

**CITY OF ROCHESTER
Oakland County, Michigan**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2013**

Prepared By:
The Finance Department



CITY OF ROCHESTER
Comprehensive Annual Financial Report
For the Year Ended June 30, 2013

Table of Contents

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Table of Contents.....	i-iii
Transmittal Letter.....	iv-viii
GFOA Certificate	ix
Organizational Chart.....	x
List of Principal Officials	xi
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report.....	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12-13
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	14-15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	16-17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Balance Sheet – Proprietary Fund	19
Statement of Revenues, Expenses, and Changes In Net Position – Proprietary Fund.....	20
Statement of Cash Flows – Proprietary Fund.....	21
Statement of Net Position – Fiduciary Funds.....	22
Statement of Changes in Fiduciary Net Position	23
Notes to Financial Statements	24-45
Required Supplementary Information:	
Defined Benefit Pension Plans – Trend Information	46



CITY OF ROCHESTER
Comprehensive Annual Financial Report
For the Year Ended June 30, 2013

Table of Contents

	<u>Page</u>
Required Supplementary Information – Continued:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	47
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Major Streets Fund	48
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Local Streets Fund	49
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Downtown Development Authority	50
Other Supplementary Information:	
Combining Balance Sheet – Nonmajor Governmental Funds	51
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	52
Combining Balance Sheet – Nonmajor Special Revenue Funds	53-54
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Special Revenue Funds.....	55-56
Combining Balance Sheet – Nonmajor Debt Service Funds.....	57
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Debt Service Funds	58
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Cemetery Fund	59
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Drug Law Enforcement Fund	60
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Community Development Block Grant Fund	61



CITY OF ROCHESTER
Comprehensive Annual Financial Report
For the Year Ended June 30, 2013

Table of Contents

	<u>Page</u>
Other Supplementary Information – Continued:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Principal Shopping District Fund	62
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Band Shelter Fund	63
Combining Statement of Net Position – Agency Funds	64
Combining Statement of Assets and Liabilities – Agency Funds	65
 <u>STATISTICAL SECTION</u>	
Schedule 1 – Net Position by Component	66
Schedule 2 – Changes in Net Position	67-68
Schedule 3 – Fund Balances, Governmental Funds	69
Schedule 4 – Changes in Fund Balances, Governmental Funds	70
Schedule 5 – Taxable Value and Actual Value of Property	71
Schedule 6 – Direct and Overlapping Property Tax Rates	72
Schedule 7 – Principal Property Tax Payers	73
Schedule 8 – Property Tax Levies and Collections.....	74
Schedule 9 – Ratio of Outstanding Debt by Type	75
Schedule 10 – Ratio of General Bonded Debt Outstanding.....	76
Schedule 11 – Direct and Overlapping Governmental Activities Debt.....	77
Schedule 12 – Legal Debt Margin Information	78
Schedule 13 – Demographic Economic Statistics	79
Schedule 14 – Principal Employers	80
Schedule 15 – Full-time Equivalent City Government Employees by Department Group	81
Schedule 16 – Operating Indicators by Function/Department	82
Schedule 17 – Capital Asset Statistics by Function/Department	83





City of Rochester

400 Sixth Street
Rochester, MI 48307
P: (248) 651-9061
F: (248) 651-2624
www.rochestermi.org

Audit Transmittal Letter

November 21, 2013

TO: The Honorable Mayor and City Council

RE: Fiscal Year End 2013 Audit

Introduction

We are pleased to submit the Comprehensive Annual Financial Report of the City of Rochester for the fiscal year end June 30, 2013. This report is prepared for the purpose of disclosing the City's financial condition to its residents, elected officials and other interested parties. The financial statements contain all disclosures necessary to enable the reader to gain an understanding of the City's financial activities. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data presented is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of independent auditors.

All local units of government within the State of Michigan must comply with the Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, which requires an annual audit of the financial records and transactions of the City by independent certified public accountants. The primary purpose of the auditing requirements of this Act is to maintain the confidence of all interested parties in the integrity of the record keeping and financial reporting of local units of government.

City Administration encourages readers of the Comprehensive Annual Financial Report to also review the City's annual budget. When reviewed together, the reader can gain a comprehensive understanding of the City's financial policies, priorities, investments and reporting; which is the goal of these reports.

Government Profile

The City of Rochester is a vibrant 3.8 square mile community located in Southeast Michigan. Tree-lined streets and neighborhoods with diverse styles of homes give the City much of its charm. Downtown Rochester is the historic, cultural and shopping center of the region, which has been recognized as a “Great American Main Street” by the National Main Street Center (a subsidiary of the National Trust for Historic Preservation). The Paint Creek and the Clinton River flow through the City, and the parks provide open space, as well as cultural and recreational opportunities for area residents. The City is proud to be nationally recognized as one of the best places to live. Though mature as a community, Rochester continues to grow and attract investment through the addition of new infill housing and commercial developments. The City’s population increased from 10,467 in 2000 to 12,711 in 2010, an increase of more than 21%. Though growth in recent years slowed since 2007, construction activity has steadily increased over the past couple years within the community, and the City continues to be seen as a premier locale for residential, family life and community involvement. The City has made attracting and retaining quality retail, commercial and industrial businesses one of its highest priorities.

The City is located in the Greater Metropolitan Detroit Area of Oakland County. Oakland County is one of the largest employment centers in the country for engineering and other industrial technology professions. It is also home to a number of Fortune 500 companies. In 2006, Oakland County was the fourth wealthiest county in the United States among counties with more than one million people and currently has an estimated population of more than 1.2 million residents.

The City is a full service community offering residents, visitors and businesses the highest quality municipal services. Rochester services include a full service local Police Department; Fire and EMS service, offering both basic and advanced life support transportation services; curbside trash removal and recycling; fully developed and natural setting parks; miles of passive recreation trailways; multi-purpose ball fields; a full-service Department of Public Works, including street sweeping and curbside leaf removal; election services; pet licensing; public water and sewer services; code compliance office; and full-service building inspections.

Rochester has been a leader in the area of providing municipal services through interlocal government cooperation. The Rochester Hills Public Library, located in downtown Rochester, is funded jointly by the communities of Rochester, Rochester Hills and Oakland Township. The nationally recognized Older Persons’ Commission facility and programs are also jointly funded by the three communities. Exceptional recreational programs are provided to the community by the Rochester Avon Recreational Authority from funding provided by the cities of Rochester and Rochester Hills. In addition to these large and successful partnerships, the City of Rochester partners with its government and private sector neighbors on many important functions; increasing efficiency and providing better service for our citizens.

The City has been recognized by *CNN/Money Magazine* for its excellent quality of life, naming it one of the top 100 best places to live, and the City's historic, vibrant and thriving downtown has been recognized nationally for its efforts to promote Main Street businesses.

Rochester recently asked its residents for their feedback on City services. 99% of the survey responses rated Rochester as an excellent or a good place to live, and 97% of the survey residents rated the City services as excellent or good (www.rochestermi.org/citizensurvey). Based on the positive results of the survey, the City of Rochester was awarded the Voice of the People Award from the National Citizen Survey™ and the ICMA Center for Performance Measurement™. This Award recognized communities that have the highest national score in citizen satisfaction on the ICMA statistically valid national survey of local government services. The City of Rochester is committed to investing in its core services and continues its focus on improved efficiency to remain a preferred destination for residents and businesses.

Form of Government

By Charter, the City operates as a council/manager form of government. The Rochester City Council has seven members. Six members have staggered four-year terms, and one member has a two-year term (the candidate that tallies the lowest number of votes out of the top four vote-getters each election has a two-year term). Each November, the City Council elects a member to serve as Mayor for a one-year term. In addition to its legislative duties, the City Council is responsible for the appointment of a City Manager to serve as the chief administrative officer of the City. It is the responsibility of the City Manager to carry out policies formulated by the City Council and to manage municipal operations in accordance with these policies.

City Budget

The City of Rochester prepares budgets in accordance with the Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, and in accordance with the Rochester Charter, Chapter 8. Under the direction of the City Manager, the Finance Director prepares an initial projection of revenue for the next fiscal year. Spending priorities are then established based upon the City's financial policies and mandated requirements. The City utilizes a five year projection model to review and consider budget priorities and the impact of current fiscal year spending on future fiscal years. Activities of the General Fund and Enterprise Funds are included in the annual appropriated budget. The level of budgetary control (that is the level at which expenditures cannot exceed the appropriated amount) is established by function and category. The Budget is adopted by City Council no later than the second Monday in May; the Budget is adopted and may be amended by a majority vote of City Council. Administration encourages readers to review the annual budget for the fiscal year of this audit and for the current fiscal year as information complementing the audit (www.rochestermi.org/budgets).

Controls and Cash Management

Management of the City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

City Council has adopted an Investment Policy for the safekeeping of the City's liquid assets. The policy states the City shall invest public funds in a manner that will provide reservation of capital, meet the daily liquidity needs of the City, diversify the City's investments, conform to all local and state statutes governing the investment of public funds and generate market rates of return.

Fiscal Year Highlights

This fiscal year, overall, taxable value was reduced in the City by 1.2%. The 1.2% reduction in property values is the lowest drop in the past five years. For the FYE 2013 budget, while commercial and industrial property values are lower, residential property values increased by 0.58%, the first increase since 2007. Overall revenue for the General Fund increased from the prior fiscal year. The revenue increase is attributed to significant increases in building permits, State Revenue Sharing and medical transportation fees.

The Downtown Development Authority (DDA) district is comprised of nearly all commercial and industrial properties. The loss in value of these properties reduced the tax captured revenue for the DDA by 3.6%. The DDA also significantly increased its fundraising goals; which were not met during the fiscal year. This, combined with its planned capital investment in the Main Street Reconstruction project, required the DDA to utilize its capital reserve and the City to transfer \$232,095 from the City Capital Fund to the DDA for its projects.

In the spring of 2012, the Michigan Department of Transportation (MDOT) began a project to reconstruct Main Street from the Clinton River Bridge to the Paint Creek Bridge. The project spanned two fiscal years (FYE 2012 and FYE 2013) and was the most important project in recent history of the City. Administration and the DDA prepared for this project for over three years. The resulting project has been a success and has received numerous local and national awards for the improvements, planning and coordination of the project. During FYE 2012, City Council approved a Special Assessment District (SAD) for the paving of the gravel portion of South Street. The South Street corridor is a potential economic growth area for the City. The project was completed during this fiscal year with

cash on hand in the Local Streets Fund, with the Fund receiving revenue from the SAD over a 10-year period starting in FYE 2014.

Significant capital investments made during this fiscal year included the restoration of the Mount Avon Cemetery Mausoleum, a new police garage and car port, improvements to the front counter at City Hall and an addition of a decontamination room to the fire station. All of these investments were funded with either revenue received during the fiscal year or cash on hand.

Capital investments were also made in the City's water and sewer systems. The most significant is a multi-year \$1,100,000, 90% grant funded, inflow and infiltration inspection and cleaning of the sanitary sewer system. The City also continued its investment in upgrading the water treatment plan; this fiscal year is phase two of the five year improvement plan.

During this fiscal year, the City continued to have a pay freeze for all City employees. The City also made cost saving modifications to health insurance and post-employment benefits of some employee groups, as union contracts or at-will status allowed.

In August 2009, the City's bond rating was improved by Standard and Poor (S&P) from AA- to AA+, which affirmed a stable outlook for the City. The City has no immediate plans for debt financing, but this improved rating will decrease the City's cost to acquire debt in the future. The rating also provides a benchmark for the financial health of the City.

Acknowledgments

The City switched to a Comprehensive Annual Financial Report (CAFR) with the fiscal year end 2011 audit. In prior years, the City has prepared an audit consistent with State and local requirements; however, the CAFR provides more context for the activities from the past fiscal year. Since switching to the CAFR, the City has received the Certificate of Achievement for Excellence in Financial Reporting in 2011 and 2012. This is the standard the City expects to consistently achieve.

The preparation of this year's CAFR was made possible by the dedicated service of many staff members. We wish to express our sincere appreciation to each of them. Special thanks to our independent auditors, PSLZ LLP, Certified Public Accountants for their assistance during the audit process and for their document reviews. We look forward to working with staff and our independent auditors to continue to enhance the clarity and presentation of the City's financial information. Appreciation is also expressed to City Council for their leadership and support.

Sincerely,



Jaymes Vettrano
City Manager



John Hiller
Finance Director







Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Rochester
Michigan**

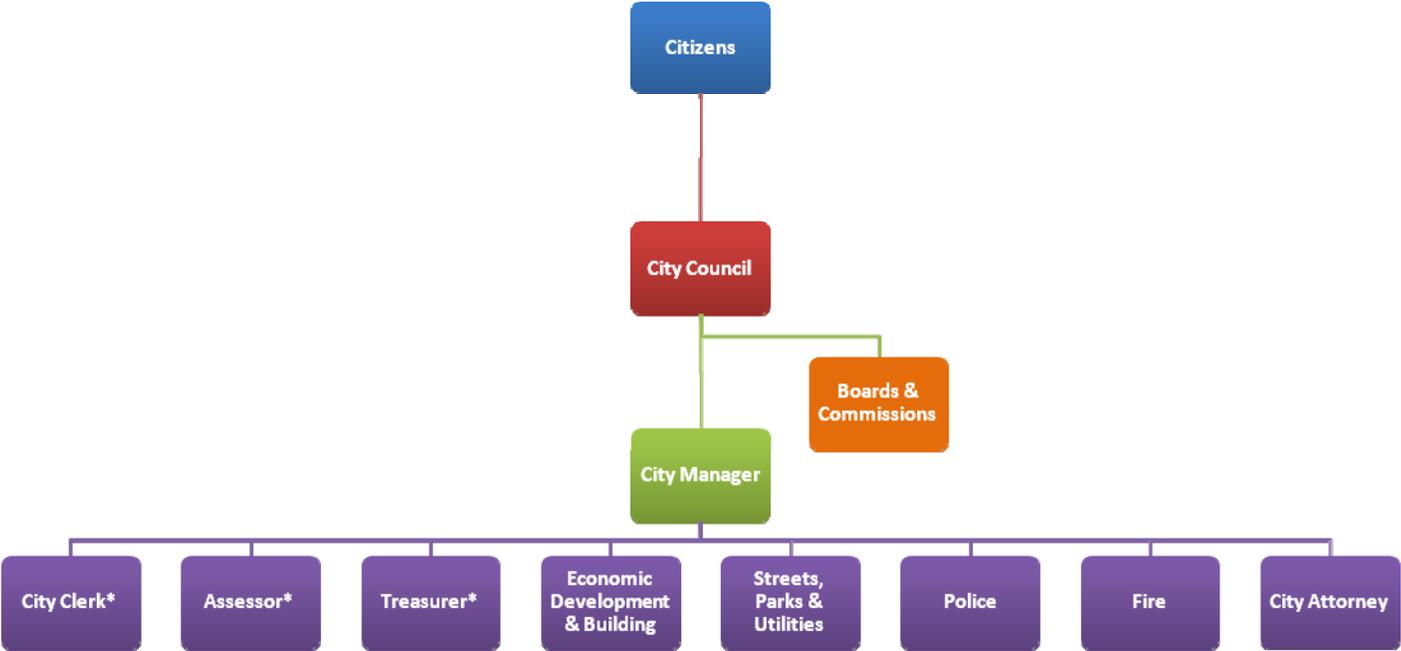
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



City of Rochester Organizational Chart



**The Assessor, Clerk and Treasurer are appointed by and responsible to the City Council but they act through the City Manager (City Charter, Section 3.9).*



CITY OF ROCHESTER
List of Principal Officials
For the Year Ended June 30, 2013

Mayor	Stuart A. Bikson
Mayor Pro Tem	Jeffrey T. Cuthbertson
Council Member	Cathy Daldin
Council Member	Ben Giovanelli
Council Member	Kim Russell
Council Member	Steve Sage
Council Member	David Zemens
City Manager	Jaymes Vettraino
Deputy City Manager/ Director of Economic and Community Development	Nik Banda
City Clerk	Lee Ann O'Connor
Finance Director/Treasurer	John Hiller
Director of Department of Public Works	Bill Bohlen
Police Chief	Steven Schettenhelm
Fire Chief	John Cieslik
Director of Downtown Development Authority	Kristi Trevarrow



FINANCIAL SECTION



PSLZ LLP

Certified Public Accountants

PLYMOUTH

1034 WEST ANN ARBOR TRAIL
P.O. BOX 5520
PLYMOUTH, MI 48170-1502
Telephone (734) 453-8770

Dennis M. Siegner, C.P.A., C.V.A.
David R. Williamson, C.P.A.
Jane F. Wang, C.P.A.
Rana M. Emmons, C.P.A.
Jennifer A. Galofaro, C.P.A., C.V.A.
Susan H. Bertram, C.P.A.

