmental Activities | | | | |
| Net investment in capital assets | \$ 132,920,551 | \$ 143,262,388 | \$ 145,384,763 | \$ 145,640,716 |
| Restricted | 46,078,458 | 45,513,634 | 47,311,191 | 47,528,421 |
| Unrestricted | <u>28,657,852</u> | <u>30,532,380</u> | <u>36,011,999</u> | <u>41,111,202</u> |
| Total net position | 207,656,861 | 219,308,402 | 228,707,953 | 234,280,339 |
| Business-type Activities | | | | |
| Net investment in capital assets | 112,451,368 | 109,473,244 | 108,400,368 | 105,213,118 |
| Unrestricted | <u>16,349,812</u> | <u>18,894,276</u> | <u>24,607,878</u> | <u>31,342,789</u> |
| Total net position | 128,801,180 | 128,367,520 | 133,008,246 | 136,555,907 |
| Primary Government in Total | | | | |
| Net investment in capital assets | 245,371,919 | 252,735,632 | 253,785,131 | 250,853,834 |
| Restricted | 46,078,458 | 45,513,634 | 47,311,191 | 47,528,421 |
| Unrestricted | <u>45,007,664</u> | <u>49,426,656</u> | <u>60,619,877</u> | <u>72,453,991</u> |
| Total net position | <u>\$ 336,458,041</u> | <u>\$ 347,675,922</u> | <u>\$ 361,716,199</u> | <u>\$ 370,836,246</u> |

City of Rochester Hills, Michigan

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

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|----|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ | 145,142,346 | \$ 147,168,547 | \$ 155,196,747 | \$ 166,817,146 | \$ 177,708,691 | \$ 184,459,969 |
| | 50,063,452 | 51,090,072 | 48,467,412 | 46,692,160 | 44,123,537 | 45,526,396 |
| | 44,348,803 | 47,065,731 | 47,770,506 | 47,488,531 | 45,331,918 | 47,761,149 |
| | <u>239,554,601</u> | <u>245,324,350</u> | <u>251,434,665</u> | <u>260,997,837</u> | <u>267,164,146</u> | <u>277,747,514</u> |
| | 102,227,501 | 101,946,407 | 99,934,224 | 105,882,742 | 101,078,584 | 107,947,768 |
| | 39,915,557 | 42,854,539 | 46,634,950 | 42,945,236 | 51,454,349 | 48,934,910 |
| | <u>142,143,058</u> | <u>144,800,946</u> | <u>146,569,174</u> | <u>148,827,978</u> | <u>152,532,933</u> | <u>156,882,678</u> |
| | 247,369,847 | 249,114,954 | 255,130,971 | 272,699,888 | 278,787,275 | 292,407,737 |
| | 50,063,452 | 51,090,072 | 48,467,412 | 46,692,160 | 44,123,537 | 45,526,396 |
| | 84,264,360 | 89,920,270 | 94,405,456 | 90,433,767 | 96,786,267 | 96,696,059 |
| | <u>381,697,659</u> | <u>390,125,296</u> | <u>398,003,839</u> | <u>409,825,815</u> | <u>419,697,079</u> | <u>434,630,192</u> |

City of Rochester Hills, Michigan

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

| | 2008 | 2009 | 2010 | 2011 |
|---|---------------|---------------|---------------|--------------|
| Expenses | | | | |
| Governmental activities: | | | | |
| General government | \$ 5,090,089 | \$ 6,347,983 | \$ 5,225,635 | \$ 5,046,903 |
| Public works | 12,195,118 | 11,263,739 | 12,220,800 | 11,965,328 |
| Public safety | 18,700,427 | 18,392,571 | 18,072,766 | 17,885,660 |
| Community and economic development | 1,203,475 | 1,066,989 | 894,785 | 793,710 |
| Recreation and culture | 6,626,340 | 4,876,599 | 4,612,372 | 4,482,418 |
| Interest on long-term debt | 1,822,708 | 1,616,853 | 1,317,638 | 944,612 |
| Total governmental activities expenses | 45,638,157 | 43,564,734 | 42,343,996 | 41,118,631 |
| Business-type activities - Water and sewer | 26,363,970 | 26,896,023 | 27,112,560 | 27,227,738 |
| Total primary government expenses | 72,002,127 | 70,460,757 | 69,456,556 | 68,346,369 |
| Program Revenues | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| General government | 193,570 | 197,758 | 250,305 | 271,264 |
| Public works | 274,862 | 328,823 | 62,222 | 364,902 |
| Public safety | 3,432,773 | 3,078,049 | 3,740,432 | 3,974,851 |
| Community and economic development | 91,197 | 30,326 | 47,516 | 21,505 |
| Recreation and culture | 694,404 | 758,658 | 842,766 | 825,893 |
| Operating grants and contributions | 4,579,943 | 4,453,885 | 4,449,772 | 4,470,444 |
| Capital grants and contributions | 3,160,070 | 5,425,635 | 3,597,135 | 874,157 |
| Total governmental activities program revenues | 12,426,819 | 14,273,134 | 12,990,148 | 10,803,016 |
| Business-type activities - Water and sewer | | | | |
| Charges for service | 24,887,533 | 25,901,158 | 28,970,666 | 30,055,678 |
| Capital grants and contributions | 1,611,334 | 362,930 | 2,653,340 | 639,083 |
| Total business-type activities program revenues | 26,498,867 | 26,264,088 | 31,624,006 | 30,694,761 |
| Total primary government program revenues | 38,925,686 | 40,537,222 | 44,614,154 | 41,497,777 |
| Net (Expense) Revenue | | | | |
| Governmental activities | (33,211,338) | (29,291,600) | (29,353,848) | (30,315,615) |
| Business-type activities | 134,897 | (631,935) | 4,511,446 | 3,467,023 |
| Total primary government net expenses | (33,076,441) | (29,923,535) | (24,842,402) | (26,848,592) |
| General Revenues and Other Changes in Net Position | | | | |
| Governmental activities: | | | | |
| Property taxes | 32,791,719 | 32,898,199 | 31,667,939 | 28,181,281 |
| State-shared revenues | 5,270,042 | 4,543,462 | 4,449,876 | 5,077,251 |
| Unrestricted investment earnings | 3,861,984 | 1,180,742 | 850,707 | 442,713 |
| Unrestricted cable franchise fees | 978,304 | 1,037,993 | 1,217,626 | 1,267,159 |
| Miscellaneous | 572,796 | 1,165,537 | 462,127 | 772,163 |
| Gain on sale of capital assets | 42,087 | 117,208 | 105,124 | 147,434 |
| Transfer | - | - | - | - |
| Contribution to permanent fund-principal | - | - | - | - |
| Special item | - | - | - | - |
| Total general governmental revenues | 43,516,932 | 40,943,141 | 38,753,399 | 35,888,001 |
| Business-type activities | | | | |
| Unrestricted investment earnings | 498,092 | 194,351 | 122,272 | 80,553 |
| Miscellaneous | 20,057 | 3,924 | 7,008 | 85 |
| Loss on disposal of capital assets | - | - | - | - |
| Transfer | - | - | - | - |
| Special item | - | - | - | - |
| Total general business-type revenues | 518,149 | 198,275 | 129,280 | 80,638 |
| Total primary government program revenues | 44,035,081 | 41,141,416 | 38,882,679 | 35,968,639 |
| Change in Net Position | | | | |
| Governmental activities | 10,305,594 | 11,651,541 | 9,399,551 | 5,572,386 |
| Business-type activities | 653,046 | (433,660) | 4,640,726 | 3,547,661 |
| Total primary government | \$ 10,958,640 | \$ 11,217,881 | \$ 14,040,277 | \$ 9,120,047 |

