

**CITY OF ROCHESTER  
Oakland County, Michigan**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended  
June 30, 2015**

Prepared By:  
The Finance Department



CITY OF ROCHESTER  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2015

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## City of Rochester

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### Audit Transmittal Letter

November 20, 2015

TO: The Honorable Mayor and City Council

RE: Fiscal Year End 2015 Audit

### Introduction

We are pleased to submit the Comprehensive Annual Financial Report of the City of Rochester for the fiscal year end June 30, 2015. 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 2013, Oakland County was the tenth 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 1.4%, which includes a 3.6% increase in residential taxable values. For fiscal year 2015, commercial properties continued to decline at 1.9% as compared to a 1.6% decrease in the previous year. Industrial property values have decreased slightly .55%. 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 .54%. Downtown Rochester continued to have less than a 4% vacancy rate and welcomed a handful of new businesses including restaurants, learning centers, and exercise facilities.

During the fiscal years 2013 and 2014, Rochester invested grant and donation funding into the community including 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 Paint Creek Restoration Project, from Dinosaur Hill to 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. In fiscal year 2015, the City was approved for two more grants for restoration around the river, totaling approximately \$400,000, with the work expected to be completed in Spring 2016.

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 FY 2013 and will continue in FY 2016. 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 and maintains the capacity of our existing sewer system.

During fiscal years 2014 and 2015, 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 continued with a large project of replacing all of the water meters in the City. Also, in fiscal year 2015, the City completed an addition and remodeling of the fire station.

In the prior 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 fiscal year 2014. The new credit card accepting meters replaced the obsolete "turn and crank" meters. In fiscal year 2015, the City issued 12 million dollars in capital improvement bonds and commenced construction of two new parking platforms which included significant adjacent alley improvements, the rebuilding of Walnut Blvd., and the creation of two pocket parks along Walnut Blvd. The project also consisted of reworking existing parking lots, installing meters and turning over ownership and control to the City from the Downtown Development Authority which allows the City to meter and complete the overall parking management district downtown.

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.

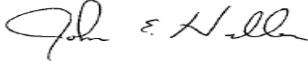
In January 2015, the City's bond rating was improved by Standard and Poor (S&P) from AA+ to AAA, which affirmed a stable outlook for the City. This improved rating will decrease the City's cost to acquire debt in the future. The rating also provides a benchmark for the financial health of the City.

## Acknowledgments

The City switched to a Comprehensive Annual Financial Report (CAFR) with the fiscal year end 2011 audit. In prior years, the City has prepared an audit consistent with State and local requirements; however, the CAFR provides more context for the activities from the past fiscal year. Since switching to the CAFR, the City has received the Certificate of Achievement for Excellence in Financial Reporting in 2011, 2012, 2013, and 2014. 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,



John Hiller  
Finance Director



Government Finance Officers Association

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Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

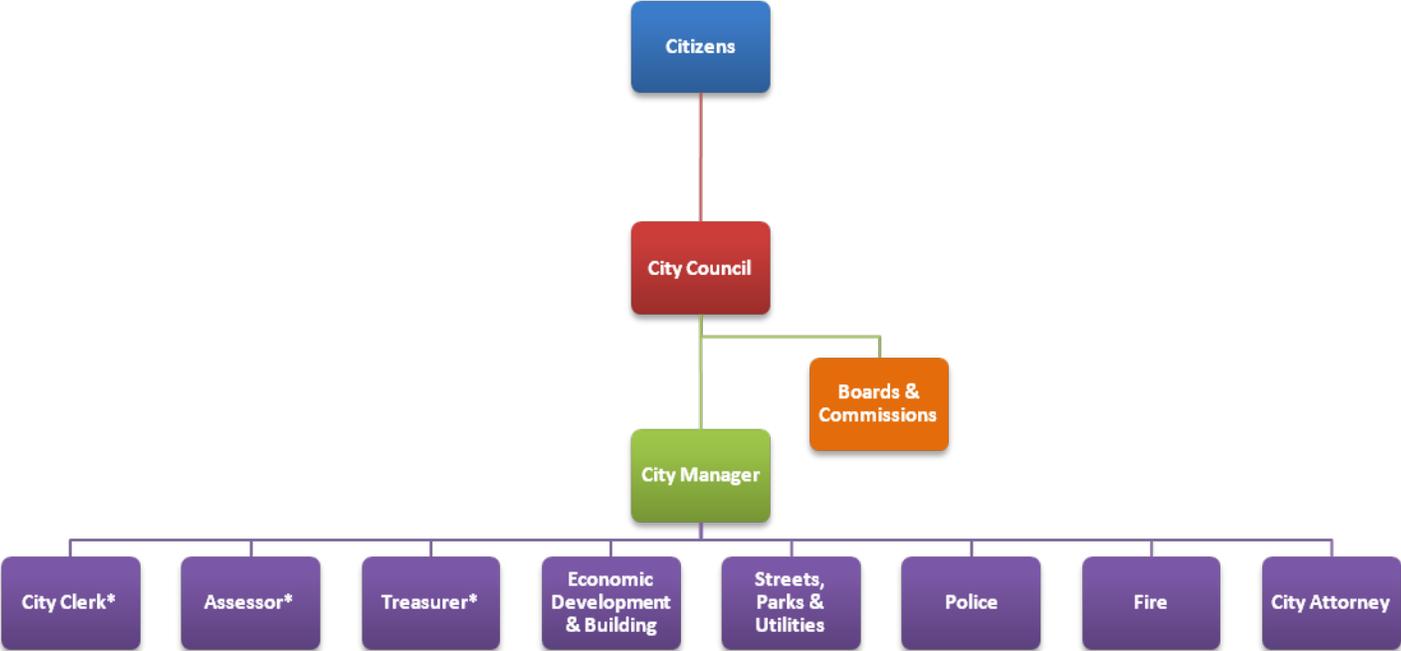
**City of Rochester  
Michigan**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

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, 2015

|   |                        |
|---|------------------------|
| Mayor   | Jeffrey T. Cuthbertson |
| Mayor Pro Tem   | Ben Giovanelli         |
| Council Member  | Cathy Daldin           |
| Council Member  | Stuart A. Bikson       |
| Council Member  | Kim Russell            |
| Council Member  | Steve Sage             |
| Council Member  | Robert Ray             |
| City Manager  | Jaymes Vettraino       |
| Deputy City Manager/<br>Director of Economic and<br>Community Development | Nik Banda              |
| City Clerk  | Lee Ann O'Connor       |
| Finance Director/Treasurer  | John Hiller            |
| Director of Department of<br>Public Works                                 | David Anason           |
| Police Chief  | Steven Schettenhelm    |
| Fire Chief  | John Cieslik           |
| Director of Downtown<br>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

November 20, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### ***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, 2015, 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

**Emphasis of Matter**

As discussed in the footnotes to the basic financial statements, in fiscal year 2015, the City adopted the new accounting guidance of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result of implementing this pronouncement, the City's net pension liability has been recognized on the government-wide statements, and as discussed in the notes, the 2014 financial statements have been restated. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the major fund budgetary comparison schedules, and the defined benefit pension plan schedules, 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.

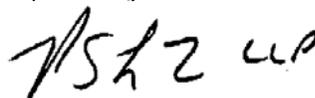
*Other Information*

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 other supplemental information as listed in the table of contents (combining statements and budgetary comparison schedules) and introductory section and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Respectfully,



PSLZ LLP  
Certified Public Accountants



## Management's Discussion and Analysis

As management of the City of Rochester, we offer readers of the City of Rochester's financial statements this narrative overview and analysis of the financial activities of the City of Rochester for the fiscal year ended June 30, 2015.

### Financial Highlights

- The assets of the City of Rochester exceeded its liabilities at the close of the most recent fiscal year by \$57,981,283 (*net position*). Of this amount, \$6,309,524 (*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 \$2,204,909. Governmental activities decreased net position by \$1,398,331 and the business-type activities decreased net position by \$806,578.
- At the close of the most recent fiscal year, the City of Rochester's governmental funds reported combined ending fund balances of \$13,336,014. Of this amount, \$8,585,258 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 \$8,585,258, or 95 percent of total general fund expenditures.
- The City implemented GASB Statement No. 68 in the current fiscal year, and the financial statements now reflect a net pension liability of \$6,097,418.
- The City of Rochester's total debt increased by \$12,035,179 during the current fiscal year as a result of bonds issued in the amount of \$12,000,000 for capital improvements, \$232,280 for Oakland-Macomb Sewer Interceptor Bonds, a \$9,051 increase in compensated absences less annual debt payments made of \$206,152.

### 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 24-48 of this report.

## Government-wide Financial Analysis

Assets exceeded liabilities by \$57,981,283 at the close of the most recent fiscal year. Of the City of Rochester's net position, 76 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         |               |
|----------------------------------|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
|                                  | Restated                |               |                          |               | Restated      |               |
|                                  | 2015                    | 2014          | 2015                     | 2014          | 2015          | 2014          |
| Current and other assets         | \$ 15,824,396           | \$ 16,541,182 | \$ 10,889,886            | \$ 7,327,006  | \$ 26,714,282 | \$ 23,868,188 |
| Capital Assets                   | 28,151,023              | 29,519,679    | 27,585,621               | 19,782,321    | 55,736,644    | 49,302,000    |
| Total Assets                     | 43,975,419              | 46,060,861    | 38,475,507               | 27,109,327    | 82,450,926    | 73,170,188    |
| Deferred Outflows                | 431,518                 | 231,420       | -                        | -             | 431,518       | 231,420       |
| Long-term liabilities            | 7,268,091               | 7,573,802     | 16,473,192               | 3,731,091     | 23,741,283    | 11,304,893    |
| Other liabilities                | 596,848                 | 778,150       | 563,030                  | 1,132,373     | 1,159,878     | 1,910,523     |
| Total Liabilities                | 7,864,939               | 8,351,952     | 17,036,222               | 4,863,464     | 24,901,161    | 13,215,416    |
| Net Position:                    |                         |               |                          |               |               |               |
| Net investment in capital assets | 27,341,023              | 27,993,706    | 16,875,475               | 16,051,230    | 44,216,498    | 44,044,936    |
| Restricted                       | 4,750,756               | 5,600,442     | 2,704,505                | 4,432,075     | 7,455,261     | 10,032,517    |
| Unrestricted                     | 4,450,219               | 4,346,181     | 1,859,305                | 1,762,558     | 6,309,524     | 6,108,739     |
| Total Net Position               | \$ 36,541,998           | \$ 37,940,329 | \$ 21,439,285            | \$ 22,245,863 | \$ 57,981,283 | \$ 60,186,192 |

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 \$2,204,909 during the current fiscal year. Governmental activities decreased net position \$1,398,331.