BLOOMFIELD HILLS

3707 WEST MAPLE ROAD
SUITE 101
BLOOMFIELD HILLS, MI 48301-3212
Telephone (248) 644-9125

Deborah M. Cox, C.P.A.

Independent Auditor's Report

November 21, 2013

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rochester, Michigan, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.



Honorable Mayor and
Members of the City Council
City of Rochester, 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, each major fund, and the aggregate remaining fund information of the City of Rochester, Michigan, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof 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 defined benefit pension plan trend information, and the budgetary comparison information, as identified 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections 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.

Respectfully,



PSLZ LLP
Certified Public Accountants



Management's Discussion and Analysis

As management of the City of Rochester, we offer readers of the City of Rochester's financial statements this narrative overview and analysis of the financial activities of the City of Rochester for the fiscal year ended June 30, 2013.

Financial Highlights

- The assets of the City of Rochester exceeded its liabilities at the close of the most recent fiscal year by \$67,119,054 (*net position*). Of this amount, \$11,394,036 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$1,071,360. Governmental activities decreased net position by \$1,254,365 and the business-type activities increased net position by \$183,005.
- At the close of the most recent fiscal year, the City of Rochester's governmental funds reported combined ending fund balances of \$14,273,541. Of this amount, \$8,221,556 is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,221,556, or 96 percent of total general fund expenditures.
- The City of Rochester's total debt increased by \$1,514,602 during the current fiscal year as a result of \$1,985,952 of new debt from the Oakland-Macomb Interceptor bonds and a \$7,144 increase in compensated absences less annual debt payments made of \$478,494.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Rochester's basic financial statements, which have three components:

- 1) Government-Wide Financial Statements
- 2) Fund Financial Statements
- 3) Notes to the Financial Statements.

Government-wide financial statements.

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Rochester's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Rochester's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Rochester is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Rochester that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Rochester include general government, public works, police, streets, and parks and recreation. The business-type activities of the City of Rochester are the Water and Sewer Fund and the Automobile Parking System.

The government-wide financial statements can be found on pages 11-13 of this report.

Fund financial statements.

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Rochester, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Rochester can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the

governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Major Streets Fund, the Local Streets Fund, the Downtown Development Authority, and the Capital Projects General Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 14-18 of this report.

Proprietary funds.

The City of Rochester maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Rochester uses enterprise funds to account for its Water and Sewer operation and the Parking System. The other proprietary fund type is *Internal Service Funds*, which are used to report activities that provide services to other City funds and activities, typically covered by charges to other City departments. The City uses an internal service fund to account for its fleet of vehicles and equipment.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund and the Automobile Parking System which are considered to be major funds of the City of Rochester. The activity of the Internal Service Fund is eliminated in the government-wide statements to avoid duplicate reporting of revenues and expenses. The basic proprietary fund financial statements can be found on pages 19-21 of this report.

Fiduciary funds.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Rochester's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 22-23 of this report.

Notes to the financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-45 of this report.

Government-wide Financial Analysis

Assets exceeded liabilities by \$67,119,054 at the close of the most recent fiscal year. Of the City of Rochester's net position, 65 percent reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Rochester uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Rochester's Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 16,964,927	\$ 18,554,689	\$ 8,922,307	\$ 9,781,799	\$ 25,887,234	\$ 28,336,488
Capital Assets	29,734,421	29,594,526	19,573,581	16,639,320	49,308,002	46,233,846
Total Assets	46,699,348	48,149,215	28,495,888	26,421,119	75,195,236	74,570,334
Long-term liabilities	2,330,253	2,765,570	3,769,126	1,820,194	6,099,379	4,585,764
Other liabilities	965,743	725,928	1,011,060	1,068,228	1,976,803	1,794,156
Total Liabilities	3,295,996	3,491,498	4,780,186	2,888,422	8,076,182	6,379,920
Net Position:						
Net investment in capital assets	27,759,036	27,176,680	15,804,455	14,819,126	43,563,491	41,995,806
Restricted	6,021,594	7,926,805	6,139,933	7,140,804	12,161,527	15,067,609
Unrestricted	9,622,722	9,554,232	1,771,314	1,572,767	11,394,036	11,126,999
Total Net Position	\$ 43,403,352	\$ 44,657,717	\$ 23,715,702	\$ 23,532,697	\$ 67,119,054	\$ 68,190,414

At the end of the current fiscal year, the City of Rochester is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Net position decreased by \$1,071,360 during the current fiscal year. Governmental activities decreased net position \$1,254,365. The unrestricted portion of net position related to governmental activities increased by \$68,490.

City of Rochester - Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,260,654	\$ 1,882,014	\$ 4,916,918	\$ 4,657,455	\$ 7,177,572	\$ 6,539,469
Operating Grants & Contrib.	941,328	885,518	-	-	941,328	885,518
Capital Grants & Contrib.	97,524	47,001	424,593	35,800	522,117	82,801
General Revenues:						
Property Taxes	8,355,959	8,545,176	-	-	8,355,959	8,545,176
State Shared Revenues	956,121	941,914	-	-	956,121	941,914
Franchise Fees	231,195	212,515	-	-	231,195	212,515
Investment Earnings	73,049	84,965	40,303	61,119	113,352	146,084
Total Revenues	12,915,830	12,599,103	5,381,814	4,754,374	18,297,644	17,353,477
Expenses:						
General Government	1,935,146	1,778,436	-	-	1,935,146	1,778,436
Public Safety	4,677,997	4,617,009	-	-	4,677,997	4,617,009
Public Works	4,290,486	3,368,718	-	-	4,290,486	3,368,718
Community Development	1,711,927	1,639,068	-	-	1,711,927	1,639,068
Recreation and Cultural	1,452,907	1,224,104	-	-	1,452,907	1,224,104
Interest on Long-Term Debt	100,809	118,549	-	-	100,809	118,549
Automobile Parking System	-	-	164,344	134,685	164,344	134,685
Water and Sewer	-	-	5,035,388	4,624,843	5,035,388	4,624,843
Total Expenses	14,169,272	12,745,884	5,199,732	4,759,528	19,369,004	17,505,412
Excess (Deficiency) before Transfers	(1,253,442)	(146,781)	182,082	(5,154)	(1,071,360)	(151,935)
Transfers In (Out)	(923)	40,804	923	(40,804)	-	-
Change in Net Position	(1,254,365)	(105,977)	183,005	(45,958)	(1,071,360)	(151,935)
Net Position, Beg. of year	44,657,717	44,763,694	23,532,697	23,578,655	68,190,414	68,342,349
Net Position, End of year	\$ 43,403,352	\$ 44,657,717	\$ 23,715,702	\$ 23,532,697	\$ 67,119,054	\$ 68,190,414

Governmental activities

Program revenues, which include user fees and charges and restricted operating and capital grants and contributions, represent 26% of total governmental revenue sources. Program revenues reduce the net cost of the governmental functions to be financed from the City's general revenues, which are comprised primarily of property taxes and state revenue sharing. Program revenues increased \$484,973 from the prior year, primarily as a result of increases in building permit activity and advanced life support runs.

Business-type activities

Business-type activities increased the City's net position by \$183,005. A significant part of this increase is due to a State grant received for sanitary sewer rehabilitation.

Financial Analysis of the Government's Funds

As noted earlier, the City of Rochester uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds.

The focus of the City of Rochester's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources.

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$14,273,541, a decrease of \$1,670,688 in comparison with the prior year. The majority of this total amount, or \$6,021,594, is restricted for specific purposes, which include road construction and maintenance, cemetery maintenance, downtown development, principal shopping district, law enforcement programs, debt service, and capital improvements. Also, of the total amount \$8,221,556 constitutes *unassigned fund balance*, which is available for spending at the City's discretion.

The General Fund is the chief operating fund of the City of Rochester. At the end of the current fiscal year, the total fund balance of the general fund was \$8,251,947, of which \$30,391 is nonspendable (inventory) and \$8,221,556 is unassigned. Unassigned General Fund fund balance represents 96 percent of total general fund expenditures. The fund balance of the City's General Fund increased by \$234,523 during the fiscal year.

Proprietary funds.

The City of Rochester's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Proprietary funds at the end of the year amounted to \$1,771,314.

General Fund Budgetary Highlights

General Fund revenues were 2.8% over the original budgeted amounts, and the General Fund expenditures were .2% more than the original budgeted amounts. The actual revenues exceeded the final budgeted revenues by \$59,526 and actual expenditures were more than the final budgeted expenditures by \$30,127. Significant budget amendments approved during the year include decreases in expenditures of approximately \$36,000 in police health insurance due to the timing of the settlement of a union contract, and an increase of \$18,000 in fire contracted medical services due to an increase in the demand for services.

Capital Asset and Debt Administration

Capital assets.

The City of Rochester's investment in capital assets for its governmental and business type activities is \$45,288,299 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, machinery and equipment, and roads. The increase in the City of Rochester's investment in capital assets for the current fiscal year was a 1 percent increase for governmental activities, and a 18 percent increase in business-type activities.

Major capital asset events during the current fiscal year included the following:

- Main Street Reconstruction Project
- Improvements to the Paint Creek Bridge
- Water and Sewer Infrastructure Projects
- Fire Department Equipment

Additional information on the City of Rochester's capital assets can be found in note III.B on pages 35-36 of this report.

Long-term debt.

At the end of the current fiscal year, the City of Rochester had total bonded debt outstanding of \$1,300,000, and contractual debt outstanding of \$4,445,498. During fiscal year 2013, the City added contractual debt of \$1,985,952 for the Oakland-Macomb Interceptor Debt, Series 2013, which were bonds issued through the Oakland County Water Resources Commission. All of the City's debt represents general obligation debt backed by the full faith and credit of the City of Rochester, subject to constitutional limit.

Additional information on the City of Rochester's long-term debt can be found in note III.E on pages 38-39 of this report.

Economic Factors and Next Year's Budgets and Rates

The City of Rochester has used sound financial practices and careful budgeting resources to foster a strong financial footing during the challenging years and plans to use these same principles to position the City to take advantage of the future growth opportunities. The practice of looking for cost reductions and improved efficiency, which has been finely-tuned over the past budget cycles, continues to be at the forefront of the efforts of staff and City Council. These efforts have positioned the City for the fiscal year 2014 budget, and beyond, to continue to make strategic investments in core services that will benefit the lives of our residents and enhance the investment of businesses.

Residents and business owners have continued to invest in Rochester. New residents and businesses are moving to the City and existing residents and businesses are investing in their properties. Building permits issued during fiscal year 2013 and the first quarter of fiscal year 2014 are trending higher (both in number and value) than the past five years. Significant residential developments near downtown have recently been considered by the Planning Commission. If developed, these developments will add millions of dollars to the City's tax base.

The City has very little outstanding debt at this time, and has taken no new debt since 2001. However, the City has recently been assessed with contractual debt by the Oakland-Macomb Interceptor Drain Drainage Board, along with other communities within the drainage district, for the maintenance and rehabilitation of the Oakland-Macomb Interceptor Drain. Water and sewer costs are difficult for the City to control because of reliance on Oakland County, Shelby Township and the Detroit Water and Sewer Department for these services. Despite this reliance, the City continues to monitor and focus on opportunities to improve upon its contractual relationships with each entity and has made major system improvements to reduce costs within the Rochester system.

The City has effectively managed its Pension and Other Post-Employment Benefits (OPEB) obligations. The City is 76.7% funded (as of December 31, 2012) for its Pension liabilities and 96.1% funded for its OPEB liabilities (as of June 30, 2013). With both the Pension and Post Employment Health Benefit programs not closed to new hires and planned continued contributions, the City anticipates these funding levels to remain high; however, a significant funding variable is the performance of the City's investments.

The City's investment in its core services and community assets, along with continued fiscal discipline, improved purchasing and personnel policies, and innovative service provisions will provide a strong base for the City as it continues to be the first choice for residents and businesses to invest, especially as people see the end of the economic down turn and actively choose where to invest their time and money.

The City has developed and maintains a strong financial position. The City's solid financial position is attributable to the continued good financial practices, maintenance of a sound fund balance, and the prudent proactive management of the City's operations. Standard and Poor's most recent City bond rating is AA+.

Requests for Information

This financial report is designed to provide a general overview of the City of Rochester's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Municipal Offices at 400 Sixth Street, Rochester, Michigan 48307.

BASIC FINANCIAL STATEMENTS



CITY OF ROCHESTER
Statement of Net Position
June 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Investments	\$ 16,255,253	\$ 1,886,595	\$ 18,141,848
Receivables (net of allowance for uncollectibles):			
Accounts	112,738	847,729	960,467
Due from Other Governmental Units	113,449	-	113,449
Inventory	39,780	48,050	87,830
Restricted Assets - Cash and Cash Equivalents	-	6,139,933	6,139,933
Other Post Employment Benefits Asset	443,707	-	443,707
Capital Assets:			
Nondepreciable Assets	3,656,450	363,253	4,019,703
Depreciable Assets	26,077,971	19,210,328	45,288,299
Total Assets	<u>46,699,348</u>	<u>28,495,888</u>	<u>75,195,236</u>
 <u>LIABILITIES</u>			
Accounts Payable	683,845	982,304	1,666,149
Accrued Liabilities	100,519	4,556	105,075
Other	181,379	24,200	205,579
Noncurrent Liabilities:			
Compensated Absences Payable:			
Due within one year	77,394	-	77,394
Due in more than one year	277,474	-	277,474
Bonds and Contracts Payable:			
Due within one year	469,412	38,035	507,447
Due in more than one year	1,505,973	3,731,091	5,237,064
Total Liabilities	<u>3,295,996</u>	<u>4,780,186</u>	<u>8,076,182</u>
 <u>NET POSITION</u>			
Net Investment in Capital Assets	27,759,036	15,804,455	43,563,491
Restricted for:			
Streets	1,672,823	-	1,672,823
Cemetery	420,320	-	420,320
Law Enforcement Programs	22,996	-	22,996
Community Development Block Grant	5,885	-	5,885
Downtown Development Authority	630	-	630
Principal Shopping District	31,521	-	31,521
Band Shelter	238,656	-	238,656
Debt Service	17,286	-	17,286
Capital Projects	3,611,477	-	3,611,477
Water and Sewer Improvements	-	6,139,933	6,139,933
Unrestricted	9,622,722	1,771,314	11,394,036
Total Net Position	<u>\$ 43,403,352</u>	<u>\$ 23,715,702</u>	<u>\$ 67,119,054</u>

CITY OF ROCHESTER
Statement of Activities
For the Year Ended June 30, 2013

<u>Functions/Programs</u>	Program Revenues			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General Government	\$ 1,935,146	\$ 809,722	\$ 19,332	\$ 62,000
Public Safety	4,677,997	1,037,970	3,726	35,524
Community Development	1,711,927	362,256	210,762	-
Public Works	4,290,486	50,706	707,508	-
Recreation and Cultural	1,452,907	-	-	-
Interest on Long-Term Debt	100,809	-	-	-
Total Governmental Activities	<u>14,169,272</u>	<u>2,260,654</u>	<u>941,328</u>	<u>97,524</u>
Business-type Activities:				
Water and Sewer	5,035,388	4,870,006	-	424,593
Automobile parking system	164,344	46,912	-	-
Total Business-type Activities	<u>5,199,732</u>	<u>4,916,918</u>	<u>-</u>	<u>424,593</u>
Grand Total	<u>\$ 19,369,004</u>	<u>\$ 7,177,572</u>	<u>\$ 941,328</u>	<u>\$ 522,117</u>

General Revenues and Transfers:
Property Taxes
State Shared Revenue
Cable Franchise Fees
Unrestricted Investment Earnings
Transfers
Total General Revenues and Transfers

Change in Net Position
Net Position - Beginning

Net Position - Ending

Net (Expense) Revenue and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (1,044,092)	\$ -	\$ (1,044,092)
(3,600,777)	-	(3,600,777)
(1,138,909)	-	(1,138,909)
(3,532,272)	-	(3,532,272)
(1,452,907)	-	(1,452,907)
(100,809)	-	(100,809)
<u>(10,869,766)</u>	<u>-</u>	<u>(10,869,766)</u>
-	259,211	259,211
-	(117,432)	(117,432)
<u>-</u>	<u>141,779</u>	<u>141,779</u>
<u>(10,869,766)</u>	<u>141,779</u>	<u>(10,727,987)</u>
8,355,959	-	8,355,959
956,121	-	956,121
231,195	-	231,195
73,049	40,303	113,352
(923)	923	-
<u>9,615,401</u>	<u>41,226</u>	<u>9,656,627</u>
(1,254,365)	183,005	(1,071,360)
<u>44,657,717</u>	<u>23,532,697</u>	<u>68,190,414</u>
<u>\$ 43,403,352</u>	<u>\$ 23,715,702</u>	<u>\$ 67,119,054</u>

CITY OF ROCHESTER
Balance Sheet
Governmental Funds
June 30, 2013

	General	Major Streets	Local Streets	Downtown Development Authority
ASSETS				
Cash and Investments	\$ 8,832,673	\$ 1,002,085	\$ 601,953	\$ 60,036
Receivables (net of allowance for uncollectibles):				
Accounts	107,738	-	-	5,000
Due from Other Governmental Units	-	79,470	33,979	-
Inventory	30,391	-	-	-
Total Assets	\$ 8,970,802	\$ 1,081,555	\$ 635,932	\$ 65,036
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 469,849	\$ 17,757	\$ 22,740	\$ 61,615
Accrued and Other Liabilities	67,627	2,514	1,653	2,791
Other	181,379	-	-	-
Total Liabilities	718,855	20,271	24,393	64,406
Fund Balances:				
Nonspendable-Inventory	30,391	-	-	-
Restricted for:				
Streets	-	1,061,284	611,539	-
Cemetery	-	-	-	-
Law Enforcement Programs	-	-	-	-
Community Development Block Grant	-	-	-	-
Downtown Development Authority	-	-	-	630
Principal Shopping District	-	-	-	-
Band Shelter	-	-	-	-
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Unassigned	8,221,556	-	-	-
Total Fund Balances	8,251,947	1,061,284	611,539	630
Total Liabilities and Fund Balances	\$ 8,970,802	\$ 1,081,555	\$ 635,932	\$ 65,036

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, therefore, are not reported in the funds.

