

**CITY OF ROCHESTER  
Oakland County, Michigan**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended  
June 30, 2014**

Prepared By:  
The Finance Department



CITY OF ROCHESTER  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2014

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## City of Rochester

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### Audit Transmittal Letter

December 9, 2014

TO: The Honorable Mayor and City Council

RE: Fiscal Year End 2014 Audit

### Introduction

We are pleased to submit the Comprehensive Annual Financial Report of the City of Rochester for the fiscal year end June 30, 2014. 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 multifamily residential, 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 responses rated the City services as excellent or good ([www.rochestermi.org/citizensurvey](http://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 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](http://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 has increased in the City by 2.4%. The 2.4% increase in property values is the first increase since 2007. For the FYE 2014 budget, commercial properties continued to decline at 1.6% which was less than the previous year at 5.8%. Industrial property values have increased, for the first time since 2009, at 1.1%. Residential property values increased by 2.7%, continuing an increasing trend after four years of decline. Overall revenue for the General Fund increased from the prior fiscal year. The revenue increase is attributed to increases in tax revenue and State Revenue Sharing.

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 2.65%. During this fiscal year the DDA revenues and expenses were balanced after prior periods of large capital investment and loan funding from the General Fund and the DDA reimbursed the General Fund \$112,000 of the loan granted to it.

During the fiscal year, Rochester invested grant and donation funding into its community assets. All of the grant projects were awarded after a competitive application process, for which the awarding agencies determined the City's projects were worthy of the investment. These projects include:

- *Restoration of the Paint Creek from Dinosaur Hill to the Paint Creek Bridge* – This is a \$750,000 project grant from the National Fish and Wildlife Foundation (NFWF) Sustain Our Great Lakes Stewardship Grant. The grant covered all costs (planning, design, construction, administration, etc.) of the project. The City satisfied its match for the project with the DDA's investment during FYE 2012 in improvements in and around

the Paint Creek at the Paint Creek Bridge. The City's Restoration of the Paint Creek project was one of the largest NFWF awards in the country and has recently won the Keep Michigan Beautiful, Inc. President's award.

- *Sanitary Sewer Inflow/Infiltration Monitoring and Review Project* – The City was awarded a \$1,000,000 S-2 grant from the Michigan Department of Environmental Quality to investigate inflow and infiltration (I&I) into the City's sanitary sewer system and to develop a plan to remedy the I & I issues. The project began in FYE 2013 and will continue in FYE 2015, but most of the work was performed during this fiscal year. This project is particularly important because every drop of water from I&I removed from the sanitary sewer system saves money for the City's rate payers.
- *Clinton River Trail and Macomb Orchard Trail Dequindre Road Safety Crossing* – This project was identified by City Council, the Friends of the Clinton River Trail and many users of the trail system as a priority project. The project was developed and constructed during the fiscal year with a combination of funding from the City, Shelby Township, MDOT and Road Commission of Oakland County. Dequindre Road is the boundary between Shelby Township and the City, and the crossing has connected the trail in both communities.
- *Construction of a Band Shell at Municipal Park* – This project was substantially funded by a gift of \$238,500 from the Barbara J. Bebout Trust, received in full during 2009. The new Band Shell was constructed near the center of the park and is a welcome new landmark for the community.

During the fiscal year the City reconstructed a portion of Romeo Road and paved the remaining unpaved portion of Bloomer Road. The City continued with upgrades to the water treatment plant and began a large project of replacing all of the water meters in the City.

During fiscal year the City developed a Parking Strategy, which was adopted by the City Council, Planning Commission and Downtown Development Authority. City Council also created a Parking Advisory Committee (PAC), made up of members of City Council, Planning Commission, Downtown Development Authority, a citizen member and City staff. The PAC developed a detailed implementation plan for the Strategy, which was also adopted by the City Council, Planning Commission and Downtown Development Authority. The first project from the implementation plan, installation of a new on-street parking meter system, was completed during this fiscal year. The new credit card accepting meters replaced the obsolete "turn and crank" meters.

As of June 30, 2013, the City closed its defined benefit pension plan and opened a defined contribution retirement benefit for all new hires. From this fiscal year forward all new full-time employees will receive a defined contribution retirement benefit, which creates no future liability to the City. There were no across the board wage increases awarded during the fiscal year. There were a limited number of wage adjustments for management level

employees, which were identified as not being competitively compensated when compared to the same position in similar cities.

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. 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

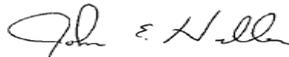
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rochester for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. This was the 3<sup>rd</sup> consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. 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

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for Excellence  
in Financial  
Reporting**

Presented to

**City of Rochester  
Michigan**

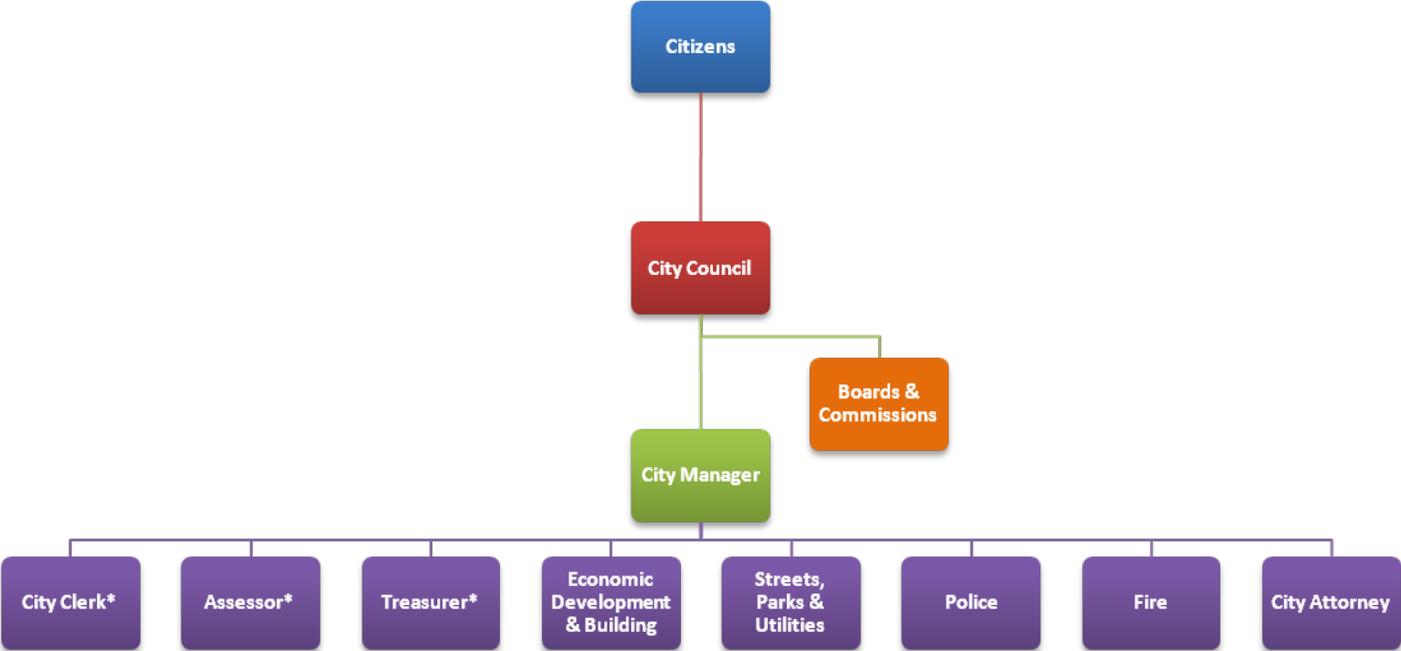
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

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, 2014

Mayor	Jeffrey T. Cuthbertson
Mayor Pro Tem	Stuart A. Bikson
Council Member	Cathy Daldin
Council Member	Ben Giovanelli
Council Member	Kim Russell
Council Member	Steve Sage
Council Member	Robert Ray
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

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## BLOOMFIELD HILLS

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Deborah M. Cox, C.P.A.  
Robert J. Sheu, C.P.A.

### Independent Auditor's Report

December 9, 2014

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

#### **Report on the Financial Statements**

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, 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

#### **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, 2014, 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.



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

**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.

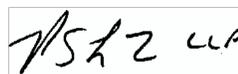
The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014, on our consideration of the City of Rochester's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Rochester's internal control over financial reporting and compliance.

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, 2014.

### Financial Highlights

- The assets of the City of Rochester exceeded its liabilities at the close of the most recent fiscal year by \$65,650,979 (*net position*). Of this amount, \$11,573,526 (*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 \$1,468,075. Governmental activities increased net position by \$1,764 and the business-type activities decreased net position by \$1,469,839.
- At the close of the most recent fiscal year, the City of Rochester's governmental funds reported combined ending fund balances of \$14,032,280. Of this amount, \$8,431,838 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 \$8,431,838, or 96 percent of total general fund expenditures.
- The City of Rochester's total debt decreased by \$490,693 during the current fiscal year as a result of a \$3,246 decrease in compensated absences less annual debt payments made of \$487,447.

### 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 \$65,650,979 at the close of the most recent fiscal year. Of the City of Rochester's net position, 67 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 16,541,182	\$ 16,964,927	\$ 7,327,006	\$ 8,922,307	\$ 23,868,188	\$ 25,887,234
Capital Assets	29,519,679	29,734,421	19,782,321	19,573,581	49,302,000	49,308,002
Total Assets	46,060,861	46,699,348	27,109,327	28,495,888	73,170,188	75,195,236
Long-term liabilities	1,877,595	2,330,253	3,731,091	3,769,126	5,608,686	6,099,379
Other liabilities	778,150	965,743	1,132,373	1,011,060	1,910,523	1,976,803
Total Liabilities	2,655,745	3,295,996	4,863,464	4,780,186	7,519,209	8,076,182
Net Position:						
Net investment in capital assets	27,993,706	27,759,036	16,051,230	15,804,455	44,044,936	43,563,491
Restricted	5,600,442	6,021,594	4,432,075	6,139,933	10,032,517	12,161,527
Unrestricted	9,810,968	9,622,722	1,762,558	1,771,314	11,573,526	11,394,036
Total Net Position	\$ 43,405,116	\$ 43,403,352	\$ 22,245,863	\$ 23,715,702	\$ 65,650,979	\$ 67,119,054

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 \$1,468,075 during the current fiscal year. Governmental activities increased net position \$1,764. The unrestricted portion of net position related to governmental activities increased by \$188,246.

City of Rochester - Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,215,889	\$ 2,260,654	\$ 5,120,409	\$ 4,916,918	\$ 7,336,298	\$ 7,177,572
Operating Grants & Contrib.	1,012,164	941,328	-	-	1,012,164	941,328
Capital Grants & Contrib.	659,939	97,524	661,742	424,593	1,321,681	522,117
General Revenues:						
Property Taxes	8,471,191	8,355,959	-	-	8,471,191	8,355,959
State Shared Revenues	980,304	956,121	-	-	980,304	956,121
Franchise Fees	237,937	231,195	-	-	237,937	231,195
Investment Earnings	57,234	73,049	38,477	40,303	95,711	113,352
Total Revenues	13,634,658	12,915,830	5,820,628	5,381,814	19,455,286	18,297,644
Expenses:						
General Government	1,659,504	1,935,146	-	-	1,659,504	1,935,146
Public Safety	4,804,877	4,677,997	-	-	4,804,877	4,677,997
Public Works	3,406,947	4,290,486	-	-	3,406,947	4,290,486
Community Development	1,696,447	1,711,927	-	-	1,696,447	1,711,927
Recreation and Cultural	1,173,640	1,452,907	-	-	1,173,640	1,452,907
Interest on Long-Term Debt	83,474	100,809	-	-	83,474	100,809
Loss on Disposal of Assets	555,159	-	-	-	555,159	-
Automobile Parking System	-	-	244,693	164,344	244,693	164,344
Water and Sewer	-	-	7,298,620	5,035,388	7,298,620	5,035,388
Total Expenses	13,380,048	14,169,272	7,543,313	5,199,732	20,923,361	19,369,004
Excess (Deficiency) before Transfers	254,610	(1,253,442)	(1,722,685)	182,082	(1,468,075)	(1,071,360)
Transfers In (Out)	(252,846)	(923)	252,846	923	-	-
Change in Net Position	1,764	(1,254,365)	(1,469,839)	183,005	(1,468,075)	(1,071,360)
Net Position, Beg. of year	43,403,352	44,657,717	23,715,702	23,532,697	67,119,054	68,190,414
Net Position, End of year	\$ 43,405,116	\$ 43,403,352	\$ 22,245,863	\$ 23,715,702	\$ 65,650,979	\$ 67,119,054

**Governmental activities**

Program revenues, which include user fees and charges and restricted operating and capital grants and contributions, represent 29% 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 \$588,486 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 decreased the City's net position by \$1,469,839. A significant part of this decrease is due to the expenses related to the meter replacement project.