City of Rochester Hills, Michigan

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

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|-----------|-------------------|---------------------|---------------------|----------------------|---------------------|----------------------|
| \$ | 4,695,356 | \$ 4,465,008 | \$ 3,597,085 | \$ 4,885,343 | \$ 5,082,314 | \$ 5,312,761 |
| | 11,621,301 | 11,699,421 | 13,234,754 | 13,411,829 | 13,997,482 | 14,499,490 |
| | 17,920,001 | 18,548,887 | 18,429,217 | 19,426,114 | 20,592,228 | 21,817,641 |
| | 864,268 | 932,396 | 906,554 | 1,030,998 | 1,093,173 | 872,321 |
| | 4,364,953 | 4,299,082 | 5,532,795 | 4,726,200 | 5,594,209 | 5,284,571 |
| | 818,736 | 832,141 | 556,891 | 470,805 | 386,740 | 308,220 |
| | 40,284,615 | 40,776,935 | 42,257,296 | 43,951,289 | 46,746,146 | 48,095,004 |
| | 27,346,260 | 28,563,981 | 28,849,470 | 29,666,789 | 31,515,954 | 33,248,492 |
| | 67,630,875 | 69,340,916 | 71,106,766 | 73,618,078 | 78,262,100 | 81,343,496 |
| | 282,168 | 335,060 | 364,640 | 246,661 | 188,077 | 224,608 |
| | 231,815 | 533,505 | 403,736 | 690,360 | 929,380 | 715,086 |
| | 4,087,803 | 3,979,720 | 4,154,668 | 4,227,208 | 4,389,477 | 5,486,646 |
| | 22,709 | 37,156 | 48,729 | 64,019 | 40,424 | 67,367 |
| | 844,302 | 850,706 | 843,349 | 928,764 | 941,015 | 866,734 |
| | 4,816,403 | 4,975,418 | 5,699,964 | 6,329,670 | 6,046,650 | 7,884,257 |
| | 593,955 | 1,620,345 | 1,176,625 | 3,067,489 | 604,843 | 1,285,335 |
| | 10,879,155 | 12,331,910 | 12,691,711 | 15,554,171 | 13,139,866 | 16,530,033 |
| | 32,375,117 | 29,727,018 | 29,610,232 | 30,669,475 | 34,937,052 | 34,388,137 |
| | 441,084 | 1,383,227 | 736,784 | 1,063,888 | 2,518,382 | 2,716,642 |
| | 32,816,201 | 31,110,245 | 30,347,016 | 31,733,363 | 37,455,434 | 37,104,779 |
| | 43,695,356 | 43,442,155 | 43,038,727 | 47,287,534 | 50,595,300 | 53,634,812 |
| | (29,405,460) | (28,445,025) | (29,565,585) | (28,397,118) | (33,606,280) | (31,564,971) |
| | 5,469,941 | 2,546,264 | 1,497,546 | 2,066,574 | 5,939,480 | 3,856,287 |
| | (23,935,519) | (25,898,761) | (28,068,039) | (26,330,544) | (27,666,800) | (27,708,684) |
| | 26,417,474 | 26,270,519 | 26,609,298 | 29,505,299 | 30,474,096 | 31,456,850 |
| | 5,247,035 | 5,372,104 | 5,520,914 | 5,522,466 | 5,660,822 | 6,089,238 |
| | 350,337 | 292,100 | 234,752 | 165,103 | 853,266 | 2,180,879 |
| | 1,359,968 | 1,409,770 | 1,525,713 | 1,628,426 | 1,660,239 | 1,619,020 |
| | 1,078,121 | 687,926 | 644,405 | 912,932 | 815,804 | 547,260 |
| | 226,787 | 182,355 | 282,906 | 178,825 | 266,925 | 244,852 |
| | - | - | 14,500 | - | - | - |
| | - | - | 42,132 | 47,239 | 41,437 | 10,240 |
| | - | - | 801,280 | - | - | - |
| | 34,679,722 | 34,214,774 | 35,675,900 | 37,960,290 | 39,772,589 | 42,148,339 |
| | 117,210 | 111,624 | 108,464 | 161,471 | 221,170 | 477,369 |
| | - | - | 12,300 | 30,759 | 4,221 | 15,916 |
| | - | - | - | - | (2,459,916) | 173 |
| | - | - | (14,500) | - | - | - |
| | - | - | 164,418 | - | - | - |
| | 117,210 | 111,624 | 270,682 | 192,230 | (2,234,525) | 493,458 |
| | 34,796,932 | 34,326,398 | 35,946,582 | 38,152,520 | 37,538,064 | 42,641,797 |
| | 5,274,262 | 5,769,749 | 6,110,315 | 9,563,172 | 6,166,309 | 10,583,368 |
| | 5,587,151 | 2,657,888 | 1,768,228 | 2,258,804 | 3,704,955 | 4,349,745 |
| \$ | 10,861,413 | \$ 8,427,637 | \$ 7,878,543 | \$ 11,821,976 | \$ 9,871,264 | \$ 14,933,113 |

City of Rochester Hills, Michigan

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

| | 2008 | 2009 | 2010 | 2011 |
|--|----------------------|----------------------|----------------------|----------------------|
| General Fund | | | | |
| Nonspendable | | | | |
| Prepays | \$ - | \$ - | \$ - | \$ - |
| Committed | | | | |
| Budget stabilization | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Assigned | - | - | - | - |
| Unassigned | 14,429,937 | 14,153,056 | 18,175,688 | 23,793,530 |
| Total General Fund | 15,429,937 | 15,153,056 | 19,175,688 | 24,793,530 |
| All Other Governmental Funds | | | | |
| Nonspendable | | | | |
| Inventory | 107,532 | 108,824 | 130,100 | 100,938 |
| Prepays | - | - | - | - |
| Permanent Fund Principal | 854,339 | 898,772 | 927,311 | 961,329 |
| Restricted | | | | |
| Road construction and maintenance | 18,687,480 | 18,106,023 | 19,441,018 | 19,585,696 |
| Fire service | 1,794,465 | 1,938,315 | 2,634,008 | 3,073,339 |
| Police protection | 245,991 | 383,932 | 563,609 | 694,720 |
| Pathway operations and maintenance | 111,456 | 144,891 | 208,313 | 135,738 |
| Drain improvements | 5,113,813 | 4,520,953 | 4,317,799 | 3,573,694 |
| Tree conservation and maintenance | 1,638,492 | 1,659,911 | 1,643,884 | 1,665,859 |
| Green space preservation | 1,425,054 | 2,265,823 | 3,303,468 | 4,220,263 |
| Debt service | 4,923,532 | 4,706,620 | 4,250,814 | 3,809,902 |
| Pathway construction | 2,511,653 | 2,603,150 | 1,607,372 | 1,570,471 |
| Fire vehicles and equipment | 8,370,923 | 8,064,185 | 8,162,349 | 7,935,237 |
| Cemetery Trust | 293,728 | 112,235 | 121,146 | 214,843 |
| Assigned | | | | |
| Capital projects | 3,947,103 | 3,810,494 | 3,922,640 | 4,048,008 |
| Total other governmental funds | 50,025,561 | 49,324,128 | 51,233,831 | 51,590,037 |
| Total of all governmental funds | \$ 65,455,498 | \$ 64,477,184 | \$ 70,409,519 | \$ 76,383,567 |

City of Rochester Hills, Michigan

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

| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ 62,631 | \$ 54,007 |
| 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| - | - | 4,313,480 | 1,032,670 | 1,650,000 | 1,137,000 |
| <u>27,286,912</u> | <u>29,741,203</u> | <u>25,944,104</u> | <u>26,898,542</u> | <u>25,014,387</u> | <u>28,414,652</u> |
| 28,286,912 | 30,741,203 | 31,257,584 | 28,931,212 | 27,727,018 | 30,605,659 |
| 165,288 | 64,159 | 72,383 | 117,823 | 178,846 | 149,520 |
| - | - | - | 2,567,444 | 2,629,479 | 1,072,762 |
| 986,949 | 1,031,738 | 1,073,870 | 3,983,580 | 6,162,547 | 6,945,928 |
| 20,969,948 | 21,978,688 | 19,534,464 | 15,477,806 | 14,444,382 | 15,000,560 |
| 3,475,915 | 3,715,509 | 4,030,819 | 4,540,861 | 4,791,126 | 5,109,373 |
| 1,017,897 | 1,270,798 | 1,557,263 | 1,866,815 | 2,530,992 | 3,597,761 |
| 126,228 | 121,733 | 100,630 | 137,369 | 173,881 | 226,597 |
| 3,028,107 | 2,451,509 | 2,299,054 | 2,041,319 | 1,657,967 | 1,762,903 |
| 1,641,439 | 1,609,515 | 1,608,997 | 1,570,860 | 1,553,819 | 1,776,519 |
| 5,093,769 | 5,951,206 | 5,791,294 | 3,614,064 | 993,862 | 81,700 |
| 3,373,388 | 2,475,136 | 1,909,301 | 1,451,712 | 946,422 | 678,336 |
| 1,609,849 | 1,471,173 | 1,532,249 | 1,593,749 | 1,284,153 | 1,234,439 |
| 8,370,007 | 8,731,559 | 8,737,979 | 7,507,746 | 6,330,236 | 6,405,134 |
| 213,578 | 217,349 | 219,109 | 221,012 | 445,825 | 1,484,864 |
| <u>3,966,203</u> | <u>3,843,275</u> | <u>3,984,047</u> | <u>1,456,055</u> | <u>1,419,293</u> | <u>1,105,105</u> |
| <u>54,038,565</u> | <u>54,933,347</u> | <u>52,451,459</u> | <u>48,148,215</u> | <u>45,542,830</u> | <u>46,631,501</u> |
| <u>\$ 82,325,477</u> | <u>\$ 85,674,550</u> | <u>\$ 83,709,043</u> | <u>\$ 77,079,427</u> | <u>\$ 73,269,848</u> | <u>\$ 77,237,160</u> |