Internal Service Funds are used by management to charge the costs of motor pool to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Other Post Employment Benefits Asset

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Net Position of Governmental Activities

<u>Capital Projects General</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ 3,649,834	\$ 801,637	\$ 14,948,218
-	-	112,738
-	-	113,449
-	-	30,391
<u>\$ 3,649,834</u>	<u>\$ 801,637</u>	<u>\$ 15,204,796</u>

\$ 67,904	\$ 10,419	\$ 650,284
-	25,007	99,592
-	-	181,379
<u>67,904</u>	<u>35,426</u>	<u>931,255</u>

-	-	30,391
-	-	1,672,823
-	420,320	420,320
-	22,996	22,996
-	5,885	5,885
-	-	630
-	31,521	31,521
-	238,656	238,656
-	17,286	17,286
3,581,930	29,547	3,611,477
-	-	8,221,556
<u>3,581,930</u>	<u>766,211</u>	<u>14,273,541</u>
<u>\$ 3,649,834</u>	<u>\$ 801,637</u>	

26,834,932

4,181,425

443,707

(2,330,253)

\$ 43,403,352

CITY OF ROCHESTER
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Downtown Development Authority</u>
Revenues				
Property Taxes	\$ 6,839,897	\$ -	\$ -	\$ 1,180,730
Licenses and Permits	313,338	-	-	-
Intergovernmental:				
Federal, State and Local	1,238,413	502,287	205,221	-
Charges for Services	971,171	-	-	126,680
Franchise Fees	231,195	-	-	-
Fines and Forfeitures	93,265	-	-	-
Special Assessments	-	-	16,942	-
Interest	42,812	3,504	2,010	1,045
Other	133,940	-	33,764	117,783
Total Revenues	<u>9,864,031</u>	<u>505,791</u>	<u>257,937</u>	<u>1,426,238</u>
Expenditures				
Current:				
General Government	1,792,185	-	-	-
Public Safety	4,499,883	-	-	-
Community Development	34,466	-	-	1,208,027
Public Works	1,188,388	368,371	1,047,437	-
Recreation and Cultural	1,049,348	-	-	-
Debt Service:				
Principal	-	-	-	42,461
Interest and Other Charges	-	-	-	31,559
Capital Outlay	-	-	586,464	859,062
Total Expenditures	<u>8,564,270</u>	<u>368,371</u>	<u>1,633,901</u>	<u>2,141,109</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,299,761</u>	<u>137,420</u>	<u>(1,375,964)</u>	<u>(714,871)</u>
Other Financing Sources (Uses)				
Transfers In	-	2,500	531,117	232,095
Transfers Out	(1,065,238)	(230,000)	-	(2,500)
Total Other Financing Sources (Uses)	<u>(1,065,238)</u>	<u>(227,500)</u>	<u>531,117</u>	<u>229,595</u>
Net Change in Fund Balances	234,523	(90,080)	(844,847)	(485,276)
Fund Balances - Beginning	<u>8,017,424</u>	<u>1,151,364</u>	<u>1,456,386</u>	<u>485,906</u>
Fund Balances - Ending	<u>\$ 8,251,947</u>	<u>\$ 1,061,284</u>	<u>\$ 611,539</u>	<u>\$ 630</u>

Capital Projects General	Other Governmental	Total Governmental
\$ -	\$ 335,332	\$ 8,355,959
-	-	313,338
38,270	23,730	2,007,921
-	171,269	1,269,120
-	-	231,195
-	-	93,265
-	210,762	227,704
17,617	2,654	69,642
3,414	55,378	344,279
<u>59,301</u>	<u>799,125</u>	<u>12,912,423</u>
103,257	-	1,895,442
-	48,447	4,548,330
-	354,661	1,597,154
94,828	-	2,699,024
210,215	150,046	1,409,609
-	400,000	442,461
-	69,250	100,809
324,737	119,096	1,889,359
<u>733,037</u>	<u>1,141,500</u>	<u>14,582,188</u>
<u>(673,736)</u>	<u>(342,375)</u>	<u>(1,669,765)</u>
449,659	313,539	1,528,910
(232,095)	-	(1,529,833)
<u>217,564</u>	<u>313,539</u>	<u>(923)</u>
(456,172)	(28,836)	(1,670,688)
<u>4,038,102</u>	<u>795,047</u>	<u>15,944,229</u>
\$ <u>3,581,930</u>	\$ <u>766,211</u>	\$ <u>14,273,541</u>

CITY OF ROCHESTER
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2013

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (1,670,688)
--	----------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital Outlay	1,889,359
Depreciation Expense	(2,034,457)

Internal service funds are used by management to charge the costs of fleet management and management information systems to individual funds. The net revenue(loss) of certain activities of internal service funds is reported with governmental activities.

(14,246)

Change in Other Post Employment Benefits

140,350

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal Payments on Bonds	400,000
Principal Payments on Land Contracts	42,461
Increase in Compensated Absences	<u>(7,144)</u>

Change in net position in governmental activities

\$ (1,254,365)

CITY OF ROCHESTER
Balance Sheet
Proprietary Funds
June 30, 2013

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities Internal Service Fund</u>
	<u>Water and Sewer System</u>	<u>Automobile Parking System</u>	<u>Total</u>	
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,874,249	\$ 12,346	\$ 1,886,595	\$ 1,307,035
Accounts Receivable	847,729	-	847,729	-
Inventory	47,550	500	48,050	9,389
Total Current Assets	<u>2,769,528</u>	<u>12,846</u>	<u>2,782,374</u>	<u>1,316,424</u>
Noncurrent Assets:				
Restricted Assets - Cash	<u>6,139,933</u>	<u>-</u>	<u>6,139,933</u>	<u>-</u>
Capital Assets	26,212,571	571,327	26,783,898	5,942,374
Less: Accumulated Depreciation	(6,981,939)	(228,378)	(7,210,317)	(3,042,885)
Net Capital Assets	<u>19,230,632</u>	<u>342,949</u>	<u>19,573,581</u>	<u>2,899,489</u>
Total Assets	<u>\$ 28,140,093</u>	<u>\$ 355,795</u>	<u>\$ 28,495,888</u>	<u>\$ 4,215,913</u>
<u>LIABILITIES AND NET POSITION</u>				
Current Liabilities (Payable from Current Assets):				
Accounts Payable	\$ 981,606	\$ 698	\$ 982,304	\$ 33,561
Accrued Liabilities	4,556	-	4,556	927
Deposits	24,200	-	24,200	-
Current Portion of Bonds Payable	38,035	-	38,035	-
Total Current Liabilities (Payable from Current Assets)	<u>1,048,397</u>	<u>698</u>	<u>1,049,095</u>	<u>34,488</u>
Noncurrent Liabilities:				
Bonds Payable (net of current portion)	<u>3,731,091</u>	<u>-</u>	<u>3,731,091</u>	<u>-</u>
Total Liabilities	<u>4,779,488</u>	<u>698</u>	<u>4,780,186</u>	<u>34,488</u>
NET POSITION:				
Net Investment in Capital Assets	15,461,506	342,949	15,804,455	2,899,489
Restricted for Improvements	6,139,933	-	6,139,933	-
Unrestricted	1,759,166	12,148	1,771,314	1,281,936
Total Net Position	<u>23,360,605</u>	<u>355,097</u>	<u>23,715,702</u>	<u>4,181,425</u>
Total Liabilities and Net Position	<u>\$ 28,140,093</u>	<u>\$ 355,795</u>	<u>\$ 28,495,888</u>	<u>\$ 4,215,913</u>

CITY OF ROCHESTER
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities Internal Service Fund</u>
	<u>Water and Sewer System</u>	<u>Automobile Parking System</u>	<u>Total</u>	
<u>Operating Revenues:</u>				
Water Sales	\$ 2,181,952	\$ -	\$ 2,181,952	\$ -
Sewage Disposal Fees	2,625,733	-	2,625,733	-
Charges for Services	57,977	46,912	104,889	925,530
Miscellaneous	4,344	-	4,344	53,793
Total Operating Revenues	<u>4,870,006</u>	<u>46,912</u>	<u>4,916,918</u>	<u>979,323</u>
<u>Operating Expenses:</u>				
Water Distribution	1,805,506	-	1,805,506	-
Sewage Collection and Disposal	2,110,483	-	2,110,483	-
Administrative	267,495	89,802	357,297	106,984
Operation and Maintenance	368,205	74,542	442,747	606,526
Depreciation	455,654	-	455,654	283,466
Total Operating Expenses	<u>5,007,343</u>	<u>164,344</u>	<u>5,171,687</u>	<u>996,976</u>
Operating Income (Loss)	<u>(137,337)</u>	<u>(117,432)</u>	<u>(254,769)</u>	<u>(17,653)</u>
<u>Non-Operating Revenues (Expenses):</u>				
Interest Earned	40,303	-	40,303	3,407
State Grants	374,293	-	374,293	-
Interest Expense	(28,045)	-	(28,045)	-
Total Non-Operating Revenues (Expenses)	<u>386,551</u>	<u>-</u>	<u>386,551</u>	<u>3,407</u>
Income (Loss) before Contributions and Transfers	249,214	(117,432)	131,782	(14,246)
Capital Contributions	50,300	-	50,300	-
Transfers In (Out)	<u>(124,077)</u>	<u>125,000</u>	<u>923</u>	<u>-</u>
Net Income (Loss)	175,437	7,568	183,005	(14,246)
Net Position, Beginning	<u>23,185,168</u>	<u>347,529</u>	<u>23,532,697</u>	<u>4,195,671</u>
Net Position, Ending	<u>\$ 23,360,605</u>	<u>\$ 355,097</u>	<u>\$ 23,715,702</u>	<u>\$ 4,181,425</u>

CITY OF ROCHESTER
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities Internal Service Fund</u>
	<u>Water and Sewer System</u>	<u>Automobile Parking System</u>	<u>Total</u>	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from customers and users	\$ 5,098,181	\$ 46,912	\$ 5,145,093	\$ 979,323
Payments to suppliers	(4,110,759)	(145,882)	(4,256,641)	(597,962)
Payments to employees	(519,583)	(18,077)	(537,660)	(101,931)
Net Cash Provided (Used) by Operating Activities	<u>467,839</u>	<u>(117,047)</u>	<u>350,792</u>	<u>279,430</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>				
Refundable Deposits	21,100	-	21,100	-
State Grant Revenues	374,293	-	374,293	-
Operating Transfers In (Out)	(124,077)	125,000	923	-
Net Cash Provided (Used) by Non-Capital Financing Financing Activities	<u>271,316</u>	<u>125,000</u>	<u>396,316</u>	<u>-</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Capital Contributions	50,300	-	50,300	-
Proceeds from Long Term Borrowing	1,985,952	-	1,985,952	-
Principal Paid on Debt	(37,020)	-	(37,020)	-
Interest Paid on Debt	(28,045)	-	(28,045)	-
Acquisition and Construction of Capital Assets	(3,389,915)	-	(3,389,915)	(568,459)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,418,728)</u>	<u>-</u>	<u>(1,418,728)</u>	<u>(568,459)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Earned	40,303	-	40,303	3,407
Net Increase (Decrease) in Cash and Cash Equivalents	(639,270)	7,953	(631,317)	(285,622)
Cash and Cash Equivalents, Beginning	<u>8,653,452</u>	<u>4,393</u>	<u>8,657,845</u>	<u>1,592,657</u>
Cash and Cash Equivalents, Ending	<u>\$ 8,014,182</u>	<u>\$ 12,346</u>	<u>\$ 8,026,528</u>	<u>\$ 1,307,035</u>
<u>Balance Sheet Classifications:</u>				
Cash and Cash Equivalents	\$ 1,874,249	\$ 12,346	\$ 1,886,595	\$ 1,307,035
Restricted Assets - Cash and Cash Equivalents	6,139,933	-	6,139,933	-
Total	<u>\$ 8,014,182</u>	<u>\$ 12,346</u>	<u>\$ 8,026,528</u>	<u>\$ 1,307,035</u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>				
Operating Income (Loss)	\$ (137,337)	\$ (117,432)	\$ (254,769)	\$ (17,653)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization Expense	455,654	-	455,654	283,466
(Increase) Decrease in Receivables	228,175	-	228,175	-
Increase (Decrease) in Accounts Payable	(76,695)	385	(76,310)	13,585
Increase (Decrease) in Accrued Liabilities	(1,958)	-	(1,958)	32
Net Cash Provided (Used) by Operating Activities	<u>\$ 467,839</u>	<u>\$ (117,047)</u>	<u>\$ 350,792</u>	<u>\$ 279,430</u>

CITY OF ROCHESTER
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2013

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and Cash Equivalents	\$ 125,527	\$ 306,583
Accounts Receivable	13,178	-
Total Assets	<u>138,705</u>	<u>306,583</u>
 LIABILITIES		
Accounts Payable	-	20,909
Accrued and Other Liabilities	-	285,674
Total Liabilities	<u>-</u>	<u>306,583</u>
 NET ASSETS Held in Trust For Employees'		
Pension Benefits	\$ <u><u>138,705</u></u>	\$ <u><u>-</u></u>

CITY OF ROCHESTER
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2013

	<u>Pension Trust Fund</u>
Additions	
Contributions - employer	\$ 13,178
Investment Income	
Interest	<u>261</u>
Total Additions	13,439
Deductions	
Employee Benefits	<u>10,129</u>
Change in Net Position	3,310
Net Position - Beginning	<u>135,395</u>
Net Position - Ending	<u>\$ 138,705</u>



CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City of Rochester, Michigan, is governed by an elected seven-member City Council. Services are provided to residents in the areas of police and fire protection, building code enforcement, planning and zoning, refuse removal, parks and recreation, road construction, street lighting, and water and sewer.

Blended Component Unit

The City of Rochester Downtown Development Authority (DDA) was established to promote economic growth for the benefit of the community within the City's business district. The DDA Board is appointed by the City Council. The annual operating budget and any modifications require the approval of the City Council, and the City is financially accountable for it. 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 promote the City and is in substance part of the City's operations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. 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 major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Governmental Funds

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Streets Fund accounts for the resources of State gas and weight tax revenues that are restricted for use on major streets.

The Local Streets Fund accounts for the resources of State gas and weight tax revenue that are restricted for use on local streets.