## **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 \$14,032,280, a decrease of \$241,261 in comparison with the prior year. The majority of this total amount, or \$5,600,442, 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 \$8,431,838 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 \$8,431,838, all of which 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 \$179,891 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 \$1,762,558.

### **General Fund Budgetary Highlights**

General Fund revenues were .42% over the original budgeted amounts, and the General Fund expenditures were 1.375% less than the original budgeted amounts. The actual revenues exceeded the final budgeted revenues by \$27,356 and actual expenditures were less than the original budgeted expenditures by \$135,363. Significant budget amendments approved during the year include decreases in expenditures of approximately \$80,000 in sanitation due to the bidding of the refuse contract during fiscal year 2014 and a decrease of \$56,000 in park operations.

## **Capital Asset and Debt Administration**

### **Capital assets.**

The City of Rochester's investment in capital assets for its governmental and business type activities is \$49,302,000 (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 decrease for

governmental activities, and a 1 percent increase in business-type activities. Major capital asset events during the current fiscal year included the following:

- Paint Creek Restoration
- Bebout Municipal Park Band Shell
- Water and Sewer Infrastructure Projects
- Replacement of On-Street Parking Meters

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 \$895,000, and contractual debt outstanding of \$4,362,064. During fiscal year 2014, the City reduced its debt by \$487,447. 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 2015 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. The number of building permits issued during the fiscal year were consistent with the prior fiscal year, with both years being considerably higher in number and value than the preceding 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.

During the fiscal year, the City developed a Parking Strategy, which was adopted by the City Council, Planning Commission and Downtown Development Authority. City Council also created a Parking Advisory Committee (PAC), made up of members of City Council, Planning Commission, Downtown Development Authority, a citizen member and City staff. The PAC developed a detailed implementation plan for the Strategy, which was also adopted by the City Council, Planning Commission and Downtown Development Authority.

The first project from the implementation plan, installation of a new on-street parking meter system, was completed during this fiscal year. The new credit card accepting meters replaced the obsolete "turn and crank" meters. Next fiscal year's plan includes implementation of an off-street meter plan; additional enforcement; and design engineering and construction of two parking platforms. The City also plans to create a Parking Management District (PMD) (by adoption of a Zoning Amendment) and to implement a Special Assessment District (SAD) for the PMD. Those properties in the PMD will receive the benefit of being exempt from having to provide parking as required by the City Zoning Code and will be required to pay a special assessment, for a limited time, to help fund the debt repayment for the parking platforms. The parking implementation plan has been developed to provide for a self-funding parking system. Once all phases of the parking plan have been implemented, the system is intended to be self-funding.

The City has effectively managed its Pension and Other Post-Employment Benefits (OPEB) obligations. The City is 74% funded (as of December 31, 2013) for its Pension liabilities and 106.56% funded for its OPEB liabilities (as of June 30, 2014). With both the Pension and Post Employment Health Benefit programs now 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 downturn 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, 2014**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and Investments	\$ 15,537,649	\$ 2,054,386	\$ 17,592,035
Receivables (net of allowance for uncollectibles):			
Accounts	134,676	792,495	927,171
Due from Other Governmental Units	115,154	-	115,154
Inventory	9,389	48,050	57,439
Restricted Assets - Cash and Cash Equivalents	-	4,432,075	4,432,075
Other Post Employment Benefits Asset	744,314	-	744,314
Capital Assets:			
Nondepreciable Assets	3,656,450	363,253	4,019,703
Depreciable Assets	25,863,229	19,419,068	45,282,297
Total Assets	<u>46,060,861</u>	<u>27,109,327</u>	<u>73,170,188</u>
 <b><u>LIABILITIES</u></b>			
Accounts Payable	546,761	1,106,820	1,653,581
Accrued Liabilities	125,635	5,353	130,988
Other	105,754	20,200	125,954
Noncurrent Liabilities:			
Compensated Absences Payable:			
Due within one year	79,871	-	79,871
Due in more than one year	271,751	-	271,751
Bonds and Contracts Payable:			
Due within one year	131,452	74,700	206,152
Due in more than one year	1,394,521	3,656,391	5,050,912
Total Liabilities	<u>2,655,745</u>	<u>4,863,464</u>	<u>7,519,209</u>
 <b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	27,993,706	16,051,230	44,044,936
Restricted for:			
Streets	1,794,451	-	1,794,451
Cemetery	455,626	-	455,626
Law Enforcement Programs	24,141	-	24,141
Community Development Block Grant	4,694	-	4,694
Downtown Development Authority	130	-	130
Principal Shopping District	47,593	-	47,593
Debt Service	11,400	-	11,400
Capital Projects	3,262,407	-	3,262,407
Water and Sewer Improvements	-	4,432,075	4,432,075
Unrestricted	9,810,968	1,762,558	11,573,526
Total Net Position	<u>\$ 43,405,116</u>	<u>\$ 22,245,863</u>	<u>\$ 65,650,979</u>

**CITY OF ROCHESTER**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

<b><u>Functions/Programs</u></b>	<b>Program Revenues</b>			
	<b><u>Expenses</u></b>	<b><u>Charges for Services</u></b>	<b><u>Operating Grants and Contributions</u></b>	<b><u>Capital Grants and Contributions</u></b>
Governmental Activities:				
General Government	\$ 1,659,504	\$ 878,088	\$ 5,308	\$ 659,939
Public Safety	4,804,877	875,913	4,021	-
Community Development	1,696,447	347,266	214,164	-
Public Works	3,406,947	114,622	788,671	-
Recreation and Cultural	1,173,640	-	-	-
Interest on Long-Term Debt	83,474	-	-	-
Total Governmental Activities	<u>12,824,889</u>	<u>2,215,889</u>	<u>1,012,164</u>	<u>659,939</u>
Business-type Activities:				
Water and Sewer	7,298,620	4,945,070	-	661,742
Automobile parking system	244,693	175,339	-	-
Total Business-type Activities	<u>7,543,313</u>	<u>5,120,409</u>	<u>-</u>	<u>661,742</u>
Grand Total	<u>\$ 20,368,202</u>	<u>\$ 7,336,298</u>	<u>\$ 1,012,164</u>	<u>\$ 1,321,681</u>

General Revenues and Transfers:  
Property Taxes  
State Shared Revenue  
Cable Franchise Fees  
Unrestricted Investment Earnings  
Loss on Disposal of Assets  
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>
\$ (116,169)	\$ -	\$ (116,169)
(3,924,943)	-	(3,924,943)
(1,135,017)	-	(1,135,017)
(2,503,654)	-	(2,503,654)
(1,173,640)	-	(1,173,640)
(83,474)	-	(83,474)
<u>(8,936,897)</u>	<u>-</u>	<u>(8,936,897)</u>
-	(1,691,808)	(1,691,808)
-	(69,354)	(69,354)
<u>-</u>	<u>(1,761,162)</u>	<u>(1,761,162)</u>
<u>(8,936,897)</u>	<u>(1,761,162)</u>	<u>(10,698,059)</u>
8,471,191	-	8,471,191
980,304	-	980,304
237,937	-	237,937
57,234	38,477	95,711
(555,159)	-	(555,159)
(252,846)	252,846	-
<u>8,938,661</u>	<u>291,323</u>	<u>9,229,984</u>
1,764	(1,469,839)	(1,468,075)
<u>43,403,352</u>	<u>23,715,702</u>	<u>67,119,054</u>
<u>\$ 43,405,116</u>	<u>\$ 22,245,863</u>	<u>\$ 65,650,979</u>

**CITY OF ROCHESTER**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	General	Major Streets	Local Streets	Downtown Development Authority
<b>ASSETS</b>				
Cash and Investments	\$ 8,738,823	\$ 1,095,920	\$ 758,303	\$ 28,440
Receivables (net of allowance for uncollectibles):				
Accounts	134,676	-	-	-
Due from Other Governmental Units	-	80,298	34,856	-
Total Assets	\$ 8,873,499	\$ 1,176,218	\$ 793,159	\$ 28,440
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 256,526	\$ 49,603	\$ 120,783	\$ 24,786
Accrued and Other Liabilities	79,381	1,887	2,653	3,524
Other	105,754	-	-	-
Total Liabilities	441,661	51,490	123,436	28,310
Fund Balances:				
Restricted for:				
Streets	-	1,124,728	669,723	-
Cemetery	-	-	-	-
Law Enforcement Programs	-	-	-	-
Community Development Block Grant	-	-	-	-
Downtown Development Authority	-	-	-	130
Principal Shopping District	-	-	-	-
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Unassigned	8,431,838	-	-	-
Total Fund Balances	8,431,838	1,124,728	669,723	130
Total Liabilities and Fund Balances	\$ 8,873,499	\$ 1,176,218	\$ 793,159	\$ 28,440

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>
\$ 3,330,241	\$ 583,912	\$ 14,535,639
-	-	134,676
-	-	<u>115,154</u>
<u>\$ 3,330,241</u>	<u>\$ 583,912</u>	<u>\$ 14,785,469</u>

\$ 67,834	\$ 3,352	\$ 522,884
-	37,106	124,551
-	-	<u>105,754</u>
<u>67,834</u>	<u>40,458</u>	<u>753,189</u>

-	-	1,794,451
-	455,626	455,626
-	24,141	24,141
-	4,694	4,694
-	-	130
-	47,593	47,593
-	11,400	11,400
3,262,407	-	3,262,407
-	-	8,431,838
<u>3,262,407</u>	<u>543,454</u>	<u>14,032,280</u>
<u>\$ 3,330,241</u>	<u>\$ 583,912</u>	

26,264,419

4,241,698  
744,314

(1,877,595)

\$ 43,405,116

**CITY OF ROCHESTER**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2014**

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Downtown Development Authority</u>
<b>Revenues</b>				
Property Taxes	\$ 6,986,732	\$ -	\$ -	\$ 1,149,499
Licenses and Permits	268,442	-	-	-
Intergovernmental:				
Federal, State and Local	1,201,494	533,998	254,673	-
Charges for Services	928,936	-	-	198,209
Franchise Fees	237,937	-	-	-
Fines and Forfeitures	80,262	-	-	-
Special Assessments	-	-	38,552	-
Interest	38,913	2,402	707	669
Other	149,625	16,042	60,028	18,267
Total Revenues	<u>9,892,341</u>	<u>552,442</u>	<u>353,960</u>	<u>1,366,644</u>
<b>Expenditures</b>				
Current:				
General Government	1,656,533	-	-	-
Public Safety	4,734,870	-	-	-
Community Development	47,133	-	-	1,181,124
Public Works	1,384,423	420,308	661,936	-
Recreation and Cultural	992,959	-	-	-
Debt Service:				
Principal	-	-	-	44,412
Interest and Other Charges	-	-	-	29,608
Capital Outlay	-	-	-	-
Total Expenditures	<u>8,815,918</u>	<u>420,308</u>	<u>661,936</u>	<u>1,255,144</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,076,423</u>	<u>132,134</u>	<u>(307,976)</u>	<u>111,500</u>
<b>Other Financing Sources (Uses)</b>				
Refunding Bond Proceeds	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Transfers In	-	164,961	366,160	-
Transfers Out	(896,532)	(233,651)	-	(112,000)
Total Other Financing Sources (Uses)	<u>(896,532)</u>	<u>(68,690)</u>	<u>366,160</u>	<u>(112,000)</u>
Net Change in Fund Balances	179,891	63,444	58,184	(500)
Fund Balances - Beginning	<u>8,251,947</u>	<u>1,061,284</u>	<u>611,539</u>	<u>630</u>
Fund Balances - Ending	<u>\$ 8,431,838</u>	<u>\$ 1,124,728</u>	<u>\$ 669,723</u>	<u>\$ 130</u>