City of Rochester Hills, Michigan

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

| | 2008 | 2009 | 2010 | 2011 |
|--|----------------------|----------------------|----------------------|----------------------|
| Revenue | | | | |
| Property taxes | \$ 32,791,719 | \$ 32,898,199 | \$ 31,667,939 | \$ 28,181,282 |
| Licenses and permits | 1,812,760 | 1,684,243 | 2,277,128 | 2,467,531 |
| Federal grants | 1,088,216 | 326,125 | 941,478 | 1,504,851 |
| State-shared revenues and grants | 9,447,908 | 8,700,365 | 8,466,325 | 9,218,464 |
| Other governmental revenues | 1,834,527 | 1,332,549 | 600,690 | 489,146 |
| Charges for services | 6,770,913 | 7,305,795 | 7,557,775 | 7,382,311 |
| Fines and forfeitures | 471,195 | 380,016 | 440,886 | 426,922 |
| Interest earnings | 3,175,803 | 954,946 | 792,526 | 374,599 |
| Sale of assets | - | - | - | - |
| Other | 476,695 | 1,369,885 | 754,424 | 412,708 |
| Total revenue | 57,869,736 | 54,952,123 | 53,499,171 | 50,457,814 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 7,367,155 | 8,551,010 | 7,076,133 | 6,740,159 |
| Public works | 1,965,170 | 2,240,229 | 2,020,511 | 1,875,536 |
| Public safety | 18,418,447 | 18,543,168 | 18,038,190 | 17,364,296 |
| Community and economic development | 1,199,020 | 1,060,982 | 887,169 | 751,195 |
| Streets | 4,855,495 | 4,947,355 | 5,141,160 | 4,850,974 |
| Recreation and culture | 5,146,701 | 4,801,681 | 4,605,997 | 4,219,325 |
| Capital outlay | 13,763,238 | 8,880,496 | 3,261,641 | 4,308,443 |
| Debt service | | | | |
| Principal | 4,644,708 | 4,997,417 | 4,848,247 | 3,494,040 |
| Interest | 1,717,185 | 1,528,045 | 1,270,761 | 910,686 |
| Miscellaneous | 24,559 | 53,069 | 184,038 | 80,010 |
| Total expenditures | 59,101,678 | 55,603,452 | 47,333,847 | 44,594,664 |
| Excess of Revenue Over (Under) Expenditures | (1,231,942) | (651,329) | 6,165,324 | 5,863,150 |
| Other Financing Sources (Uses) | | | | |
| Debt issuance | - | - | 13,645,000 | 2,270,000 |
| Debt premium or discount | - | - | - | 82,781 |
| Transfers in | 11,739,222 | 12,218,041 | 9,993,536 | 8,682,371 |
| Transfers out | (12,071,122) | (12,545,026) | (10,144,746) | (8,630,932) |
| Payment to refund bond escrow agent | - | - | (13,726,779) | (2,293,322) |
| Total other financing sources (uses) | (331,900) | (326,985) | (232,989) | 110,898 |
| Special item | - | - | - | - |
| Net Change in Fund Balances | (1,563,842) | (978,314) | 5,932,335 | 5,974,048 |
| Fund Balances - Beginning of year | 67,019,340 | 65,455,498 | 64,477,184 | 70,409,519 |
| Fund Balances - End of year | \$ 65,455,498 | \$ 64,477,184 | \$ 70,409,519 | \$ 76,383,567 |
| Debt Service as a Percentage of Noncapital Expenditures | 14.03% | 13.97% | 13.88% | 10.93% |

City of Rochester Hills, Michigan

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

| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 26,417,474 | \$ 26,270,519 | \$ 26,609,298 | \$ 29,505,299 | \$ 30,474,096 | \$ 31,456,850 |
| 2,577,130 | 2,571,550 | 2,708,237 | 3,018,417 | 2,882,128 | 3,468,554 |
| 201,632 | 174,056 | 237,065 | 326,473 | 108,715 | 406,800 |
| 9,634,631 | 9,865,099 | 10,591,515 | 10,964,591 | 11,264,159 | 13,848,971 |
| 453,796 | 528,096 | 592,815 | 359,723 | 587,520 | 479,207 |
| 7,464,602 | 7,769,831 | 8,242,976 | 8,237,157 | 8,382,094 | 8,788,247 |
| 378,247 | 336,031 | 401,611 | 407,202 | 490,366 | 524,960 |
| 291,907 | 245,859 | 204,716 | 109,709 | 764,247 | 1,980,149 |
| - | - | 149,151 | 15,306 | 48,007 | 145,207 |
| 392,907 | 573,634 | 399,256 | 3,453,652 | 833,410 | 720,588 |
| <u>47,812,326</u> | <u>48,334,675</u> | <u>50,136,640</u> | <u>56,397,529</u> | <u>55,834,742</u> | <u>61,819,533</u> |
| 6,438,938 | 6,530,376 | 6,940,068 | 6,951,204 | 7,472,323 | 7,009,974 |
| 1,656,614 | 1,704,769 | 1,716,610 | 2,215,493 | 2,171,404 | 2,406,916 |
| 17,288,660 | 17,691,504 | 18,224,842 | 19,211,142 | 20,518,990 | 21,011,581 |
| 796,056 | 824,991 | 815,104 | 861,658 | 932,725 | 825,439 |
| 4,210,522 | 4,844,567 | 5,521,962 | 4,885,500 | 4,821,917 | 5,088,384 |
| 4,121,970 | 4,119,257 | 4,258,456 | 4,419,728 | 4,804,282 | 4,931,861 |
| 3,540,040 | 5,200,576 | 12,447,756 | 14,021,201 | 11,417,735 | 12,339,009 |
| 3,005,889 | 3,037,611 | 2,280,000 | 2,345,000 | 2,425,000 | 2,035,000 |
| 746,836 | 640,710 | 537,660 | 460,802 | 381,364 | 302,932 |
| 2,638 | 48,808 | 2,124 | 3,206 | 62,840 | 208,959 |
| <u>41,808,163</u> | <u>44,643,169</u> | <u>52,744,582</u> | <u>55,374,934</u> | <u>55,008,580</u> | <u>56,160,055</u> |
| 6,004,163 | 3,691,506 | (2,607,942) | 1,022,595 | 826,162 | 5,659,478 |
| - | 2,235,000 | - | - | - | - |
| - | - | - | - | - | - |
| 12,584,684 | 12,501,659 | 13,757,668 | 10,160,252 | 7,362,323 | 7,565,307 |
| (12,646,937) | (12,889,250) | (13,916,513) | (17,812,463) | (11,998,064) | (9,257,473) |
| - | (2,189,842) | - | - | - | - |
| <u>(62,253)</u> | <u>(342,433)</u> | <u>(158,845)</u> | <u>(7,652,211)</u> | <u>(4,635,741)</u> | <u>(1,692,166)</u> |
| - | - | 801,280 | - | - | - |
| 5,941,910 | 3,349,073 | (1,965,507) | (6,629,616) | (3,809,579) | 3,967,312 |
| <u>76,383,567</u> | <u>82,325,477</u> | <u>85,674,550</u> | <u>83,709,043</u> | <u>77,079,427</u> | <u>73,269,848</u> |
| <u>\$ 82,325,477</u> | <u>\$ 85,674,550</u> | <u>\$ 83,709,043</u> | <u>\$ 77,079,427</u> | <u>\$ 73,269,848</u> | <u>\$ 77,237,160</u> |
| 9.81% | 9.33% | 6.99% | 6.78% | 6.78% | 6.44% |