The Downtown Development Authority accounts for the captured property tax revenue for promotion and development within the downtown development plan.

The Capital Projects-General accounts for the special resources used for the acquisition or major renovation of capital facilities.

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Proprietary Funds

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds include the following fund types:

The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

The Automobile Parking System Fund accounts for the activities of the City's parking system.

Additionally, the City reports the following fund types:

Internal Service Funds

Internal service funds account for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the government on a cost reimbursement basis.

Fiduciary Funds

Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary funds include the following fund types:

The Agency Fund is used to account for assets held by the City in a trustee capacity for tax collections of the City and other taxing jurisdictions, as well as City payroll related liabilities. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Pension Trust Fund accounts for the activity of the Fire Department Retirement System, which accumulates resources for pension benefit payments to qualified fire department employees.

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or capital projects).

The debt service funds account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The capital project funds are used to account for construction projects and their related revenue sources.

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks. Investments are recorded at fair value.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Position or Equity – Continued

2. Receivables and Payables – Continued

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. All trade and property tax receivables are shown net of allowance for uncollectible accounts, if applicable.

3. Inventory

Inventories are valued at cost using the first-in/first out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of capitalized value of the assets constructed. Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15-60
Infrastructure	10-20
Water & Sewer Lines	50
Equipment	3-7
Vehicles	2-10

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Position or Equity – Continued

5. Compensated Absences

In accordance with contracts negotiated with the various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured. The long-term portion of compensated absences related to the governmental funds is a liability recorded in the Statement of Net Position.

6. Long Term Obligations

In the government-wide financial statements, and 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Position. Long-term liabilities expected to be financed from proprietary funds are reported as liabilities in those funds.

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Position or Equity – Continued

7. Fund Equity

In the fund financial statements, governmental funds report the following components of fund balance:

Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable – Amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Restricted – Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

Committed – Amounts that have been formally set aside by City Council for use for a specific purpose. Commitments are made and can be rescinded only via resolution of the City Council.

Assigned – Intent to spend resources on specific purposes expressed by the City Council, but are neither restricted nor committed. The City's intent would be to spend committed funds prior to the use of uncommitted/unassigned funds. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Unassigned – This is the residual classification for the general fund. This classification represents fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund.

The City Council has adopted a Fund Balance Policy. As part of the policy, the City Council will annually designate as part of the budget process for capital projects, the unfunded actuarial accrued liability of the City's defined benefit pension obligations, and the unfunded actuarial liability of the City's other post employment employee health care obligations.

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2013

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

- a. Budgets must be adopted for the General and Special Revenue Funds and are adopted at the activity level.
- b. Budgets must be balanced.
- c. Budgets must be amended as necessary.
- d. Public hearings must be held prior to adoption.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget appropriation prior to being incurred.

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

1. On or before the first Monday in April, the City Manager submits to the Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Appropriations are made on an activity basis within the General Fund and on a total fund basis in other governmental funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. No later than the second Monday in May, the budget is legally enacted through adoption of a resolution in accordance with the Michigan Uniform Accounting and Budgeting Act.
4. The City Manager is authorized by the Council to transfer budgeted amounts within appropriations. However, any revisions that alter the total appropriation must be approved by the City Council.
5. Appropriations for the fiscal year lapse every June 30. Council may re-appropriate any amount at its discretion.
6. The City Council may authorize supplemental appropriations (budget amendments) during the year. In fiscal year 2012, budget amendments were made and are reflected in the financial statements.

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2013

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

B. Compliance with P.A. 621 of 1978

Excess of Expenditures Over Appropriations in Budgetary Funds

The budgets for the General and Special Revenue Funds are adopted at the activity level; expenditures in excess of budget appropriations are as follows:

	Final		Excess
	Budget	Actual	Expenditures Over Appropriations
General Fund:			
City Manager	\$453,582	\$463,856	\$ 10,274
Elections	25,356	25,375	19
City Clerk	158,678	158,975	297
Civic Center	78,586	78,606	20
Other General Services	399,691	401,761	2,070
Fire	1,045,837	1,092,540	46,703
Planning Commission	32,134	32,460	326
Zoning Board of Appeals	614	2,006	1,392
Parks and Recreation	567,047	572,752	5,705
Major Streets Fund:			
General Administration	4,592	7,028	2,436
Routine Maintenance	160,635	175,280	14,645
Street Construction	72,327	72,803	476
Traffic Services	51,370	54,752	3,382
Local Streets Fund:			
General Administration	6,542	10,100	3,558
Routine Maintenance	306,011	326,961	20,950
Street Construction	1,191,891	1,193,204	1,313
Traffic Services	40,000	40,087	87
Downtown Dev. Authority	2,091,710	2,141,109	49,399
Principal Shopping District	320,151	328,021	7,870

C. Public Act 245 of 1999 Compliance

In accordance with the State Construction Code Act, Public Act 245 of 1999, the City must account for cumulative revenues over or under expenditures generated by the City's building department from January 1, 2000 and forward.

The cumulative amounts as of June 30, 2013 are as follows:

Cumulative Balance at June 30, 2012	\$ (609,034)
Fees Collected in Fiscal Year 2013	265,656
Expenditures in Fiscal Year 2013	(148,118)
Revenues Over (Under) Expenditures	<u>\$ (491,496)</u>

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2013

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law (Public Act 20 of 1943, as amended), the City is permitted to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City is allowed 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, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Pension Trust Fund is also authorized by Michigan Public Act 55 of 1982 to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations and certain other specified investment vehicles.

A reconciliation of cash and investments is as follows:

Statement of Net Position:	
Cash and Investments	\$ 18,141,848
Restricted Cash	6,139,933
Fiduciary Funds:	
Trust & Agency Funds	<u>432,110</u>
Total Deposits and Investments	<u>\$ 24,713,891</u>

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be recovered. The City's does have an investment policy for custodial credit risk of deposits. As of June 30, 2013, the City's bank balance of its deposits was \$23,791,259, of which \$20,291,259 was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds 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
Notes to Financial Statements
June 30, 2013

III. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does have an investment policy for custodial credit risk of investments. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, and held in the name of the City of Rochester.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of certificate of deposits and investments are as follows:

<u>Investments</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
U.S. Government Agencies and Securities:		
Federal Home Loan Banks	\$ 2,995,000	3.59 years
Federal Farm Credit Banks	2,620,000	4.22 years
Federal National Mortgage Assoc.	<u>1,000,000</u>	4.73 years
	<u>\$ 6,615,000</u>	

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investments:</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
U.S. Government Agencies	\$ 6,615,000	Aaa	Moody's
MBIA Gov. Investment Pool	531,695	AAA/m	S&P
Bank Investment Pools	2,324,863	Not Rated	

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. The City has more than 5 percent of its cash and investments in Federal Farm Credit Banks (11%), and Federal Home Loan Banks (13%).

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2013

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$ 3,656,450	\$ -	\$ -	\$ 3,656,450
Capital Assets, being depreciated:				
Buildings and Improvements	4,261,956	192,105	-	4,454,061
Improvements-Non Building	1,137,764	213,417	-	1,351,181
Machinery and Equipment	3,401,642	119,096	-	3,520,738
Infrastructure	31,805,608	1,364,741	-	33,170,349
Internal Service Fund	5,373,915	568,459	-	5,942,374
	<u>45,980,885</u>	<u>2,457,818</u>	<u>-</u>	<u>48,438,703</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(1,553,871)	(87,412)	-	(1,641,283)
Improvements-Non Building	(437,932)	(24,583)	-	(462,515)
Machinery and Equipment	(1,948,270)	(367,599)	-	(2,315,869)
Infrastructure	(13,343,317)	(1,554,863)	-	(14,898,180)
Internal Service Fund	(2,759,419)	(283,466)	-	(3,042,885)
	<u>(20,042,809)</u>	<u>(2,317,923)</u>	<u>-</u>	<u>(22,360,732)</u>
Governmental Activities Capital Assets, net	<u>\$ 29,594,526</u>	<u>\$ 139,895</u>	<u>\$ -</u>	<u>\$ 29,734,421</u>

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2013

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets – Continued

<u>Business-type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$ 363,253	\$ -	\$ -	\$ 363,253
Capital Assets, being depreciated:				
Sewage Disposal System	12,325,858	2,385,255	-	14,711,113
Water Distribution System	10,421,157	1,004,660	-	11,425,817
Improvements Parking Lots	166,609	-	-	166,609
Parking Meters	59,776	-	-	59,776
Other Equipment	57,330	-	-	57,330
	<u>23,030,730</u>	<u>3,389,915</u>	<u>-</u>	<u>26,420,645</u>
Less: Accumulated Depreciation:				
Sewage Disposal System	(3,121,992)	(268,551)	-	(3,390,543)
Water Distribution System	(3,348,956)	(187,103)	-	(3,536,059)
Improvements Parking Lots	(166,609)	-	-	(166,609)
Parking Meters	(59,776)	-	-	(59,776)
Other Equipment	(57,330)	-	-	(57,330)
	<u>(6,754,663)</u>	<u>(455,654)</u>	<u>-</u>	<u>(7,210,317)</u>
Business-type Activities Capital Assets, net	<u>\$ 16,639,320</u>	<u>\$ 2,934,261</u>	<u>\$ -</u>	<u>\$ 19,573,581</u>

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

General Government	\$ 69,122
Public Safety	202,905
Public Works	1,598,922
Community Development	114,773
Recreation and Cultural	48,735
Charged though Internal Service Funds	283,466
	<u>\$ 2,317,923</u>

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2013

III. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers

The composition of interfund transfers at June 30, 2013 are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Local Street Fund	General Fund	\$ 301,117
Cemetery	General Fund	80,274
2001 GO Bond Debt Fund	General Fund	9,188
Local Street Fund	Major Street Fund	230,000
Major Street Fund	DDA	2,500
DDA	Capital Projects General	232,095
1994 GO Bonds Debt	Water & Sewer Fund	124,077
Fire Equipment Reserve	General Fund	100,000
Capital Projects General	General Fund	449,659
Auto Parking System	General Fund	125,000
		<u>\$ 1,653,910</u>

Transfers represent the following:

Water & Sewer Fund transferred to debt service funds to make annual debt service payments.

All other transfers are operating transfers to fund street and other construction projects in the current year.

D. Restricted Assets and Reserves

Specific assets of the business-type activities have been restricted by City ordinances for the capital improvement of the City's water and sewer systems.

The following is the detail of the business-type activities restricted assets on June 30, 2013:

Water & Sewer System Fund:

Cash and investments restricted for

Water & Sewer Capital Improvement \$6,139,933

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2013

III. DETAILED NOTES ON ALL FUNDS – Continued

E. Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2013:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Balance</u> <u>Within 1 Year</u>
Governmental Activities:					
1994 Unlimited Tax Bonds maturing through 10-1-2013, interest 4%-5%	\$ 675,000	\$ -	\$ (325,000)	\$ 350,000	\$ 350,000
2001 Unlimited Tax Bonds maturing through 4-1-2020, interest 4%-5%	1,025,000	-	(75,000)	950,000	75,000
Land Contracts Payable due 4-1-2025, interest at 4.5%	<u>717,846</u>	<u>-</u>	<u>(42,461)</u>	<u>675,385</u>	<u>44,412</u>
	2,417,846	-	(442,461)	1,975,385	469,412
Compensated Absences	<u>347,724</u>	<u>7,144</u>	<u>-</u>	<u>354,868</u>	<u>77,394</u>
	<u>\$ 2,765,570</u>	<u>\$ 7,144</u>	<u>\$ (442,461)</u>	<u>\$ 2,330,253</u>	<u>\$ 546,806</u>
Business-type Activities:					
2010 Oakland-Macomb Interceptor bonds maturing through 4-1-2031, interest 2.50%	\$ 727,616	\$ -	\$ (30,342)	\$ 697,274	\$ 31,067
2010B Oakland-Macomb Interceptor bonds maturing through 4-1-2030, interest 1.15%-5.90%	182,484	-	(6,678)	175,806	6,968
2011 Oakland-Macomb Interceptor bonds maturing through 10-1-2033, interest 2.50%	910,094	-	-	910,094	-
2013A Oakland-Macomb Interceptor bonds maturing through 10-1-2033, interest 2.00%	<u>-</u>	<u>1,985,952</u>	<u>-</u>	<u>1,985,952</u>	<u>-</u>
	<u>\$ 1,820,194</u>	<u>\$ 1,985,952</u>	<u>\$ (37,020)</u>	<u>\$ 3,769,126</u>	<u>\$ 38,035</u>

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2013

III. DETAILED NOTES ON ALL FUNDS – Continued

E. Long-Term Debt – Continued

The annual debt service requirements to maturity for general obligation bonds outstanding as of June 30, 2013 are as follows:

Year Ended	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 469,412	\$ 81,458	\$ 38,035	\$ 79,006
2015	121,452	69,193	74,700	87,544
2016	148,586	63,759	158,458	84,778
2017	175,818	57,027	162,187	81,103
2018	178,152	48,943	165,773	77,328
2019-2023	754,712	110,088	890,551	325,618
2024-2028	127,253	5,680	1,003,535	212,115
2029-2033	-	-	983,208	85,138
2034-2035	-	-	292,679	5,451
	<u>\$ 1,975,385</u>	<u>\$ 436,148</u>	<u>\$ 3,769,126</u>	<u>\$ 1,038,081</u>

In July 2010, the Oakland-Macomb Interceptor Drain Drainage Board has assessed the City of Rochester, along with other communities within the drainage district, for the maintenance and rehabilitation of the Oakland-Macomb Interceptor Drain, under the provisions of the Michigan Drain Code, Public Act 40 of 1956, Section 526. Bonds were issued in the amount of \$26,076,000, Series 2010A, maturing in 2031 with an interest rate of 2.50%, \$6,731,484.20, Series 2010B, maturing in 2030 with interest rates of 1.15-5.90%, \$25,530,000, Series 2011, maturing in 2033 with an interest rate of 2.50%, and \$33,173,310, Series 2013A, maturing in 2034 with an interest rate of 2.00%. The City of Rochester's portion of 2.9035% of the total debt is \$3,847,696.

F. Property Taxes

Property taxes are assessed as of each December 31. The City tax levy is billed on July 1 of the following year. Taxes are considered delinquent on March 1, at which time the applicable property is subject to lien and penalty and interest is assessed. The maximum authorized operating levy for the City is 20 mills. The City's tax levy for the 2012 tax roll is as follows (tax rate per \$1,000 of assessed valuation):

General Operating	11.5964
Voted Sewer Debt	.4000
Older Persons Comm.	.2440
Older Persons Comm. Debt	<u>.1900</u>
Total	<u>12.4304</u> mills

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2013

IV. OTHER INFORMATION

A. Employee Retirement Systems and Plans

1. Municipal Employees Retirement System Defined Benefit Plan

a. Plan Description

The City contributes to the Michigan Municipal Employees' Retirement System (MMERS), which is an agent multiple employer retirement system. The plan covers all full time employees except the City Manager. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by a certain percentage based on the benefit program in effect as of the date of termination of membership times the final average compensation (FAC). The most recent period for which actuarial data was available was for the actuarial valuation as of December 31, 2012.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of the State of Michigan (MSA 5.333(a); MCLA 46.12(a)). MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Council. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

b. Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and personnel policy. Public works employee members contribute 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200. All other City employee members contribute 5% of annual compensation. The City is required to contribute at an actuarially determined rate.

c. Annual Pension Cost

During the fiscal year ended June 30, 2013, the City's contributions totaling \$418,456 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2010.

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2013

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

c. Annual Pension Cost – Continued

The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

<u>Three Year Trend Information</u>				
<u>Fiscal Year</u> Ended <u>June 30,</u>	<u>Valuation</u> Date <u>Dec. 31</u>	<u>Annual</u> Pension Cost (APC)	<u>Percentage</u> of APC Contributed	<u>Net</u> Pension Obligation
2011	2008	\$373,682	100%	-0-
2012	2009	369,520	100%	-0-
2013	2010	418,456	100%	-0-

The information presented above was determined as part of the actuarial valuations at the dates indicated.