<b>Capital Projects General</b>	<b>Other Governmental</b>	<b>Total Governmental</b>
\$ -	\$ 334,960	\$ 8,471,191
-	-	268,442
636,730	23,209	2,650,104
-	200,528	1,327,673
-	-	237,937
-	-	80,262
-	214,164	252,716
13,557	986	57,234
8,905	36,232	289,099
<u>659,192</u>	<u>810,079</u>	<u>13,634,658</u>
-	-	1,656,533
-	35,087	4,769,957
-	353,417	1,581,674
-	-	2,466,667
-	143,591	1,136,550
-	435,000	479,412
-	23,866	53,474
1,449,259	-	1,449,259
<u>1,449,259</u>	<u>990,961</u>	<u>13,593,526</u>
<u>(790,067)</u>	<u>(180,882)</u>	<u>41,132</u>
-	980,000	980,000
-	(980,000)	(980,000)
720,544	230,004	1,481,669
(250,000)	(271,879)	(1,764,062)
<u>470,544</u>	<u>(41,875)</u>	<u>(282,393)</u>
(319,523)	(222,757)	(241,261)
<u>3,581,930</u>	<u>766,211</u>	<u>14,273,541</u>
\$ <u>3,262,407</u>	\$ <u>543,454</u>	\$ <u>14,032,280</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, 2014

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

Net change in fund balances - total governmental funds	\$	(241,261)
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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		1,449,259
Capital Outlay-departmental		480,664
Depreciation Expense		(2,004,368)
Loss on Disposal of Assets		(496,068)

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.

60,273

Change in Other Post Employment Benefits		300,607
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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.

Issuance of Refunding Bonds		(980,000)
Principal Payments on Bonds		1,385,000
Principal Payments on Land Contracts		44,412
Decrease in Compensated Absences		3,246
		3,246

Change in net position in governmental activities	\$	1,764
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**CITY OF ROCHESTER**  
**Balance Sheet**  
**Proprietary Funds**  
**June 30, 2014**

	<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>	
<b><u>ASSETS</u></b>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,973,922	\$ 80,464	\$ 2,054,386	\$ 1,002,010
Accounts Receivable	792,495	-	792,495	-
Inventory	47,550	500	48,050	9,389
Total Current Assets	<u>2,813,967</u>	<u>80,964</u>	<u>2,894,931</u>	<u>1,011,399</u>
Noncurrent Assets:				
Restricted Assets - Cash	<u>4,432,075</u>	<u>-</u>	<u>4,432,075</u>	<u>-</u>
Capital Assets	26,670,354	808,817	27,479,171	6,022,518
Less: Accumulated Depreciation	<u>(7,468,472)</u>	<u>(228,378)</u>	<u>(7,696,850)</u>	<u>(2,767,258)</u>
Net Capital Assets	<u>19,201,882</u>	<u>580,439</u>	<u>19,782,321</u>	<u>3,255,260</u>
Total Noncurrent Assets	<u>23,633,957</u>	<u>580,439</u>	<u>24,214,396</u>	<u>3,255,260</u>
Total Assets	<u>\$ 26,447,924</u>	<u>\$ 661,403</u>	<u>\$ 27,109,327</u>	<u>\$ 4,266,659</u>
<b><u>LIABILITIES AND NET POSITION</u></b>				
Current Liabilities (Payable from Current Assets):				
Accounts Payable	\$ 1,102,441	\$ 4,379	\$ 1,106,820	\$ 23,877
Accrued Liabilities	4,888	465	5,353	1,084
Deposits	20,200	-	20,200	-
Current Portion of Bonds Payable	<u>74,700</u>	<u>-</u>	<u>74,700</u>	<u>-</u>
Total Current Liabilities (Payable from Current Assets)	<u>1,202,229</u>	<u>4,844</u>	<u>1,207,073</u>	<u>24,961</u>
Noncurrent Liabilities:				
Bonds Payable (net of current portion)	<u>3,656,391</u>	<u>-</u>	<u>3,656,391</u>	<u>-</u>
Total Liabilities	<u>4,858,620</u>	<u>4,844</u>	<u>4,863,464</u>	<u>24,961</u>
NET POSITION:				
Net Investment in Capital Assets	15,470,791	580,439	16,051,230	3,255,260
Restricted for Improvements	4,432,075	-	4,432,075	-
Unrestricted	<u>1,686,438</u>	<u>76,120</u>	<u>1,762,558</u>	<u>986,438</u>
Total Net Position	<u>21,589,304</u>	<u>656,559</u>	<u>22,245,863</u>	<u>4,241,698</u>
Total Liabilities and Net Position	<u>\$ 26,447,924</u>	<u>\$ 661,403</u>	<u>\$ 27,109,327</u>	<u>\$ 4,266,659</u>

**CITY OF ROCHESTER**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2014**

	<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>	
<b><u>Operating Revenues:</u></b>				
Water Sales	\$ 1,916,273	\$ -	\$ 1,916,273	\$ -
Sewage Disposal Fees	2,942,871	-	2,942,871	-
Charges for Services	56,628	175,339	231,967	1,101,071
Miscellaneous	29,298	-	29,298	26,444
Total Operating Revenues	<u>4,945,070</u>	<u>175,339</u>	<u>5,120,409</u>	<u>1,127,515</u>
<b><u>Operating Expenses:</u></b>				
Water Distribution	1,935,384	-	1,935,384	-
Sewage Collection and Disposal	3,365,834	-	3,365,834	-
Administrative	273,001	92,596	365,597	124,235
Operation and Maintenance	1,199,723	152,097	1,351,820	620,107
Depreciation	486,533	-	486,533	296,063
Total Operating Expenses	<u>7,260,475</u>	<u>244,693</u>	<u>7,505,168</u>	<u>1,040,405</u>
Operating Income (Loss)	<u>(2,315,405)</u>	<u>(69,354)</u>	<u>(2,384,759)</u>	<u>87,110</u>
<b><u>Non-Operating Revenues (Expenses):</u></b>				
Interest Earned	38,477	-	38,477	2,707
Loss on Disposal of Assets	-	-	-	(59,091)
Interest Expense	(38,145)	-	(38,145)	-
Total Non-Operating Revenues (Expenses)	<u>332</u>	<u>-</u>	<u>332</u>	<u>(56,384)</u>
Income (Loss) before Contributions and Transfers	(2,315,073)	(69,354)	(2,384,427)	30,726
Capital Contributions	661,742	-	661,742	-
Transfers In (Out)	<u>(117,970)</u>	<u>370,816</u>	<u>252,846</u>	<u>29,547</u>
Net Income (Loss)	(1,771,301)	301,462	(1,469,839)	60,273
Net Position, Beginning	<u>23,360,605</u>	<u>355,097</u>	<u>23,715,702</u>	<u>4,181,425</u>
Net Position, Ending	<u>\$ 21,589,304</u>	<u>\$ 656,559</u>	<u>\$ 22,245,863</u>	<u>\$ 4,241,698</u>

**CITY OF ROCHESTER**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2014**

	<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>	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Receipts from customers and users	\$ 5,000,304	\$ 175,339	\$ 5,175,643	\$ 1,127,515
Payments to suppliers	(6,321,148)	(178,221)	(6,499,369)	(680,000)
Payments to employees	(331,627)	(62,326)	(393,953)	(73,869)
Net Cash Provided (Used) by Operating Activities	<u>(1,652,471)</u>	<u>(65,208)</u>	<u>(1,717,679)</u>	<u>373,646</u>
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>				
Refundable Deposits	(4,000)	-	(4,000)	-
Operating Transfers In (Out)	(117,970)	370,816	252,846	29,547
Net Cash Provided (Used) by Non-Capital Financing Financing Activities	<u>(121,970)</u>	<u>370,816</u>	<u>248,846</u>	<u>29,547</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>				
Capital Charges	36,035	-	36,035	-
State Grants	625,707	-	-	-
Principal Paid on Debt	(38,035)	-	(38,035)	-
Interest Paid on Debt	(38,145)	-	(38,145)	-
Loss on Disposal of Capital Assets	-	-	-	59,091
Acquisition and Construction of Capital Assets	(457,783)	(237,490)	(695,273)	(710,925)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>127,779</u>	<u>(237,490)</u>	<u>(735,418)</u>	<u>(651,834)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Interest Earned	38,477	-	38,477	(56,384)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,608,185)	68,118	(2,165,774)	(305,025)
Cash and Cash Equivalents, Beginning	8,014,182	12,346	8,026,528	1,307,035
Cash and Cash Equivalents, Ending	<u>\$ 6,405,997</u>	<u>\$ 80,464</u>	<u>\$ 5,860,754</u>	<u>\$ 1,002,010</u>
<b><u>Balance Sheet Classifications:</u></b>				
Cash and Cash Equivalents	\$ 1,973,922	\$ 80,464	\$ 2,054,386	\$ 1,002,010
Restricted Assets - Cash and Cash Equivalents	4,432,075	-	4,432,075	-
Total	<u>\$ 6,405,997</u>	<u>\$ 80,464</u>	<u>\$ 6,486,461</u>	<u>\$ 1,002,010</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u></b>				
Operating Income (Loss)	\$ (2,315,405)	\$ (69,354)	\$ (2,384,759)	\$ 87,110
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization Expense	486,533	-	486,533	296,063
(Increase) Decrease in Receivables	55,234	-	55,234	-
Increase (Decrease) in Accounts Payable	120,835	3,681	124,516	(9,684)
Increase (Decrease) in Accrued Liabilities	332	465	797	157
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,652,471)</u>	<u>\$ (65,208)</u>	<u>\$ (1,717,679)</u>	<u>\$ 373,646</u>

**CITY OF ROCHESTER**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2014**

	<b>Pension Trust Fund</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 138,836	\$ 354,108
Accounts Receivable	14,853	-
Total Assets	153,689	354,108
 <b>LIABILITIES</b>		
Accounts Payable	-	23,999
Accrued and Other Liabilities	-	330,109
Total Liabilities	-	354,108
 <b>NET ASSETS</b> Held in Trust For Employees'		
Pension Benefits	\$ 153,689	\$ -

CITY OF ROCHESTER  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended June 30, 2014

	<b>Pension Trust Fund</b>
<b>Additions</b>	
Contributions - employer	\$ 14,853
<b>Investment Income</b>	
Interest	131
<b>Total Additions</b>	14,984
<b>Deductions</b>	
Employee Benefits	-
Change in Net Position	14,984
Net Position - Beginning	138,705
Net Position - Ending	\$ 153,689



CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2014

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, 2014

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, 2014

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, 2014

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, 2014

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, 2014

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, 2014

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, 2014

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 2014, budget amendments were made and are reflected in the financial statements.