innovative *by* nature

Revenue Capacity

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



innovative *by* nature

City of Rochester Hills, Michigan

Revenue Capacity Information

Taxable Value and Actual Value of Taxable Property

| Fiscal Year | Tax Year | Taxable Value by Property Type | | | | | Tax Rate (Mills) | Estimated Actual Value | Taxable Value as a Percentage of Actual |
|-------------|----------|--------------------------------|----------------|----------------|-------------------|------------------|------------------|------------------------|---|
| | | Real Property | | | Personal Property | Total Value | | | |
| | | Residential | Commercial | Industrial | | | | | |
| 2008 | 2007 | \$ 2,801,498,910 | \$ 510,999,610 | \$ 209,350,210 | \$ 205,537,880 | \$ 3,727,386,610 | 9.7060 | \$ 8,351,078,480 | 44.63% |
| 2009 | 2008 | 2,782,059,550 | 545,149,070 | 211,159,600 | 204,285,970 | 3,742,654,190 | 9.7060 | 8,084,781,040 | 46.29% |
| 2010 | 2009 | 2,637,547,585 | 564,580,740 | 207,544,800 | 191,244,010 | 3,600,917,135 | 9.7060 | 7,472,052,230 | 48.19% |
| 2011 | 2010 | 2,337,061,650 | 502,972,330 | 178,594,910 | 176,032,380 | 3,194,661,270 | 9.7060 | 6,476,390,380 | 49.33% |
| 2012 | 2011 | 2,232,908,563 | 444,293,600 | 139,646,680 | 176,466,320 | 2,993,315,163 | 9.7060 | 6,041,692,626 | 49.54% |
| 2013 | 2012 | 2,253,441,406 | 419,075,040 | 118,567,180 | 181,726,150 | 2,972,809,776 | 9.7060 | 6,028,657,392 | 49.31% |
| 2014 | 2013 | 2,298,696,600 | 409,303,060 | 118,804,730 | 187,007,950 | 3,013,812,340 | 9.7060 | 6,160,235,260 | 48.92% |
| 2015 | 2014 | 2,364,678,200 | 412,428,510 | 119,903,050 | 184,824,590 | 3,081,834,350 | 10.4496 | 6,708,154,380 | 45.94% |
| 2016 | 2015 | 2,441,920,790 | 424,514,630 | 121,165,740 | 194,546,970 | 3,182,148,130 | 10.4605 | 7,371,956,560 | 43.17% |
| 2017 | 2016 | 2,515,199,360 | 432,989,870 | 122,630,670 | 164,474,500 | 3,225,294,400 | 10.4605 | 7,892,784,340 | 40.86% |

Source: City of Rochester Hills

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

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

City of Rochester Hills, Michigan

Revenue Capacity Information Direct and Overlapping Property Tax Rates

| Tax Year | Millage Rates - Direct City Taxes | | | | Overlapping Taxes | | | | | |
|--------------|-----------------------------------|-----------------|--------|--------------------|--------------------------|-------------------------------|--------------|---------------|---------------|---------------------------|
| | General Operating | Special Purpose | Debt | Total Direct Taxes | Oakland County Operating | Huron/Clinton Metro Authority | County Parks | Zoo Authority | Art Institute | Oakland Community College |
| 2008 | | | | | | | | | | |
| Homestead | 3.7298 | 4.7980 | 1.1782 | 9.7060 | 4.1900 | 0.2146 | 0.2415 | 0.1000 | 0.0000 | 1.5844 |
| Nonhomestead | 3.7298 | 4.7980 | 1.1782 | 9.7060 | 4.1900 | 0.2146 | 0.2415 | 0.1000 | 0.0000 | 1.5844 |
| 2009 | | | | | | | | | | |
| Homestead | 3.7545 | 4.7980 | 1.1535 | 9.7060 | 4.1900 | 0.2146 | 0.2415 | 0.1000 | 0.0000 | 1.5844 |
| Nonhomestead | 3.7545 | 4.7980 | 1.1535 | 9.7060 | 4.1900 | 0.2146 | 0.2415 | 0.1000 | 0.0000 | 1.5844 |
| 2010 | | | | | | | | | | |
| Homestead | 3.7242 | 5.1525 | 0.8293 | 9.7060 | 4.1900 | 0.2146 | 0.2415 | 0.1000 | 0.0000 | 1.5844 |
| Nonhomestead | 3.7242 | 5.1525 | 0.8293 | 9.7060 | 4.1900 | 0.2146 | 0.2415 | 0.1000 | 0.0000 | 1.5844 |
| 2011 | | | | | | | | | | |
| Homestead | 3.7465 | 5.3089 | 0.6506 | 9.7060 | 4.1900 | 0.2146 | 0.2415 | 0.1000 | 0.0000 | 1.5844 |
| Nonhomestead | 3.7465 | 5.3089 | 0.6506 | 9.7060 | 4.1900 | 0.2146 | 0.2415 | 0.1000 | 0.0000 | 1.5844 |
| 2012 | | | | | | | | | | |
| Homestead | 3.9132 | 5.3089 | 0.4839 | 9.7060 | 4.1900 | 0.2146 | 0.2415 | 0.1000 | 0.2000 | 1.5844 |
| Nonhomestead | 3.9132 | 5.3089 | 0.4839 | 9.7060 | 4.1900 | 0.2146 | 0.2415 | 0.1000 | 0.2000 | 1.5844 |
| 2013 | | | | | | | | | | |
| Homestead | 3.6222 | 5.7944 | 0.2894 | 9.7060 | 4.1900 | 0.2146 | 0.2415 | 0.1000 | 0.2000 | 1.5844 |
| Nonhomestead | 3.6222 | 5.7944 | 0.2894 | 9.7060 | 4.1900 | 0.2146 | 0.2415 | 0.1000 | 0.2000 | 1.5844 |
| 2014 | | | | | | | | | | |
| Homestead | 1.9636 | 8.1965 | 0.2895 | 10.4496 | 4.1900 | 0.2146 | 0.2415 | 0.1000 | 0.2000 | 1.5844 |
| Nonhomestead | 1.9636 | 8.1965 | 0.2895 | 10.4496 | 4.1900 | 0.2146 | 0.2415 | 0.1000 | 0.2000 | 1.5844 |
| 2015 | | | | | | | | | | |
| Homestead | 2.0275 | 8.1492 | 0.2838 | 10.4605 | 4.0900 | 0.2146 | 0.2410 | 0.0998 | 0.1996 | 1.5819 |
| Nonhomestead | 2.0275 | 8.1492 | 0.2838 | 10.4605 | 4.0900 | 0.2146 | 0.2410 | 0.0998 | 0.1996 | 1.5819 |
| 2016 | | | | | | | | | | |
| Homestead | 2.1136 | 8.0707 | 0.2762 | 10.4605 | 4.0400 | 0.2146 | 0.2392 | 0.0990 | 0.1981 | 1.5707 |
| Nonhomestead | 2.1136 | 8.0707 | 0.2762 | 10.4605 | 4.0400 | 0.2146 | 0.2392 | 0.0990 | 0.1981 | 1.5707 |
| 2017 | | | | | | | | | | |
| Homestead | 2.2561 | 7.9366 | 0.2678 | 10.4605 | 4.0400 | 0.2140 | 0.2368 | 0.0980 | 0.1961 | 1.5555 |
| Nonhomestead | 2.2561 | 7.9366 | 0.2678 | 10.4605 | 4.0400 | 0.2140 | 0.2368 | 0.0980 | 0.1961 | 1.5555 |

City of Rochester Hills, Michigan

Revenue Capacity Information Direct and Overlapping Property Tax Rates

| Overlapping Taxes | | | | | | | | | Total Direct and Overlapping Rates by Resident's School District | |
|--------------------------------------|-------------------------------------|-----------|--------|--------------------------|-----------|--------------|---------|--------|--|------------------|
| Oakland Intermediate School District | Rochester Community School District | | | Avondale School District | | | | | Rochester Community Schools | Avondale Schools |
| | State Education Tax | Operating | Debt | State Education Tax | Operating | Supplemental | Sinking | Debt | | |
| 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 |
| 3.3633 | 6.0000 | 0.0000 | 6.2000 | 6.0000 | 0.0000 | 0.0000 | 0.6000 | 7.3000 | 32.4507 | 34.1507 |
| 3.3633 | 6.0000 | 18.0000 | 6.2000 | 6.0000 | 18.0000 | 0.0000 | 0.6000 | 7.3000 | 50.4507 | 52.1507 |
| 3.3398 | 6.0000 | 0.0000 | 5.9000 | 6.0000 | 0.0000 | 0.0000 | 0.8000 | 7.3000 | 32.0619 | 34.2619 |
| 3.3398 | 6.0000 | 18.0000 | 5.9000 | 6.0000 | 18.0000 | 0.0000 | 0.8000 | 7.3000 | 50.0619 | 52.2619 |
| 3.3079 | 6.0000 | 0.0000 | 6.0000 | 6.0000 | 0.0000 | 0.0000 | 0.8000 | 7.3000 | 32.1088 | 34.2088 |
| 3.3079 | 6.0000 | 18.0000 | 6.0000 | 6.0000 | 18.0000 | 0.0000 | 0.8000 | 7.3000 | 50.1088 | 52.2088 |