2. Firefighters Defined Benefit Plan

a. Plan Description

The City of Rochester has established a defined benefit plan as of July 1, 1989 for the Rochester Volunteer Firefighters Association. The plan provides for a defined benefit of \$3.00 per month for each year of service with a maximum of thirty-five years of service. The amount was increased to \$4.00 per month effective January 2008. The plan provides for vesting of benefits after 10 years of service. All volunteer firefighters that have attained eighteen years of age and completed the required training and 1000 hours of service are eligible to participate. Entry date is July 1st following satisfaction of the above requirements. Participants may elect normal retirement on the first day of the month following attainment of age 55. The City's contribution for the year ended June 30, 2013 was \$13,178 in accordance with contribution requirements determined by an actuarial valuation of the plan as of July 1, 2011. The Rochester Volunteer Firefighters Defined Benefit Plan (the Plan) is considered part of the City of Rochester financial reporting entity and is included in the City's financial reports as a Pension Trust Fund.

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2013

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

2. Rochester Fire Department Defined Benefit Plan – Continued

b. Annual Pension Cost

The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 15 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 7%.

Schedule of Employer Contributions

<u>Fiscal Year</u> <u>Ended</u> <u>June 30</u>	<u>Valuation</u> <u>Date</u> <u>July 1</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
2011	2009	\$ 9,320	100%	-0-
2012	2010	13,238	100%	-0-
2013	2011	13,178	100%	-0-

3. City of Rochester – Defined Contribution Plan

The City of Rochester contributes to a defined contribution money purchase pension plan for the City Manager and the Director of Economic Development. The plan is administered by the Michigan Municipal Employees' Retirement System (MERS) who sponsors the prototype plan. Amendments are developed by MERS and submitted to the City Council for approval.

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. The City Manager, Director of Economic Development, and Director of Public Works, if not covered by the MERS defined benefit plan, are eligible to participate in the plan. Contributions made by the City for an employee vest immediately. During the year, the City's required and actual contributions amounted to \$28,434.

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2013

IV. OTHER INFORMATION – Continued

B. Post Retirement Health Care Benefits

Plan Description – The City provides post retirement health care insurance coverage to eligible employees and their spouses. This is an agent multiple employer defined benefit plan administered by the Municipal Employees' Retirement System of Michigan Health Funding Vehicle. Eligible employees include all non-union employees and their spouses hired before June 30, 2011, the Department of Public Works union employees hired before June 30, 2012, and the police union employees hired before September 30, 2011, who retire from the City. Employees hired after the listed dates receive a contribution to a health retirement account, but no post retirement healthcare benefit. Qualified employees are provided with 4% of the cost of single and/or spouse coverage premiums for each year of employment. Currently 25 retirees are receiving benefits. At the fund level, the expense is recognized by the City as the payments to the employees are made. During the year, this amounted to \$310,474.

Funding Policy – The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). The City has budgeted to fund this obligation on an actuarial basis and has identified, through its budget process, cash on hand to cover the total outstanding liability as of the most current actuarial report.

Funding Progress – For the year ended June 30, 2013, the City has estimated the cost of providing retiree healthcare benefits through use of the alternate calculation method as established under GASB 45. The alternate calculation method computes an annual required contribution that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The alternate calculation method uses actuarial techniques, although it was not performed by an actuary.

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2013

IV. OTHER INFORMATION – Continued

B. Post Retirement Health Care Benefits – Continued

The computed contribution and actual funding are summarized as follows:

Annual Required Contribution (recommended)	\$ 232,880
Interest on the prior year's net OPEB obligation	-
Less adjustment to the annual required contribution	-
Annual OPEB Cost	<u>232,880</u>

Amounts Contributed:

Payments of current premiums	(310,474)
Advance funding	<u>(62,756)</u>
Increase(Decrease) in net OPEB obligation	(140,350)
OPEB obligation (asset) - Beginning of Year	<u>(303,357)</u>
OPEB obligation (asset) - End of Year	<u><u>\$ (443,707)</u></u>

<u>Fiscal Year</u> <u>Ended</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Annual</u> <u>OPEB Costs</u>	<u>Percentage</u> <u>of ARC</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2011	6/30/2011	\$ 333,918	\$ 333,918	111%	\$ (243,039)
6/30/2012	6/30/2011	\$ 333,918	\$ 333,918	118%	\$ (303,357)
6/30/2013	6/30/2013	\$ 232,880	\$ 232,880	160%	\$ (443,707)

Valuation as of:	<u>June 30, 2011</u>	<u>June 30, 2013</u>
Actuarial Value of Assets	\$ 5,981,420	\$ 7,360,000
Actuarial Accrued Liability	7,872,462	7,655,718
Unfunded AAL	1,891,042	295,718
Funded Ratio	75.98%	96.14%

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 healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2013

IV. OTHER INFORMATION – Continued

B. Post Retirement Health Care Benefits – Continued

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

In the June 30, 2013 calculation, the entry age actuarial cost method was used. The actuarial assumptions included an 8.0 percent investment rate of return. The unfunded actuarial accrued liabilities were amortized as a level percent of active member payroll over a period of 30 years.

C. Risk Management

The City is exposed to risks of loss related to property loss, torts, and errors and omissions. The City has purchased commercial insurance for claims relating to property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

D. Upcoming Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued two new pronouncements in June 2012, GASB Statement No. 67, *Financial Reporting for Pension Plans*, which amends GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans*, which amends GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and GASB Statement No. 50, *Pension Disclosures*. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and measuring and recognizing liabilities and expenses. GASB No. 68 will require employers with defined benefit pension plans to recognize their unfunded pension benefit obligation as a liability on the government-wide and proprietary financial statements. These new standards will result in additional disclosures and required supplemental information, and will be effective beginning with the City's fiscal year ended June 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF ROCHESTER
Required Supplementary Information – (Unaudited)
Defined Benefit Pension Plans – Trend Information
For the Year Ended June 30, 2013

Municipal Employees Retirement System
Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/04	\$11,580,247	\$13,109,802	\$1,529,555	88%	\$3,205,994	48%
12/31/05	12,212,649	13,596,770	1,384,121	90	3,289,737	42
12/31/06	13,164,029	14,685,002	1,520,973	90	3,280,051	46
12/31/07	13,989,804	15,547,219	1,557,415	90	3,246,295	48
12/31/08	14,308,424	17,061,907	2,753,483	84	3,702,990	74
12/31/09	14,553,451	17,011,159	2,457,708	86	3,325,050	74
12/31/10	14,752,580	18,010,543	3,257,963	82	3,348,219	97
12/31/11	14,782,634	18,846,897	4,064,263	78	3,337,673	122
12/31/12	14,670,568	19,134,118	4,463,550	77	3,411,044	131

Additional information as of December 31, 2012, the latest actual valuation, follows:

Actuarial cost method	Entry age normal cost
Amortization method	Level percent
Remaining amortization period	27 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	4.50% - 12.90%
Includes inflation at 2.0%	
Cost of living adjustments	None

Rochester Volunteer Firefighters Retirement System
Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>
7/01/06	\$103,024	\$139,365	\$36,341	74%
7/01/07	116,050	150,926	34,876	77
7/01/08	128,323	168,807	40,484	76
7/01/09	108,432	141,586	33,154	77
7/01/10	117,334	153,472	36,138	76
7/01/11	127,361	170,224	42,863	75
7/01/12	135,395	181,533	46,138	75

Additional information as of July 1, 2012, the latest actual valuation, follows:

Actuarial cost method	Entry age normal cost
Amortization period	15 years
Asset valuation method	At market
Actuarial assumptions:	
Investment rate of return	7%



CITY OF ROCHESTER
General Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General Property Taxes	\$ 6,828,000	\$ 6,839,897	\$ 6,839,897	\$ -
Licenses and Permits	182,650	311,515	313,338	1,823
Intergovernmental - State and Local	1,140,000	1,226,069	1,238,413	12,344
Charges for Services	980,118	930,678	971,171	40,493
Franchise Fees	205,000	231,195	231,195	-
Fines	80,000	90,000	93,265	3,265
Interest	60,000	42,326	42,812	486
Reimbursements	91,110	77,254	76,130	(1,124)
Other Revenues	32,500	55,571	57,810	2,239
Total Revenues	<u>9,599,378</u>	<u>9,804,505</u>	<u>9,864,031</u>	<u>59,526</u>
Expenditures:				
General Government:				
City Council	75,259	70,329	70,325	4
City Manager	453,947	453,582	463,856	(10,274)
Elections	36,066	25,356	25,375	(19)
Finance	597,311	593,400	591,712	1,688
City Clerk	134,901	158,678	158,975	(297)
Board of Review	2,573	1,575	1,575	-
Civic Center	61,174	78,586	78,606	(20)
Other General Services	404,218	399,691	401,761	(2,070)
Total General Government	<u>1,765,449</u>	<u>1,781,197</u>	<u>1,792,185</u>	<u>(10,988)</u>
Public Safety:				
Police	3,350,194	3,264,065	3,259,225	4,840
Fire	903,381	1,045,837	1,092,540	(46,703)
Protective Inspections	155,173	148,844	148,118	726
Total Public Safety	<u>4,408,748</u>	<u>4,458,746</u>	<u>4,499,883</u>	<u>(41,137)</u>
Community Development:				
Planning Commission	44,550	32,134	32,460	(326)
Zoning Board of Appeals	2,175	614	2,006	(1,392)
Total Community Development	<u>46,725</u>	<u>32,748</u>	<u>34,466</u>	<u>(1,718)</u>
Public Works:				
Department of Public Works	659,696	559,200	539,015	20,185
Sanitation	669,000	656,068	649,373	6,695
Total Public Works	<u>1,328,696</u>	<u>1,215,268</u>	<u>1,188,388</u>	<u>26,880</u>
Recreation and Cultural:				
Parks and Recreation	469,374	567,047	572,752	(5,705)
Library	417,578	418,481	418,481	-
Older Persons Commission	50,677	50,656	50,656	-
Historical Commission	10,000	10,000	7,459	2,541
Total Recreation and Cultural	<u>947,629</u>	<u>1,046,184</u>	<u>1,049,348</u>	<u>(3,164)</u>
Contingencies	50,000	-	-	-
Total Expenditures	<u>8,547,247</u>	<u>8,534,143</u>	<u>8,564,270</u>	<u>(30,127)</u>
Excess (Deficiency) of Revenues Over Expenditures	1,052,131	1,270,362	1,299,761	29,399
Other Financing Uses:				
Operating Transfers Out	(1,052,131)	(1,065,238)	(1,065,238)	-
Change in Fund Balance	-	205,124	234,523	29,399
Fund Balance - July 1	8,017,424	8,017,424	8,017,424	-
Fund Balance - June 30	<u>\$ 8,017,424</u>	<u>\$ 8,222,548</u>	<u>\$ 8,251,947</u>	<u>\$ 29,399</u>

CITY OF ROCHESTER
Major Streets Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
State	\$ 502,363	\$ 497,000	\$ 502,287	\$ 5,287
Interest	2,500	3,467	3,504	37
Other	500	-	-	-
Total Revenues	<u>505,363</u>	<u>500,467</u>	<u>505,791</u>	<u>5,324</u>
Expenditures:				
Highways and Streets:				
General Administration	9,700	4,592	7,028	(2,436)
Routine Maintenance	195,076	160,635	175,280	(14,645)
Street Construction	39,824	72,327	72,803	(476)
Traffic Services	75,647	51,370	54,752	(3,382)
Winter Maintenance	137,327	58,692	58,508	184
Total Expenditures	<u>457,574</u>	<u>347,616</u>	<u>368,371</u>	<u>(20,755)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>47,789</u>	<u>152,851</u>	<u>137,420</u>	<u>(15,431)</u>
Other Financing Sources (Uses):				
Operating Transfers In	2,500	2,500	2,500	-
Operating Transfers Out	-	(230,000)	(230,000)	-
Total Other Financing Sources (Uses)	<u>2,500</u>	<u>(227,500)</u>	<u>(227,500)</u>	<u>-</u>
Net Change in Fund Balance	50,289	(74,649)	(90,080)	(15,431)
Fund Balance - July 1	<u>1,124,756</u>	<u>1,124,756</u>	<u>1,151,364</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 1,175,045</u>	<u>\$ 1,050,107</u>	<u>\$ 1,061,284</u>	<u>\$ (15,431)</u>

CITY OF ROCHESTER
Local Streets Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State	\$ 202,089	\$ 203,250	\$ 205,221	\$ 1,971
Special Assessments	12,005	16,713	16,942	229
Interest	2,500	2,008	2,010	2
Other	500	32,960	33,764	804
Total Revenues	<u>217,094</u>	<u>254,931</u>	<u>257,937</u>	<u>3,006</u>
Expenditures:				
Highways and Streets:				
General Administration	16,138	6,542	10,100	(3,558)
Routine Maintenance	281,889	306,011	326,961	(20,950)
Street Construction	759,361	1,191,891	1,193,204	(1,313)
Traffic Services	56,818	40,000	40,087	(87)
Winter Maintenance	109,005	63,777	63,549	228
Total Expenditures	<u>1,223,211</u>	<u>1,608,221</u>	<u>1,633,901</u>	<u>(25,680)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,006,117)</u>	<u>(1,353,290)</u>	<u>(1,375,964)</u>	<u>(22,674)</u>
Other Financing Sources:				
Operating Transfers In	<u>301,117</u>	<u>531,117</u>	<u>531,117</u>	<u>-</u>
Net Change in Fund Balance	(705,000)	(822,173)	(844,847)	(22,674)
Fund Balance - July 1	<u>1,456,386</u>	<u>1,456,386</u>	<u>1,456,386</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 751,386</u>	<u>\$ 634,213</u>	<u>\$ 611,539</u>	<u>\$ (22,674)</u>

CITY OF ROCHESTER
Downtown Development Authority Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 1,187,560	\$ 1,180,730	\$ 1,180,730	\$ -
Charges for Services	163,000	128,099	126,680	(1,419)
Interest	2,000	1,045	1,045	-
Other	145,786	113,000	117,783	4,783
Total Revenues	<u>1,498,346</u>	<u>1,422,874</u>	<u>1,426,238</u>	<u>3,364</u>
Expenditures:				
Community Development:				
Downtown Development	1,038,326	1,216,850	1,269,305	(52,455)
Debt Service:				
Principal	42,461	42,461	42,461	-
Interest	31,559	31,559	31,559	-
Capital Outlay	383,500	800,840	797,784	3,056
Total Expenditures	<u>1,495,846</u>	<u>2,091,710</u>	<u>2,141,109</u>	<u>(49,399)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,500</u>	<u>(668,836)</u>	<u>(714,871)</u>	<u>(46,035)</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	-	232,095	232,095
Operating Transfers Out	(2,500)	(2,500)	(2,500)	-
Total Other Financing Sources (Uses)	<u>(2,500)</u>	<u>(2,500)</u>	<u>229,595</u>	<u>232,095</u>
Net Change in Fund Balance	-	(671,336)	(485,276)	186,060
Fund Balance - July 1	<u>1,255,244</u>	<u>1,255,244</u>	<u>485,906</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 1,255,244</u>	<u>\$ 583,908</u>	<u>\$ 630</u>	<u>\$ 186,060</u>

OTHER SUPPLEMENTARY INFORMATION



CITY OF ROCHESTER
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects Fire Equipment Reserve</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 754,804	\$ 17,286	\$ 29,547	\$ 801,637
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts Payable	\$ 10,419	\$ -	\$ -	\$ 10,419
Accrued Liabilities	25,007	-	-	25,007
Total Liabilities	<u>35,426</u>	<u>-</u>	<u>-</u>	<u>35,426</u>
Fund Balance:				
Restricted for :				
Cemetery	420,320	-	-	420,320
Law Enforcement Programs	22,996	-	-	22,996
Community Development Block Grant	5,885	-	-	5,885
Principal Shopping District	31,521	-	-	31,521
Band Shelter	238,656	-	-	238,656
Debt Service	-	17,286	-	17,286
Capital Projects	-	-	29,547	29,547
Total Fund Balance	<u>719,378</u>	<u>17,286</u>	<u>29,547</u>	<u>766,211</u>
Total Liabilities and Fund Balance	<u>\$ 754,804</u>	<u>\$ 17,286</u>	<u>\$ 29,547</u>	<u>\$ 801,637</u>