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2014

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
	<u>Budget</u>	<u>Actual</u>	Expenditures Over <u>Appropriations</u>
General Fund:			
Other General Services	\$319,316	\$327,711	\$ 8,395
Protective Inspections	176,374	179,173	2,799
Planning Commission	42,029	42,774	745
Dept. of Public Works	456,353	465,876	9,523
Environmental Services	325,993	329,440	3,447
Major Streets Fund:			
General Administration	5,182	11,636	6,454
Routine Maintenance	117,602	120,722	3,120
Street Construction	71,452	118,347	46,895
Winter Maintenance	115,249	115,790	541
Local Streets Fund:			
General Administration	4,903	13,901	8,998
Routine Maintenance	235,914	247,730	11,816
Street Construction	211,063	212,210	1,147
Winter Maintenance	157,234	157,565	331
Downtown Dev. Authority:			
Operating Transfer Out	2,500	112,000	109,500
Principal Shopping District	321,300	329,017	7,717

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, 2014 are as follows:

Cumulative Balance at June 30, 2013	\$ (491,496)
Fees Collected in Fiscal Year 2014	202,550
Expenditures in Fiscal Year 2014	<u>(179,173)</u>
Revenues Over (Under) Expenditures	<u>\$ (468,569)</u>

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2014

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	\$ 17,592,035
Restricted Cash	4,432,075
Fiduciary Funds:	
Trust & Agency Funds	<u>492,944</u>
Total Deposits and Investments	<u>\$ 22,517,054</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, 2014, the City's bank balance of its deposits was \$22,126,169, of which \$18,626,169 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, 2014

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	\$ 1,700,000	3.31 years
Federal Farm Credit Banks	3,220,000	3.55 years
Federal National Mortgage Assoc.	<u>1,000,000</u>	3.87 years
	<u>\$ 5,920,000</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	\$ 5,920,000	Aaa	Moody's
MBIA Gov. Investment Pool	531,980	AAA/m	S&P
Bank Investment Pools	1,052,100	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 (15%), and Federal Home Loan Banks (8%).

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2014 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	4,454,061	-	(199,619)	4,254,442
Improvements-Non Building	1,351,181	1,222,700	-	2,573,881
Machinery and Equipment	3,520,738	-	(612,302)	2,908,436
Infrastructure	33,170,349	707,223	(51,746)	33,825,826
Internal Service Fund	5,942,374	710,925	(630,781)	6,022,518
	<u>48,438,703</u>	<u>2,640,848</u>	<u>(1,494,448)</u>	<u>49,585,103</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(1,641,283)	(108,643)	-	(1,749,926)
Improvements-Non Building	(462,515)	(76,470)	-	(538,985)
Machinery and Equipment	(2,315,869)	(194,053)	367,599	(2,142,323)
Infrastructure	(14,898,180)	(1,625,202)	-	(16,523,382)
Internal Service Fund	(3,042,885)	(296,063)	571,690	(2,767,258)
	<u>(22,360,732)</u>	<u>(2,300,431)</u>	<u>939,289</u>	<u>(23,721,874)</u>
Governmental Activities				
Capital Assets, net	\$ <u>29,734,421</u>	\$ <u>340,417</u>	\$ <u>(555,159)</u>	\$ <u>29,519,679</u>

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2014

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	14,711,113	633,005	-	15,344,118
Water Distribution System	11,425,817	457,783	-	11,883,600
Improvements Parking Lots	166,609	-	-	166,609
Parking Meters	59,776	237,490	-	297,266
Other Equipment	57,330	-	-	57,330
	<u>26,420,645</u>	<u>1,328,278</u>	<u>-</u>	<u>27,748,923</u>
Less: Accumulated Depreciation:				
Sewage Disposal System	(3,390,543)	(274,314)	-	(3,664,857)
Water Distribution System	(3,536,059)	(212,219)	-	(3,748,278)
Improvements Parking Lots	(166,609)	-	-	(166,609)
Parking Meters	(59,776)	-	-	(59,776)
Other Equipment	(57,330)	-	-	(57,330)
	<u>(7,210,317)</u>	<u>(486,533)</u>	<u>-</u>	<u>(7,696,850)</u>
Business-type Activities Capital Assets, net	<u>\$ 19,573,581</u>	<u>\$ 841,745</u>	<u>\$ -</u>	<u>\$ 20,415,326</u>

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

General Government	\$ 69,122
Public Safety	202,905
Public Works	1,568,833
Community Development	114,773
Recreation and Cultural	48,735
Charged though Internal Service Funds	296,063
	<u>\$ 2,300,431</u>

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers

The composition of interfund transfers at June 30, 2014 are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Major Street Fund	General Fund	\$ 164,961
Local Street Fund	General Fund	132,509
Cemetery	General Fund	108,499
2013 Refunding Debt Fund	2001 GO Bond Debt Fund	3,535
Local Street Fund	Major Street Fund	233,651
Capital Projects General	DDA	112,000
Capital Projects General	Band Shelter Fund	238,797
Auto Parking System	Capital Projects General	250,000
Internal Service Fund	Fire Equipment Reserve Fund	29,547
1994 GO Bonds Debt	Water & Sewer Fund	117,970
Capital Projects General	General Fund	369,747
Auto Parking System	General Fund	120,816
		<u>\$ 1,882,032</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, 2014:

Water & Sewer System Fund:

Cash and investments restricted for

Water & Sewer Capital Improvement \$4,432,075

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2014

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, 2014:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Balance</u> <u>Within 1 Year</u>
Governmental Activities:					
1994 Unlimited Tax Bonds maturing through 10-1-2013, interest 4%-5%	\$ 350,000	\$ -	\$ (350,000)	\$ -	\$ -
2001 Unlimited Tax Bonds maturing through 4-1-2020, interest 4%-5%	950,000	-	(950,000)	-	-
2013 Refunding Bonds maturing through 4-1-2021, interest 1.43%	-	980,000	(85,000)	895,000	85,000
Land Contracts Payable due 4-1-2025, interest at 4.5%	675,385	-	(44,412)	630,973	46,452
	1,975,385	980,000	(1,429,412)	1,525,973	131,452
Compensated Absences	354,868	88,180	(91,426)	351,622	79,871
	<u>\$ 2,330,253</u>	<u>\$ 1,068,180</u>	<u>\$ (1,520,838)</u>	<u>\$ 1,877,595</u>	<u>\$ 211,323</u>
Business-type Activities:					
2010 Oakland-Macomb Interceptor bonds maturing through 4-1-2031, interest 2.50%	\$ 697,274	\$ -	\$ (31,067)	\$ 666,207	\$ 31,793
2010B Oakland-Macomb Interceptor bonds maturing through 4-1-2030, interest 1.15%-5.90%	175,806	-	(6,968)	168,838	7,259
2011 Oakland-Macomb Interceptor bonds maturing through 10-1-2033, interest 2.50%	910,094	-	-	910,094	35,648
2013A Oakland-Macomb Interceptor bonds maturing through 10-1-2033, interest 2.00%	1,985,952	-	-	1,985,952	-
	<u>\$ 3,769,126</u>	<u>\$ -</u>	<u>\$ (38,035)</u>	<u>\$ 3,731,091</u>	<u>\$ 74,700</u>

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2014

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, 2014 are as follows:

<u>Year Ended</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 131,452	\$ 40,366	\$ 74,700	\$ 87,544
2016	158,586	37,017	158,458	84,778
2017	185,818	33,212	162,187	81,103
2018	183,152	28,948	165,773	77,328
2019	205,594	24,646	169,825	73,427
2020-2024	603,711	57,467	911,973	304,227
2025-2029	57,660	1,253	1,027,864	187,361
2030-2034	-	-	941,255	62,116
2035	-	-	119,056	1,191
	<u>\$ 1,525,973</u>	<u>\$ 222,909</u>	<u>\$ 3,731,091</u>	<u>\$ 959,075</u>

Refunding Bonds

The City issued \$980,000 of unlimited tax general obligation refunding bonds with an interest rate of 1.43% and annual maturities from April 2014 through April 2021. The net proceeds of \$980,000 were used to advance refund \$950,000 of 2001 Unlimited Tax General Obligation Bonds with interest rates ranging from 4.0-5.0% and maturing through 2020. The refunding bond proceeds were placed in an irrevocable trust for the purpose of generating resources to pay the future debt service payments of the bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the City's liabilities. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and new bonds) of \$152,940.

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 2013 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, 2014

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, 2013.

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, 2014, the City's contributions totaling \$462,840 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2011.

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2014

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> <u>Ended</u> <u>June 30,</u>	<u>Valuation</u> <u>Date</u> <u>Dec. 31</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>
2012	2009	\$369,520	100%	-0-
2013	2010	418,456	100%	-0-
2014	2011	462,840	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 1<sup>st</sup> 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, 2014 was \$14,853 in accordance with contribution requirements determined by an actuarial valuation of the plan as of July 1, 2013. 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, 2014

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

Fiscal Year Ended <u>June 30</u>	Valuation Date <u>July 1</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	2010	\$ 13,238	100%	-0-
2013	2011	13,178	100%	-0-
2014	2012	14,853	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 \$36,620.

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2014

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 \$365,113.

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, 2014, 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.

The computed contribution and actual funding are summarized as follows:

Annual Required Contribution (recommended)	\$ 182,833
Interest on the prior year's net OPEB obligation	-
Less adjustment to the annual required contribution	-
Annual OPEB Cost	<u>182,833</u>
Amounts Contributed:	
Payments of current premiums	(365,113)
Advance funding	<u>(118,327)</u>
Increase(Decrease) in net OPEB obligation	(300,607)
OPEB obligation (asset) - Beginning of Year	<u>(443,707)</u>
OPEB obligation (asset) - End of Year	<u><u>\$ (744,314)</u></u>

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2014

IV. OTHER INFORMATION – Continued

B. Post Retirement Health Care Benefits – Continued

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Annual Required Contribution</u>	<u>Annual OPEB Costs</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
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)
6/30/2014	6/30/2014	\$ 182,833	\$ 182,833	264%	\$ (744,314)

<u>Valuation as of:</u>	<u>June 30, 2011</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>
Actuarial Value of Assets	\$ 5,981,420	\$ 7,360,000	\$ 8,375,000
Actuarial Accrued Liability	7,872,462	7,655,718	7,859,569
Unfunded AAL	1,891,042	295,718	(515,431)
Funded Ratio	75.98%	96.14%	106.56%

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.

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, 2014 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 (closed).

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2014

IV. OTHER INFORMATION – Continued

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.