City of Rochester Hills, Michigan

Revenue Capacity Information Principal Property Taxpayers

| Taxpayer | 2017 Taxable Value | 2017 Percentage of Total | 2017 Rank | 2008 Taxable Value | 2008 Percentage of Total | 2008 Rank |
|---|-------------------------|--------------------------------|--------------|-------------------------|--------------------------------|--------------|
| Detroit Edison | \$ 27,095,560 | 0.84% | 1 | \$ 23,328,210 | 0.62% | 3 |
| Singh Cider Mill Village | 26,790,570 | 0.83% | 2 | 30,788,920 | 0.82% | 1 |
| Vorh Assoc. LLC (Meadowbrook/The Village RH) | 21,480,470 | 0.67% | 3 | 26,598,390 | 0.71% | 2 |
| New Plan (Hampton Village Center) | 18,858,570 | 0.58% | 4 | 22,975,210 | 0.61% | 4 |
| Consumers Power | 14,634,670 | 0.45% | 5 | - | - | |
| Winchester Center LLC | 13,688,540 | 0.42% | 6 | 16,794,110 | 0.45% | 7 |
| Sunoco Pipeline LP | 13,309,620 | 0.41% | 7 | - | - | |
| Stuart Frankel | 12,498,630 | 0.39% | 8 | 19,624,670 | 0.52% | 5 |
| Associate Estates Realty: Apartments | 11,548,220 | 0.36% | 9 | 14,709,520 | 0.39% | 9 |
| 1185 River Oaks North, LLC (Solomon Properties) | 11,133,800 | 0.35% | 10 | 15,638,970 | 0.42% | 8 |
| FANUC Robotics | - | - | - | 17,260,680 | 0.46% | 6 |
| First Industrial Realty | - | - | - | 13,883,620 | 0.37% | 10 |
| Subtotal | 171,038,650 | 5.30% | | 201,602,300 | 5.37% | |
| Other | 3,054,255,750 | 94.70% | | 3,541,051,890 | 94.63% | |
| Total | \$ 3,225,294,400 | 100.00% | | \$ 3,742,654,190 | 100.00% | |

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 |
|-------------|---------------|---------------------|-------------------|------------------------|-----------------------|---------------------------|
| 2008 | \$ 36,122,159 | \$ 34,486,540 | 95.5 | \$ 1,625,429 | \$ 36,111,968 | 100.0 |
| 2009 | 36,290,684 | 34,712,620 | 95.7 | 1,625,806 | 36,338,426 | 100.0 |
| 2010 | 34,842,029 | 33,466,594 | 96.0 | 1,370,511 | 34,834,105 | 100.0 |
| 2011 | 30,923,844 | 29,965,392 | 96.9 | 959,858 | 30,925,250 | 100.0 |
| 2012 | 28,951,559 | 28,060,297 | 96.9 | 907,455 | 28,967,752 | 100.0 |
| 2013 | 28,768,092 | 28,079,464 | 97.6 | 741,000 | 28,820,464 | 100.2 |
| 2014 | 29,173,993 | 28,418,086 | 97.4 | 579,126 | 28,997,212 | 99.4 |
| 2015 | 32,170,115 | 31,589,510 | 98.2 | 574,776 | 32,164,286 | 99.9 |
| 2016 | 33,243,238 | 32,642,927 | 98.2 | 592,519 | 33,235,446 | 100.0 |
| 2017 | 33,740,109 | 33,207,269 | 98.4 | 589,004 | 33,796,273 | 100.2 |

Source: City of Rochester Hills



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Debt Capacity

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

City of Rochester Hills, Michigan

Debt Capacity Information Ratios of Outstanding Debt

| | 2008 | 2009 | 2010 | 2011 |
|--|----------------------|----------------------|----------------------|----------------------|
| Governmental Activities | | | | |
| General obligation bonds | \$ 23,680,000 | \$ 20,880,000 | \$ 18,320,000 | \$ 16,840,000 |
| County contractual obligations | 13,108,228 | 11,160,811 | 9,097,564 | 7,103,511 |
| Special assessment bonds | 2,150,000 | 1,675,000 | 1,350,000 | 1,175,000 |
| Unamortized premium on refunding bonds | 8,786 | 6,309 | 315,199 | 355,372 |
| Total | 38,947,014 | 33,722,120 | 29,082,763 | 25,473,883 |
| Capital Leases | | | | |
| Capital Lease-Office Equipment | - | - | - | - |
| Business-type Activities | | | | |
| County contractual obligations | 3,400,000 | 3,250,000 | 4,172,069 | 6,764,940 |
| Unamortized premium on refunding bonds | - | - | - | 17,526 |
| Total | 3,400,000 | 3,250,000 | 4,172,069 | 6,782,466 |
| Total debt of the government | \$ 42,347,014 | \$ 36,972,120 | \$ 33,254,832 | \$ 32,256,349 |
| | | | | |
| Total taxable value | \$ 3,727,386,610 | \$ 3,742,654,190 | \$ 3,600,917,135 | \$ 3,194,661,270 |
| Ratio of total debt to taxable value | 1.14% | 0.99% | 0.92% | 1.01% |
| Total population | 68,120 | 69,014 | 70,995 | 70,995 |
| Total debt per capita based on taxable value | \$ 621.65 | \$ 535.72 | \$ 468.41 | \$ 454.35 |

City of Rochester Hills, Michigan

Debt Capacity Information Ratios of Outstanding Debt

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|----|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ | 15,175,000 | \$ 13,470,000 | \$ 11,705,000 | \$ 9,770,000 | \$ 7,785,000 | \$ 5,925,000 |
| | 5,692,611 | 4,340,000 | 3,785,000 | 3,340,000 | 2,870,000 | 2,400,000 |
| | 975,000 | 775,000 | 525,000 | 275,000 | - | - |
| | <u>348,818</u> | <u>306,853</u> | <u>263,087</u> | <u>219,330</u> | <u>175,567</u> | <u>131,804</u> |
| | 22,191,429 | 18,891,853 | 16,278,087 | 13,604,330 | 10,830,567 | 8,456,804 |
| | - | <u>86,040</u> | <u>67,091</u> | <u>47,370</u> | <u>26,842</u> | <u>5,426</u> |
| | 8,102,958 | 10,296,500 | 16,349,753 | 18,387,562 | 17,439,513 | 16,448,824 |
| | <u>17,088</u> | <u>15,381</u> | <u>13,674</u> | <u>11,964</u> | <u>10,257</u> | <u>8,545</u> |
| | 8,120,046 | 10,311,881 | 16,363,427 | 18,399,526 | 17,449,770 | 16,457,369 |
| \$ | <u>30,311,475</u> | <u>29,289,774</u> | <u>32,708,605</u> | <u>32,051,226</u> | <u>28,307,179</u> | <u>24,919,599</u> |
| \$ | 2,993,315,163 | \$ 2,972,809,776 | \$ 3,013,812,340 | \$ 3,081,834,350 | \$ 3,182,148,130 | \$ 3,182,148,130 |
| | 1.01% | 0.99% | 1.09% | 1.04% | 0.89% | 0.78% |
| | 71,452 | 73,875 | 73,556 | 73,257 | 72,791 | 74,334 |
| \$ | 424.22 | \$ 396.48 | \$ 444.68 | \$ 437.52 | \$ 388.88 | \$ 335.24 |

City of Rochester Hills, Michigan

Debt Capacity Information

Ratios of General Bonded Debt Outstanding

| Fiscal Year | Tax Year | State Equalization Value | Population | General Bonded Debt Obligation Outstanding (1) | Other General Bonded Debt Obligations Outstanding (2) | Total Debt General Bonded Debt Obligation Outstanding | Obligation Debt to Taxable Value | General Obligation Debt per Capita |
|-------------|----------|--------------------------|------------|--|---|---|----------------------------------|------------------------------------|
| 2008 | 2007 | \$ 4,175,552,010 | 68,120 | \$ 21,955,000 | \$ 13,117,014 | \$ 35,072,014 | 0.84% | 514.86 |
| 2009 | 2008 | 4,042,390,520 | 69,014 | 19,305,000 | 11,167,120 | 30,472,120 | 0.75% | 441.54 |
| 2010 | 2009 | 3,728,995,735 | 70,995 | 17,256,360 | 9,101,403 | 26,357,763 | 0.71% | 371.26 |
| 2011 | 2010 | 3,238,195,190 | 70,995 | 16,019,009 | 7,104,874 | 23,123,883 | 0.71% | 325.71 |
| 2012 | 2011 | 3,020,846,313 | 71,452 | 14,513,877 | 5,727,552 | 20,241,429 | 0.67% | 283.29 |
| 2013 | 2012 | 3,014,328,696 | 73,875 | 12,993,740 | 4,373,113 | 17,366,853 | 0.58% | 235.08 |
| 2014 | 2013 | 3,080,117,630 | 73,556 | 11,438,603 | 3,814,484 | 15,253,087 | 0.50% | 207.37 |
| 2015 | 2014 | 3,354,077,190 | 73,257 | 9,713,479 | 3,365,851 | 13,079,330 | 0.39% | 178.54 |
| 2016 | 2015 | 3,685,978,280 | 72,791 | 7,938,349 | 2,892,218 | 10,830,567 | 0.29% | 148.79 |
| 2017 | 2016 | 3,946,392,170 | 74,334 | 6,038,219 | 2,418,585 | 8,456,804 | 0.21% | 113.77 |