City of Rochester - Change in Net Position

|   | Governmental<br>Activities |               | Business-type<br>Activities |               | Total         |               |
|---|----------------------------|---------------|-----------------------------|---------------|---------------|---------------|
|   | 2015                       | 2014          | 2015                        | 2014          | 2015          | 2014          |
| Revenues:                               |                            |               |                             |               |               |               |
| Program Revenues:                       |                            |               |                             |               |               |               |
| Charges for Services                    | \$ 2,402,247               | \$ 2,215,889  | \$ 5,474,600                | \$ 5,120,409  | \$ 7,876,847  | \$ 7,336,298  |
| Operating Grants & Contrib.             | 988,125                    | 1,012,164     | -                           | -             | 988,125       | 1,012,164     |
| Capital Grants & Contrib.               | 75,000                     | 659,939       | 122,859                     | 661,742       | 197,859       | 1,321,681     |
| General Revenues:                       |                            |               |                             |               |               |               |
| Property Taxes                          | 8,426,746                  | 8,471,191     | -                           | -             | 8,426,746     | 8,471,191     |
| State Shared Revenues                   | 1,005,311                  | 980,304       | -                           | -             | 1,005,311     | 980,304       |
| Franchise Fees                          | 259,356                    | 237,937       | -                           | -             | 259,356       | 237,937       |
| Investment Earnings                     | 64,466                     | 57,234        | 38,492                      | 38,477        | 102,958       | 95,711        |
| Total Revenues                          | 13,221,251                 | 13,634,658    | 5,635,951                   | 5,820,628     | 18,857,202    | 19,455,286    |
| Expenses:                               |                            |               |                             |               |               |               |
| General Government                      | 1,941,972                  | 1,659,504     | -                           | -             | 1,941,972     | 1,659,504     |
| Public Safety                           | 5,162,930                  | 4,804,877     | -                           | -             | 5,162,930     | 4,804,877     |
| Public Works                            | 4,192,099                  | 3,406,947     | -                           | -             | 4,192,099     | 3,406,947     |
| Community Development                   | 1,611,999                  | 1,696,447     | -                           | -             | 1,611,999     | 1,696,447     |
| Recreation and Cultural                 | 1,263,245                  | 1,173,640     | -                           | -             | 1,263,245     | 1,173,640     |
| Interest on Long-Term Debt              | 12,798                     | 83,474        | -                           | -             | 12,798        | 83,474        |
| Loss on Disposal of Assets              | -                          | 555,159       | -                           | -             | -             | 555,159       |
| Automobile Parking System               | -                          | -             | 699,387                     | 244,693       | 699,387       | 244,693       |
| Water and Sewer                         | -                          | -             | 6,177,681                   | 7,298,620     | 6,177,681     | 7,298,620     |
| Total Expenses                          | 14,185,043                 | 13,380,048    | 6,877,068                   | 7,543,313     | 21,062,111    | 20,923,361    |
| Excess (Deficiency) before<br>Transfers | (963,792)                  | 254,610       | (1,241,117)                 | (1,722,685)   | (2,204,909)   | (1,468,075)   |
| Special Items (net)                     | 29,211                     | -             | (29,211)                    | -             | -             | -             |
| Transfers In (Out)                      | (463,750)                  | (252,846)     | 463,750                     | 252,846       | -             | -             |
| Change in Net Position                  | (1,398,331)                | 1,764         | (806,578)                   | (1,469,839)   | (2,204,909)   | (1,468,075)   |
| Net Position, Beg. of year              | 37,940,329                 | 43,403,352    | 22,245,863                  | 23,715,702    | 60,186,192    | 67,119,054    |
| Impact of GASB Stmt No. 68              | -                          | (5,464,787)   | -                           | -             | -             | (5,464,787)   |
| Net Position, End of year               | \$ 36,541,998              | \$ 37,940,329 | \$ 21,439,285               | \$ 22,245,863 | \$ 57,981,283 | \$ 60,186,192 |

The City implemented GASB Statement No. 68 in fiscal year 2015. Fiscal year 2014 amounts shown have not been modified to reflect the retroactive application of this change; however, the ending net position for that year was adjusted to properly state the fiscal year 2015 beginning net position.

**Governmental activities**

Program revenues, which include user fees and charges and restricted operating and capital grants and contributions, represent 26% of total governmental revenue sources. Program revenues reduce the net cost of the governmental functions to be financed from the City's general revenues, which are comprised primarily of property taxes and state revenue sharing. Program revenues decreased \$422,620 from the prior year, primarily as a result of the City receiving federal grant in the prior year in the amount of \$636,730 for the Paint Creek restoration project. Also, building permit revenues increased \$98,163 in fiscal year 2015.

### **Business-type activities**

Business-type activities decreased the City's net position by \$806,578. A significant part of this decrease is due to a 12% increase (\$282,378) in sewer treatment expenses from Oakland County.

### **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 \$13,336,014, a decrease of \$696,266 in comparison with the prior year. The majority of this total amount, or \$4,750,756, 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 \$8,585,258 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 \$8,585,258, all of which is unassigned. Unassigned General Fund fund balance represents 95 percent of total general fund expenditures. The fund balance of the City's General Fund increased by \$153,420 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 \$1,859,305.

### **General Fund Budgetary Highlights**

General Fund final budgeted revenues were 1% over the original budgeted amounts, and the General Fund final budgeted expenditures were 1% over the original budgeted amounts. The actual revenues exceeded the final budgeted revenues by \$85,559 and actual expenditures were less than the original budgeted expenditures by \$65,701. Significant budget amendments approved during the year include an increase of \$74,286 in property tax revenues, a \$34,643 increase for state shared revenues, a \$53,203 increase in building permit revenues, and a \$231,118 increase in fire department expenditures.

## **Capital Asset and Debt Administration**

### **Capital assets.**

The City of Rochester's investment in capital assets for its governmental and business type activities is \$55,736,644 (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 5 percent decrease for governmental activities, and a 39 percent increase in business-type activities. Major capital asset events during the current fiscal year included the following:

- Construction of 2 Parking Platforms
- Replacement of Off-Street Parking Meters
- Improvements to City Parking Lots
- Water and Sewer Infrastructure Projects
- Fire Station Building Improvements
- Romeo and Bloomer Road Repaving Projects

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 \$12,810,000, and contractual debt outstanding of \$4,473,192. During fiscal year 2015, the City issued \$12,000,000 of bonds for construction of 2 new parking platforms along with parking lot improvements. Also, Oakland County assessed the City for the 2014A Oakland-Macomb Interceptor Debt bonds in the amount of \$232,280. 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 2016 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 the last three years being considerably higher in number and value than the proceeding 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 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.

In the prior 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 in the last fiscal year. The new credit card accepting meters replaced the obsolete "turn and crank" meters. In the current fiscal year the City implemented an off-street meter plan and construction of two parking platforms.

The City has also created a Parking Management District (PMD) (by adoption of a Zoning Amendment) and implemented 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'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 upgraded the City in 2015 from a AA+ to a AAA bond rating.

### **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, 2015**

|  | <u>Governmental</u><br><u>Activities</u> | <u>Business-type</u><br><u>Activities</u> | <u>Total</u>         |
|--|--|---|----------------------|
| <b><u>ASSETS</u></b>                               |  |   |                      |
| Cash and Investments                               | \$ 14,565,763                            | \$ 1,527,620                              | \$ 16,093,383        |
| Receivables (net of allowance for uncollectibles): |  |   |                      |
| Accounts   | 209,778                                  | 894,715                                   | 1,104,493            |
| Due from Other Governmental Units                  | 91,203                                   | -   | 91,203               |
| Restricted Assets - Cash and Cash Equivalents      | -  | 8,467,551                                 | 8,467,551            |
| Other Post Employment Benefits Asset               | 957,652                                  | -   | 957,652              |
| Capital Assets:                                    |  |   |                      |
| Nondepreciable Assets                              | 3,656,450                                | 363,253                                   | 4,019,703            |
| Depreciable Assets                                 | 24,494,573                               | 27,222,368                                | 51,716,941           |
| Total Assets                                       | <u>43,975,419</u>                        | <u>38,475,507</u>                         | <u>82,450,926</u>    |
| <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>       |  |   |                      |
| Deferred Outflows related to Pensions              | <u>431,518</u>                           | <u>-</u>                                  | <u>431,518</u>       |
| <b><u>LIABILITIES</u></b>                          |  |   |                      |
| Accounts Payable                                   | 455,541                                  | 522,725                                   | 978,266              |
| Accrued Liabilities                                | 134,726                                  | 7,605                                     | 142,331              |
| Other  | 6,581                                    | 32,700                                    | 39,281               |
| Noncurrent Liabilities:                            |  |   |                      |
| Net Pension Liability                              | 6,097,418                                | -   | 6,097,418            |
| Compensated Absences Payable:                      |  |   |                      |
| Due within one year                                | 82,470                                   | -   | 82,470               |
| Due in more than one year                          | 278,203                                  | -   | 278,203              |
| Bonds and Contracts Payable:                       |  |   |                      |
| Due within one year                                | 110,000                                  | 570,464                                   | 680,464              |
| Due in more than one year                          | 700,000                                  | 15,902,728                                | 16,602,728           |
| Total Liabilities                                  | <u>7,864,939</u>                         | <u>17,036,222</u>                         | <u>24,901,161</u>    |
| <b><u>NET POSITION</u></b>                         |  |   |                      |
| Net Investment in Capital Assets                   | 27,341,023                               | 16,875,475                                | 44,216,498           |
| Restricted for:                                    |  |   |                      |
| Streets  | 1,669,189                                | -   | 1,669,189            |
| Cemetery   | 492,447                                  | -   | 492,447              |
| Law Enforcement Programs                           | 26,730                                   | -   | 26,730               |
| Community Development Block Grant                  | 4,694                                    | -   | 4,694                |
| Downtown Development Authority                     | 43,926                                   | -   | 43,926               |
| Principal Shopping District                        | 90,506                                   | -   | 90,506               |
| Debt Service                                       | 25,419                                   | -   | 25,419               |
| Capital Projects                                   | 2,397,845                                | -   | 2,397,845            |
| Water and Sewer Improvements                       | -  | 2,704,505                                 | 2,704,505            |
| Unrestricted                                       | 4,450,219                                | 1,859,305                                 | 6,309,524            |
| Total Net Position                                 | <u>\$ 36,541,998</u>                     | <u>\$ 21,439,285</u>                      | <u>\$ 57,981,283</u> |

**CITY OF ROCHESTER**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

| <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               | \$ 1,941,972            | \$ 802,801                         | \$ 4,997   | \$ 75,000                                      |
| Public Safety                    | 5,162,930               | 977,804                            | 4,100  | -  |
| Community Development            | 1,611,999               | 487,791                            | 212,724  | -  |
| Public Works                     | 4,192,099               | 133,851                            | 766,304  | -  |
| Recreation and Cultural          | 1,263,245               | -                                  | -  | -  |
| Interest on Long-Term Debt       | 12,798                  | -                                  | -  | -  |
| Total Governmental Activities    | <u>14,185,043</u>       | <u>2,402,247</u>                   | <u>988,125</u>                                   | <u>75,000</u>                                  |
| Business-type Activities:        |                         |                                    |  |  |
| Water and Sewer                  | 6,177,681               | 5,012,908                          | -  | 122,859  |
| Automobile parking system        | 699,387                 | 461,692                            | -  | -  |
| Total Business-type Activities   | <u>6,877,068</u>        | <u>5,474,600</u>                   | <u>-</u>   | <u>122,859</u>                                 |
| Grand Total                      | <u>\$ 21,062,111</u>    | <u>\$ 7,876,847</u>                | <u>\$ 988,125</u>                                | <u>\$ 197,859</u>                              |

General Revenues and Transfers:  
Property Taxes  
State Shared Revenue  
Cable Franchise Fees  
Unrestricted Investment Earnings  
Special Items:  
Gain (Loss) on Transfer of Assets  
Transfer of Debt to Parking Fund  
Transfers  
Total General Revenues and Transfers

Change in Net Position  
Net Position - Beginning, as restated

Net Position - Ending

**Net (Expense) Revenue and Changes in Net Position**

| <u>Governmental</u><br><u>Activities</u> | <u>Business-type</u><br><u>Activities</u> | <u>Total</u>         |
|--|---|----------------------|
| \$ (1,059,174)                           | \$ -                                      | \$ (1,059,174)       |
| (4,181,026)                              | -   | (4,181,026)          |
| (911,484)                                | -   | (911,484)            |
| (3,291,944)                              | -   | (3,291,944)          |
| (1,263,245)                              | -   | (1,263,245)          |
| (12,798)                                 | -   | (12,798)             |
| <u>(10,719,671)</u>                      | <u>-</u>                                  | <u>(10,719,671)</u>  |
| -  | (1,041,914)                               | (1,041,914)          |
| -  | (237,695)                                 | (237,695)            |
| <u>-</u>                                 | <u>(1,279,609)</u>                        | <u>(1,279,609)</u>   |
| <u>(10,719,671)</u>                      | <u>(1,279,609)</u>                        | <u>(11,999,280)</u>  |
| 8,426,746                                | -   | 8,426,746            |
| 1,005,311                                | -   | 1,005,311            |
| 259,356                                  | -   | 259,356              |
| 64,466                                   | 38,492                                    | 102,958              |
| (601,762)                                | 601,762                                   | -                    |
| 630,973                                  | (630,973)                                 | -                    |
| (463,750)                                | 463,750                                   | -                    |
| <u>9,321,340</u>                         | <u>473,031</u>                            | <u>9,794,371</u>     |
| (1,398,331)                              | (806,578)                                 | (2,204,909)          |
| <u>37,940,329</u>                        | <u>22,245,863</u>                         | <u>60,186,192</u>    |
| <u>\$ 36,541,998</u>                     | <u>\$ 21,439,285</u>                      | <u>\$ 57,981,283</u> |