E. Subsequent Event

The City is anticipating issuance of General Obligation Capital Improvement Bonds of up to \$12,000,000 for the purpose of paying the cost of constructing two parking platforms and other parking related items in the City. The City intends to issue the bonds in January or February 2015. The repayment of the debt service of the bonds will be over 20 years, utilizing funds from the parking system, special assessments, the Downtown Development Authority, and the general funds of the City.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF ROCHESTER  
Required Supplementary Information – (Unaudited)  
Defined Benefit Pension Plans – Trend Information  
For the Year Ended June 30, 2014

Municipal Employees Retirement System  
Schedule of Funding Progress

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u>	<u>UAAL as a</u> <u>Percent of</u> <u>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
12/31/13	14,760,263	19,950,097	5,189,834	74	3,121,445	166

Additional information as of December 31, 2013, the latest actual valuation, follows:

Actuarial cost method	Entry age normal cost
Amortization method	Level percent
Remaining amortization period	27 years (closed)
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</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u>	<u>Funded</u> <u>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
7/01/13	138,721	186,921	48,200	74

Additional information as of July 1, 2013, the latest actual valuation, follows:

Actuarial cost method	Entry age normal cost
Amortization period	15 years (open)
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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
General Property Taxes	\$ 6,981,000	\$ 6,987,272	\$ 6,986,732	\$ (540)
Licenses and Permits	197,110	262,930	268,442	5,512
Intergovernmental - State and Local	1,177,707	1,201,494	1,201,494	-
Charges for Services	1,009,978	909,756	928,936	19,180
Franchise Fees	233,000	237,937	237,937	-
Fines	85,000	80,000	80,262	262
Interest	40,000	38,850	38,913	63
Reimbursements	90,110	57,933	58,702	769
Other Revenues	37,500	88,813	90,923	2,110
Total Revenues	<u>9,851,405</u>	<u>9,864,985</u>	<u>9,892,341</u>	<u>27,356</u>
<b>Expenditures:</b>				
General Government:				
City Council	74,259	73,240	72,886	354
City Manager	461,961	429,361	418,775	10,586
Elections	35,343	21,080	18,075	3,005
Finance	616,954	590,810	590,679	131
City Clerk	140,707	143,217	141,916	1,301
Board of Review	2,573	1,419	1,419	-
Civic Center	90,632	91,071	85,072	5,999
Other General Services	360,665	319,316	327,711	(8,395)
Total General Government	<u>1,783,094</u>	<u>1,669,514</u>	<u>1,656,533</u>	<u>12,981</u>
Public Safety:				
Police	3,401,395	3,365,230	3,365,227	3
Fire	1,043,986	1,197,756	1,190,470	7,286
Protective Inspections	149,954	176,374	179,173	(2,799)
Total Public Safety	<u>4,595,335</u>	<u>4,739,360</u>	<u>4,734,870</u>	<u>4,490</u>
Community Development:				
Planning Commission	45,168	42,029	42,774	(745)
Zoning Board of Appeals	2,175	4,893	4,359	534
Total Community Development	<u>47,343</u>	<u>46,922</u>	<u>47,133</u>	<u>(211)</u>
Public Works:				
Department of Public Works	353,161	456,353	465,876	(9,523)
Sanitation	670,000	589,300	589,107	193
Environmental Services	397,562	325,993	329,440	(3,447)
Total Public Works	<u>1,420,723</u>	<u>1,371,646</u>	<u>1,384,423</u>	<u>(12,777)</u>
Recreation and Cultural:				
Parks and Recreation	568,691	512,420	506,421	5,999
Library	423,995	429,015	429,015	-
Older Persons Commission	52,100	51,874	51,874	-
Historical Commission	10,000	7,000	5,649	1,351
Total Recreation and Cultural	<u>1,054,786</u>	<u>1,000,309</u>	<u>992,959</u>	<u>7,350</u>
Contingencies	50,000	-	-	-
Total Expenditures	<u>8,951,281</u>	<u>8,827,751</u>	<u>8,815,918</u>	<u>11,833</u>
Excess (Deficiency) of Revenues Over Expenditures	900,124	1,037,234	1,076,423	39,189
Other Financing Uses:				
Operating Transfers Out	(896,532)	(896,532)	(896,532)	-
Change in Fund Balance	3,592	140,702	179,891	39,189
Fund Balance - July 1	<u>8,251,947</u>	<u>8,251,947</u>	<u>8,251,947</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 8,255,539</u>	<u>\$ 8,392,649</u>	<u>\$ 8,431,838</u>	<u>\$ 39,189</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, 2014**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
Revenues:				
State	\$ 680,048	\$ 531,127	\$ 533,998	\$ 2,871
Interest	2,500	2,399	2,402	3
Other	16,043	16,042	16,042	-
Total Revenues	<u>698,591</u>	<u>549,568</u>	<u>552,442</u>	<u>2,874</u>
Expenditures:				
Highways and Streets:				
General Administration	7,930	5,182	11,636	(6,454)
Routine Maintenance	218,306	117,602	120,722	(3,120)
Street Construction	379,656	71,452	118,347	(46,895)
Traffic Services	66,132	67,203	53,813	13,390
Winter Maintenance	137,895	115,249	115,790	(541)
Total Expenditures	<u>809,919</u>	<u>376,688</u>	<u>420,308</u>	<u>(43,620)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(111,328)</u>	<u>172,880</u>	<u>132,134</u>	<u>(40,746)</u>
Other Financing Sources (Uses):				
Operating Transfers In	167,461	164,961	164,961	-
Operating Transfers Out	(233,651)	(233,651)	(233,651)	-
Total Other Financing Sources (Uses)	<u>(66,190)</u>	<u>(68,690)</u>	<u>(68,690)</u>	<u>-</u>
Net Change in Fund Balance	(177,518)	104,190	63,444	(40,746)
Fund Balance - July 1	<u>1,061,284</u>	<u>1,061,284</u>	<u>1,061,284</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 883,766</u>	<u>\$ 1,165,474</u>	<u>\$ 1,124,728</u>	<u>\$ (40,746)</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
State	\$ 202,089	\$ 253,708	\$ 254,673	\$ 965
Special Assessments	50,982	38,552	38,552	-
Interest	2,500	696	707	11
Other	500	60,028	60,028	-
Total Revenues	<u>256,071</u>	<u>352,984</u>	<u>353,960</u>	<u>976</u>
<b>Expenditures:</b>				
Highways and Streets:				
General Administration	16,701	4,903	13,901	(8,998)
Routine Maintenance	283,154	235,914	247,730	(11,816)
Street Construction	467,387	211,063	212,210	(1,147)
Traffic Services	52,552	41,196	30,530	10,666
Winter Maintenance	102,437	157,234	157,565	(331)
Total Expenditures	<u>922,231</u>	<u>650,310</u>	<u>661,936</u>	<u>(11,626)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(666,160)</u>	<u>(297,326)</u>	<u>(307,976)</u>	<u>(10,650)</u>
Other Financing Sources:				
Operating Transfers In	<u>366,160</u>	<u>366,160</u>	<u>366,160</u>	<u>-</u>
Net Change in Fund Balance	(300,000)	68,834	58,184	(10,650)
Fund Balance - July 1	<u>611,539</u>	<u>611,539</u>	<u>611,539</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 311,539</u>	<u>\$ 680,373</u>	<u>\$ 669,723</u>	<u>\$ (10,650)</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 1,150,744	\$ 1,150,744	\$ 1,149,499	\$ (1,245)
Charges for Services	164,200	154,200	198,209	44,009
Interest	1,200	1,200	669	(531)
Other	75,500	2,500	18,267	15,767
Total Revenues	<u>1,391,644</u>	<u>1,308,644</u>	<u>1,366,644</u>	<u>58,000</u>
Expenditures:				
Community Development:				
Downtown Development	931,624	441,284	1,181,124	(739,840)
Debt Service:				
Principal	44,412	44,412	44,412	-
Interest	29,608	19,608	29,608	(10,000)
Capital Outlay	383,500	800,840	-	800,840
Total Expenditures	<u>1,389,144</u>	<u>1,306,144</u>	<u>1,255,144</u>	<u>51,000</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,500</u>	<u>2,500</u>	<u>111,500</u>	<u>109,000</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers Out	(2,500)	(2,500)	(112,000)	(109,500)
Total Other Financing Sources (Uses)	<u>(2,500)</u>	<u>(2,500)</u>	<u>(112,000)</u>	<u>(109,500)</u>
Net Change in Fund Balance	-	-	(500)	(500)
Fund Balance - July 1	<u>630</u>	<u>630</u>	<u>630</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 630</u>	<u>\$ 630</u>	<u>\$ 130</u>	<u>\$ (500)</u>

OTHER SUPPLEMENTARY INFORMATION



**CITY OF ROCHESTER**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2014**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects Fire Equipment Reserve</u>	<u>Total Nonmajor Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 572,512	\$ 11,400	\$ -	\$ 583,912
 <b><u>LIABILITIES AND FUND BALANCE</u></b>				
Liabilities:				
Accounts Payable	\$ 3,352	\$ -	\$ -	\$ 3,352
Accrued Liabilities	37,106	-	-	37,106
Total Liabilities	<u>40,458</u>	<u>-</u>	<u>-</u>	<u>40,458</u>
Fund Balance:				
Restricted for :				
Cemetery	455,626	-	-	455,626
Law Enforcement Programs	24,141	-	-	24,141
Community Development Block Grant	4,694	-	-	4,694
Principal Shopping District	47,593	-	-	47,593
Debt Service	-	11,400	-	11,400
Total Fund Balance	<u>532,054</u>	<u>11,400</u>	<u>-</u>	<u>543,454</u>
Total Liabilities and Fund Balance	<u>\$ 572,512</u>	<u>\$ 11,400</u>	<u>\$ -</u>	<u>\$ 583,912</u>



**CITY OF ROCHESTER**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2014**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects Fire Equipment Reserve</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues:</b>				
Property Taxes	\$ -	\$ 334,960	\$ -	\$ 334,960
Intergovernmental	23,209	-	-	23,209
Charges for Services	200,528	-	-	200,528
Special Assessments	214,164	-	-	214,164
Interest	936	50	-	986
Other	36,232	-	-	36,232
Total Revenues	<u>475,069</u>	<u>335,010</u>	<u>-</u>	<u>810,079</u>
<b>Expenditures:</b>				
Public Safety	35,087	-	-	35,087
Community Development	353,417	-	-	353,417
Recreation and Cultural	143,591	-	-	143,591
Debt Service:				
Principal	-	435,000	-	435,000
Interest and Other Charges	-	23,866	-	23,866
Total Expenditures	<u>532,095</u>	<u>458,866</u>	<u>-</u>	<u>990,961</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(57,026)</u>	<u>(123,856)</u>	<u>-</u>	<u>(180,882)</u>
Other Financing Sources (Uses):				
Refunding Bond Proceeds	-	980,000	-	980,000
Payment to Refunded Bond Escrow Agent	-	(980,000)	-	(980,000)
Operating Transfers In	108,499	121,505	-	230,004
Operating Transfers Out	<u>(238,797)</u>	<u>(3,535)</u>	<u>(29,547)</u>	<u>(271,879)</u>
Total Other Financing Sources (Uses)	<u>(130,298)</u>	<u>117,970</u>	<u>(29,547)</u>	<u>(41,875)</u>
Change in Fund Balances	(187,324)	(5,886)	(29,547)	(222,757)
Fund Balances - July 1	<u>719,378</u>	<u>17,286</u>	<u>29,547</u>	<u>766,211</u>
Fund Balances - June 30	<u>\$ 532,054</u>	<u>\$ 11,400</u>	<u>\$ -</u>	<u>\$ 543,454</u>

**CITY OF ROCHESTER**  
**Nonmajor Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2014**

	<u>Cemetery</u>	<u>Drug Law Enforcement</u>	<u>Community Development Block Grant</u>	<u>Principal Shopping District</u>
<b><u>ASSETS</u></b>				
Cash	\$ <u>459,478</u>	\$ <u>24,141</u>	\$ <u>4,694</u>	\$ <u>84,199</u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>				
Liabilities:				
Accounts Payable	\$ 3,002	\$ -	\$ -	\$ 350
Accrued Liabilities	<u>850</u>	<u>-</u>	<u>-</u>	<u>36,256</u>
Total Liabilities	<u>3,852</u>	<u>-</u>	<u>-</u>	<u>36,606</u>
Fund Balance:				
Restricted for:				
Cemetery	455,626	-	-	-
Law Enforcement Programs	-	24,141	-	-
Community Dev. Block Grant	-	-	4,694	-
Principal Shopping District	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,593</u>
Total Fund Balance	<u>455,626</u>	<u>24,141</u>	<u>4,694</u>	<u>47,593</u>
Total Liabilities and Fund Balance	\$ <u>459,478</u>	\$ <u>24,141</u>	\$ <u>4,694</u>	\$ <u>84,199</u>

<u>Band Shelter</u>	<u>Total</u>
\$ <u>          -</u>	\$ <u>      572,512</u>
\$ <u>          -</u>	\$ <u>      3,352</u>
<u>          -</u>	<u>      37,106</u>
<u>          -</u>	<u>      40,458</u>
<u>          -</u>	<u>      455,626</u>
<u>          -</u>	<u>      24,141</u>
<u>          -</u>	<u>      4,694</u>
<u>          -</u>	<u>      47,593</u>
<u>          -</u>	<u>      532,054</u>
\$ <u>          -</u>	\$ <u>      572,512</u>