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 2017 | City Share as Percent of Gross | Net City Share Fiscal Year 2017 |
|---------------------------------------|--|--------------------------------------|------------------------------------|
| Direct debt - City of Rochester Hills | \$ 8,462,230 | 100.00 | \$ 8,462,230 |
| Overlapping debt: | | | |
| Rochester School District | 147,930,000 | 49.37 | 41,472,377 |
| Avondale School District | 147,930,000 | 58.06 | 85,888,158 |
| Oakland County at Large | 365,189,225 | 6.06 | 22,069,867 |
| Oakland Community College | 820,000 | 6.11 | 50,102 |
| Oakland Intermediate School District | <u>45,495,000</u> | 6.09 | <u>2,770,646</u> |
| Total overlapping debt | <u>707,364,225</u> | | <u>152,251,150</u> |
| Total | <u>\$ 715,826,455</u> | | <u>\$ 160,713,380</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

Debt Capacity Information

Legal Debt Margin

| | 2008 | 2009 | 2010 | 2011 |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Debt Limit | | | | |
| State equalized valuation | \$ 4,175,552,010 | \$ 4,042,390,520 | \$ 3,728,995,735 | \$ 3,238,195,190 |
| 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 | 417,555,201 | 404,239,052 | 372,899,574 | 323,819,519 |
| Debt Subject to Debt Limit | | | | |
| Total debt | 42,347,014 | 36,972,120 | 33,254,832 | 32,256,349 |
| Less deduction: | | | | |
| Special Assessment Bonds | 2,150,000 | 1,675,000 | 1,350,000 | 1,175,000 |
| Michigan Transportation Highway Fund Bonds | <u>1,725,000</u> | <u>1,575,000</u> | <u>1,375,000</u> | <u>1,175,000</u> |
| Total amount of debt subject to limit | <u>38,472,014</u> | <u>33,722,120</u> | <u>30,529,832</u> | <u>29,906,349</u> |
| Legal Debt Margin | <u>\$ 379,083,187</u> | <u>\$ 370,516,932</u> | <u>\$ 342,369,742</u> | <u>\$ 293,913,170</u> |
| Net Debt Subject to Limit as Percentage of Debt Limit | 9.21% | 8.34% | 8.19% | 9.24% |

City of Rochester Hills, Michigan

Debt Capacity Information

Legal Debt Margin

| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| \$ 3,020,846,313 10.00 | \$ 3,014,328,696 10.00 | \$ 3,080,117,630 10.00 | \$ 3,354,077,190 10.00 | \$ 3,685,978,280 10.00 | \$ 3,946,392,170 10.00 |
| 302,084,631 | 301,432,870 | 308,011,763 | 335,407,719 | 368,597,828 | 394,639,217 |
| 30,311,475 | 29,289,774 | 32,708,605 | 32,051,226 | 28,307,179 | 24,919,599 |
| 975,000 | 775,000 | 525,000 | 275,000 | - | - |
| 975,000 | 750,000 | 500,000 | 250,000 | - | - |
| 28,361,475 | 27,764,774 | 31,683,605 | 31,526,226 | 28,307,179 | 24,919,599 |
| \$ 273,723,156 | \$ 273,668,096 | \$ 276,328,158 | \$ 303,881,493 | \$ 340,290,649 | \$ 369,719,618 |
| 9.39% | 9.21% | 10.29% | 9.40% | 7.68% | 6.31% |

City of Rochester Hills, Michigan

Debt Capacity Information

Pledged-revenue Coverage

| Fiscal Year | Water and Sewer Revenue | | | | | |
|-------------|-------------------------|--|------------------------|--------------|------------|----------|
| | Operating Revenue | Operating Expenses (Less Depreciation) | Net Operating – Income | Debt Service | | Coverage |
| | | | | Principal | Interest | |
| 2008 | \$ 24,910,422 | \$ 22,174,326 | \$ 2,736,096 | \$ 150,000 | \$ 146,781 | 9.22 |
| 2009 | 25,904,015 | 22,692,599 | 3,211,416 | 150,000 | 140,781 | 11.04 |
| 2010 | 29,010,706 | 22,995,479 | 6,015,227 | 150,000 | 133,636 | 21.21 |
| 2011 | 30,055,678 | 23,299,258 | 6,756,420 | 174,572 | 171,425 | 19.53 |
| 2012 | 32,375,117 | 23,445,562 | 8,929,555 | 335,493 | 215,042 | 16.22 |
| 2013 | 29,730,969 | 24,468,955 | 5,262,014 | 339,891 | 200,695 | 9.73 |
| 2014 | 29,622,532 | 24,825,478 | 4,797,054 | 523,198 | 261,941 | 6.11 |
| 2015 | 30,700,234 | 25,676,206 | 5,024,028 | 940,680 | 391,965 | 3.77 |
| 2016 | 34,941,271 | 27,139,135 | 7,802,136 | 978,184 | 423,212 | 5.57 |
| 2017 | 34,402,344 | 28,556,479 | 5,845,865 | 990,689 | 409,257 | 4.18 |

Note: Details regarding outstanding debt can be found in Note 6 of the financial statements.

City of Rochester Hills, Michigan

Debt Capacity Information

Pledged-revenue Coverage

| | | Special Assessment Bonds | | |
|--------------------------------------|------------|--------------------------|----------|--|
| | | Debt Service | | |
| Special Assessment Collections | Principal | Interest | Coverage | |
| \$ 95,057 | \$ 475,000 | \$ 122,020 | 0.16 | |
| 84,006 | 475,000 | 99,050 | 0.15 | |
| 68,032 | 325,000 | 77,125 | 0.17 | |
| 55,074 | 175,000 | 60,250 | 0.23 | |
| 46,186 | 200,000 | 53,075 | 0.18 | |
| 44,298 | 200,000 | 44,475 | 0.18 | |
| 38,473 | 250,000 | 35,675 | 0.13 | |
| 24,429 | 250,000 | 24,425 | 0.09 | |
| 18,024 | 275,000 | 12,925 | 0.06 | |
| - | - | - | - | |



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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.

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) |
|-------------|------------|-----|-----------------------------------|----------------------------------|--------------------------------|-----|--|
| 2008 | 68,120 | (2) | (1) | (1) | 4.1 | (5) | 29,800 |
| 2009 | 69,014 | (2) | (1) | (1) | 7.9 | (5) | 29,303 |
| 2010 | 70,995 | (3) | (1) | (1) | 7.5 | (5) | 29,861 |
| 2011 | 70,995 | (3) | (1) | (1) | 5.9 | (6) | 30,104 |
| 2012 | 71,452 | (2) | (1) | (1) | 5.1 | (6) | 30,221 |
| 2013 | 73,875 | (2) | (1) | (1) | 4.8 | (6) | 30,287 |
| 2014 | 73,556 | (2) | (1) | (1) | 4.7 | (6) | 30,502 |
| 2015 | 73,257 | (2) | (1) | (1) | 4.1 | (6) | 30,638 |
| 2016 | 72,791 | (2) | (1) | (1) | 3.5 | (6) | 31,227 |
| 2017 | 74,334 | (2) | (1) | (1) | 2.7 | (5) | 31,380 |

(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

| 2017 Rank | Principal Employers | 2017 Employees | Percentage of Total | 2008 Employees | Percentage of Total | 2008 Rank |
|-----------|-------------------------------------|----------------|---------------------|----------------|---------------------|-----------|
| 1 | Oakland University | 1,695 | 4.74% | - | - | - |
| 2 | Rochester Community Schools | 1,341 | 3.75% | 1,700 | 5% | 1 |
| 3 | Ascension Crittenton Hospital | 1,379 | 3.86% | 1,112 | 3% | 2 |
| 4 | FANUC America Corporation | 650 | 1.82% | 850 | 3% | 4 |
| 5 | Webasto Roof Systems | 700 | 1.96% | 391 | 1% | 5 |
| 6 | A. Raymond Group | 441 | 1.23% | - | - | - |
| 7 | 3 Dimensional Services | 429 | 1.20% | 275 | 1% | 8 |
| 8 | Henry Ford Health System | 300 | 0.84% | 200 | 1% | 10 |
| 9 | Lear Corporation | 235 | 0.66% | - | - | - |
| 10 | City of Rochester Hills | 217 | 0.61% | - | - | - |
| | Modern Engineering | - | - | 1,100 | 3% | 3 |
| | International Automotive Components | - | - | 340 | 1% | 6 |
| | Dura Automotive | - | - | 280 | 1% | 7 |
| | Acord | - | - | 250 | 1% | 9 |
| | T-Systems | - | - | 200 | 1% | 10 |
| | Total Employed | 35,756 | | | | |