**CITY OF ROCHESTER**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

|   | <u>General</u>      | <u>Major<br/>Streets</u> | <u>Local<br/>Streets</u> | <u>Downtown<br/>Development<br/>Authority</u> |
|---|---------------------|--------------------------|--------------------------|---|
| <b><u>ASSETS</u></b>                                  |                     |                          |                          |   |
| Cash and Investments                                  | \$ 8,655,571        | \$ 924,875               | \$ 862,606               | \$ 64,484                                     |
| Receivables (net of allowance<br>for uncollectibles): |                     |                          |                          |   |
| Accounts  | 187,677             | -                        | -                        | 2,917   |
| Due from Other Governmental Units                     | -                   | 47,791                   | 43,412                   | -   |
| Total Assets  | <u>\$ 8,843,248</u> | <u>\$ 972,666</u>        | <u>\$ 906,018</u>        | <u>\$ 67,401</u>                              |
| <br><b><u>LIABILITIES AND FUND BALANCES</u></b>       |                     |                          |                          |   |
| Liabilities:  |                     |                          |                          |   |
| Accounts Payable                                      | \$ 168,570          | \$ 40,108                | \$ 163,283               | \$ 19,369                                     |
| Accrued and Other Liabilities                         | 82,839              | 1,846                    | 4,258                    | 4,106   |
| Other   | 6,581               | -                        | -                        | -   |
| Total Liabilities                                     | <u>257,990</u>      | <u>41,954</u>            | <u>167,541</u>           | <u>23,475</u>                                 |
| Fund Balances:  |                     |                          |                          |   |
| Restricted for:                                       |                     |                          |                          |   |
| Streets   | -                   | 930,712                  | 738,477                  | -   |
| Cemetery  | -                   | -                        | -                        | -   |
| Law Enforcement Programs                              | -                   | -                        | -                        | -   |
| Community Development Block Grant                     | -                   | -                        | -                        | -   |
| Downtown Development Authority                        | -                   | -                        | -                        | 43,926  |
| Principal Shopping District                           | -                   | -                        | -                        | -   |
| Debt Service  | -                   | -                        | -                        | -   |
| Capital Projects                                      | -                   | -                        | -                        | -   |
| Unassigned  | 8,585,258           | -                        | -                        | -   |
| Total Fund Balances                                   | <u>8,585,258</u>    | <u>930,712</u>           | <u>738,477</u>           | <u>43,926</u>                                 |
| Total Liabilities and Fund Balances                   | <u>\$ 8,843,248</u> | <u>\$ 972,666</u>        | <u>\$ 906,018</u>        | <u>\$ 67,401</u>                              |

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
- Deferred Outflows related to Pensions
- Net Pension Liabilities are not reported in the funds
- 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<br/>Projects<br/>General</u> | <u>Other<br/>Governmental</u> | <u>Total<br/>Governmental</u> |
|---|-------------------------------|-------------------------------|
| \$ 2,449,975                            | \$ 688,182                    | \$ 13,645,693                 |
| -                                       | -                             | 190,594                       |
| -                                       | -                             | <u>91,203</u>                 |
| <u>\$ 2,449,975</u>                     | <u>\$ 688,182</u>             | <u>\$ 13,927,490</u>          |

|               |               |                |
|---------------|---------------|----------------|
| \$ 52,130     | \$ 8,297      | \$ 451,757     |
| -             | 40,089        | 133,138        |
| -             | -             | 6,581          |
| <u>52,130</u> | <u>48,386</u> | <u>591,476</u> |

|                     |                   |                   |
|---------------------|-------------------|-------------------|
| -                   | -                 | 1,669,189         |
| -                   | 492,447           | 492,447           |
| -                   | 26,730            | 26,730            |
| -                   | 4,694             | 4,694             |
| -                   | -                 | 43,926            |
| -                   | 90,506            | 90,506            |
| -                   | 25,419            | 25,419            |
| 2,397,845           | -                 | 2,397,845         |
| -                   | -                 | 8,585,258         |
| <u>2,397,845</u>    | <u>639,796</u>    | <u>13,336,014</u> |
| <u>\$ 2,449,975</u> | <u>\$ 688,182</u> |                   |

24,816,459

4,268,446

957,652

431,518

(6,097,418)

(1,170,673)

\$ 36,541,998

**CITY OF ROCHESTER**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

|  | <u>General</u>      | <u>Major<br/>Streets</u> | <u>Local<br/>Streets</u> | <u>Downtown<br/>Development<br/>Authority</u> |
|--|---------------------|--------------------------|--------------------------|---|
| <b>Revenues</b>                                      |                     |                          |                          |   |
| Property Taxes                                       | \$ 7,171,623        | \$ -                     | \$ -                     | \$ 1,143,326                                  |
| Licenses and Permits                                 | 350,646             | -                        | -                        | -   |
| Intergovernmental:                                   |                     |                          |                          |   |
| Federal, State and Local                             | 1,231,240           | 494,388                  | 271,916                  | -   |
| Charges for Services                                 | 890,887             | -                        | -                        | 74,325  |
| Franchise Fees                                       | 259,356             | -                        | -                        | -   |
| Fines and Forfeitures                                | 83,053              | -                        | -                        | -   |
| Special Assessments                                  | -                   | -                        | 37,764                   | -   |
| Interest   | 42,552              | 2,316                    | 1,270                    | 937   |
| Other  | 150,277             | 85,968                   | 10,119                   | 12,839  |
| Total Revenues                                       | <u>10,179,634</u>   | <u>582,672</u>           | <u>321,069</u>           | <u>1,231,427</u>                              |
| <b>Expenditures</b>                                  |                     |                          |                          |   |
| Current:   |                     |                          |                          |   |
| General Government                                   | 1,850,807           | -                        | -                        | -   |
| Public Safety  | 4,981,537           | -                        | -                        | -   |
| Community Development                                | 39,210              | -                        | -                        | 878,786                                       |
| Public Works   | 1,103,939           | 536,688                  | 1,242,456                | -   |
| Recreation and Cultural                              | 1,059,325           | -                        | -                        | -   |
| Debt Service:  |                     |                          |                          |   |
| Principal  | -                   | -                        | -                        | -   |
| Interest and Other Charges                           | -                   | -                        | -                        | -   |
| Capital Outlay                                       | -                   | -                        | -                        | -   |
| Total Expenditures                                   | <u>9,034,818</u>    | <u>536,688</u>           | <u>1,242,456</u>         | <u>878,786</u>                                |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>1,144,816</u>    | <u>45,984</u>            | <u>(921,387)</u>         | <u>352,641</u>                                |
| <b>Other Financing Sources (Uses)</b>                |                     |                          |                          |   |
| Transfers In   | -                   | -                        | 990,141                  | -   |
| Transfers Out  | (991,396)           | (240,000)                | -                        | (308,845)                                     |
| Total Other Financing Sources (Uses)                 | <u>(991,396)</u>    | <u>(240,000)</u>         | <u>990,141</u>           | <u>(308,845)</u>                              |
| Net Change in Fund Balances                          | 153,420             | (194,016)                | 68,754                   | 43,796  |
| Fund Balances - Beginning                            | <u>8,431,838</u>    | <u>1,124,728</u>         | <u>669,723</u>           | <u>130</u>                                    |
| Fund Balances - Ending                               | <u>\$ 8,585,258</u> | <u>\$ 930,712</u>        | <u>\$ 738,477</u>        | <u>\$ 43,926</u>                              |

| <b>Capital<br/>Projects<br/>General</b> | <b>Other<br/>Governmental</b> | <b>Total<br/>Governmental</b> |
|---|-------------------------------|-------------------------------|
| \$ -                                    | \$ 111,797                    | \$ 8,426,746                  |
| -                                       | -                             | 350,646                       |
| 75,000                                  | -                             | 2,072,544                     |
| -                                       | 475,868                       | 1,441,080                     |
| -                                       | -                             | 259,356                       |
| -                                       | -                             | 83,053                        |
| -                                       | 212,724                       | 250,488                       |
| 17,023                                  | 368                           | 64,466                        |
| 9,319                                   | 4,350                         | 272,872                       |
| <u>101,342</u>                          | <u>805,107</u>                | <u>13,221,251</u>             |
| -                                       | -                             | 1,850,807                     |
| -                                       | 1,761                         | 4,983,298                     |
| -                                       | 570,469                       | 1,488,465                     |
| -                                       | -                             | 2,883,083                     |
| -                                       | 154,992                       | 1,214,317                     |
| -                                       | 85,000                        | 85,000                        |
| -                                       | 12,798                        | 12,798                        |
| 935,999                                 | -                             | 935,999                       |
| <u>935,999</u>                          | <u>825,020</u>                | <u>13,453,767</u>             |
| <u>(834,657)</u>                        | <u>(19,913)</u>               | <u>(232,516)</u>              |
| 320,095                                 | 116,255                       | 1,426,491                     |
| (350,000)                               | -                             | (1,890,241)                   |
| <u>(29,905)</u>                         | <u>116,255</u>                | <u>(463,750)</u>              |
| (864,562)                               | 96,342                        | (696,266)                     |
| <u>3,262,407</u>                        | <u>543,454</u>                | <u>14,032,280</u>             |
| \$ <u><u>2,397,845</u></u>              | \$ <u><u>639,796</u></u>      | \$ <u><u>13,336,014</u></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, 2015

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

|  |    |           |
|--|----|-----------|
| Net change in fund balances - total governmental funds | \$ | (696,266) |
|--|----|-----------|

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              |  | 935,999     |
| Capital Outlay-departmental |  | 273,249     |
| Depreciation Expense        |  | (2,055,446) |
| Gain on Transfer of Assets  |  | 29,211      |

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.

26,748

|  |  |           |
|--|--|-----------|
| Change in Net Pension Liability          |  | (201,113) |
| Change in Other Post Employment Benefits |  | 213,338   |

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

|                                  |  |         |
|----------------------------------|--|---------|
| Principal Payments               |  | 85,000  |
| Increase in Compensated Absences |  | (9,051) |

|   |    |                    |
|---|----|--------------------|
| Change in net position in governmental activities | \$ | <u>(1,398,331)</u> |
|---|----|--------------------|

**CITY OF ROCHESTER**  
**Balance Sheet**  
**Proprietary Funds**  
**June 30, 2015**

|   | <u>Business-type Activities - Enterprise Funds</u> |  |                      | <u>Governmental</u>                             |
|---|--|--|----------------------|---|
|   | <u>Water and<br/>Sewer System</u>                  | <u>Automobile<br/>Parking<br/>System</u> | <u>Total</u>         | <u>Activities<br/>Internal<br/>Service Fund</u> |
| <b><u>ASSETS</u></b>                                    |  |  |                      |   |
| Current Assets:   |  |  |                      |   |
| Cash and Cash Equivalents                               | \$ 1,507,449                                       | \$ 20,171                                | \$ 1,527,620         | \$ 920,070                                      |
| Accounts Receivable                                     | 894,715  | -  | 894,715              | 19,184  |
| Total Current Assets                                    | <u>2,402,164</u>                                   | <u>20,171</u>                            | <u>2,422,335</u>     | <u>939,254</u>                                  |
| Noncurrent Assets:                                      |  |  |                      |   |
| Restricted Assets - Cash                                | <u>2,704,505</u>                                   | <u>5,763,046</u>                         | <u>8,467,551</u>     | <u>-</u>  |
| Capital Assets  | 27,972,823   | 7,841,778                                | 35,814,601           | 6,460,451                                       |
| Less: Accumulated Depreciation                          | (7,981,500)  | (247,480)                                | (8,228,980)          | (3,125,887)                                     |
| Net Capital Assets                                      | <u>19,991,323</u>                                  | <u>7,594,298</u>                         | <u>27,585,621</u>    | <u>3,334,564</u>                                |
| Total Noncurrent Assets                                 | <u>22,695,828</u>                                  | <u>13,357,344</u>                        | <u>36,053,172</u>    | <u>3,334,564</u>                                |
| Total Assets  | <u>\$ 25,097,992</u>                               | <u>\$ 13,377,515</u>                     | <u>\$ 38,475,507</u> | <u>\$ 4,273,818</u>                             |
| <b><u>LIABILITIES AND NET POSITION</u></b>              |  |  |                      |   |
| Current Liabilities (Payable from Current Assets):      |  |  |                      |   |
| Accounts Payable  | \$ 514,702   | \$ 8,023                                 | \$ 522,725           | \$ 3,784  |
| Accrued Liabilities                                     | 4,853  | 2,752                                    | 7,605                | 1,588   |
| Deposits  | 32,700   | -  | 32,700               | -   |
| Current Portion of Contracts Payable                    | -  | 48,586                                   | 48,586               | -   |
| Current Portion of Bonds Payable                        | <u>166,878</u>                                     | <u>355,000</u>                           | <u>521,878</u>       | <u>-</u>  |
| Total Current Liabilities (Payable from Current Assets) | <u>719,133</u>                                     | <u>414,361</u>                           | <u>1,133,494</u>     | <u>5,372</u>                                    |
| Noncurrent Liabilities:                                 |  |  |                      |   |
| Contracts Payable (net of current portion)              | -  | 535,935                                  | 535,935              | -   |
| Bonds Payable (net of current portion)                  | <u>3,721,793</u>                                   | <u>11,645,000</u>                        | <u>15,366,793</u>    | <u>-</u>  |
| Total Noncurrent Liabilities                            | <u>3,721,793</u>                                   | <u>12,180,935</u>                        | <u>15,902,728</u>    | <u>-</u>  |
| Total Liabilities                                       | <u>4,440,926</u>                                   | <u>12,595,296</u>                        | <u>17,036,222</u>    | <u>5,372</u>                                    |
| NET POSITION:   |  |  |                      |   |
| Net Investment in Capital Assets                        | 16,102,652   | 772,823                                  | 16,875,475           | 3,334,564                                       |
| Restricted for Improvements                             | 2,704,505  | -  | 2,704,505            | -   |
| Unrestricted  | <u>1,849,909</u>                                   | <u>9,396</u>                             | <u>1,859,305</u>     | <u>933,882</u>                                  |
| Total Net Position                                      | <u>20,657,066</u>                                  | <u>782,219</u>                           | <u>21,439,285</u>    | <u>4,268,446</u>                                |
| Total Liabilities and Net Position                      | <u>\$ 25,097,992</u>                               | <u>\$ 13,377,515</u>                     | <u>\$ 38,475,507</u> | <u>\$ 4,273,818</u>                             |