CITY OF ROCHESTER
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue	Debt Service	Capital Projects Fire Equipment Reserve	Total Nonmajor Governmental Funds
Revenues:				
Property Taxes	\$ -	\$ 335,332	\$ -	\$ 335,332
Intergovernmental	23,730	-	-	23,730
Charges for Services	171,269	-	-	171,269
Special Assessments	210,762	-	-	210,762
Interest	2,623	31	-	2,654
Other	49,392	-	5,986	55,378
Total Revenues	<u>457,776</u>	<u>335,363</u>	<u>5,986</u>	<u>799,125</u>
Expenditures:				
Public Safety	47,962	-	485	48,447
Community Development	354,661	-	-	354,661
Recreation and Cultural	150,046	-	-	150,046
Debt Service:				
Principal	-	400,000	-	400,000
Interest and Other Charges	-	69,250	-	69,250
Capital Outlay	-	-	119,096	119,096
Total Expenditures	<u>552,669</u>	<u>469,250</u>	<u>119,581</u>	<u>1,141,500</u>
Excess (Deficiency) of Revenues Over Expenditures	(94,893)	(133,887)	(113,595)	(342,375)
Other Financing Sources: Operating Transfers In	<u>80,274</u>	<u>133,265</u>	<u>100,000</u>	<u>313,539</u>
Change in Fund Balances	(14,619)	(622)	(13,595)	(28,836)
Fund Balances - July 1	<u>733,997</u>	<u>17,908</u>	<u>43,142</u>	<u>795,047</u>
Fund Balances - June 30	<u>\$ 719,378</u>	<u>\$ 17,286</u>	<u>\$ 29,547</u>	<u>\$ 766,211</u>

CITY OF ROCHESTER
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2013

	<u>Cemetery</u>	<u>Drug Law Enforcement</u>	<u>Community Development Block Grant</u>	<u>Principal Shopping District</u>
<u>ASSETS</u>				
Cash	\$ <u>429,044</u>	\$ <u>22,996</u>	\$ <u>5,885</u>	\$ <u>58,223</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts Payable	\$ 8,239	\$ -	\$ -	\$ 2,180
Accrued Liabilities	<u>485</u>	<u>-</u>	<u>-</u>	<u>24,522</u>
Total Liabilities	<u>8,724</u>	<u>-</u>	<u>-</u>	<u>26,702</u>
Fund Balance:				
Restricted for:				
Cemetery	420,320	-	-	-
Law Enforcement Programs	-	22,996	-	-
Community Dev. Block Grant	-	-	5,885	-
Principal Shopping District	-	-	-	31,521
Band Shelter	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>420,320</u>	<u>22,996</u>	<u>5,885</u>	<u>31,521</u>
Total Liabilities and Fund Balance	<u>\$ 429,044</u>	<u>\$ 22,996</u>	<u>\$ 5,885</u>	<u>\$ 58,223</u>

<u>Band Shelter</u>	<u>Total</u>
\$ <u>238,656</u>	\$ <u>754,804</u>
\$ -	\$ 10,419
<u>-</u>	<u>25,007</u>
<u>-</u>	<u>35,426</u>
-	420,320
-	22,996
-	5,885
-	31,521
<u>238,656</u>	<u>238,656</u>
<u>238,656</u>	<u>719,378</u>
\$ <u>238,656</u>	\$ <u>754,804</u>

CITY OF ROCHESTER
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2013

	<u>Cemetery</u>	<u>Drug Law Enforcement</u>	<u>Community Development Block Grant</u>	<u>Principal Shopping District</u>
Revenues:				
Intergovernmental-Federal	\$ -	\$ -	\$ 23,730	\$ -
Charges for Services	55,570	-	-	115,699
Special Assessments	-	-	-	210,762
Interest Earned	902	-	1	1,146
Other	-	47,298	-	2,094
	<u>56,472</u>	<u>47,298</u>	<u>23,731</u>	<u>329,701</u>
Total Revenues				
Expenditures:				
Public Safety	-	47,962	-	-
Community Development	-	-	26,640	328,021
Recreation and Cultural	150,046	-	-	-
	<u>150,046</u>	<u>47,962</u>	<u>26,640</u>	<u>328,021</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures	(93,574)	(664)	(2,909)	1,680
Other Financing Sources:				
Transfers In	80,274	-	-	-
	<u>80,274</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(13,300)	(664)	(2,909)	1,680
Fund Balance - July 1	433,620	23,660	8,794	29,841
	<u>433,620</u>	<u>23,660</u>	<u>8,794</u>	<u>29,841</u>
Fund Balance - June 30	\$ <u>420,320</u>	\$ <u>22,996</u>	\$ <u>5,885</u>	\$ <u>31,521</u>

<u>Band Shelter</u>	<u>Total</u>
\$ -	\$ 23,730
-	171,269
-	210,762
574	2,623
-	<u>49,392</u>
<u>574</u>	<u>457,776</u>
-	47,962
-	354,661
-	<u>150,046</u>
-	<u>552,669</u>
574	(94,893)
-	<u>80,274</u>
574	(14,619)
<u>238,082</u>	<u>733,997</u>
\$ <u><u>238,656</u></u>	\$ <u><u>719,378</u></u>

CITY OF ROCHESTER
Nonmajor Debt Service Funds
Combining Balance Sheet
June 30, 2013

	<u>1994 General Obligation Bonds</u>	<u>2001 General Obligation Bonds</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ <u>13,751</u>	\$ <u>3,535</u>	\$ <u>17,286</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities	\$ -	\$ -	\$ -
Fund Balance:			
Restricted For Debt Service	<u>13,751</u>	<u>3,535</u>	<u>17,286</u>
Total Liabilities and Fund Balance	\$ <u>13,751</u>	\$ <u>3,535</u>	\$ <u>17,286</u>

CITY OF ROCHESTER
Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2013

	<u>1994 General Obligation Bonds</u>	<u>2001 General Obligation Bonds</u>	<u>Total</u>
<u>Revenues:</u>			
Property Taxes	\$ 227,366	\$ 107,966	\$ 335,332
Interest Earned	<u>7</u>	<u>24</u>	<u>31</u>
Total Revenues	<u>227,373</u>	<u>107,990</u>	<u>335,363</u>
<u>Expenditures:</u>			
Principal Retirement	325,000	75,000	400,000
Interest	20,500	48,000	68,500
Paying Agent Fees	<u>750</u>	<u>-</u>	<u>750</u>
Total Expenditures	<u>346,250</u>	<u>123,000</u>	<u>469,250</u>
Excess (Deficiency) of Revenues Over Expenditures	(118,877)	(15,010)	(133,887)
Other Financing Sources:			
Transfers In	<u>124,077</u>	<u>9,188</u>	<u>133,265</u>
Change in Fund Balances	5,200	(5,822)	(622)
Fund Balance - July 1	<u>8,551</u>	<u>9,357</u>	<u>17,908</u>
Fund Balance - June 30	\$ <u><u>13,751</u></u>	\$ <u><u>3,535</u></u>	\$ <u><u>17,286</u></u>

CITY OF ROCHESTER
Cemetery Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services	\$ 75,300	\$ 54,821	\$ 55,570	\$ 749
Interest	3,100	893	902	9
Total Revenues	<u>78,400</u>	<u>55,714</u>	<u>56,472</u>	<u>758</u>
Expenditures:				
Cemetery Maintenance	<u>158,674</u>	<u>159,963</u>	<u>150,046</u>	<u>9,917</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(80,274)</u>	<u>(104,249)</u>	<u>(93,574)</u>	<u>10,675</u>
Other Financing Sources:				
Operating Transfers In	<u>80,274</u>	<u>80,274</u>	<u>80,274</u>	<u>-</u>
Net Change in Fund Balance	-	(23,975)	(13,300)	10,675
Fund Balance - July 1	<u>433,620</u>	<u>433,620</u>	<u>433,620</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 433,620</u>	<u>\$ 409,645</u>	<u>\$ 420,320</u>	<u>\$ 10,675</u>

CITY OF ROCHESTER
Drug Law Enforcement Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other Revenues	\$ 58,100	\$ 43,098	\$ 47,298	\$ 4,200
Expenditures:				
Public Safety	<u>64,000</u>	<u>47,962</u>	<u>47,962</u>	<u>-</u>
Net Change in Fund Balance	(5,900)	(4,864)	(664)	4,200
Fund Balance - July 1	<u>23,660</u>	<u>23,660</u>	<u>23,660</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 17,760</u>	<u>\$ 18,796</u>	<u>\$ 22,996</u>	<u>\$ 4,200</u>

CITY OF ROCHESTER
Community Development Block Grant Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal Grants	\$ 25,000	\$ 23,730	\$ 23,730	\$ -
Interest Income	-	1	1	-
Total Revenues	<u>25,000</u>	<u>23,731</u>	<u>23,731</u>	<u>-</u>
Expenditures:				
Community Development	<u>25,000</u>	<u>26,640</u>	<u>26,640</u>	<u>-</u>
Net Change in Fund Balance	-	(2,909)	(2,909)	-
Fund Balance - July 1	<u>8,794</u>	<u>8,794</u>	<u>8,794</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 8,794</u>	<u>\$ 5,885</u>	<u>\$ 5,885</u>	<u>\$ -</u>

CITY OF ROCHESTER
Principal Shopping District Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services	\$ 178,500	\$ 109,756	\$ 115,699	\$ 5,943
Special Assessments	205,000	210,334	210,762	428
Interest	-	1,146	1,146	-
Other	-	2,094	2,094	-
Total Revenues	<u>383,500</u>	<u>323,330</u>	<u>329,701</u>	<u>6,371</u>
Expenditures:				
Community Promotions	<u>383,500</u>	<u>320,151</u>	<u>328,021</u>	<u>(7,870)</u>
Total Expenditures	<u>383,500</u>	<u>320,151</u>	<u>328,021</u>	<u>(7,870)</u>
Net Change in Fund Balance	-	3,179	1,680	(1,499)
Fund Balance - July 1	<u>29,841</u>	<u>29,841</u>	<u>29,841</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 29,841</u>	<u>\$ 33,020</u>	<u>\$ 31,521</u>	<u>\$ (1,499)</u>

CITY OF ROCHESTER
Band Shelter Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ -	\$ -	\$ 574	\$ 574
Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	574	574
Fund Balance - July 1	<u>238,082</u>	<u>238,082</u>	<u>238,082</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 238,082</u>	<u>\$ 238,082</u>	<u>\$ 238,656</u>	<u>\$ 574</u>

CITY OF ROCHESTER
Agency Funds
Combining Statement of Net Position
June 30, 2013

	<u>Tax Collection Fund</u>	<u>Payroll Fund</u>	<u>Total Agency Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ <u> -</u>	\$ <u> 306,583</u>	\$ <u> 306,583</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ -	\$ 30,877	\$ 30,877
Accrued and Other Liabilities	-	<u> 275,706</u>	<u> 275,706</u>
Total Liabilities	\$ <u> -</u>	\$ <u> 306,583</u>	\$ <u> 306,583</u>

CITY OF ROCHESTER
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2013

Tax Collection Fund

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ <u>341</u>	\$ <u>25,620,515</u>	\$ <u>25,620,856</u>	\$ <u>-</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ <u>341</u>	\$ <u>25,620,515</u>	\$ <u>25,620,856</u>	\$ <u>-</u>

Payroll Fund

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ <u>306,242</u>	\$ <u>6,461,107</u>	\$ <u>6,460,766</u>	\$ <u>306,583</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 16,284	\$ 5,500,707	\$ 5,486,114	\$ 30,877
Accrued and Other Liabilities	<u>289,958</u>	<u>960,400</u>	<u>974,652</u>	<u>275,706</u>
Total Liabilities	\$ <u>306,242</u>	\$ <u>6,461,107</u>	\$ <u>6,460,766</u>	\$ <u>306,583</u>

STATISTICAL SECTION



Schedule 1
City of Rochester
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Governmental Activities:										
Net investment in capital assets	\$ 16,796,557	\$ 18,799,804	\$ 23,144,833	\$ 24,157,312	\$ 20,606,112	\$ 23,278,358	\$ 25,406,724	\$ 25,959,585	\$ 27,176,680	\$ 27,759,036
Restricted	646,157	916,568	823,151	1,131,410	830,136	937,192	1,049,674	9,111,298	7,926,805	6,021,594
Unrestricted	7,376,013	6,989,639	7,799,034	10,629,168	18,723,481	18,150,639	18,062,532	9,692,811	9,554,232	9,622,722
Total Governmental Activities Net Position	24,818,727	26,706,011	31,767,018	35,917,890	40,159,729	42,366,189	44,518,930	44,763,694	44,657,717	43,403,352
Business-type Activities:										
Net investment in capital assets	9,994,004	10,617,251	10,795,882	10,999,056	11,609,891	12,407,825	13,864,844	13,956,761	14,819,126	15,804,455
Restricted	11,561,149	11,062,322	11,064,756	11,042,195	11,050,703	10,668,922	9,096,914	8,403,234	7,140,804	6,139,933
Unrestricted	867,035	1,308,384	1,432,806	1,864,389	1,528,918	825,773	878,473	1,218,660	1,572,767	1,771,314
Total Business-type Activities Net Position	22,422,188	22,987,957	23,293,444	23,905,640	24,189,512	23,902,520	23,840,231	23,578,655	23,532,697	23,715,702
Primary Government:										
Net investment in capital assets	26,790,561	29,417,055	33,940,715	35,156,368	32,216,003	35,686,183	39,271,568	39,916,346	41,995,806	43,563,491
Restricted	12,207,306	11,978,890	11,887,907	12,173,605	11,880,839	11,606,114	10,146,588	17,514,532	15,067,609	12,161,527
Unrestricted	8,243,048	8,298,023	9,231,840	12,493,557	20,252,399	18,976,412	18,941,005	10,911,471	11,126,999	11,394,036
Total Primary Government Net Position	47,240,915	49,693,968	55,060,462	59,823,530	64,349,241	66,268,709	68,359,161	68,342,349	68,190,414	67,119,054

Schedule 2
City of Rochester
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Expenses:										
Governmental Activities:										
General Government	\$ 873,453	\$ 1,809,011	\$ 1,492,348	\$ 1,545,968	\$ 1,789,615	\$ 1,707,089	\$ 1,782,269	\$ 1,756,661	\$ 1,778,436	\$ 1,935,146
Public Safety	3,197,203	3,465,691	3,656,032	3,728,349	3,826,669	4,050,383	4,139,177	4,417,135	4,617,009	4,677,997
Public Works	3,528,480	1,769,332	3,402,680	3,875,351	3,706,880	3,466,081	3,022,195	3,483,972	3,368,718	4,290,486
Community Development	3,747,251	2,856,804	1,161,221	1,387,645	1,427,300	1,561,146	1,796,686	2,002,698	1,639,068	1,711,927
Recreation and Cultural	990,222	1,170,204	1,257,624	1,243,291	1,440,314	1,339,779	1,314,198	1,250,239	1,224,104	1,452,907
Interest on Long-term Debt	387,962	396,561	364,681	323,243	283,574	241,441	197,486	153,266	118,549	100,809
Total Governmental Activities	12,724,571	11,467,603	11,334,586	12,103,847	12,474,352	12,365,919	12,252,011	13,063,971	12,745,884	14,169,272
Business-type Activities:										
Water & Sewer	2,825,135	2,701,322	3,012,969	2,872,808	3,242,770	3,515,559	3,691,813	4,289,626	4,604,021	5,035,388
Automobile Parking System	26,019	53,529	34,956	31,255	183,395	182,767	182,968	208,177	134,685	164,344
Total Business-type Activities	2,851,154	2,754,851	3,047,925	2,904,063	3,426,165	3,698,326	3,874,781	4,497,803	4,738,706	5,199,732
Total Primary Government Expenses	15,575,725	14,222,454	14,382,511	15,007,910	15,900,517	16,064,245	16,126,792	17,561,774	17,484,590	19,369,004
Program Revenues:										
Governmental Activities:										
Charges for Services:										
General Government	34,797	128,119	119,537	126,601	1,194,920	780,043	900,559	824,758	813,941	809,722
Public Safety	640,850	621,424	443,474	366,030	513,396	343,109	613,200	744,211	767,365	1,037,970
Public Works	74,771	105,894	38,466	40,631	668,215	102,307	61,587	48,750	51,201	50,706
Community Development	203,829	150,610	110,392	124,183	212,439	393,863	432,363	220,552	249,507	362,256
Recreation and Cultural	42,846	39,460	44,678	39,869	91,091	-	-	-	-	-
Operating Grants and Contributions	1,542,769	1,530,856	693,640	715,515	683,990	549,772	696,727	818,874	885,518	941,328
Capital Grants and Contributions	92,920	28,707	297,615	482,574	4,898	56,000	129,542	49,556	47,001	97,524
Total Governmental Activities	2,632,782	2,605,070	1,747,802	1,895,403	3,368,949	2,225,094	2,833,978	2,706,701	2,814,533	3,299,506
Business-type Activities:										
Charges for Services:										
Water & Sewer	3,137,315	3,284,224	3,345,258	3,149,733	3,096,640	2,950,990	3,437,309	4,009,126	4,595,177	4,870,006
Automobile Parking System	92,166	167,558	79,519	124,991	98,878	96,185	93,087	118,510	62,278	46,912
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	96,000	-	-	-	34,100	6,600	24,000	52,000	35,800	424,593
Total Business-type Activities	3,325,481	3,451,782	3,424,777	3,274,724	3,229,618	3,053,775	3,554,396	4,179,636	4,693,255	5,341,511
Total Primary Government Program Revenues	5,958,263	6,056,852	5,172,579	5,170,127	6,598,567	5,278,869	6,388,374	6,886,337	7,507,788	8,641,017