Source: City Planning Department & SEMCOG

City of Rochester Hills, Michigan

Demographic and Economic Information Construction Activity

| <u>Fiscal Year</u> | <u>Total Building Permits</u> | <u>Total Construction Valuation</u> |
|------------------------|---------------------------------------|---|
| 2008 | 459 | \$ 73,550,900 |
| 2009 | 426 | 48,545,250 |
| 2010 | 502 | 63,610,325 |
| 2011 | 524 | 69,003,350 |
| 2012 | 528 | 105,108,990 |
| 2013 | 532 | 76,511,572 |
| 2014 | 584 | 128,541,287 |
| 2015 | 565 | 72,000,000 |
| 2016 | 757 | 165,000,000 |
| 2017 | 1,027 | 181,448,139 |

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) | | | |
| Single Family | 73.90% | | |
| Multi Family | 22.30% | | |
| Mobile Homes | 3.80% | | |
| 2010 Age Statistics (1) | | 2010 Educational Characteristics (1) | |
| Years | | Years of School Completed | Persons 25 and Over |
| Under 5 | 5.70% | Did not graduate high school | 5.20% |
| 5 to 19 | 20.20% | High school graduate | 17.80% |
| 20 to 24 | 5.50% | Some college, no degree | 18.90% |
| 25 to 44 | 24.50% | Associate's degree | 8.10% |
| 45 to 64 | 30.30% | Bachelor's degree | 27.90% |
| Over 64 | 13.80% | Graduate or professional degree | 22.10% |

(1) U.S. Census Bureau

(2) American Fact Finder



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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 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| General government: | | | | | | | | | | |
| Mayor | 12 | 13 | 11 | 11 | 11 | 11 | 11 | 12 | 11 | 11 |
| Clerks and Election | 8 | 8 | 8 | 8 | 8 | 6 | 6 | 7 | 7 | 7 |
| Accounting | 9 | 9 | 7 | 7 | 7 | 7 | 8 | 8 | 8 | 8 |
| Assessing | 10 | 10 | 9 | 8 | 8 | 8 | 7 | 7 | 7 | 6 |
| Human Resources | 5 | 5 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Treasury | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Planning and zoning | 7 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Parks and recreation | 15 | 15 | 14 | 14 | 14 | 13 | 15 | 15 | 14 | 14 |
| Management information systems | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Cemetery | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 2 | 1 | 2 |
| Public safety: | | | | | | | | | | |
| Police services (contracted officers) | 60 | 59 | 60 | 57 | 57 | 57 | 57 | 58 | 58 | 58 |
| Police administration (contracted) | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Fire and EMS | 45 | 43 | 39 | 37 | 37 | 36 | 36 | 46 | 43 | 51 |
| Building | 14 | 13 | 12 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Ordinance enforcement | 6 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Public works: | | | | | | | | | | |
| Department of Public Service | 67 | 66 | 60 | 61 | 61 | 62 | 58 | 60 | 57 | 58 |
| Forestry | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Fleet | 7 | 7 | 6 | 6 | 6 | 6 | 7 | 7 | 7 | 6 |
| Facilities | 6 | 6 | 5 | 5 | 5 | 6 | 6 | 6 | 7 | 8 |
| Total | 290 | 285 | 264 | 260 | 260 | 258 | 256 | 272 | 264 | 273 |

Source: City Accounting Division

City of Rochester Hills, Michigan

Operating Information

Operating Indicators by Function

| Function/Program | 2008 | 2009 | 2010 | 2011 |
|---|---------|---------|---------|---------|
| Election: | | | | |
| Number of elections | 3 | 2 | 2 | 2 |
| Registered voters | 50,292 | 50,292 | 50,975 | 51,548 |
| New registrations | 6,409 | 4,413 | 5,055 | 4,584 |
| Building: | | | | |
| Permits issued | 3,044 | 2,827 | 3,532 | 3,472 |
| Inspections | 7,878 | 7,287 | 8,660 | 9,352 |
| Parks and recreation: | | | | |
| Park Vehicle Counts | N/A | N/A | N/A | N/A |
| Museum Vehicle Counts | N/A | N/A | N/A | N/A |
| Forestry - Tree inventory | 19,182 | 19,003 | 19,051 | 19,158 |
| Major roads: | | | | |
| Winter material applied - Salt (in tons) | 3,165 | 1,817 | 1,903 | 2,559 |
| Other material applied to major roads (in tons) | 175 | 172 | 66 | 82 |
| Linear feet of ditches cleaned - Major roads | 335 | 800 | 320 | 280 |
| Local streets: | | | | |
| Pothole repair - Solvex applied (in tons) | 57 | 61 | 54 | 68 |
| Other material applied to local streets (in tons) | 1,984 | 1,742 | 2,309 | 3,523 |
| Winter material applied (in tons) | 1,935 | 1,115 | 1,678 | 1,836 |
| Fire: | | | | |
| Fire inspections/reviews/investigations | 1,527 | 1,802 | 1,327 | 1,202 |
| Number of fires | 73 | 70 | 100 | 110 |
| Number of rescues and Emergency Medical Service | 3,321 | 3,300 | 3,690 | 4,569 |
| Number of community education programs | 736 | 630 | 668 | 290 |
| Number of participants in education programs | 20,773 | 14,110 | 24,956 | 24,241 |
| Police (contracted services) - Dispatched calls for service | 30,650 | 27,352 | 31,135 | 30,194 |
| Patrol investigators: | | | | |
| Criminal activity - New cases | 900 | 720 | 695 | 679 |
| Criminal activity - Recovered property | 62,529 | 7,563 | 7,148 | 11,496 |
| Uniformed patrol: | | | | |
| Criminal activity - New cases | 795 | 732 | 812 | 750 |
| Criminal activity - Recovered property | 24,621 | 23,004 | 17,199 | 18,181 |
| Crime statistics: | | | | |
| Part A crimes | 2,467 | 2,137 | 2,154 | 1,896 |
| Part B crimes | 1,683 | 155 | 1,344 | 759 |
| Part C crimes (Miscellaneous) | 24,404 | 21,826 | 25,063 | 24,680 |
| Water and sewer: | | | | |
| Water and sewer utility billings | 138,928 | 139,928 | 140,340 | 141,080 |
| Water sales (million cubic feet) | 365 | 338 | 360 | 339 |
| Meter reads | 196,272 | 197,049 | 198,528 | 199,794 |
| Meter installations | 1,382 | 1,122 | 1,325 | 1,207 |
| Water purchased (million cubic feet) | 406 | 385 | 395 | 368 |

Source: City of Rochester Hills

City of Rochester Hills, Michigan

Operating Information

Operating Indicators by Function

| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------|---------|---------|---------|---------|---------|
| 3 | 1 | 2 | 2 | 3 | 1 |
| 52,709 | 53,132 | 53,184 | 51,775 | 53,454 | 52,712 |
| 5,740 | 3,916 | 3,979 | 3,925 | 5,537 | 1,934 |
| 3,530 | 3,404 | 3,395 | 3,459 | 6,811 | 5,429 |
| 11,774 | 10,599 | 11,620 | 12,752 | 12,428 | 17,522 |
| N/A | 303,737 | 301,873 | 293,406 | 313,290 | 331,980 |
| N/A | N/A | N/A | N/A | 61,279 | 58,290 |
| 19,187 | 18,885 | 18,736 | 18,957 | 18,915 | 19,208 |
| 1,438 | 1,339 | 729 | 2,951 | 1,944 | 1,674 |
| 179 | 91 | 24 | 57 | 40 | 78 |
| 10 | 250 | 521 | 30 | - | 290 |
| 73 | 65 | 173 | 98 | 38 | 45 |
| 700 | 1,971 | 1,969 | 1,123 | 109 | 232 |
| 981 | 1,057 | 372 | 97 | 1,317 | 1,435 |
| 932 | 1,258 | 1,418 | 952 | 882 | 1,227 |
| 172 | 123 | 109 | 108 | 136 | 146 |
| 4,732 | 4,489 | 4,763 | 4,811 | 4,781 | 5,553 |
| 377 | 423 | 654 | 607 | 622 | 430 |
| 7,495 | 6,255 | 8,052 | 6,527 | 6,480 | 7,062 |
| 30,258 | 31,198 | 31,697 | 31,521 | 33,489 | 33,614 |
| 944 | 1,090 | 1,091 | 1,214 | 1,350 | 1,354 |
| 17,652 | 31,419 | 67,469 | 57,388 | 57,733 | 46,529 |
| 663 | 621 | 583 | 611 | 628 | 626 |
| 19,114 | 20,104 | 18,688 | 27,507 | 19,614 | 15,450 |
| 1,898 | 1,502 | 1,401 | 1,385 | 1,427 | 1,311 |
| 692 | 465 | 380 | 319 | 343 | 501 |
| 26,137 | 27,410 | 27,167 | 28,005 | 31,414 | 30,490 |
| 141,768 | 141,281 | 141,952 | 142,718 | 143,667 | 144,823 |
| 357 | 303 | 288 | 293 | 333 | 306 |
| 204,387 | 204,995 | 206,562 | 205,894 | 206,757 | 206,997 |
| 1,108 | 1,306 | 643 | 679 | 733 | 967 |
| 379 | 323 | 301 | 309 | 356 | 325 |