**CITY OF ROCHESTER**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

|   | <u>Business-type Activities - Enterprise Funds</u> |  |                      | <u>Governmental<br/>Activities<br/>Internal<br/>Service Fund</u> |
|---|--|--|----------------------|--|
|   | <u>Water and<br/>Sewer System</u>                  | <u>Automobile<br/>Parking<br/>System</u> | <u>Total</u>         |  |
| <b><u>Operating Revenues:</u></b>                                   |  |  |                      |  |
| Water Sales   | \$ 1,787,055                                       | \$ -                                     | \$ 1,787,055         | \$ -   |
| Sewage Disposal Fees  | 3,152,698  | -  | 3,152,698            | -  |
| Charges for Services  | 48,339   | 456,542                                  | 504,881              | 1,070,768  |
| Miscellaneous   | 24,816   | 5,150                                    | 29,966               | 48,025   |
| Total Operating Revenues  | <u>5,012,908</u>                                   | <u>461,692</u>                           | <u>5,474,600</u>     | <u>1,118,793</u>   |
| <b><u>Operating Expenses:</u></b>                                   |  |  |                      |  |
| Water Distribution  | 1,801,676  | -  | 1,801,676            | -  |
| Sewage Collection and Disposal                                      | 2,572,211  | -  | 2,572,211            | -  |
| Administrative  | 210,363  | 101,740                                  | 312,103              | 134,904  |
| Operation and Maintenance   | 929,217  | 578,545                                  | 1,507,762            | 599,805  |
| Depreciation  | 513,028  | 19,102                                   | 532,130              | 358,629  |
| Total Operating Expenses  | <u>6,026,495</u>                                   | <u>699,387</u>                           | <u>6,725,882</u>     | <u>1,093,338</u>   |
| Operating Income (Loss)   | <u>(1,013,587)</u>                                 | <u>(237,695)</u>                         | <u>(1,251,282)</u>   | <u>25,455</u>  |
| <b><u>Non-Operating Revenues (Expenses):</u></b>                    |  |  |                      |  |
| Interest Earned   | 21,069   | 17,423                                   | 38,492               | 1,293  |
| State Grant   | 17,334   | -  | 17,334               | -  |
| Interest Expense  | (62,579)   | (88,607)                                 | (151,186)            | -  |
| Total Non-Operating Revenues (Expenses)                             | <u>(24,176)</u>                                    | <u>(71,184)</u>                          | <u>(95,360)</u>      | <u>1,293</u>   |
| Income (Loss) before Contributions, Special Items,<br>and Transfers | <u>(1,037,763)</u>                                 | <u>(308,879)</u>                         | <u>(1,346,642)</u>   | <u>26,748</u>  |
| Capital Contributions   | 105,525  | -  | 105,525              | -  |
| Special Items:  |  |  |                      |  |
| Gain on Transfer of Assets  | -  | 601,762                                  | 601,762              | -  |
| Transfer of Debt from Governmental Funds                            | -  | (630,973)                                | (630,973)            | -  |
| Transfers In (Out)  | <u>-</u>   | <u>463,750</u>                           | <u>463,750</u>       | <u>-</u>   |
| Net Income (Loss)   | <u>(932,238)</u>                                   | <u>125,660</u>                           | <u>(806,578)</u>     | <u>26,748</u>  |
| Net Position, Beginning   | <u>21,589,304</u>                                  | <u>656,559</u>                           | <u>22,245,863</u>    | <u>4,241,698</u>   |
| Net Position, Ending  | <u>\$ 20,657,066</u>                               | <u>\$ 782,219</u>                        | <u>\$ 21,439,285</u> | <u>\$ 4,268,446</u>  |

**CITY OF ROCHESTER**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

|   | <u>Business-type Activities - Enterprise Funds</u> |  |                       | <u>Governmental<br/>Activities<br/>Internal<br/>Service Fund</u> |
|---|--|--|-----------------------|--|
|   | <u>Water and<br/>Sewer System</u>                  | <u>Automobile<br/>Parking<br/>System</u> | <u>Total</u>          |  |
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>  |  |  |                       |  |
| Receipts from customers and users   | \$ 4,910,688                                       | \$ 461,692                               | \$ 5,372,380          | \$ 1,099,609   |
| Payments to suppliers   | (5,568,445)  | (574,401)                                | (6,142,846)           | (644,507)  |
| Payments to employees   | (485,246)  | (99,453)                                 | (584,699)             | (100,402)  |
| Net Cash Provided (Used) by Operating Activities  | <u>(1,143,003)</u>                                 | <u>(212,162)</u>                         | <u>(1,355,165)</u>    | <u>354,700</u>   |
| <b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>  |  |  |                       |  |
| Refundable Deposits   | 12,500   | -  | 12,500                | -  |
| Operating Transfers In (Out)  | -  | 463,750                                  | 463,750               | -  |
| Net Cash Provided (Used) by Non-Capital Financing<br>Financing Activities                                 | <u>12,500</u>                                      | <u>463,750</u>                           | <u>476,250</u>        | <u>-</u>   |
| <b><u>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</u></b>                                |  |  |                       |  |
| Capital Charges   | 105,525  | -  | 105,525               | -  |
| State Grants  | 17,334   | -  | 17,334                | -  |
| Proceeds from Debt  | 232,280  | 12,000,000                               | 12,232,280            | -  |
| Principal Paid on Debt  | (74,700)   | (46,452)                                 | (121,152)             | -  |
| Interest Paid on Debt   | (62,579)   | (88,607)                                 | (151,186)             | -  |
| Acquisition and Construction of Capital Assets  | (1,302,469)  | (6,431,199)                              | (7,733,668)           | (437,933)  |
| Net Cash Provided (Used) by Capital and Related<br>Financing Activities                                   | <u>(1,084,609)</u>                                 | <u>5,433,742</u>                         | <u>4,349,133</u>      | <u>(437,933)</u>   |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>  |  |  |                       |  |
| Interest Earned   | 21,069   | 17,423                                   | 38,492                | 1,293  |
| Net Increase (Decrease) in Cash and Cash Equivalents  | (2,194,043)  | 5,702,753                                | 3,508,710             | (81,940)   |
| Cash and Cash Equivalents, Beginning  | 6,405,997  | 80,464                                   | 6,486,461             | 1,002,010  |
| Cash and Cash Equivalents, Ending   | <u>\$ 4,211,954</u>                                | <u>\$ 5,783,217</u>                      | <u>\$ 9,995,171</u>   | <u>\$ 920,070</u>  |
| <b><u>Balance Sheet Classifications:</u></b>  |  |  |                       |  |
| Cash and Cash Equivalents   | \$ 1,507,449                                       | \$ 20,171                                | \$ 1,527,620          | \$ 920,070   |
| Restricted Assets - Cash and Cash Equivalents   | 2,704,505  | 5,763,046                                | 8,467,551             | -  |
| Total   | <u>\$ 4,211,954</u>                                | <u>\$ 5,783,217</u>                      | <u>\$ 9,995,171</u>   | <u>\$ 920,070</u>  |
| <b><u>Reconciliation of Operating Income to Net Cash<br/>Provided (Used) by Operating Activities:</u></b> |  |  |                       |  |
| Operating Income (Loss)   | \$ (1,013,587)                                     | \$ (237,695)                             | \$ (1,251,282)        | \$ 25,455  |
| Adjustments to Reconcile Operating Income to<br>Net Cash Provided (Used) by Operating Activities:         |  |  |                       |  |
| Depreciation and Amortization Expense   | 513,028  | 19,102                                   | 532,130               | 358,629  |
| (Increase) Decrease in Receivables  | (102,220)  | -  | (102,220)             | (19,184)   |
| (Increase) Decrease in Inventory  | 47,550   | 500                                      | 48,050                | 9,389  |
| Increase (Decrease) in Accounts Payable   | (587,739)  | 3,644                                    | (584,095)             | (20,093)   |
| Increase (Decrease) in Accrued Liabilities  | (35)   | 2,287                                    | 2,252                 | 504  |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ (1,143,003)</u>                              | <u>\$ (212,162)</u>                      | <u>\$ (1,355,165)</u> | <u>\$ 354,700</u>  |

**CITY OF ROCHESTER**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2015**

|  | <b>Pension Trust<br/>Fund</b> | <b>Agency<br/>Funds</b> |
|--|-------------------------------|-------------------------|
| <b>ASSETS</b>  |                               |                         |
| Cash and Cash Equivalents                            | \$ -                          | \$ 244,100              |
| Total Assets   | -                             | 244,100                 |
| <br><b>LIABILITIES</b>                               |                               |                         |
| Accounts Payable                                     | -                             | -                       |
| Accrued and Other Liabilities                        | -                             | 244,100                 |
| Total Liabilities                                    | -                             | 244,100                 |
| <br><b>NET POSITION</b> Held in Trust For Employees' |                               |                         |
| Pension Benefits                                     | \$ -                          | \$ -                    |
|  | -                             | -                       |

CITY OF ROCHESTER  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended June 30, 2015

|                          | <u>Pension Trust<br/>Fund</u> |
|--------------------------|-------------------------------|
| <b>Additions</b>         |                               |
| Contributions - employer | \$ -                          |
| <b>Investment Income</b> |                               |
| Interest                 | 41                            |
| <b>Total Additions</b>   | 41                            |
| <br>                     |                               |
| <b>Deductions</b>        |                               |
| Employee Benefits        | 153,730                       |
| Change in Net Position   | (153,689)                     |
| Net Position - Beginning | 153,689                       |
| Net Position - Ending    | \$ -                          |

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2015

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. The DDA Director reports to the City Manager, and the City has operational responsibility for the DDA.

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.

The statement of activities demonstrates the degree to which the direct expenses of a given function 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, 2015

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, 2015

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 major funds:

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, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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, 2015

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, 2015

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, 2015

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, 2015

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 2015, budget amendments were made and are reflected in the financial statements.

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2015

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<br>Over<br><u>Appropriations</u> |
| General Fund:               |               |               |   |
| Elections                   | \$ 33,989     | \$ 34,405     | \$ 416  |
| Other General Services      | 421,235       | 423,084       | 1,849   |
| Fire                        | 1,323,070     | 1,326,744     | 3,674   |
| Protective Inspections      | 221,202       | 222,498       | 1,296   |
| Zoning Board of Appeals     | 1,692         | 2,146         | 454   |
| Environmental Services      | 324,638       | 331,929       | 7,291   |
| Major Streets Fund:         |               |               |   |
| General Administration      | 8,668         | 25,036        | 16,368  |
| Local Streets Fund:         |               |               |   |
| Routine Maintenance         | 267,477       | 276,916       | 9,439   |
| Street Construction         | 700,482       | 776,063       | 75,581  |
| Downtown Dev. Authority:    |               |               |   |
| Operating Transfer Out      | 214,390       | 308,845       | 94,455  |
| Principal Shopping District | 494,000       | 570,469       | 76,469  |

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, 2014 | \$ (468,569)        |
| Fees Collected in Fiscal Year 2015  | 301,078             |
| Expenditures in Fiscal Year 2015    | <u>(222,498)</u>    |
| Revenues Over (Under) Expenditures  | <u>\$ (389,989)</u> |

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2015

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           | \$ 16,093,383        |
| Restricted Cash                | 8,467,551            |
| Fiduciary Funds:               |                      |
| Trust & Agency Funds           | <u>244,100</u>       |
| Total Deposits and Investments | <u>\$ 24,805,034</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, 2015, the City's bank balance of its deposits was \$25,278,640, of which \$21,778,640 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, 2015

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 City had investment securities of \$4,320,000 which were uninsured and unregistered, 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                  | \$ 1,200,000        | 3.24 years                       |
| Federal Farm Credit Banks                | 2,620,000           | 3.33 years                       |
| Federal National Mortgage Assoc.         | <u>500,000</u>      | 2.23 years                       |
|  | <u>\$ 4,320,000</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  | \$ 4,320,000      | Aaa           | Moody's                    |
| MBIA Gov. Investment Pool | 532,495           | AAA/m         | S&P                        |
| Bank Investment Pools     | 524,705           | 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 (10%), and Federal Home Loan Banks (5%).