**CITY OF ROCHESTER**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2014**

	<u>Cemetery</u>	<u>Drug Law Enforcement</u>	<u>Community Development Block Grant</u>	<u>Principal Shopping District</u>
<b>Revenues:</b>				
Intergovernmental-Federal	\$ -	\$ -	\$ 23,209	\$ -
Charges for Services	69,738	-	-	130,790
Special Assessments	-	-	-	214,164
Interest Earned	660	-	-	135
Other	-	36,232	-	-
Total Revenues	<u>70,398</u>	<u>36,232</u>	<u>23,209</u>	<u>345,089</u>
<b>Expenditures:</b>				
Public Safety	-	35,087	-	-
Community Development	-	-	24,400	329,017
Recreation and Cultural	143,591	-	-	-
Total Expenditures	<u>143,591</u>	<u>35,087</u>	<u>24,400</u>	<u>329,017</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(73,193)</u>	<u>1,145</u>	<u>(1,191)</u>	<u>16,072</u>
Other Financing Sources (Uses):				
Transfers In	108,499	-	-	-
Transfers Out	-	-	-	-
	<u>108,499</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	35,306	1,145	(1,191)	16,072
Fund Balance - July 1	<u>420,320</u>	<u>22,996</u>	<u>5,885</u>	<u>31,521</u>
Fund Balance - June 30	<u>\$ 455,626</u>	<u>\$ 24,141</u>	<u>\$ 4,694</u>	<u>\$ 47,593</u>

<u>Band Shelter</u>	<u>Total</u>
\$ -	\$ 23,209
-	200,528
-	214,164
141	936
-	<u>36,232</u>
<u>141</u>	<u>475,069</u>
-	35,087
-	353,417
-	<u>143,591</u>
-	<u>532,095</u>
<u>141</u>	<u>(57,026)</u>
-	108,499
<u>(238,797)</u>	<u>(238,797)</u>
<u>(238,797)</u>	<u>(130,298)</u>
(238,656)	(187,324)
<u>238,656</u>	<u>719,378</u>
\$ <u>-</u>	\$ <u>532,054</u>

**CITY OF ROCHESTER**  
**Nonmajor Debt Service Funds**  
**Combining Balance Sheet**  
**June 30, 2014**

	<u>1994 General Obligation Bonds</u>	<u>2001 General Obligation Bonds</u>	<u>2013 G.O. Refunding Bonds</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Cash	\$ -	\$ -	\$ 11,400	\$ 11,400
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Balance:				
Restricted For Debt Service	<u>-</u>	<u>-</u>	<u>11,400</u>	<u>11,400</u>
Total Liabilities and Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,400</u>	<u>\$ 11,400</u>

**CITY OF ROCHESTER**  
**Nonmajor Debt Service Funds**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**For the Year Ended June 30, 2014**

	<u>1994 General Obligation Bonds</u>	<u>2001 General Obligation Bonds</u>	<u>2013 G.O. Refunding Bonds</u>	<u>Total</u>
<b><u>Revenues:</u></b>				
Property Taxes	\$ 226,001	\$ -	\$ 108,959	\$ 334,960
Interest Earned	<u>28</u>	<u>-</u>	<u>22</u>	<u>50</u>
Total Revenues	<u>226,029</u>	<u>-</u>	<u>108,981</u>	<u>335,010</u>
<b><u>Expenditures:</u></b>				
Principal Retirement	350,000	-	85,000	435,000
Interest	7,000	-	16,116	23,116
Paying Agent Fees	<u>750</u>	<u>-</u>	<u>-</u>	<u>750</u>
Total Expenditures	<u>357,750</u>	<u>-</u>	<u>101,116</u>	<u>458,866</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(131,721)</u>	<u>-</u>	<u>7,865</u>	<u>(123,856)</u>
Other Financing Sources (Uses):				
Refunding Bond Proceeds	-	-	980,000	980,000
Payment to Refunded Bond Escrow Agent	-	-	(980,000)	(980,000)
Transfers In	117,970	-	3,535	121,505
Transfers Out	<u>-</u>	<u>(3,535)</u>	<u>-</u>	<u>(3,535)</u>
Total Other Financing Sources (Uses)	<u>117,970</u>	<u>(3,535)</u>	<u>3,535</u>	<u>117,970</u>
Change in Fund Balances	(13,751)	(3,535)	11,400	(5,886)
Fund Balance - July 1	<u>13,751</u>	<u>3,535</u>	<u>-</u>	<u>17,286</u>
Fund Balance - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,400</u>	<u>\$ 11,400</u>

**CITY OF ROCHESTER**  
**Cemetery Fund**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for Services	\$ 45,000	\$ 67,339	\$ 69,738	\$ 2,399
Interest	1,000	660	660	-
Total Revenues	<u>46,000</u>	<u>67,999</u>	<u>70,398</u>	<u>2,399</u>
<b>Expenditures:</b>				
Cemetery Maintenance	<u>159,499</u>	<u>147,663</u>	<u>143,591</u>	<u>4,072</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(113,499)</u>	<u>(79,664)</u>	<u>(73,193)</u>	<u>6,471</u>
<b>Other Financing Sources:</b>				
Operating Transfers In	<u>108,499</u>	<u>108,499</u>	<u>108,499</u>	<u>-</u>
Net Change in Fund Balance	(5,000)	28,835	35,306	6,471
Fund Balance - July 1	<u>420,320</u>	<u>420,320</u>	<u>420,320</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 415,320</u>	<u>\$ 449,155</u>	<u>\$ 455,626</u>	<u>\$ 6,471</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other Revenues	\$ 58,100	\$ 36,232	\$ 36,232	\$ -
Expenditures:				
Public Safety	64,000	35,087	35,087	-
Net Change in Fund Balance	(5,900)	1,145	1,145	-
Fund Balance - July 1	22,996	22,996	22,996	-
Fund Balance - June 30	\$ 17,096	\$ 24,141	\$ 24,141	\$ -

**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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal Grants	\$ 25,000	\$ 23,209	\$ 23,209	\$ -
Interest Income	-	-	-	-
Total Revenues	<u>25,000</u>	<u>23,209</u>	<u>23,209</u>	<u>-</u>
Expenditures:				
Community Development	<u>25,000</u>	<u>24,400</u>	<u>24,400</u>	<u>-</u>
Net Change in Fund Balance	-	(1,191)	(1,191)	-
Fund Balance - July 1	<u>5,885</u>	<u>5,885</u>	<u>5,885</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 5,885</u>	<u>\$ 4,694</u>	<u>\$ 4,694</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for Services	\$ 116,300	\$ 116,300	\$ 130,790	\$ 14,490
Special Assessments	205,000	205,000	214,164	9,164
Interest	-	-	135	135
<b>Total Revenues</b>	<u>321,300</u>	<u>321,300</u>	<u>345,089</u>	<u>23,789</u>
<b>Expenditures:</b>				
Community Promotions	321,300	321,300	329,017	(7,717)
<b>Total Expenditures</b>	<u>321,300</u>	<u>321,300</u>	<u>329,017</u>	<u>(7,717)</u>
Net Change in Fund Balance	-	-	16,072	16,072
Fund Balance - July 1	<u>31,521</u>	<u>31,521</u>	<u>31,521</u>	-
Fund Balance - June 30	<u>\$ 31,521</u>	<u>\$ 31,521</u>	<u>\$ 47,593</u>	<u>\$ 16,072</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ -	\$ 141	\$ 141	\$ -
Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	141	141	-
Other Financing Uses:				
Operating Transfers Out	-	(238,797)	(238,797)	-
Net Change in Fund Balance	-	(238,656)	(238,656)	-
Fund Balance - July 1	238,656	238,656	238,656	-
Fund Balance - June 30	\$ 238,656	\$ -	\$ -	\$ -

**CITY OF ROCHESTER**  
**Agency Funds**  
**Combining Statement of Net Position**  
**June 30, 2014**

	<u>Tax Collection Fund</u>	<u>Payroll Fund</u>	<u>Total Agency Funds</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ <u>          -</u>	\$ <u>      354,108</u>	\$ <u>      354,108</u>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$           -	\$        23,999	\$        23,999
Accrued and Other Liabilities	-	<u>      330,109</u>	<u>      330,109</u>
Total Liabilities	\$ <u>          -</u>	\$ <u>      354,108</u>	\$ <u>      354,108</u>

**CITY OF ROCHESTER**  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the Year Ended June 30, 2014**

**Tax Collection Fund**

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ <u>-</u>	\$ <u>25,463,630</u>	\$ <u>25,463,630</u>	\$ <u>-</u>
<b><u>LIABILITIES</u></b>				
Accounts Payable	\$ <u>-</u>	\$ <u>25,463,630</u>	\$ <u>25,463,630</u>	\$ <u>-</u>

**Payroll Fund**

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ <u>264,864</u>	\$ <u>4,749,769</u>	\$ <u>4,660,525</u>	\$ <u>354,108</u>
<b><u>LIABILITIES</u></b>				
Accounts Payable	\$ 30,877	\$ 4,092,855	\$ 4,099,733	\$ 23,999
Accrued and Other Liabilities	<u>233,987</u>	<u>656,914</u>	<u>560,792</u>	<u>330,109</u>
Total Liabilities	\$ <u>264,864</u>	\$ <u>4,749,769</u>	\$ <u>4,660,525</u>	\$ <u>354,108</u>

STATISTICAL SECTION



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

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
<b>Governmental Activities:</b>										
Net investment in capital assets	\$ 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	\$ 27,993,706
Restricted	916,568	823,151	1,131,410	830,136	937,192	1,049,674	9,111,298	7,926,805	6,021,594	5,600,442
Unrestricted	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	9,810,968
Total Governmental Activities Net Position	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	43,405,116
<b>Business-type Activities:</b>										
Net investment in capital assets	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	16,051,230
Restricted	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	4,432,075
Unrestricted	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	1,762,558
Total Business-type Activities Net Position	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	22,245,863
<b>Primary Government:</b>										
Net investment in capital assets	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	44,044,936
Restricted	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	10,032,517
Unrestricted	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	11,573,526
Total Primary Government Net Position	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	65,650,979

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

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
<b>Expenses:</b>										
<b>Governmental Activities:</b>										
General Government	\$ 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	\$ 1,659,504
Public Safety	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	4,804,877
Public Works	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	3,406,947
Community Development	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	1,696,447
Recreation and Cultural	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	1,173,640
Interest on Long-term Debt	396,561	364,681	323,243	283,574	241,441	197,486	153,266	118,549	100,809	83,474
Total Governmental Activities	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	12,824,889
<b>Business-type Activities:</b>										
Water & Sewer	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	7,298,620
Automobile Parking System	53,529	34,956	31,255	183,395	182,767	182,968	208,177	134,685	164,344	244,693
Total Business-type Activities	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	7,543,313
<b>Total Primary Government Expenses</b>	<b>14,222,454</b>	<b>14,382,511</b>	<b>15,007,910</b>	<b>15,900,517</b>	<b>16,064,245</b>	<b>16,126,792</b>	<b>17,561,774</b>	<b>17,484,590</b>	<b>19,369,004</b>	<b>20,368,202</b>
<b>Program Revenues:</b>										
<b>Governmental Activities:</b>										
Charges for Services:										
General Government	128,119	119,537	126,601	1,194,920	780,043	900,559	824,758	813,941	809,722	878,088
Public Safety	621,424	443,474	366,030	513,396	343,109	613,200	744,211	767,365	1,037,970	875,913
Public Works	105,894	38,466	40,631	668,215	102,307	61,587	48,750	51,201	50,706	114,622
Community Development	150,610	110,392	124,183	212,439	393,863	432,363	220,552	249,507	362,256	347,266
Recreation and Cultural	39,460	44,678	39,869	91,091	-	-	-	-	-	-
Operating Grants and Contributions	1,530,856	693,640	715,515	683,990	549,772	696,727	818,874	885,518	941,328	1,012,164
Capital Grants and Contributions	28,707	297,615	482,574	4,898	56,000	129,542	49,556	47,001	97,524	659,939
Total Governmental Activities	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	3,887,992
<b>Business-type Activities:</b>										
Charges for Services:										
Water & Sewer	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	4,945,070
Automobile Parking System	167,558	79,519	124,991	98,878	96,185	93,087	118,510	62,278	46,912	175,339
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	-	-	-	34,100	6,600	24,000	52,000	35,800	424,593	661,742
Total Business-type Activities	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	6,617,151
<b>Total Primary Government Program Revenues</b>	<b>6,056,852</b>	<b>5,172,579</b>	<b>5,170,127</b>	<b>6,598,567</b>	<b>5,278,869</b>	<b>6,388,374</b>	<b>6,886,337</b>	<b>7,507,788</b>	<b>8,641,017</b>	<b>9,670,143</b>