Net (Expense)/Revenue:	(10,091,789)	(8,862,533)	(9,586,784)	(10,208,444)	(9,105,403)	(10,140,825)	(9,418,033)	(10,357,270)	(9,931,351)	(10,869,766)
Governmental Activities	474,327	696,931	376,852	370,661	(196,547)	(644,551)	(320,385)	(318,167)	(45,451)	141,779
Business-type Activities	(9,617,462)	(8,165,602)	(9,209,932)	(9,837,783)	(9,301,950)	(10,785,376)	(9,738,418)	(10,675,437)	(9,976,802)	(10,727,987)
Total Primary Government Net Expense										

General Revenues and Other Changes in Net Position:

Governmental Activities:	10,331,735	10,624,897	11,396,355	11,726,330	11,339,232	10,860,125	10,532,824	9,514,160	8,545,176	8,355,959
Property Taxes	-	-	111,063	122,716	173,515	184,020	188,872	202,340	212,515	231,195
Franchise Fees	-	-	864,304	872,945	841,726	817,064	717,604	813,516	941,914	956,121
State Shared Revenue	172,492	395,307	876,365	1,178,383	992,769	486,076	187,974	90,011	84,965	73,049
Investment Earnings	115,698	144,567	162,240	95,262	-	-	-	-	-	-
Miscellaneous	117,874	(414,954)	(1,803,960)	363,680	-	-	(56,500)	(17,993)	40,804	(923)
Transfers	10,737,799	10,749,817	11,606,367	14,359,316	13,347,242	12,347,285	11,570,774	10,602,034	9,825,374	9,615,401
Total Governmental Activities										

Business-type Activities:

Investment Earnings	66,498	244,039	474,493	605,215	480,419	357,559	201,596	38,598	40,297	40,303
Miscellaneous	56,259	-	-	-	-	-	-	-	-	-
Transfers	(356,240)	(375,200)	(346,040)	(363,680)	-	-	56,500	17,993	(40,804)	923
Total Business-type Activities	(233,483)	(131,161)	128,453	241,535	480,419	357,559	258,096	56,591	(507)	41,226
Total Primary Government	10,504,316	10,618,656	11,734,820	14,600,851	13,827,661	12,704,844	11,828,870	10,658,625	9,824,867	9,656,627

Change in Net Position:

Governmental Activities	646,010	1,887,284	2,019,583	4,150,872	4,241,839	2,206,460	2,152,741	244,764	(105,977)	(1,254,365)
Business-type Activities	240,844	565,770	505,305	612,196	283,872	(286,992)	(62,289)	(261,576)	(45,958)	183,005
Total Primary Government Net Expense	886,854	2,453,054	2,524,888	4,763,068	4,525,711	1,919,468	2,090,452	(16,812)	(151,935)	(1,071,360)

Schedule 3
City of Rochester
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
General Fund:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	4,634,389	4,957,111	3,939,212	5,082,598	6,377,489	7,220,982	7,790,725	-	-	-
Nonspendable-Inventories	-	-	-	-	-	-	-	61,225	33,940	30,391
Unassigned	-	-	-	-	-	-	-	7,944,689	7,983,484	8,221,556
Total General Fund	4,634,389	4,957,111	3,939,212	5,082,598	6,377,489	7,220,982	7,790,725	8,005,914	8,017,424	8,251,947
All Other Governmental Funds										
Reserved, reported in:										
Capital Projects	217,886	472,429	380,162	660,343	329,341	348,164	257,718	-	-	-
Debt Service	173,412	171,648	154,713	163,117	184,845	160,348	102,764	-	-	-
Other	274,859	287,491	298,276	312,950	315,950	372,315	502,571	-	-	-
Unreserved, reported in:										
Special Revenue Funds	3,015,652	2,809,252	2,748,182	2,803,994	5,169,843	4,245,160	4,160,841	-	-	-
Capital Project Funds	5,245,205	5,195,311	6,246,487	7,153,057	5,193,867	4,866,208	4,447,622	-	-	-
Restricted for:										
Streets	-	-	-	-	-	-	-	2,414,531	2,607,750	1,672,823
Cemetery	-	-	-	-	-	-	-	448,400	433,620	420,320
Law Enforcement Programs	-	-	-	-	-	-	-	44,799	23,660	22,996
Community Development Block Grant	-	-	-	-	-	-	-	8,113	8,794	5,885
Downtown Development Authority	-	-	-	-	-	-	-	1,255,244	485,906	630
Principal Shopping District	-	-	-	-	-	-	-	48,842	29,841	31,521
Band Shelter	-	-	-	-	-	-	-	237,329	238,082	238,656
Debt Service	-	-	-	-	-	-	-	33,814	17,908	17,286
Capital Projects	-	-	-	-	-	-	-	4,620,226	4,081,244	3,611,477
Total All Other Governmental Funds	8,927,014	8,936,131	9,827,820	11,093,461	11,193,846	9,992,195	9,471,516	9,111,298	7,926,805	6,021,594
Total All Governmental Funds	\$ 13,561,403	\$ 13,893,242	\$ 13,767,032	\$ 16,176,059	\$ 17,571,335	\$ 17,213,177	\$ 17,262,241	\$ 17,117,212	\$ 15,944,229	\$ 14,273,541

Schedule 4
City of Rochester
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Revenues:										
Property Taxes	\$ 10,363,445	\$ 10,730,980	\$ 11,565,561	\$ 11,951,457	\$ 11,339,232	\$ 10,860,125	\$ 10,532,824	\$ 9,514,160	\$ 8,545,176	\$ 8,355,959
Special Assessments	-	-	-	-	271,043	296,557	296,186	238,502	234,980	227,704
Licenses and Permits	384,848	356,531	282,884	204,028	99,845	69,537	108,556	171,068	171,530	313,338
Intergovernmental	1,580,183	1,540,794	1,775,492	1,594,771	1,731,227	1,575,836	1,631,256	1,633,604	1,859,791	2,007,921
Charges for Services	777,246	813,078	773,333	805,973	1,097,993	756,372	1,057,334	1,142,305	1,067,645	1,269,120
Fines and Forfeitures	69,046	63,711	63,380	63,059	106,656	85,928	97,019	81,149	92,781	93,265
Investment Earnings	157,770	397,309	820,258	1,104,667	919,156	434,304	163,715	78,647	79,399	69,642
Other	449,108	358,159	364,053	715,886	411,188	441,948	550,489	455,934	542,235	575,474
Total Revenues	13,781,646	14,260,562	15,644,961	16,439,841	15,976,340	14,520,607	14,437,379	13,315,369	12,593,537	12,912,423
Expenditures:										
General Government	2,184,103	2,468,717	2,608,764	2,816,108	1,683,891	1,627,505	1,808,565	1,712,718	1,725,913	1,895,442
Public Safety	3,159,414	3,331,304	3,527,179	3,544,984	3,584,139	3,860,264	4,117,262	4,289,699	4,481,871	4,548,330
Public Works	3,149,355	3,860,516	3,388,538	3,991,915	2,292,905	2,352,423	2,214,097	2,322,344	2,233,866	2,699,024
Community Development	41,374	54,059	40,653	66,093	1,290,277	1,424,123	1,659,663	1,865,675	1,515,183	1,597,154
Recreation and Cultural	904,727	992,728	1,042,332	1,052,768	1,292,134	1,274,289	1,248,708	1,184,749	1,177,706	1,409,609
Capital Outlay	3,007,005	1,806,547	1,959,370	1,545,539	3,297,979	3,249,658	2,178,901	975,141	2,138,640	1,889,359
Debt Service:										
Principal	630,000	625,000	745,000	740,000	856,165	849,062	907,133	938,813	415,596	442,461
Interest	376,593	343,666	309,335	273,407	283,574	241,441	197,486	153,266	118,549	100,809
Total Expenditures	13,452,571	13,482,537	13,621,171	14,030,814	14,581,064	14,878,765	14,331,815	13,442,405	13,807,324	14,582,188
Excess of Revenues over (under) Expenditures	329,075	778,025	2,023,790	2,409,027	1,395,276	(358,158)	105,564	(127,036)	(1,213,787)	(1,669,765)
Other Financing Sources (Uses):										
Proceeds from Sale of Bonds	-	-	-	-	-	-	-	-	-	-
Transfers In	3,474,068	3,620,541	3,173,804	3,270,742	3,019,595	2,353,102	1,856,553	1,801,958	1,273,983	1,528,910
Transfers Out	(3,933,378)	(4,071,471)	(5,323,804)	(3,270,742)	(3,019,595)	(2,353,102)	(1,913,053)	(1,819,951)	(1,233,179)	(1,529,833)
Total Other Financing Sources (Uses)	(459,310)	(450,930)	(2,150,000)	-	-	(2,353,102)	(56,500)	(17,993)	40,804	(923)
Net Change in Fund Balances	(130,235)	327,095	(126,210)	2,409,027	1,395,276	(358,158)	49,064	(145,029)	(1,172,983)	(1,670,688)
Debt Service as a percentage of noncapital Expenditures	9.64%	8.30%	9.04%	8.12%	10.10%	9.38%	9.09%	8.76%	4.58%	4.28%



Schedule 5
City of Rochester
Taxable Value and Actual Value of Property
Last Ten Fiscal Years

Tax Year	Fiscal Year Ended June 30	Real Property					Personal Property	Total Taxable Value	Equalized Value	Estimated Actual Value	Taxable Value as a Percentage of Actual Value
		Residential Property	Commercial Property	Industrial Property	Developmental Real						
2003	2004	456,947,182	95,542,550	41,683,220	171,040	54,314,460	648,658,452	801,417,230	1,602,834,460	40.47%	
2004	2005	490,041,952	101,969,120	40,600,410	-	45,666,720	678,278,202	820,004,850	1,640,009,700	41.36%	
2005	2006	519,545,935	116,959,330	40,881,210	-	44,967,270	722,353,745	870,045,785	1,740,091,570	41.51%	
2006	2007	553,540,960	114,838,930	42,049,050	-	43,422,620	753,851,560	899,642,670	1,799,285,340	41.90%	
2007	2008	578,389,250	120,682,600	41,523,040	-	43,403,130	783,998,020	925,431,320	1,850,862,640	42.36%	
2008	2009	554,858,220	123,733,500	52,895,550	-	39,335,660	770,822,930	872,092,980	1,744,185,960	44.19%	
2009	2010	518,116,780	130,174,140	53,808,740	-	39,963,070	742,062,730	807,486,870	1,614,973,740	45.95%	
2010	2011	465,329,980	122,349,310	48,310,150	-	36,049,540	672,038,980	703,311,890	1,406,623,780	47.78%	
2011	2012	450,001,370	118,289,290	30,684,010	-	36,063,930	635,038,600	652,438,240	1,304,876,480	48.67%	
2012	2013	452,669,680	111,407,220	25,856,080	-	37,441,240	627,374,220	642,214,600	1,284,429,200	48.84%	

Source: Oakland County Equalization

Schedule 6
City of Rochester
Direct and Overlapping Property Tax Rates
(Per \$1,000 of Taxable Value)
Last Ten Fiscal Years

Tax Fiscal Year	City Operating	City Tax Debt	OPC Debt	OPC Debt	Total Direct	Rochester Schools Debt	Rochester Schools Operating	Intermed. Schools Voted	Intermed. Schools Operating	State Education	Community College	Oakland County Operating	Oakland County Parks/Rec	Oakland County HCMA	Zoo Authority	Art Institute Authority	Total	Admin Fee 1%	Total Millage
2003	12.8834	0.4400	0.2470	0.2300	13.8004	5.2250	-	3.1970	0.2021	5.0000	1.5983	4.1900	0.2436	0.2161	-	-	33.6725	0.3367	34.0092
2004	12.8834	0.4400	0.2470	0.2300	13.8004	5.2250	18.0000	3.1970	0.2021	5.0000	1.5983	4.1900	0.2436	0.2161	-	-	51.6725	0.5167	52.1892
2004	12.8834	0.4100	0.2412	0.2000	13.7346	5.1800	-	3.1780	0.2009	6.0000	1.5889	4.1900	0.2422	0.2154	-	-	34.5300	0.3453	34.8753
2004	12.8834	0.4100	0.2412	0.2000	13.7346	5.1800	18.0000	3.1780	0.2009	6.0000	1.5889	4.1900	0.2422	0.2154	-	-	52.5300	0.5253	53.0553
2005	12.8834	0.4100	0.2440	0.2000	13.7374	5.1800	-	3.1687	0.2003	6.0000	1.5844	4.1900	0.2415	0.2146	-	-	34.5169	0.3452	34.8621
2005	12.8834	0.4100	0.2440	0.2000	13.7374	5.1800	18.0000	3.1687	0.2003	6.0000	1.5844	4.1900	0.2415	0.2146	-	-	52.5169	0.5252	53.0421
2006	12.8834	0.4100	0.2440	0.2000	13.7374	5.1800	-	3.1687	0.2003	6.0000	1.5844	4.1900	0.2415	0.2146	-	-	34.5169	0.3452	34.8621
2006	12.8834	0.4100	0.2440	0.2000	13.7374	5.1800	18.0000	3.1687	0.2003	6.0000	1.5844	4.1900	0.2415	0.2146	-	-	52.5169	0.5252	53.0421
2007	12.4964	0.4000	0.2440	0.1900	13.3304	5.1800	-	3.1687	0.2003	6.0000	1.5844	4.1900	0.2415	0.2146	-	-	34.1099	0.3411	34.4510
2007	12.4964	0.4000	0.2440	0.1900	13.3304	5.1800	18.0000	3.1687	0.2003	6.0000	1.5844	4.1900	0.2415	0.2146	-	-	52.1099	0.5211	52.6310
2008	11.5964	0.4000	0.2440	0.1900	12.4304	5.1800	-	3.1687	0.2003	6.0000	1.5844	4.1900	0.2415	0.2146	0.1000	-	33.3099	0.3331	33.6430
2008	11.5964	0.4000	0.2440	0.1900	12.4304	5.1800	18.0000	3.1687	0.2003	6.0000	1.5844	4.1900	0.2415	0.2146	0.1000	-	51.3099	0.5131	51.8230
2009	11.5964	0.4000	0.2440	0.1900	12.4304	5.1800	-	3.1687	0.2003	6.0000	1.5844	4.1900	0.2415	0.2146	0.1000	-	33.3099	0.3331	33.6430
2009	11.5964	0.4000	0.2440	0.1900	12.4304	5.1800	18.0000	3.1687	0.2003	6.0000	1.5844	4.1900	0.2415	0.2146	0.1000	-	51.3099	0.5131	51.8230
2010	11.5964	0.4000	0.2440	0.1900	12.4304	6.7000	-	3.1687	0.2003	6.0000	1.5844	4.1900	0.2415	0.2146	0.1000	-	34.8299	0.3483	35.1782
2010	11.5964	0.4000	0.2440	0.1900	12.4304	6.7000	18.0000	3.1687	0.2003	6.0000	1.5844	4.1900	0.2415	0.2146	0.1000	-	52.8299	0.5283	53.3582
2011	11.5964	0.4000	0.2440	0.1900	12.4304	6.7000	-	3.1687	0.2003	6.0000	1.5844	4.1900	0.2415	0.2146	0.1000	-	34.8299	0.3483	35.1782
2011	11.5964	0.4000	0.2440	0.1900	12.4304	6.7000	18.0000	3.1687	0.2003	6.0000	1.5844	4.1900	0.2415	0.2146	0.1000	-	52.8299	0.5283	53.3582
2012	11.5964	0.4000	0.2440	0.1900	12.4304	6.7000	-	3.1687	0.2003	6.0000	1.5844	4.1900	0.2415	0.2146	0.1000	-	35.0299	0.3503	35.3802
2012	11.5964	0.4000	0.2440	0.1900	12.4304	6.7000	18.0000	3.1687	0.2003	6.0000	1.5844	4.1900	0.2415	0.2146	0.1000	0.2000	53.0299	0.5303	53.5602
2012	11.5964	0.4000	0.2440	0.1900	12.4304	6.7000	-	3.1687	0.2003	6.0000	1.5844	4.1900	0.2415	0.2146	0.1000	0.2000	53.0299	0.5303	53.5602

The State of Michigan passed legislation on April 30, 2002 to require the levying of the state Education Tax on summer tax bills only. A one-time reduction from 6 to 5 mills was offered during the 2003 tax year to assist taxpayers with the transition. State of Michigan passed a Property Tax Reform measure in 1994 which reduced property taxes for property owners who reside at the property (homestead). This reform created the two tiered tax system you see presented.