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2015

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

| <u>Governmental Activities:</u>    | <u>Beginning<br/>Balance</u> | <u>Additions</u>    | <u>Deletions</u>    | <u>Ending<br/>Balance</u> |
|------------------------------------|------------------------------|---------------------|---------------------|---------------------------|
| Capital Assets, not depreciated:   |                              |                     |                     |                           |
| Land                               | \$ 3,656,450                 | \$ -                | \$ -                | \$ 3,656,450              |
| Capital Assets, being depreciated: |                              |                     |                     |                           |
| Buildings and Improvements         | 4,254,442                    | 540,480             | -                   | 4,794,922                 |
| Improvements-Non Building          | 2,573,881                    | -                   | -                   | 2,573,881                 |
| Machinery and Equipment            | 2,908,436                    | -                   | -                   | 2,908,436                 |
| Infrastructure                     | 33,825,826                   | 668,768             | (1,573,775)         | 32,920,819                |
| Internal Service Fund              | 6,022,518                    | 437,933             | -                   | 6,460,451                 |
|                                    | <u>49,585,103</u>            | <u>1,647,181</u>    | <u>(1,573,775)</u>  | <u>49,658,509</u>         |
| Less: Accumulated Depreciation:    |                              |                     |                     |                           |
| Buildings and Improvements         | (1,749,926)                  | (133,343)           | -                   | (1,883,269)               |
| Improvements-Non Building          | (538,985)                    | (77,988)            | -                   | (616,973)                 |
| Machinery and Equipment            | (2,142,323)                  | (201,233)           | -                   | (2,343,556)               |
| Infrastructure                     | (16,523,382)                 | (1,642,882)         | 972,013             | (17,194,251)              |
| Internal Service Fund              | (2,767,258)                  | (358,629)           | -                   | (3,125,887)               |
|                                    | <u>(23,721,874)</u>          | <u>(2,414,075)</u>  | <u>972,013</u>      | <u>(25,163,936)</u>       |
| Governmental Activities            |                              |                     |                     |                           |
| Capital Assets, net                | \$ <u>29,519,679</u>         | \$ <u>(766,894)</u> | \$ <u>(601,762)</u> | \$ <u>28,151,023</u>      |

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2015

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets – Continued

| <u>Business-type Activities:</u>      | <u>Beginning<br/>Balance</u> | <u>Additions</u>    | <u>Deletions</u> | <u>Ending<br/>Balance</u> |
|---------------------------------------|------------------------------|---------------------|------------------|---------------------------|
| Capital Assets, not depreciated:      |                              |                     |                  |                           |
| Land                                  | \$ 363,253                   | \$ -                | \$ -             | \$ 363,253                |
| Capital Assets, being depreciated:    |                              |                     |                  |                           |
| Sewage Disposal System                | 14,711,113                   | 564,266             | -                | 15,275,379                |
| Water Distribution System             | 11,883,600                   | 738,203             | -                | 12,621,803                |
| Improvements Parking Lots & Platforms | 166,609                      | 6,784,133           | -                | 6,950,742                 |
| Parking Meters                        | 297,266                      | 248,828             | -                | 546,094                   |
| Other Equipment                       | 57,330                       | -                   | -                | 57,330                    |
|                                       | <u>27,115,918</u>            | <u>8,335,430</u>    | <u>-</u>         | <u>35,451,348</u>         |
| Less: Accumulated Depreciation:       |                              |                     |                  |                           |
| Sewage Disposal System                | (3,664,857)                  | (297,301)           | -                | (3,962,158)               |
| Water Distribution System             | (3,748,278)                  | (213,734)           | -                | (3,962,012)               |
| Improvements Parking Lots & Platforms | (166,609)                    | (14,447)            | -                | (181,056)                 |
| Parking Meters                        | (59,776)                     | (6,648)             | -                | (66,424)                  |
| Other Equipment                       | (57,330)                     | -                   | -                | (57,330)                  |
|                                       | <u>(7,696,850)</u>           | <u>(532,130)</u>    | <u>-</u>         | <u>(8,228,980)</u>        |
| Business-type Activities              |                              |                     |                  |                           |
| Capital Assets, net                   | <u>\$ 19,782,321</u>         | <u>\$ 7,803,300</u> | <u>\$ -</u>      | <u>\$ 27,585,621</u>      |

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

|  |                     |
|--|---------------------|
| General Government                       | \$ 77,919           |
| Public Safety                            | 211,390             |
| Public Works                             | 1,599,911           |
| Community Development                    | 116,288             |
| Recreation and Cultural                  | 49,938              |
| Charged though Internal<br>Service Funds | 358,629             |
|  | <u>\$ 2,414,075</u> |

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2015

III. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers

The composition of interfund transfers at June 30, 2015 are as follows:

| <u>Transfers In</u>      | <u>Transfers Out</u>     | <u>Amount</u>       |
|--------------------------|--------------------------|---------------------|
| Local Street Fund        | General Fund             | \$ 625,141          |
| Cemetery                 | General Fund             | 116,255             |
| Local Street Fund        | Major Street Fund        | 240,000             |
| Local Street Fund        | DDA                      | 125,000             |
| Capital Projects General | DDA                      | 120,095             |
| Auto Parking System      | DDA                      | 63,750              |
| Auto Parking System      | Capital Projects General | 350,000             |
| Capital Projects General | General Fund             | 200,000             |
| Auto Parking System      | General Fund             | 50,000              |
|                          |                          | <u>\$ 1,890,241</u> |

Transfers represent the following:

Transfer are operating transfers to fund parking, 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, 2015:

Water & Sewer System Fund:

Cash and investments restricted for  
Water & Sewer Capital Improvement \$2,704,505

Automobile Parking Fund:

Restricted Cash - Unspent Bond Proceeds \$5,763,046

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2015

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, 2015:

|   | <u>Balance</u><br><u>July 1, 2014</u> | <u>Additions</u>     | <u>Reductions</u>   | <u>Balance</u><br><u>June 30, 2015</u> | <u>Balance</u><br><u>Within 1 Year</u> |
|---|---------------------------------------|----------------------|---------------------|--|--|
| Governmental Activities:  |                                       |                      |                     |  |  |
| 2013 Refunding Bonds maturing through 4-1-2021, interest 1.43%                          | \$ 895,000                            | \$ -                 | \$ (85,000)         | \$ 810,000                             | \$ 110,000                             |
| Land Contracts Payable due 4-1-2025, interest at 4.5%                                   | <u>630,973</u>                        | <u>-</u>             | <u>(630,973)</u>    | <u>-</u>                               | <u>-</u>                               |
|   | 1,525,973                             | -                    | (715,973)           | 810,000                                | 110,000                                |
| Compensated Absences  | <u>351,622</u>                        | <u>80,140</u>        | <u>(71,089)</u>     | <u>360,673</u>                         | <u>82,470</u>                          |
|   | <u>\$ 1,877,595</u>                   | <u>\$ 80,140</u>     | <u>\$ (787,062)</u> | <u>\$ 1,170,673</u>                    | <u>\$ 192,470</u>                      |
| Business-type Activities:   |                                       |                      |                     |  |  |
| 2010 Oakland-Macomb Interceptor bonds maturing through 4-1-2031, interest 2.50%         | \$ 666,207                            | \$ -                 | \$ (31,793)         | \$ 634,414                             | \$ 32,664                              |
| 2010B Oakland-Macomb Interceptor bonds maturing through 4-1-2030, interest 1.15%-5.90%  | 168,838                               | -                    | (7,259)             | 161,579                                | 7,549                                  |
| 2011 Oakland-Macomb Interceptor bonds maturing through 10-1-2033, interest 2.50%        | 910,094                               | -                    | (35,648)            | 874,446                                | 36,539                                 |
| 2013A Oakland-Macomb Interceptor bonds maturing through 10-1-2033, interest 2.00%       | 1,985,952                             | -                    | -                   | 1,985,952                              | 81,706                                 |
| 2014A Oakland-Macomb Interceptor bonds maturing through 10-1-2034, interest 2.00%-3.50% | -                                     | 232,280              | -                   | 232,280                                | 8,420                                  |
| 2015 Capital Improvement Parking bonds maturing through 5-1-2035, interest 2.00%-3.00%  | -                                     | 12,000,000           | -                   | 12,000,000                             | 355,000                                |
| Land Contracts Payable due 4-1-2025, interest at 4.5%                                   | <u>-</u>                              | <u>630,973</u>       | <u>(46,452)</u>     | <u>584,521</u>                         | <u>48,586</u>                          |
|   | <u>\$ 3,731,091</u>                   | <u>\$ 12,863,253</u> | <u>\$ (121,152)</u> | <u>\$ 16,473,192</u>                   | <u>\$ 570,464</u>                      |

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2015

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, 2015 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>     |
| 2016              | \$ 110,000                     | \$ 11,583        | \$ 570,464                      | \$ 481,690          |
| 2017              | 135,000                        | 10,010           | 682,296                         | 395,846             |
| 2018              | 130,000                        | 8,080            | 698,361                         | 380,429             |
| 2019              | 150,000                        | 6,220            | 715,001                         | 364,574             |
| 2020              | 145,000                        | 4,076            | 731,866                         | 348,274             |
| 2021-2025         | 140,000                        | 2,002            | 3,975,233                       | 1,481,848           |
| 2026-2030         | -                              | -                | 4,308,636                       | 1,024,395           |
| 2031-2035         | -                              | -                | 4,791,335                       | 399,911             |
|                   | <u>\$ 810,000</u>              | <u>\$ 41,971</u> | <u>\$ 16,473,192</u>            | <u>\$ 4,876,967</u> |

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 2014 tax roll is as follows (tax rate per \$1,000 of assessed valuation):

|                          |                      |
|--------------------------|----------------------|
| General Operating        | 11.5964              |
| Older Persons Comm.      | .2440                |
| Older Persons Comm. Debt | <u>.1900</u>         |
| Total                    | <u>12.0304</u> mills |

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2015

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

Plan Description

The City contributes to the Municipal Employees' Retirement System of Michigan (MERS), which is an agent multiple-employer defined benefit pension plan that covers all full time employees of the City. MERS was established by the Michigan Legislature in 1945 and is administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained at *mersofmich.com*.

Benefits Provided

The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries, as established by Public Act 427 of 1984, as amended. The Plan covers all full-time employees at the City including union and non-union employees. Benefits are calculated as 2.5 percent of the employee's three-year final average compensation for administrative and police command employees, and five-year final average compensation for police patrol, dispatch, and public works employees, times the employee's years of service with a maximum of 80 percent of final average compensation. Normal retirement age is 60. Deferred retirement benefits vest after 10 years of credited service but are not paid until the date retirement would have occurred if the member had remained an employee.

Benefit terms, within the guidelines established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Police employee benefit terms may be subject to binding arbitration in certain circumstances.

Employees Covered by Benefit Terms

At the December 31, 2014 measurement date, the following employees were covered by the benefit terms:

|   |            |
|---|------------|
| Inactive plan members or beneficiaries currently receiving benefits | 54         |
| Inactive plan members entitled to but not yet receiving benefits    | 1          |
| Active Plan Members   | <u>47</u>  |
| Total Employees covered by MERS                                     | <u>102</u> |

Contributions

The State of Michigan Constitution, Article 9, Section 24, requires that financial benefits arising on account of employee services rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution.

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2015

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2015, the average active employee contribution rate was 5 percent of gross wages for all employees except for Public Works employees who contribute 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200.