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

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
<b>General Fund:</b>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	4,957,111	3,939,212	5,082,598	6,377,489	7,220,982	7,790,725	-	-	-	-
Nonspendable-InVENTORY	-	-	-	-	-	-	61,225	33,940	30,391	-
Unassigned	-	-	-	-	-	-	7,944,689	7,983,484	8,221,556	8,431,838
<b>Total General Fund</b>	<b>4,957,111</b>	<b>3,939,212</b>	<b>5,082,598</b>	<b>6,377,489</b>	<b>7,220,982</b>	<b>7,790,725</b>	<b>8,005,914</b>	<b>8,017,424</b>	<b>8,251,947</b>	<b>8,431,838</b>
<b>All Other Governmental Funds</b>										
Reserved, reported in:										
Capital Projects	472,429	380,162	660,343	329,341	348,164	257,718	-	-	-	-
Debt Service	171,648	154,713	163,117	184,845	160,348	102,764	-	-	-	-
Other	287,491	298,276	312,950	315,950	372,315	502,571	-	-	-	-
Unreserved, reported in:										
Special Revenue Funds	2,809,252	2,748,182	2,803,994	5,169,843	4,245,160	4,160,841	-	-	-	-
Capital Project Funds	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	1,794,451
Cemetery	-	-	-	-	-	-	448,400	433,620	420,320	455,626
Law Enforcement Programs	-	-	-	-	-	-	44,799	23,660	22,996	24,141
Community Development Block Grant	-	-	-	-	-	-	8,113	8,794	5,885	4,694
Downtown Development Authority	-	-	-	-	-	-	1,255,244	485,906	630	130
Principal Shopping District	-	-	-	-	-	-	48,842	29,841	31,521	47,593
Band Shelter	-	-	-	-	-	-	237,329	238,082	238,656	-
Debt Service	-	-	-	-	-	-	33,814	17,908	17,286	11,400
Capital Projects	-	-	-	-	-	-	4,620,226	4,081,244	3,611,477	3,262,407
<b>Total All Other Governmental Funds</b>	<b>8,936,131</b>	<b>9,827,820</b>	<b>11,093,461</b>	<b>11,193,846</b>	<b>9,992,195</b>	<b>9,471,516</b>	<b>9,111,298</b>	<b>7,926,805</b>	<b>6,021,594</b>	<b>5,600,442</b>
<b>Total All Governmental Funds</b>	<b>\$ 13,893,242</b>	<b>\$ 13,767,032</b>	<b>\$ 16,176,059</b>	<b>\$ 17,571,335</b>	<b>\$ 17,213,177</b>	<b>\$ 17,262,241</b>	<b>\$ 17,117,212</b>	<b>\$ 15,944,229</b>	<b>\$ 14,273,541</b>	<b>\$ 14,032,280</b>

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

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
<b>Revenues:</b>										
Property Taxes	\$ 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	\$ 8,471,191
Special Assessments	-	-	-	271,043	296,557	296,186	238,502	234,980	227,704	252,716
Licenses and Permits	356,531	282,884	204,028	99,845	69,537	108,556	171,068	171,530	313,338	268,442
Intergovernmental	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	2,650,104
Charges for Services	813,078	773,333	805,973	1,097,993	756,372	1,057,334	1,142,305	1,067,645	1,269,120	1,327,673
Fines and Forfeitures	63,711	63,380	63,059	106,656	85,928	97,019	81,149	92,781	93,265	80,262
Investment Earnings	397,309	820,258	1,104,667	919,156	434,304	163,715	78,647	79,399	69,642	57,234
Other	358,159	364,053	715,886	411,188	441,948	550,489	455,934	542,235	575,474	527,036
<b>Total Revenues</b>	<b>14,260,562</b>	<b>15,644,961</b>	<b>16,439,841</b>	<b>15,976,340</b>	<b>14,520,607</b>	<b>14,437,379</b>	<b>13,315,369</b>	<b>12,593,537</b>	<b>12,912,423</b>	<b>13,634,658</b>
<b>Expenditures:</b>										
General Government	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	1,656,533
Public Safety	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	4,769,957
Public Works	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	2,466,667
Community Development	54,059	40,653	66,093	1,290,277	1,424,123	1,659,663	1,865,675	1,515,183	1,597,154	1,581,674
Recreation and Cultural	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	1,136,550
Capital Outlay	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	1,449,259
Debt Service:										
Principal	625,000	745,000	740,000	856,165	849,062	907,133	938,813	415,596	442,461	479,412
Interest	343,666	309,335	273,407	283,574	241,441	197,486	153,266	118,549	100,809	53,474
<b>Total Expenditures</b>	<b>13,482,537</b>	<b>13,621,171</b>	<b>14,030,814</b>	<b>14,581,064</b>	<b>14,878,765</b>	<b>14,331,815</b>	<b>13,442,405</b>	<b>13,807,324</b>	<b>14,582,188</b>	<b>13,593,526</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>778,025</b>	<b>2,023,790</b>	<b>2,409,027</b>	<b>1,395,276</b>	<b>(358,158)</b>	<b>105,564</b>	<b>(127,036)</b>	<b>(1,213,787)</b>	<b>(1,669,765)</b>	<b>41,132</b>
<b>Other Financing Sources (Uses):</b>										
Refunding Bond Proceeds	-	-	-	-	-	-	-	-	-	980,000
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	-	-	-	-	(980,000)
Transfers In	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	1,481,669
Transfers Out	(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)	(1,764,062)
<b>Total Other Financing Sources (Uses)</b>	<b>(450,930)</b>	<b>(2,150,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(56,500)</b>	<b>(17,993)</b>	<b>40,804</b>	<b>(923)</b>	<b>(1,262,393)</b>
<b>Net Change in Fund Balances</b>	<b>327,095</b>	<b>(126,210)</b>	<b>2,409,027</b>	<b>1,395,276</b>	<b>(358,158)</b>	<b>49,064</b>	<b>(145,029)</b>	<b>(1,172,983)</b>	<b>(1,670,688)</b>	<b>(1,221,261)</b>
<b>Debt Service as a percentage of noncapital Expenditures</b>	<b>8.30%</b>	<b>9.04%</b>	<b>8.12%</b>	<b>10.10%</b>	<b>9.38%</b>	<b>9.09%</b>	<b>8.76%</b>	<b>4.58%</b>	<b>4.28%</b>	<b>4.39%</b>



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	Direct Tax Rate
		Residential Property	Commercial Property	Industrial Property						
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%	13.7346
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%	13.7374
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%	13.7374
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%	13.3304
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%	12.4304
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%	12.4304
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%	12.4304
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%	12.4304
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%	12.4304
2013	2014	464,821,940	109,673,220	26,148,560	42,042,730	642,686,450	667,075,410	1,334,150,820	48.17%	12.0304

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 Debt	OPC	OPC Debt	Total Direct	Rochester Schools Operating	Rochester Schools Voted	Intermediate 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
2004 2005 Homestead	12.8834	0.4100	0.2412	0.2000	13.7346	5.1800	-	3.1780	0.2009	6.0000	4.1900	0.2422	0.2154	-	-	34.5300	0.3453	34.8753
2004 2005 Non-Homestead	12.8834	0.4100	0.2412	0.2000	13.7346	5.1800	18.0000	3.1780	0.2009	6.0000	4.1900	0.2422	0.2154	-	-	52.5300	0.5253	53.0553
2005 2006 Homestead	12.8834	0.4100	0.2440	0.2000	13.7374	5.1800	-	3.1687	0.2003	6.0000	4.1900	0.2415	0.2146	-	-	34.5169	0.3452	34.8621
2005 2006 Non-Homestead	12.8834	0.4100	0.2440	0.2000	13.7374	5.1800	18.0000	3.1687	0.2003	6.0000	4.1900	0.2415	0.2146	-	-	52.5169	0.5252	53.0421
2006 2007 Homestead	12.8834	0.4100	0.2440	0.2000	13.7374	5.1800	-	3.1687	0.2003	6.0000	4.1900	0.2415	0.2146	-	-	34.5169	0.3452	34.8621
2006 2007 Non-Homestead	12.8834	0.4100	0.2440	0.2000	13.7374	5.1800	18.0000	3.1687	0.2003	6.0000	4.1900	0.2415	0.2146	-	-	52.5169	0.5252	53.0421
2007 2008 Homestead	12.4964	0.4000	0.2440	0.1900	13.3304	5.1800	-	3.1687	0.2003	6.0000	4.1900	0.2415	0.2146	-	-	34.1099	0.3411	34.4510
2007 2008 Non-Homestead	12.4964	0.4000	0.2440	0.1900	13.3304	5.1800	18.0000	3.1687	0.2003	6.0000	4.1900	0.2415	0.2146	-	-	52.1099	0.5211	52.6310
2008 2009 Homestead	11.5964	0.4000	0.2440	0.1900	12.4304	5.1800	-	3.1687	0.2003	6.0000	4.1900	0.2415	0.2146	0.1000	-	33.3099	0.3331	33.6430
2008 2009 Non-Homestead	11.5964	0.4000	0.2440	0.1900	12.4304	5.1800	18.0000	3.1687	0.2003	6.0000	4.1900	0.2415	0.2146	0.1000	-	51.3099	0.5131	51.8230
2009 2010 Homestead	11.5964	0.4000	0.2440	0.1900	12.4304	5.1800	-	3.1687	0.2003	6.0000	4.1900	0.2415	0.2146	0.1000	-	33.3099	0.3331	33.6430
2009 2010 Non-Homestead	11.5964	0.4000	0.2440	0.1900	12.4304	5.1800	18.0000	3.1687	0.2003	6.0000	4.1900	0.2415	0.2146	0.1000	-	51.3099	0.5131	51.8230
2010 2011 Homestead	11.5964	0.4000	0.2440	0.1900	12.4304	6.7000	-	3.1687	0.2003	6.0000	4.1900	0.2415	0.2146	0.1000	-	34.8299	0.3483	35.1782
2010 2011 Non-Homestead	11.5964	0.4000	0.2440	0.1900	12.4304	6.7000	18.0000	3.1687	0.2003	6.0000	4.1900	0.2415	0.2146	0.1000	-	52.8299	0.5283	53.3582
2011 2012 Homestead	11.5964	0.4000	0.2440	0.1900	12.4304	6.7000	-	3.1687	0.2003	6.0000	4.1900	0.2415	0.2146	0.1000	-	34.8299	0.3483	35.1782
2011 2012 Non-Homestead	11.5964	0.4000	0.2440	0.1900	12.4304	6.7000	18.0000	3.1687	0.2003	6.0000	4.1900	0.2415	0.2146	0.1000	-	52.8299	0.5283	53.3582
2012 2013 Homestead	11.5964	0.4000	0.2440	0.1900	12.4304	6.7000	-	3.1687	0.2003	6.0000	4.1900	0.2415	0.2146	0.1000	0.2000	35.0299	0.3503	35.3802
2012 2013 Non-Homestead	11.5964	0.4000	0.2440	0.1900	12.4304	6.7000	18.0000	3.1687	0.2003	6.0000	4.1900	0.2415	0.2146	0.1000	0.2000	53.0299	0.5303	53.5602
2013 2014 Homestead	11.5964	-	0.2440	0.1900	12.0304	6.4000	-	3.1687	0.2003	6.0000	4.1900	0.2415	0.2146	0.1000	0.2000	34.3299	0.3433	34.6732
2013 2014 Non-Homestead	11.5964	-	0.2440	0.1900	12.0304	6.4000	18.0000	3.1687	0.2003	6.0000	4.1900	0.2415	0.2146	0.1000	0.2000	52.3299	0.5233	52.8532