Schedule 7
 City of Rochester
 Principal Property Tax Payers
 Current Year and Seven* Years Ago

Taxpayer	Type of Business	2012				2005*			
		Tax Dollars	Taxable Valuation	Rank	Percentage of Total Taxable Valuation	Tax Dollars	Taxable Valuation	Rank	Percentage of Total Taxable Valuation
JHP Pharmaceuticals LLC	Pharmaceutical	\$ 1,088,300	\$ 25,425,580	1	4.05%	\$ 1,251,751	\$ 32,899,700	1	4.55%
Village Green of Rochester	Apartments/Condos	473,639	8,843,120	2	1.41%	399,697	10,505,210	3	1.45%
RFB LLC	Hotel	389,273	7,565,950	3	1.21%	568,039	14,929,720	2	2.07%
Great Oaks Apts	Apartments	271,322	5,066,300	4	0.81%	211,666	5,563,200	4	0.77%
RJN Ventures Skating Center	Ice Skating	253,435	4,900,110	5	0.78%	132,736	3,488,700	7	0.48%
Ventas, INC	Assisted Living	208,938	3,943,920	6	0.63%	163,080	4,286,220	6	0.59%
Detroit Edison Company	Utilities	167,853	3,133,910	7	0.50%	209,272	5,500,280	5	0.76%
Letica Development INC	Business	124,507	2,486,010	8	0.40%	103,112	2,710,080	9	0.38%
River Square Main LLC	Commercial	128,362	2,396,600	9	0.38%				
Bradmont Properties	Commercial	117,178	2,188,140	10	0.35%				
Superior Plastics	Manufacturing					122,814	3,227,930	8	0.45%
The Western Knitting Mills	Office Building					99,868	2,624,840	10	0.36%
Total Taxable Value						\$ 627,374,220			\$ 722,353,745

It is important to note that tax dollars paid doesn't necessarily correspond to taxable value, as industrial personal property and commercial personal property, and real property, have different millage rates.
 *2005 was the furthest back that was available from Oakland County.

Source: Oakland County Equalization Department

Schedule 8
City of Rochester
Property Tax Levies and Collections
Last Ten Fiscal Years

Tax Year	Fiscal Year Ending June 30	Taxes Levied for the Fiscal Year	Current Collections	Percent of Levy Collected	Delinquent Collections	Total Tax Collections	Percent of Total Collections to Tax Levy
2003	2004	11,273,103	10,768,092	95.52%	445,893	11,213,985	99.48%
2004	2005	11,860,152	11,481,358	96.81%	314,449	11,795,807	99.46%
2005	2006	13,111,892	12,622,176	96.27%	442,503	13,064,679	99.64%
2006	2007	11,824,704	11,191,150	94.64%	621,053	11,812,204	99.89%
2007	2008	11,943,125	11,262,641	94.30%	634,931	11,897,572	99.62%
2008	2009	11,475,448	10,641,693	92.73%	785,060	11,426,753	99.58%
2009	2010	10,765,019	10,100,728	93.83%	604,984	10,705,712	99.45%
2010	2011	9,695,762	9,245,285	95.35%	423,622	9,668,907	99.72%
2011	2012	8,722,405	8,446,597	96.84%	252,582	8,699,179	99.73%
2012	2013	8,588,011	8,332,289	97.02%	225,765	8,558,054	99.65%

Schedule 9
City of Rochester
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ending June 30,	Governmental Activities		Business-type Activities	Total Primary Government	Total Taxable Values	Ratio of Total Debt to Taxable Values	Total Population	Total Debt Per Capita
	General Obligation Bonds	Land Contracts	Contracts Payable					
2004	7,535,000	100,486	-	7,635,486	648,658,452	1.18%	10,467	729
2005	6,910,000	1,054,141	-	7,964,141	678,278,202	1.17%	10,467	761
2006	6,165,000	1,008,169	-	7,173,169	722,353,745	0.99%	10,467	685
2007	5,425,000	959,615	-	6,384,615	753,851,560	0.85%	10,467	610
2008	4,620,000	908,450	-	5,528,450	783,998,020	0.71%	10,467	528
2009	3,825,000	854,388	-	4,679,388	770,822,930	0.61%	10,467	447
2010	2,975,000	797,255	-	3,772,255	742,062,730	0.51%	12,711	297
2011	2,075,000	758,442	946,133	3,779,575	672,038,980	0.56%	12,711	297
2012	1,700,000	717,846	1,820,194	4,238,040	635,038,600	0.67%	12,711	333
2013	1,300,000	675,385	3,770,113	5,745,498	627,374,220	0.92%	12,711	452

Source: Population information obtained from U.S. Census Bureau.



Schedule 10
City of Rochester
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ending June 30,	General Obligation Bonds	Total Taxable Values	Ratio of		Total Debt Per Capita
			Total Debt to Taxable Values	Total Population	
2003	\$ 8,165,000	\$ 605,119,190	1.35%	10,467	\$ 780
2004	7,535,000	648,658,452	1.16%	10,467	720
2005	6,910,000	678,278,202	1.02%	10,467	660
2006	6,165,000	722,353,745	0.85%	10,467	589
2007	5,425,000	753,851,560	0.72%	10,467	518
2008	4,620,000	783,998,020	0.59%	10,467	441
2009	3,825,000	770,822,930	0.50%	10,467	365
2010	2,975,000	742,062,730	0.40%	12,711	234
2011	2,075,000	672,038,980	0.31%	12,711	163
2012	1,700,000	635,038,600	0.27%	12,711	134
2013	1,300,000	627,374,220	0.21%	12,711	102

Source: Population information obtained from U.S. Census Bureau.



Schedule 11
City of Rochester
Direct and Overlapping Governmental Activities Debt
June 30, 2013

Jurisdiction	Net Debt Outstanding	Percentage Debt Applicable To City	Estimated Share of Overlapping Debt
Direct Debt:			
City of Rochester	\$ 1,975,385	100%	\$ 1,975,385
Overlapping Debt:			
Rochester School District	128,845,000	15.45%	19,906,553
Oakland County	119,779,697	1.27%	1,521,202
Oakland Intermediate School District	60,095,000	1.28%	769,216
Oakland Community College	3,765,000	1.28%	48,192
Total Overlapping Debt	<u>312,484,697</u>		<u>22,245,163</u>
Total Direct and Overlapping Debt	<u>\$ 314,460,082</u>		<u>\$ 24,220,548</u>

Source: Municipal Advisory Council of Michigan.



Schedule 12
City of Rochester
Legal Debt Margin Information
Last Ten Fiscal Years

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Debt Limit	\$ 80,141,723	\$ 82,000,485	\$ 87,004,579	\$ 89,964,267	\$ 92,543,132	\$ 87,209,298	\$ 80,748,687	\$ 70,331,189	\$ 65,243,824	\$ 64,221,460
Total Net Debt applicable to limit	7,590,000	7,010,000	6,435,000	5,765,000	5,100,000	4,370,000	3,650,000	2,875,000	1,700,000	1,300,000
Legal Debt Margin	\$ 72,551,723	\$ 74,990,485	\$ 80,569,579	\$ 84,199,267	\$ 87,443,132	\$ 82,839,298	\$ 77,098,687	\$ 67,456,189	\$ 63,543,824	\$ 62,921,460
Total Net Debt applicable to the limit as a percentage of debt limit	9.47%	8.55%	7.40%	6.41%	5.51%	5.01%	4.52%	4.09%	2.61%	2.02%

Legal Debt Margin Calculation for Fiscal Year 2013:
Assessed Value

Assessed Value	\$ 642,214,600
Legal Debt Limit (10% of Assessed Value)	\$ 64,221,460
Gross Indebtedness	\$ 5,745,498
Less: Contractual Debt	(4,445,498)
Net Bonded Debt	1,300,000
Legal Debt Margin	\$ 62,921,460
Net Bonded Debt as a Percentage of Assessed Value	0.20%

Schedule 13
City of Rochester
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year Ending June 30,	Population*	Personal Income*	Per* Capita Personal Income	Median Age*	Unemployment Rate**
2004	10,467	74,959	\$ 47,804	38.9	3.4%
2005	10,467	74,959	\$ 47,804	38.9	3.6%
2006	10,467	74,959	\$ 47,804	38.9	3.5%
2007	10,467	74,959	\$ 47,804	38.9	3.8%
2008	10,467	74,959	\$ 47,804	38.9	4.2%
2009	10,467	74,959	\$ 47,804	38.9	8.3%
2010	12,711	76,603	\$ 47,286	38.3	7.6%
2011	12,711	76,603	\$ 47,286	38.3	6.5%
2012	12,711	76,603	\$ 47,286	38.3	5.6%
2013	12,711	76,603	\$ 47,286	38.3	5.3%

Sources: * U.S. Census Bureau

** U.S. Bureau of Labor Statistics

Note: U.S. Bureau of Labor Statistics unemployment rates reflect a retroactive change; revised inputs, reestimation and adjustment to new state control tota

Schedule 14
City of Rochester
Principal Employers
Current Year and Nine years Ago

Company Name	Year Ended June 30, 2013			Year Ended June 30, 2004		
	Employees	Rank	Total City Employment	Employees	Rank	Total City Employment
JHP Pharmaceuticals	500	1	3.93%	*	*	*
Royal Park Hotel	249	2	1.96%	*	*	*
Rescare Homecare	200	3	1.57%	*	*	*
US Post Office	160	4	1.26%	*	*	*
Holy Family Regional School	114	5	0.90%	*	*	*
Enrichment	100	6	0.79%	*	*	*
Great Oaks Country Club	100	7	0.79%	*	*	*
Kruse & Muer Restaurants	100	8	0.79%	*	*	*
Real Estate One-Rochester	100	9	0.79%	*	*	*
Rochester Community School District	100	10	0.79%	*	*	*

* Information not available.

Source: Southeast Michigan Council of Governments

Schedule 15
City of Rochester
Full-time Equivalent City Government Employees by Department Group

Full-time - Each full-time position is calculated as 1.0

Service Type	FYE 2004	FYE 2005	FYE 2006	FYE 2007	FYE 2008	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013
Administration	13	12	13	13	13	12	13	12	13	13
Manager	4	4	4	4	4	3	4	4	4	4
Building	3	2	3	3	3	2	1	2	1	1
Clerk	1	1	1	1	1	1	1	1	2	2
Finance	5	5	5	5	5	6	6	6	6	6
Public Safety	30	30	30	30	27	27	27	27	28	28
Police	29	29	29	29	26	26	26	26	27	27
Fire	1	1	1	1	1	1	1	1	1	1
Public Works & Parks	18	18	18	18	18	17	16	15	15	15
Public Works	13	13	13	13	13	12	11	10	10	10
Water & Sewer	1	1	1	1	1	1	1	1	2	2
Revolving Eq	1	1	1	1	1	1	1	1	1	1
Parks	3	3	3	3	3	3	3	3	2	2
TOTAL	61	60	61	61	58	56	56	54	56	56

Part-time - Each part-time position is calculated as 0.5

Service Type	FYE 2004	FYE 2005	FYE 2006	FYE 2007	FYE 2008	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013
Administration	0	0.5	1	1	1	1	1	1.5	0.5	0.5
Manager	0	0	0	0	0	0	0	0	0	0
Building	0	0.5	0.5	0.5	0.5	0.5	0.5	1	0.5	0.5
Clerk	0	0	0.5	0.5	0.5	0.5	0.5	0.5	0	0
Finance	0	0	0	0	0	0	0	0	0	0
Public Safety	1	1	2	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Police	1	1	2	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Public Works & Parks	1	1	2.5	2.5	1.5	1.5	1	2.5	2	2
Public Works	0	0	1	1	0	0	0	1.5	1	1
Water & Sewer	0	0	0	0	0	0	0	0	0	0
Revolving Eq	0	0	0	0	0	0	0	0	0	0
Parks	1	1	1.5	1.5	1.5	1.5	1	1	1	1
TOTAL	2	2.5	5.5	5	4	4	3.5	5.5	4	4
TOTAL Full-Time Equivalent (FTEs)	63	62.5	66.5	66	62	60	59.5	59.5	60	60

Other

DDA	3	3	3	3	3	3	3.5	3.5	3	3
DDA employees are hired by the Downtown Development Authority, but are administered as employees of the City of Rochester.										
Paid On-Call Firefighters	28	27	26	27	27	32	39	38	40	45
The City has a paid-on call volunteer fire department. Payment to firefighters is a flat per hour fee when they are on duty, paid as a contracted service to the Volunteer Fire Association.										

Schedule 16
City of Rochester
Operating Indicators by Function/Department
Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Clerks Department										
Elections										
Number of Absentee	474	1,457	682	1,168	903	1,828	831	1,257	1,487	2,670
Number Voted	1,081	6,436	1,505	5,393	2,327	7,169	1,545	4,968	3,749	9,254
Absentee as a % of Total Votes	44%	23%	45%	22%	39%	25%	54%	25%	40%	29%
Water Department										
Number of Accounts										
RE	3,553	3,573	3,595	3,600	3,607	3,606	3,613	3,617	3,624	3,628
CO	345	346	351	353	353	353	353	356	364	379
Units of water Used										
Each unit is 100 Cubic Feet										
Residential	643,290	607,962	655,192	595,788	654,840	567,914	543,051	589,167	559,774	592,798
Commercial	302,896	294,088	317,723	281,879	286,828	235,594	217,977	243,394	295,310	232,530
Police Department										
Total Calls for Service	6,283	6,253	6,005	6,801	11,937	13,798	13,057	12,132	11,772	12,458
Group A Crime Incidents	435	444	497	508	584	538	457	451	445	437
Group B Crime Incidents	510	465	351	439	479	400	300	290	273	300
Property Damage Vehicle Crashes	422	421	362	361	317	286	203	345	271	375
Personal Injury Vehicle Crashes	18	35	42	20	11	20	9	14	19	16
Total Arrests	531	447	372	543	592	603	483	486	441	477
Drunk Driving Arrests	170	105	81	149	190	185	111	120	121	135
Fire Department										
Total Calls	450	520	530	567	754	786	1,090	1,452	1,578	1,523
Fires	15	16	23	31	17	28	17	21	34	30
EMS/Rescue	329	410	401	381	497	468	812	1,147	1,232	1,197
Hazardous Condition	25	17	22	31	43	38	44	24	49	41
Service Call	10	11	22	36	87	80	57	84	99	98
Good Intent	40	42	44	55	44	45	48	59	65	73
False Calls	30	24	18	33	37	70	75	54	57	57
Other	1	-	-	-	29	57	37	63	42	27



Schedule 17
City of Rochester
Capital Asset Statistics by Function/Department
Last Ten Fiscal Years

Department	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Administrative										
Vehicles Assigned	3	3	3	3	2	2	2	2	2	2
Police										
Vehicles Assigned	13	14	14	15	15	15	14	13	13	13
Fire										
Vehicles Assigned	8	9	10	10	11	11	11	11	11	11
Public Works										
Vehicles Assigned	29	26	27	29	27	27	29	30	30	32
Road Maintenance and Repair										
Miles of Major Streets	9	9	9	9	9	9	9	9	9	9
Miles of Local Streets	34	34	34	34	34	34	34	34	34	34
Water & Sewer										
Miles of Water Mains	72.9	74.2	74.4	74.4	74.4	74.4	74.4	74.4	74.4	74.4
Miles of Sewers	57.5	57.8	57.9	58.4	58.4	58.4	58.4	58.4	58.4	58.4
Recreation										
City Parks	9	9	9	9	9	9	9	9	9	9
Park Acreage	153	153	153	153	153	153	153	153	153	153