Net Pension Liability

The net pension liability reported at June 30, 2015 was determined using a measure of the total pension liability and the plan net position as of December 31, 2014. The December 31, 2014 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

| <u>Changes in Net Pension Liability</u> | <u>Increase (Decrease)</u>     |                          |                              |
|---|--------------------------------|--------------------------|------------------------------|
|   | <u>Total Pension Liability</u> | <u>Plan Net Position</u> | <u>Net Pension Liability</u> |
| Balance at December 31, 2013            | \$ 19,596,855                  | \$ 13,900,648            | \$ 5,696,207                 |
| Service Cost                            | 353,366                        | -                        | 353,366                      |
| Interest                                | 1,524,423                      | -                        | 1,524,423                    |
| Contributions-Employer                  | -                              | 487,578                  | (487,578)                    |
| Contributions-Employee                  | -                              | 160,405                  | (160,405)                    |
| Net Investment Income                   | -                              | 860,051                  | (860,051)                    |
| Benefit Payments, including refunds     | (1,436,489)                    | (1,436,489)              | -                            |
| Administrative Expenses                 | -                              | (31,456)                 | 31,456                       |
| Net Changes                             | <u>441,300</u>                 | <u>40,089</u>            | <u>401,211</u>               |
| Balance at December 31, 2014            | <u>\$ 20,038,155</u>           | <u>\$ 13,940,737</u>     | <u>\$ 6,097,418</u>          |

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2015

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$512,316. At June 30, 2015, the City reported deferred outflows of resources related to pensions from the following sources:

| Source   | Deferred<br>Outflows of<br>Resources |
|--|--------------------------------------|
| Net difference between projected and actual earnings on pension plan investments | \$ 175,360                           |
| Employer contributions to the plan subsequent to the measurement date            | <u>256,158</u>                       |
| Total  | <u>\$ 431,518</u>                    |

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$256,158), which will impact the net pension liability in fiscal year 2016, rather than pension expense.

| Years Ending<br>June 30 | Amount    |
|-------------------------|-----------|
| 2016                    | \$ 43,840 |
| 2017                    | 43,840    |
| 2018                    | 43,840    |
| 2019                    | 43,840    |

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |       |
|---------------------------|-------|
| Inflation                 | 3.00% |
| Salary increases          | 4.50% |
| Investment rate of return | 8.25% |

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2015

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Mortality rates were based on the 1994 Group Annuity Mortality Table of a 50 percent male and 50 percent female blend. For disabled retirees, the regular mortality table is used with a 10 year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study in 2008. The MERS retirement board is currently conducting an actuarial experience study covering the period from January 1, 2009 through December 31, 2013.

Discount Rate

The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2014, the measurement date, for each major asset class are summarized in the following table:

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2015

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

| <u>Asset Class</u>      | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|-------------------------|--------------------------|---|
| Global Equity           | 58%                      | 5.0%  |
| Global Fixed Income     | 20%                      | 2.2%  |
| Real Assets             | 12%                      | 4.2%  |
| Diversifying strategies | 10%                      | 6.6%  |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 8.25 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

|                       | <u>1% Decrease<br/>(7.25%)</u> | <u>Current<br/>Discount Rate<br/>(8.25%)</u> | <u>1% Increase<br/>(9.25%)</u> |
|-----------------------|--------------------------------|--|--------------------------------|
| Net Pension Liability | \$ <u>8,286,476</u>            | \$ <u>6,097,418</u>                          | \$ <u>4,238,672</u>            |

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2015

IV. OTHER INFORMATION - Continued

B. Firefighters Defined Benefit Plan

The City of Rochester established a defined benefit plan as of July 1, 1989 for the Rochester Volunteer Firefighters Association. During fiscal year 2015, the defined benefit plan was terminated through mutual consent of the City Council and the Rochester Volunteer Firefighters Association. The City had an actuarial valuation performed to determine the final amount necessary to have the plan 100% funded, and then in June 2015, distributed the respective amounts to the respective firefighters, resulting in total disbursement of the funds in the plan.

C. 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 \$52,374.

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2015

IV. OTHER INFORMATION – Continued

D. 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 \$374,251.

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, 2015, 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)          | \$ 218,857   |
| Interest on the prior year's net OPEB obligation    | 14,530       |
| Less adjustment to the annual required contribution | -            |
| Annual OPEB Cost                                    | 233,387      |
| <br>Amounts Contributed:                            |              |
| Payments of current premiums                        | (374,251)    |
| Advance funding                                     | (72,474)     |
| Increase(Decrease) in net OPEB obligation           | (213,338)    |
| OPEB obligation (asset) - Beginning of Year         | (744,314)    |
| OPEB obligation (asset) - End of Year               | \$ (957,652) |

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2015

IV. OTHER INFORMATION – Continued

D. Post Retirement Health Care Benefits – Continued

| <u>Fiscal Year</u><br><u>Ended</u> | <u>Actuarial</u><br><u>Valuation</u><br><u>Date</u> | <u>Annual</u><br><u>Required</u><br><u>Contribution</u> | <u>Annual</u><br><u>OPEB Costs</u> | <u>Percentage</u><br><u>of ARC</u><br><u>Contributed</u> | <u>Net OPEB</u><br><u>Obligation</u> |
|------------------------------------|---|---|------------------------------------|--|--------------------------------------|
| 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)                         |
| 6/30/2015                          | 6/30/2015   | \$ 218,857  | \$ 233,387                         | 204%   | \$ (957,652)                         |
| Valuation as of:                   |   | <u>June 30, 2013</u>                                    | <u>June 30, 2014</u>               | <u>June 30, 2015</u>                                     |                                      |
| Actuarial Value of Assets          |   | \$ 7,360,000  | \$ 8,375,000                       | \$ 8,950,000   |                                      |
| Actuarial Accrued Liability        |   | 7,655,718   | 7,859,569                          | 9,052,230  |                                      |
| Unfunded AAL                       |   | 295,718   | (515,431)                          | 102,230  |                                      |
| Funded Ratio                       |   | 96.14%  | 106.56%                            | 98.87%   |                                      |
| Annual Covered Payroll             |   | not available   | not available                      | not available  |                                      |
| Ratio of UAAL to covered payroll   |   | n/a   | n/a                                | n/a  |                                      |

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, 2015 calculation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.0 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.

CITY OF ROCHESTER  
Notes to Financial Statements  
June 30, 2015

IV. OTHER INFORMATION – Continued

E. 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.

F. Restatement

During fiscal year 2015, the City adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, the government-wide statements now include a net pension liability, as detailed in the defined benefit pension footnote. The financial statements for the year ended June 30, 2014 have been restated to reflect the adoption of this pronouncement as follows:

| Source   | Governmental<br>Activities  |
|--|-----------------------------|
| Net Position - June 30, 2014, as previously reported | \$ 43,405,116               |
| Adjustment for Implementation of GASB Stmt No. 68    | <u>(5,464,787)</u>          |
| Net Position - June 30, 2014, as restated            | \$ <u><u>37,940,329</u></u> |

G. Upcoming Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued two new pronouncements in June 2015, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which will enhance the note disclosures and schedules of required supplementary information for Other Postemployment Benefit Plans (OPEB). GASB Statement No. 74 will provide information about measures of net OPEB liabilities and an analysis of why those liabilities change from year to year. GASB Statement No. 75 establishes standards for governmental employer recognition, measurement, and presentation of information about OPEB plans. GASB Statement No. 74 will be effective for fiscal years beginning after June 15, 2016 and GASB Statement No. 75 will be effective for fiscal years beginning after June 15, 2017.

REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF ROCHESTER**  
**Required Supplemental Information**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**Last Fiscal Year (schedule is built prospectively upon implementation of GASB 68)**

|   | 2015              |
|---|-------------------|
| Total Pension Liability:  |                   |
| Service Cost  | \$ 353,366        |
| Interest  | 1,524,423         |
| Benefit payments, including refunds                                       | (1,436,489)       |
| Net Change in Total Pension Liability                                     | 441,300           |
| <br>Total Pension Liability, Beginning of year                            | <br>19,596,855    |
| <br>Total Pension Liability, End of year                                  | <br>\$ 20,038,155 |
| <br>Plan Fiduciary Net Position:  |                   |
| Contributions - Employer  | \$ 487,578        |
| Contributions - Employee  | 160,405           |
| Net Investment Income   | 860,051           |
| Administrative Expenses   | (31,456)          |
| Benefit payments, including refunds                                       | (1,436,489)       |
| Net Change in Plan Fiduciary Net Position                                 | 40,089            |
| <br>Plan Fiduciary Net Position, Beginning of year                        | <br>13,900,648    |
| <br>Plan Fiduciary Net Position, End of year                              | <br>\$ 13,940,737 |
| <br>City's Net Pension Liability - Ending                                 | <br>\$ 6,097,418  |
| <br>Plan Fiduciary Net Position as a Percent of Total Pension Liability   | <br>69.6%         |
| <br>Covered Employee Payroll  | <br>\$ 3,052,455  |
| <br>City's Net Pension Liability as a Percent of Covered Employee Payroll | <br>199.8%        |



**CITY OF ROCHESTER**  
**Required Supplemental Information**  
**Schedule of City Pension Contributions**  
**Last Ten Fiscal Years**

|  | 2015         | 2014         | 2013         | 2012         | 2011         | 2010         | 2009         | 2008         | 2007         | 2006         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution                                  | \$ 512,316   | \$ 462,840   | \$ 418,456   | \$ 369,520   | \$ 373,682   | \$ 301,526   | \$ 306,246   | \$ 270,158   | \$ 295,035   | \$ 238,884   |
| Contributions in relation to the actuarially determined contribution | 512,316      | 462,840      | 418,456      | 369,520      | 373,682      | 301,526      | 306,246      | 270,158      | 295,035      | 238,884      |
| Contribution Deficiency  | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| Covered Employee Payroll   | \$ 3,052,455 | \$ 3,121,445 | \$ 3,411,044 | \$ 3,337,673 | \$ 3,348,219 | \$ 3,325,050 | \$ 3,702,990 | \$ 3,246,295 | \$ 3,280,051 | \$ 3,289,737 |
| Contributions as a Percentage of Covered Employee Payroll            | 16.8%        | 14.8%        | 12.3%        | 11.1%        | 11.2%        | 9.1%         | 8.3%         | 8.3%         | 9.0%         | 7.3%         |

Actuarial valuation information relative to the determination of contributions:  
 Actuarially determined contribution rates are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates:

|                               |   |
|-------------------------------|---|
| Actuarial Cost Method         | Entry-age normal  |
| Amortization Method           | Level percentage of pay, open   |
| Remaining Amortization Period | 24 years  |
| Asset Valuation Method        | 10 year smoothed market   |
| Inflation                     | 3 - 4%  |
| Salary Increases              | 4.5% including inflation  |
| Investment Rate of Return     | 8%  |
| Retirement Age                | Experience based tables of rates that are specific to the type of eligibility condition |
| Mortality                     | 50% Male - 50% Female blend of the 1994 Group Annuity Mortality Table                   |