City of Rochester Hills, Michigan

Operating Information Capital Asset Statistics

| Function/Program | 2008 | 2009 | 2010 | 2011 |
|---|----------|----------|----------|----------|
| General government: | | | | |
| Buildings - City Hall | 1 | 1 | 1 | 1 |
| Cemetery | 1 | 1 | 1 | 1 |
| Acreage | 23.9 | 47.72 | 55.14 | 55.14 |
| Public safety: | | | | |
| Police station | 1 | 1 | 1 | 1 |
| Fire: | | | | |
| Stations | 5 | 5 | 5 | 5 |
| Fire response vehicles | 10 | 11 | 23 | 23 |
| Emergency response vehicles | 8 | 8 | 12 | 10 |
| Public works: | | | | |
| Buildings | 2 | 2 | 2 | 2 |
| Streets (miles): | | | | |
| Miles of major roads (actual) | 37.65 | 38.21 | 38.21 | 38.21 |
| Miles of local streets (actual) | 216.11 | 217.74 | 218.97 | 218.97 |
| Water: | | | | |
| Mains (miles) | 428 | 428 | 429 | 429 |
| Gate valves | 4,369 | 4,401 | 4,495 | 4,583 |
| Hydrants | 4,829 | 4,843 | 4,857 | 4,893 |
| Sewer: | | | | |
| Miles of sanitary sewers | 324 | 320 | 322 | 321 |
| Miles of storm sewers | 53 | 55 | 55 | 50 |
| Manholes - Sanitary | 7,857 | 7,861 | 7,897 | 7,888 |
| Manholes - Storm | 843 | 891 | 866 | 714 |
| Inlets and catch basins | 4,662 | 4,835 | 4,952 | 5,114 |
| Parks and recreation: | | | | |
| Major/Community parks: | | | | |
| Buildings | 16 | 16 | 16 | 16 |
| Acreage | 590.7 | 590.7 | 590.7 | 590.7 |
| Developed parks/playgrounds | 5 | 5 | 5 | 5 |
| Developed fields (soccer, baseball, etc.) | 20 | 20 | 20 | 20 |
| Neighborhood parks: | | | | |
| Acreage | 23.6 | 23.6 | 23.6 | 23.6 |
| Developed parks/playgrounds | 1 | 1 | 1 | 1 |
| Developed fields (soccer, baseball, etc.) | 2 | 2 | 2 | 2 |
| Special use parks: | | | | |
| Buildings | 10 | 10 | 10 | 10 |
| Acreage | 333.10 | 333.10 | 333.10 | 333.10 |
| Museums | 1 | 1 | 1 | 1 |
| Education centers | 1 | 1 | 1 | 1 |
| Golf courses | 1 | 1 | 1 | 1 |
| Veteran's Memorial Pointe | 1 | 1 | 1 | 1 |
| Linear Parks | 71.8 | 71.8 | 71.8 | 71.8 |
| Natural Resource Areas | 33.84 | 41.26 | 41.26 | 41.26 |
| Total park acreage | 1,053.04 | 1,060.46 | 1,060.46 | 1,060.46 |
| Number of parks | 11 | 11 | 11 | 11 |

Source: City Departments

City of Rochester Hills, Michigan

Operating Information

Capital Asset Statistics

| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|----------|----------|----------|----------|----------|----------|
| 1 | 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 55.14 | 55.14 | 55.14 | 55.14 | 55.14 | 55.14 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 5 | 5 | 5 | 5 | 5 | 5 |
| 23 | 22 | 22 | 22 | 22 | 22 |
| 11 | 10 | 10 | 10 | 10 | 10 |
| 2 | 2 | 3 | 3 | 3 | 3 |
| 38.21 | 38.21 | 38.21 | 38.61 | 38.61 | 38.61 |
| 218.97 | 218.97 | 218.97 | 219.14 | 219.14 | 219.61 |
| 429 | 431 | 432 | 432 | 434 | 441 |
| 4,583 | 4,608 | 4,628 | 4,653 | 4,696 | 4,803 |
| 4,893 | 4,910 | 5,028 | 4,952 | 5,002 | 5,020 |
| 322 | 323 | 323 | 324 | 325 | 326 |
| 50 | 51 | 51 | 49 | 49 | 49 |
| 7,888 | 7,923 | 7,937 | 7,972 | 8,009 | 8,062 |
| 714 | 735 | 757 | 761 | 767 | 767 |
| 5,114 | 5,161 | 5,228 | 5,268 | 5,329 | 5,363 |
| 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 |
| 41.26 | 64.94 | 113.32 | 113.32 | 122.80 | 122.80 |
| 1,060.46 | 1,084.14 | 1,132.52 | 1,132.52 | 1,142.00 | 1,142.00 |
| 11 | 11 | 11 | 11 | 11 | 11 |

City of Rochester Hills, Michigan

Operating Information

State-shared Revenue and Gas & Weight Tax

State-shared revenue

| Fiscal Year Ended December 31 | Modified Accrual Basis of Accounting | Accrual Basis of Accounting |
|----------------------------------|---|--------------------------------|
| 2008 | \$ 5,292,542 | \$ 5,270,042 |
| 2009 | 4,661,073 | 4,543,462 |
| 2010 | 4,420,538 | 4,449,876 |
| 2011 | 5,031,743 | 5,077,251 |
| 2012 | 5,211,578 | 5,247,035 |
| 2013 | 5,346,706 | 5,372,104 |
| 2014 | 5,495,218 | 5,520,914 |
| 2015 | 5,549,849 | 5,522,466 |
| 2016 | 5,606,535 | 5,660,822 |
| 2017 | 6,069,401 | 6,089,238 |

Gas and weight tax

| Fiscal Year Ended December 31 | Type of Street | | Total Gas and Weight Tax (Act 51) Receipts |
|----------------------------------|----------------|---------------|--|
| | Major Roads | Local Streets | |
| 2008 | \$ 2,973,260 | \$ 1,143,744 | \$ 4,117,004 |
| 2009 | 2,891,351 | 1,114,510 | 4,005,861 |
| 2010 | 2,451,532 | 945,301 | 3,396,833 |
| 2011 | 2,999,309 | 1,151,107 | 4,150,416 |
| 2012 | 3,177,395 | 1,207,342 | 4,384,737 |
| 2013 | 3,247,102 | 1,232,181 | 4,479,283 |
| 2014 | 3,312,238 | 1,259,193 | 4,571,431 |
| 2015 | 3,466,728 | 1,319,982 | 4,786,710 |
| 2016 | 3,564,630 | 1,359,222 | 4,923,852 |
| 2017 | 4,646,727 | 1,772,992 | 6,419,719 |

Source: City Accounting Division

City of Rochester Hills, Michigan

Operating Information

Labor Agreements

| Name | Contract Expiration Date | Full-Time Employees Covered |
|---|--------------------------|-----------------------------|
| Union Employees | | |
| Office/Technical/Public Works Employees AFSCME, Local 2491, Council 25 | 12/31/2018 | 112 |
| Public Works/Parks-Supervisory AFSCME, Local 1917.28, Council 25 | 12/31/2018 | 8 |
| Fire Fighters International Association of Fire Fighters, Local 3472 | 12/31/2018 | 46 |
| Paid on Call / Part-Time Fire Fighters Michigan Association of Fire Fighters | 12/31/2018 | 20 |
| Non-union Employees | | |
| Mayor | N/A | 1 |
| Department Directors | N/A | 10 |
| Technical/Professional/Management | N/A | 36 |

Source: City Accounting Division