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 Eight\* Years Ago

Taxpayer	Type of Business	2013				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	\$ 1,172,673	\$ 27,150,480	1	4.22%	\$ 1,251,751	\$ 32,899,700	1	4.55%
Village Green of Rochester	Apartments/Condos	473,601	8,842,400	2	1.38%	399,697	10,505,210	3	1.45%
JR Investors, LLC	Hotel	333,249	6,221,960	3	0.97%	568,039	14,929,720	2	2.07%
Great Oaks Apts	Apartments	272,136	5,091,710	4	0.79%	211,666	5,563,200	4	0.77%
Ventas, INC	Assisted Living	199,300	3,721,050	5	0.58%	163,080	4,286,220	6	0.59%
Pfizer	Pharmaceutical	194,463	5,122,290	6	0.80%				
Detroit Edison Company	Utilities	193,825	3,618,830	7	0.56%	209,272	5,500,280	5	0.76%
River Square Main LLC	Commercial	179,937	3,359,530	8	0.52%				
RJN Ventures Skating Center	Ice Skating	163,613	3,100,000	9	0.48%	132,736	3,488,700	7	0.48%
Bradmont Properties	Commercial	118,367	2,210,300	10	0.34%				
Letica Development INC	Business					103,112	2,710,080	9	0.38%
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%
<b>Total Taxable Value</b>						<b>\$ 642,686,450</b>		<b>\$ 722,353,745</b>	

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%
2013	2014	8,737,547	8,534,342	97.67%	176,713	8,711,055	99.70%

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					
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
2014	895,000	630,973	3,731,091	5,257,064	642,686,450	0.82%	12,711	414

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	
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
2014	895,000	642,686,450	0.14%	12,711	70

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



Schedule 11  
City of Rochester  
Direct and Overlapping Governmental Activities Debt  
June 30, 2014

Jurisdiction	Net Debt Outstanding	Percentage Debt Applicable To City	Estimated Share of Overlapping Debt
Direct Debt:			
City of Rochester	\$ 1,525,973	100%	\$ 1,525,973
Overlapping Debt:			
Rochester School District	104,210,000	15.52%	16,173,392
Oakland County	460,572,670	1.30%	5,987,445
Oakland Intermediate School District	55,625,000	1.31%	728,688
Oakland Community College	3,075,000	1.31%	40,283
Total Overlapping Debt	<u>623,482,670</u>		<u>22,929,807</u>
Total Direct and Overlapping Debt	<u>\$ 625,008,643</u>		<u>\$ 24,455,780</u>

Source: Municipal Advisory Council of Michigan.



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

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Debt Limit	\$ 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	\$ 64,221,460
Total Net Debt applicable to limit	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	1,300,000
Legal Debt Margin	\$ 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	\$ 62,921,460
Total Net Debt applicable to the limit as a percentage of debt limit	8.55%	7.40%	6.41%	5.51%	5.01%	4.52%	4.09%	2.61%	2.02%	2.02%

Legal Debt Margin Calculation for Fiscal Year 2014:

Assessed Value	\$ 667,075,410
Legal Debt Limit (10% of Assessed Value)	\$ 66,707,541
Gross Indebtedness	\$ 5,257,064
Less: Contractual Debt	(4,362,064)
Net Bonded Debt	895,000
Legal Debt Margin	\$ 65,812,541
Net Bonded Debt as a Percentage of Assessed Value	0.13%

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**
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%
2014	12,711	76,603	\$ 47,286	38.3	4.9%

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, 2014			Year Ended June 30, 2005		
	Employees	Rank	Total City Employment	Employees	Rank	Total City Employment
JHP Pharmaceuticals	600	1	4.72%	*	*	*
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

Service Type	Full-time - Each full-time position is calculated as 1.0																			
	FYE 2005	FYE 2006	FYE 2007	FYE 2008	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2005	FYE 2006	FYE 2007	FYE 2008	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014
Administration	12	13	13	13	12	13	12	13	13	13	13	13	13	12	13	12	13	13	13	13
Manager	4	4	4	4	3	4	3	4	4	4	4	4	4	4	4	4	4	4	4	4
Building	2	3	3	3	2	2	2	2	1	1	1	1	1	1	1	1	1	1	1	1
Clerk	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Finance	5	5	5	5	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6
Public Safety	30	30	30	27	27	27	27	27	28	28	28	28	28	28	28	28	28	28	28	28
Police	29	29	29	26	26	26	26	26	26	27	27	27	27	27	27	27	27	27	27	28
Fire	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Public Works & Parks	18	18	18	18	17	16	17	16	15	15	15	15	15	15	15	15	15	15	15	15
Public Works	13	13	13	13	12	11	12	11	10	10	10	10	10	10	10	10	10	10	10	10
Water & Sewer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Revolving Eq	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Parks	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
TOTAL	60	61	61	61	58	56	56	56	54	56	56	56	56	54	56	56	56	56	56	57

Service Type	Part-time - Each part-time position is calculated as 0.5																			
	FYE 2005	FYE 2006	FYE 2007	FYE 2008	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2005	FYE 2006	FYE 2007	FYE 2008	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014
Administration	0.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Manager	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Building	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Clerk	-	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Finance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Police Clerk	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Seasonal Community Policing	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Parking Enforcement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Works & Parks	1.0	2.5	2.5	1.5	1.5	1.5	1.5	1.5	1.0	2.5	2.0	2.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Public Works	-	1.0	1.0	-	-	-	-	-	-	1.5	1.0	1.0	1.5	1.5	1.0	1.0	1.0	1.0	1.0	1.5
Water & Sewer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.5
Revolving Eq	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parks	1.0	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL	3.0	5.0	5.0	4.0	4.0	4.0	4.0	3.5	5.5	4.0	4.5	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
<b>TOTAL Full-Time Equivalent (FTEs)</b>	<b>63.0</b>	<b>66.0</b>	<b>66.0</b>	<b>62.0</b>	<b>60.0</b>	<b>59.5</b>	<b>60.0</b>	<b>59.5</b>	<b>59.5</b>	<b>60.0</b>	<b>60.5</b>	<b>63.0</b>								

Other	FYE 2005	FYE 2006	FYE 2007	FYE 2008	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014
DDA	3	3	3	3	3	3.5	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	27	26	27	27	32	39	38	40	45	40
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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Clerks Department</b>										
Elections										
Number of Absentee	1,457	682	1,168	903	1,828	831	1,257	1,487	2,670	700
Number Voted	6,436	1,505	5,393	2,327	7,169	1,545	4,968	3,749	9,254	1,429
Absentee as a % of Total Votes	23%	45%	22%	39%	25%	54%	25%	40%	29%	49%
<b>Water Department</b>										
Number of Accounts										
RE	3,573	3,595	3,600	3,607	3,606	3,613	3,617	3,624	3,628	3,684
CO	346	351	353	353	353	353	356	364	379	379
Units of water Used Each unit is 100 Cubic Feet										
Residential	607,962	655,192	595,788	654,840	567,914	543,051	589,167	559,774	592,798	694,631
Commercial	294,088	317,723	281,879	286,828	235,594	217,977	243,394	295,310	232,530	247,683
<b>Police Department</b>										
Total Calls for Service	6,253	6,005	6,801	11,937	13,798	13,057	12,132	11,772	12,458	14,002
Group A Crime Incidents	444	497	508	584	538	457	451	445	437	391
Group B Crime Incidents	465	351	439	479	400	300	290	273	300	209
Property Damage Vehicle Crashes	421	362	361	317	286	203	345	271	375	422
Personal Injury Vehicle Crashes	35	42	20	11	20	9	14	19	16	20
Total Arrests	447	372	543	592	603	483	486	441	477	348
Drunk Driving Arrests	105	81	149	190	185	111	120	121	135	103
<b>Fire Department</b>										
Total Calls	520	530	567	754	786	1,090	1,452	1,578	1,523	1,630
Fires	16	23	31	17	28	17	21	34	30	15
EMS/Rescue	410	401	381	497	468	812	1,147	1,232	1,197	1,295
Hazardous Condition	17	22	31	43	38	44	24	49	41	51
Service Call	11	22	36	87	80	57	84	99	98	101
Good Intent	42	44	55	44	45	48	59	65	73	84
False Calls	24	18	33	37	70	75	54	57	57	51
Other	-	-	-	29	57	37	63	42	27	33



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

Department	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Administrative</b>										
Vehicles Assigned	3	3	3	2	2	2	2	2	2	2
<b>Police</b>										
Vehicles Assigned	14	14	15	15	15	14	13	13	13	14
<b>Fire</b>										
Vehicles Assigned	9	10	10	11	11	11	11	11	11	11
<b>Public Works</b>										
Vehicles Assigned	26	27	29	27	27	29	30	30	32	53
<b>Road Maintenance and Repair</b>										
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
<b>Water &amp; Sewer</b>										
Miles of Water Mains	74.2	74.4	74.4	74.4	74.4	74.4	74.4	74.4	74.4	74.4
Miles of Sewers	57.8	57.9	58.4	58.4	58.4	58.4	58.4	58.4	58.4	58.4
<b>Recreation</b>										
City Parks	9	9	9	9	9	9	9	9	9	9
Park Acreage	153	153	153	153	153	153	153	153	153	153



# PSLZ LLP

*Certified Public Accountants*

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Deborah M. Cox, C.P.A.  
Robert J. Sheu, C.P.A.

December 9, 2014

To the Honorable Mayor and City Council  
City of Rochester  
Oakland County, Michigan

We have audited the financial statements of the City of Rochester for the year ended June 30, 2014, and have issued our report thereon dated December 9, 2014. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated September 2, 2014, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 29, 2014.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Rochester are described in Note I to the financial statements. During fiscal year 2014, the City implemented GASB Statement No. 65, which reclassifies as deferred inflows and outflows of resources certain items that were previously reported as assets and liabilities. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the assumptions used by the actuary and by the City for the alternative method for the other postemployment benefits asset calculation and the estimates of the allowance for doubtful accounts for property tax collections, which are based on historical collection statistics.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements related to those estimates discussed in the section above.

#### **Difficulties Encountered in Performing the Audit**

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

#### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements during our audit.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated December 9, 2014.

#### **Management Consultations with Other Independent Accountants**

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

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Sincerely,

A handwritten signature in black ink, appearing to read "PSLZ LLP", written in a cursive style.

PSLZ LLP  
Certified Public Accountants

# PSLZ LLP

*Certified Public Accountants*

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Deborah M. Cox, C.P.A.  
Robert J. Sheu, C.P.A.

December 9, 2014

To the Honorable Mayor and City Council  
City of Rochester  
Oakland County, Michigan

In planning and performing our audit of the financial statements of City of Rochester as of and for the year ended June 30, 2013 in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a significant deficiency.

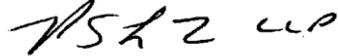
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the City's internal control to be a significant deficiency:

The City relies on its auditors to prepare the annual financial statements. While this is common in local units of government the size of the City of Rochester, we are required to communicate this to you as part of recently issued auditing standards. The City's administrative officials did review the financial statements prior to their release.

Mayor and City Council  
City of Rochester  
December 9, 2014  
Page 2

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

Sincerely,

A handwritten signature in black ink, appearing to read "PSLZ LLP", written in a cursive style.

PSLZ LLP  
Certified Public Accountants