**CITY OF ROCHESTER**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2015**

|  | <u>Budgeted Amounts</u> |                     | <u>Actual</u>       | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|---------------------|---------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>        |                     |                                       |
| <b>Revenues:</b>                                     |                         |                     |                     |                                       |
| General Property Taxes                               | \$ 7,090,237            | \$ 7,164,523        | \$ 7,171,623        | \$ 7,100                              |
| Licenses and Permits                                 | 281,900                 | 335,103             | 350,646             | 15,543                                |
| Intergovernmental - State and Local                  | 1,199,850               | 1,240,782           | 1,231,240           | (9,542)                               |
| Charges for Services                                 | 929,987                 | 845,073             | 890,887             | 45,814                                |
| Franchise Fees                                       | 240,000                 | 259,356             | 259,356             | -                                     |
| Fines  | 92,500                  | 75,000              | 83,053              | 8,053                                 |
| Interest   | 40,000                  | 43,280              | 42,552              | (728)                                 |
| Reimbursements                                       | 79,000                  | 54,000              | 57,854              | 3,854                                 |
| Other Revenues                                       | 45,000                  | 76,958              | 92,423              | 15,465                                |
| Total Revenues                                       | <u>9,998,474</u>        | <u>10,094,075</u>   | <u>10,179,634</u>   | <u>85,559</u>                         |
| <b>Expenditures:</b>                                 |                         |                     |                     |                                       |
| General Government:                                  |                         |                     |                     |                                       |
| City Council   | 73,359                  | 73,347              | 73,214              | 133                                   |
| City Manager   | 461,942                 | 439,495             | 430,469             | 9,026                                 |
| Elections  | 40,963                  | 33,989              | 34,405              | (416)                                 |
| Finance  | 624,074                 | 619,515             | 614,641             | 4,874                                 |
| City Clerk   | 145,181                 | 173,929             | 173,305             | 624                                   |
| Board of Review                                      | 2,123                   | 1,695               | 1,695               | -                                     |
| Civic Center   | 93,916                  | 100,169             | 99,994              | 175                                   |
| Other General Services                               | 335,891                 | 421,235             | 423,084             | (1,849)                               |
| Total General Government                             | <u>1,777,449</u>        | <u>1,863,374</u>    | <u>1,850,807</u>    | <u>12,567</u>                         |
| Public Safety:                                       |                         |                     |                     |                                       |
| Police   | 3,387,572               | 3,441,855           | 3,432,295           | 9,560                                 |
| Fire   | 1,091,952               | 1,323,070           | 1,326,744           | (3,674)                               |
| Protective Inspections                               | 224,982                 | 221,202             | 222,498             | (1,296)                               |
| Total Public Safety                                  | <u>4,704,506</u>        | <u>4,986,127</u>    | <u>4,981,537</u>    | <u>4,590</u>                          |
| Community Development:                               |                         |                     |                     |                                       |
| Planning Commission                                  | 37,650                  | 39,875              | 37,064              | 2,811                                 |
| Zoning Board of Appeals                              | 1,975                   | 1,692               | 2,146               | (454)                                 |
| Total Community Development                          | <u>39,625</u>           | <u>41,567</u>       | <u>39,210</u>       | <u>2,357</u>                          |
| Public Works:  |                         |                     |                     |                                       |
| Department of Public Works                           | 357,660                 | 373,053             | 326,869             | 46,184                                |
| Sanitation   | 405,729                 | 447,472             | 445,141             | 2,331                                 |
| Environmental Services                               | 335,276                 | 324,638             | 331,929             | (7,291)                               |
| Total Public Works                                   | <u>1,098,665</u>        | <u>1,145,163</u>    | <u>1,103,939</u>    | <u>41,224</u>                         |
| Recreation and Cultural:                             |                         |                     |                     |                                       |
| Parks and Recreation                                 | 576,157                 | 566,493             | 562,260             | 4,233                                 |
| Library  | 437,751                 | 437,751             | 437,751             | -                                     |
| Older Persons Commission                             | 53,125                  | 53,044              | 53,030              | 14                                    |
| Historical Commission                                | 10,000                  | 7,000               | 6,284               | 716                                   |
| Total Recreation and Cultural                        | <u>1,077,033</u>        | <u>1,064,288</u>    | <u>1,059,325</u>    | <u>4,963</u>                          |
| Contingencies  | 50,000                  | -                   | -                   | -                                     |
| Total Expenditures                                   | <u>8,747,278</u>        | <u>9,100,519</u>    | <u>9,034,818</u>    | <u>65,701</u>                         |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 1,251,196               | 993,556             | 1,144,816           | 151,260                               |
| Other Financing Uses:                                |                         |                     |                     |                                       |
| Operating Transfers Out                              | <u>(1,251,198)</u>      | <u>(991,396)</u>    | <u>(991,396)</u>    | -                                     |
| Change in Fund Balance                               | (2)                     | 2,160               | 153,420             | 151,260                               |
| Fund Balance - July 1                                | <u>8,431,838</u>        | <u>8,431,838</u>    | <u>8,431,838</u>    | -                                     |
| Fund Balance - June 30                               | <u>\$ 8,431,836</u>     | <u>\$ 8,433,998</u> | <u>\$ 8,585,258</u> | <u>\$ 151,260</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, 2015**

|  | <b>Budgeted Amounts</b> |                   | <b>Actual</b>     | <b>Variance with<br/>Final Budget</b> |
|--|-------------------------|-------------------|-------------------|---------------------------------------|
|  | <b>Original</b>         | <b>Final</b>      |                   |                                       |
| Revenues:  |                         |                   |                   |                                       |
| State  | \$ 502,363              | \$ 526,308        | \$ 494,388        | \$ (31,920)                           |
| Interest   | 2,500                   | 2,372             | 2,316             | (56)                                  |
| Other  | -                       | 85,968            | 85,968            | -                                     |
| Total Revenues                                       | <u>504,863</u>          | <u>614,648</u>    | <u>582,672</u>    | <u>(31,976)</u>                       |
| Expenditures:  |                         |                   |                   |                                       |
| Highways and Streets:                                |                         |                   |                   |                                       |
| General Administration                               | 9,887                   | 8,668             | 25,036            | (16,368)                              |
| Routine Maintenance                                  | 260,912                 | 271,300           | 204,074           | 67,226                                |
| Street Construction                                  | 47,597                  | 122,274           | 113,985           | 8,289                                 |
| Traffic Services                                     | 48,374                  | 84,663            | 80,390            | 4,273                                 |
| Winter Maintenance                                   | 138,097                 | 121,896           | 113,203           | 8,693                                 |
| Total Expenditures                                   | <u>504,867</u>          | <u>608,801</u>    | <u>536,688</u>    | <u>72,113</u>                         |
| Excess (Deficiency) of<br>Revenues Over Expenditures | <u>(4)</u>              | <u>5,847</u>      | <u>45,984</u>     | <u>40,137</u>                         |
| Other Financing Sources (Uses):                      |                         |                   |                   |                                       |
| Operating Transfers Out                              | -                       | (240,000)         | (240,000)         | -                                     |
| Total Other Financing Sources (Uses)                 | <u>-</u>                | <u>(240,000)</u>  | <u>(240,000)</u>  | <u>-</u>                              |
| Net Change in Fund Balance                           | (4)                     | (234,153)         | (194,016)         | 40,137                                |
| Fund Balance - July 1                                | <u>1,124,728</u>        | <u>1,124,728</u>  | <u>1,124,728</u>  | <u>-</u>                              |
| Fund Balance - June 30                               | <u>\$ 1,124,724</u>     | <u>\$ 890,575</u> | <u>\$ 930,712</u> | <u>\$ 40,137</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, 2015**

|  | <u>Budgeted Amounts</u> |                   | <u>Actual</u>     | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|-------------------|-------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>      |                   |                                       |
| <b>Revenues:</b>                                     |                         |                   |                   |                                       |
| State  | \$ 202,089              | \$ 298,215        | \$ 271,916        | \$ (26,299)                           |
| Special Assessments                                  | 50,982                  | 37,833            | 37,764            | (69)                                  |
| Interest   | 2,500                   | 1,270             | 1,270             | -                                     |
| Other  | 500                     | 41,822            | 10,119            | (31,703)                              |
| Total Revenues                                       | <u>256,071</u>          | <u>379,140</u>    | <u>321,069</u>    | <u>(58,071)</u>                       |
| <b>Expenditures:</b>                                 |                         |                   |                   |                                       |
| <b>Highways and Streets:</b>                         |                         |                   |                   |                                       |
| General Administration                               | 19,669                  | 26,838            | 25,793            | 1,045                                 |
| Routine Maintenance                                  | 266,986                 | 267,477           | 276,916           | (9,439)                               |
| Street Construction                                  | 432,525                 | 700,482           | 776,063           | (75,581)                              |
| Traffic Services                                     | 60,819                  | 52,894            | 41,247            | 11,647                                |
| Winter Maintenance                                   | 101,214                 | 142,376           | 122,437           | 19,939                                |
| Total Expenditures                                   | <u>881,213</u>          | <u>1,190,067</u>  | <u>1,242,456</u>  | <u>(52,389)</u>                       |
| Excess (Deficiency) of<br>Revenues Over Expenditures | <u>(625,142)</u>        | <u>(810,927)</u>  | <u>(921,387)</u>  | <u>(110,460)</u>                      |
| Other Financing Sources:<br>Operating Transfers In   | <u>625,141</u>          | <u>865,141</u>    | <u>990,141</u>    | <u>125,000</u>                        |
| Net Change in Fund Balance                           | (1)                     | 54,214            | 68,754            | 14,540                                |
| Fund Balance - July 1                                | <u>669,723</u>          | <u>669,723</u>    | <u>669,723</u>    | <u>-</u>                              |
| Fund Balance - June 30                               | <u>\$ 669,722</u>       | <u>\$ 723,937</u> | <u>\$ 738,477</u> | <u>\$ 14,540</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, 2015**

|  | <u>Budgeted Amounts</u> |                  | <u>Actual</u>    | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|------------------|------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>     |                  |                                       |
| Revenues:  |                         |                  |                  |                                       |
| Property Taxes                                       | \$ 1,032,440            | \$ 1,032,440     | \$ 1,143,326     | \$ 110,886                            |
| Charges for Services                                 | 71,000                  | 83,150           | 74,325           | (8,825)                               |
| Interest   | 1,200                   | 1,200            | 937              | (263)                                 |
| Other  | 500                     | 500              | 12,839           | 12,339                                |
| Total Revenues                                       | <u>1,105,140</u>        | <u>1,117,290</u> | <u>1,231,427</u> | <u>114,137</u>                        |
| Expenditures:  |                         |                  |                  |                                       |
| Community Development:                               |                         |                  |                  |                                       |
| Downtown Development                                 | <u>890,748</u>          | <u>882,874</u>   | <u>878,786</u>   | <u>4,088</u>                          |
| Excess (Deficiency) of<br>Revenues Over Expenditures | <u>214,392</u>          | <u>234,416</u>   | <u>352,641</u>   | <u>118,225</u>                        |
| Other Financing Sources (Uses):                      |                         |                  |                  |                                       |
| Operating Transfers Out                              | <u>(214,390)</u>        | <u>(214,390)</u> | <u>(308,845)</u> | <u>(94,455)</u>                       |
| Total Other Financing Sources (Uses)                 | <u>(214,390)</u>        | <u>(214,390)</u> | <u>(308,845)</u> | <u>(94,455)</u>                       |
| Net Change in Fund Balance                           | 2                       | 20,026           | 43,796           | 23,770                                |
| Fund Balance - July 1                                | <u>130</u>              | <u>130</u>       | <u>130</u>       | <u>-</u>                              |
| Fund Balance - June 30                               | <u>\$ 132</u>           | <u>\$ 20,156</u> | <u>\$ 43,926</u> | <u>\$ 23,770</u>                      |

CITY OF ROCHESTER  
Notes to Required Supplementary Information  
June 30, 2015

Note A – Compliance and Accountability

Budgetary Information – Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and Special Revenue Funds, except that fund balance appropriations and transfers are budgeted as either revenue or expenditures to balance the budget. All annual appropriations lapse at fiscal year end.

The annual budget is prepared by the City management and adopted by the City Council. The City adopts its General Fund budget and Special Revenue Fund budgets by budgetary center (major activity or function). This is in accordance with the State's legal requirement and is the level of classification detail at which, by law, expenditures may not exceed appropriations. The budget may be amended during the year by approval of City Council.

The City Manager and/or Finance Director is authorized to transfer budgeted amounts within budgetary centers. Any revisions that will require additional appropriations from fund balance or a change in the overall appropriation as originally adopted, will require approval of the City Council.

At any meeting after the adoption of the appropriation resolution, the City Council may amend such resolution so as to authorize the transfer of unused balances appropriated for one purpose to another purpose. A formal budget amendment request is prepared by the finance director and submitted to City Council for approval.

Budgeted amounts of the revenues and expenditures presented for the General and Special Revenue Funds are reported as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original appropriations that were adopted.



OTHER SUPPLEMENTARY INFORMATION

**CITY OF ROCHESTER**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

|  | <u>Special<br/>Revenue</u> | <u>2013 G.O.<br/>Refunding Bonds<br/>Debt<br/>Service</u> | <u>Total<br/>Nonmajor<br/>Governmental<br/>Funds</u> |
|--|----------------------------|---|--|
| <b><u>ASSETS</u></b>                       |                            |   |  |
| Cash and Cash Equivalents                  | \$ 662,763                 | \$ 25,419   | \$ 688,182   |
| <br>                                       |                            |   |  |
| <b><u>LIABILITIES AND FUND BALANCE</u></b> |                            |   |  |
| Liabilities:                               |                            |   |  |
| Accounts Payable                           | \$ 8,297                   | \$ -  | \$ 8,297   |
| Accrued Liabilities                        | 40,089                     | -   | 40,089   |
| Total Liabilities                          | 48,386                     | -   | 48,386   |
| Fund Balance:                              |                            |   |  |
| Restricted for :                           |                            |   |  |
| Cemetery                                   | 492,447                    | -   | 492,447  |
| Law Enforcement Programs                   | 26,730                     | -   | 26,730   |
| Community Development Block Grant          | 4,694                      | -   | 4,694  |
| Principal Shopping District                | 90,506                     | -   | 90,506   |
| Debt Service                               | -                          | 25,419  | 25,419   |
| Total Fund Balance                         | 614,377                    | 25,419  | 639,796  |
| Total Liabilities and Fund Balance         | \$ 662,763                 | \$ 25,419   | \$ 688,182   |

**CITY OF ROCHESTER**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2015**

|  | <u>Special<br/>Revenue</u> | <u>2013 G.O.<br/>Refunding Bonds<br/>Debt<br/>Service</u> | <u>Total<br/>Nonmajor<br/>Governmental<br/>Funds</u> |
|--|----------------------------|---|--|
| <b>Revenues:</b>                                     |                            |   |  |
| Property Taxes                                       | \$ -                       | \$ 111,797  | \$ 111,797   |
| Charges for Services                                 | 475,868                    | -   | 475,868  |
| Special Assessments                                  | 212,724                    | -   | 212,724  |
| Interest   | 348                        | 20  | 368  |
| Other  | 4,350                      | -   | 4,350  |
| Total Revenues                                       | <u>693,290</u>             | <u>111,817</u>  | <u>805,107</u>                                       |
| <b>Expenditures:</b>                                 |                            |   |  |
| Public Safety  | 1,761                      | -   | 1,761  |
| Community Development                                | 570,469                    | -   | 570,469  |
| Recreation and Cultural                              | 154,992                    | -   | 154,992  |
| Debt Service:  |                            |   |  |
| Principal  | -                          | 85,000  | 85,000   |
| Interest and Other Charges                           | -                          | 12,798  | 12,798   |
| Total Expenditures                                   | <u>727,222</u>             | <u>97,798</u>   | <u>825,020</u>                                       |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>(33,932)</u>            | <u>14,019</u>   | <u>(19,913)</u>                                      |
| Other Financing Sources (Uses):                      |                            |   |  |
| Operating Transfers In                               | <u>116,255</u>             | <u>-</u>  | <u>116,255</u>                                       |
| Total Other Financing Sources (Uses)                 | <u>116,255</u>             | <u>-</u>  | <u>116,255</u>                                       |
| Change in Fund Balances                              | 82,323                     | 14,019  | 96,342   |
| Fund Balances - July 1                               | <u>532,054</u>             | <u>11,400</u>   | <u>543,454</u>                                       |
| Fund Balances - June 30                              | <u>\$ 614,377</u>          | <u>\$ 25,419</u>  | <u>\$ 639,796</u>                                    |

**CITY OF ROCHESTER**  
**Nonmajor Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2015**

|  | <u>Cemetery</u>   | <u>Drug Law<br/>Enforcement</u> | <u>Community<br/>Development<br/>Block Grant</u> | <u>Principal<br/>Shopping<br/>District</u> | <u>Total</u>      |
|--|-------------------|---------------------------------|--|--|-------------------|
| <b><u>ASSETS</u></b>                       |                   |                                 |  |  |                   |
| Cash                                       | \$ 493,797        | \$ 26,730                       | \$ 4,694   | \$ 137,542                                 | \$ 662,763        |
| <br>                                       |                   |                                 |  |  |                   |
| <b><u>LIABILITIES AND FUND BALANCE</u></b> |                   |                                 |  |  |                   |
| Liabilities:                               |                   |                                 |  |  |                   |
| Accounts Payable                           | \$ 475            | \$ -                            | \$ -   | \$ 7,822                                   | \$ 8,297          |
| Accrued Liabilities                        | 875               | -                               | -  | 39,214                                     | 40,089            |
|  | <u>1,350</u>      | <u>-</u>                        | <u>-</u>   | <u>47,036</u>                              | <u>48,386</u>     |
| Fund Balance:                              |                   |                                 |  |  |                   |
| Restricted for:                            |                   |                                 |  |  |                   |
| Cemetery                                   | 492,447           | -                               | -  | -  | 492,447           |
| Law Enforcement Programs                   | -                 | 26,730                          | -  | -  | 26,730            |
| Community Dev. Block Grant                 | -                 | -                               | 4,694  | -  | 4,694             |
| Principal Shopping District                | -                 | -                               | -  | 90,506                                     | 90,506            |
| Total Fund Balance                         | <u>492,447</u>    | <u>26,730</u>                   | <u>4,694</u>                                     | <u>90,506</u>                              | <u>614,377</u>    |
| Total Liabilities and Fund Balance         | \$ <u>493,797</u> | \$ <u>26,730</u>                | \$ <u>4,694</u>                                  | \$ <u>137,542</u>                          | \$ <u>662,763</u> |

**CITY OF ROCHESTER**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2015**

|  | <u>Cemetery</u>   | <u>Drug Law<br/>Enforcement</u> | <u>Community<br/>Development<br/>Block Grant</u> | <u>Principal<br/>Shopping<br/>District</u> | <u>Total</u>      |
|--|-------------------|---------------------------------|--|--|-------------------|
| <b>Revenues:</b>                                     |                   |                                 |  |  |                   |
| Charges for Services                                 | \$ 75,241         | \$ -                            | \$ -   | \$ 400,627                                 | \$ 475,868        |
| Special Assessments                                  | -                 | -                               | -  | 212,724                                    | 212,724           |
| Interest Earned                                      | 317               | -                               | -  | 31   | 348               |
| Other  | -                 | 4,350                           | -  | -  | 4,350             |
| Total Revenues                                       | <u>75,558</u>     | <u>4,350</u>                    | <u>-</u>   | <u>613,382</u>                             | <u>693,290</u>    |
| <b>Expenditures:</b>                                 |                   |                                 |  |  |                   |
| Public Safety  | -                 | 1,761                           | -  | -  | 1,761             |
| Community Development                                | -                 | -                               | -  | 570,469                                    | 570,469           |
| Recreation and Cultural                              | <u>154,992</u>    | <u>-</u>                        | <u>-</u>   | <u>-</u>                                   | <u>154,992</u>    |
| Total Expenditures                                   | <u>154,992</u>    | <u>1,761</u>                    | <u>-</u>   | <u>570,469</u>                             | <u>727,222</u>    |
| Excess (Deficiency) of<br>Revenues Over Expenditures | <u>(79,434)</u>   | <u>2,589</u>                    | <u>-</u>   | <u>42,913</u>                              | <u>(33,932)</u>   |
| Other Financing Sources (Uses):                      |                   |                                 |  |  |                   |
| Transfers In   | <u>116,255</u>    | <u>-</u>                        | <u>-</u>   | <u>-</u>                                   | <u>116,255</u>    |
|  | <u>116,255</u>    | <u>-</u>                        | <u>-</u>   | <u>-</u>                                   | <u>116,255</u>    |
| Net Change in Fund Balance                           | 36,821            | 2,589                           | -  | 42,913                                     | 82,323            |
| Fund Balance - July 1                                | <u>455,626</u>    | <u>24,141</u>                   | <u>4,694</u>                                     | <u>47,593</u>                              | <u>532,054</u>    |
| Fund Balance - June 30                               | <u>\$ 492,447</u> | <u>\$ 26,730</u>                | <u>\$ 4,694</u>                                  | <u>\$ 90,506</u>                           | <u>\$ 614,377</u> |

**CITY OF ROCHESTER**  
**Cemetery Fund**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2015**

|  | <u>Budgeted Amounts</u> |                   | <u>Actual</u>     | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|-------------------|-------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>      |                   |                                       |
| <b>Revenues:</b>                                     |                         |                   |                   |                                       |
| Charges for Services                                 | \$ 45,000               | \$ 74,215         | \$ 75,241         | \$ 1,026                              |
| Interest   | -                       | 313               | 317               | 4                                     |
| Total Revenues                                       | <u>45,000</u>           | <u>74,528</u>     | <u>75,558</u>     | <u>1,030</u>                          |
| <b>Expenditures:</b>                                 |                         |                   |                   |                                       |
| Cemetery Maintenance                                 | <u>161,254</u>          | <u>167,252</u>    | <u>154,992</u>    | <u>12,260</u>                         |
| Excess (Deficiency) of<br>Revenues Over Expenditures | <u>(116,254)</u>        | <u>(92,724)</u>   | <u>(79,434)</u>   | <u>13,290</u>                         |
| <b>Other Financing Sources:</b>                      |                         |                   |                   |                                       |
| Operating Transfers In                               | <u>116,255</u>          | <u>116,255</u>    | <u>116,255</u>    | <u>-</u>                              |
| Net Change in Fund Balance                           | 1                       | 23,531            | 36,821            | 13,290                                |
| Fund Balance - July 1                                | <u>455,626</u>          | <u>455,626</u>    | <u>455,626</u>    | <u>-</u>                              |
| Fund Balance - June 30                               | <u>\$ 455,627</u>       | <u>\$ 479,157</u> | <u>\$ 492,447</u> | <u>\$ 13,290</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, 2015**

|                            | <u>Budgeted Amounts</u> |                  | <u>Actual</u>    | <u>Variance with<br/>Final Budget</u> |
|----------------------------|-------------------------|------------------|------------------|---------------------------------------|
|                            | <u>Original</u>         | <u>Final</u>     |                  |                                       |
| Revenues:                  |                         |                  |                  |                                       |
| Other Revenues             | \$ 44,000               | \$ 59,304        | \$ 4,350         | \$ (54,954)                           |
| Expenditures:              |                         |                  |                  |                                       |
| Public Safety              | 50,000                  | 56,715           | 1,761            | 54,954                                |
| Net Change in Fund Balance | (6,000)                 | 2,589            | 2,589            | -                                     |
| Fund Balance - July 1      | 24,141                  | 24,141           | 24,141           | -                                     |
| Fund Balance - June 30     | \$ <u>18,141</u>        | \$ <u>26,730</u> | \$ <u>26,730</u> | \$ <u>-</u>                           |

**CITY OF ROCHESTER**  
**Community Development Block Grant Fund**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2015**

|                            | <u>Budgeted Amounts</u> |                 | <u>Actual</u>   | <u>Variance with<br/>Final Budget</u> |
|----------------------------|-------------------------|-----------------|-----------------|---------------------------------------|
|                            | <u>Original</u>         | <u>Final</u>    |                 |                                       |
| Revenues:                  |                         |                 |                 |                                       |
| Federal Grants             | \$ 25,000               | \$ 25,000       | \$ -            | \$ (25,000)                           |
| Interest Income            | -                       | -               | -               | -                                     |
| Total Revenues             | <u>25,000</u>           | <u>25,000</u>   | <u>-</u>        | <u>(25,000)</u>                       |
| Expenditures:              |                         |                 |                 |                                       |
| Community Development      | <u>25,000</u>           | <u>25,000</u>   | <u>-</u>        | <u>25,000</u>                         |
| Net Change in Fund Balance | -                       | -               | -               | -                                     |
| Fund Balance - July 1      | <u>4,694</u>            | <u>4,694</u>    | <u>4,694</u>    | <u>-</u>                              |
| Fund Balance - June 30     | <u>\$ 4,694</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, 2015**

|                            | <u>Budgeted Amounts</u> |                  | <u>Actual</u>    | <u>Variance with<br/>Final Budget</u> |
|----------------------------|-------------------------|------------------|------------------|---------------------------------------|
|                            | <u>Original</u>         | <u>Final</u>     |                  |                                       |
| <b>Revenues:</b>           |                         |                  |                  |                                       |
| Charges for Services       | \$ 299,500              | \$ 281,761       | \$ 400,627       | \$ 118,866                            |
| Special Assessments        | 205,000                 | 212,269          | 212,724          | 455                                   |
| Interest                   | -                       | -                | 31               | 31                                    |
| Total Revenues             | <u>504,500</u>          | <u>494,030</u>   | <u>613,382</u>   | <u>119,352</u>                        |
| <b>Expenditures:</b>       |                         |                  |                  |                                       |
| Community Promotions       | 494,000                 | 494,000          | 570,469          | (76,469)                              |
| Total Expenditures         | <u>494,000</u>          | <u>494,000</u>   | <u>570,469</u>   | <u>(76,469)</u>                       |
| Net Change in Fund Balance | 10,500                  | 30               | 42,913           | 42,883                                |
| Fund Balance - July 1      | <u>47,593</u>           | <u>47,593</u>    | <u>47,593</u>    | <u>-</u>                              |
| Fund Balance - June 30     | <u>\$ 58,093</u>        | <u>\$ 47,623</u> | <u>\$ 90,506</u> | <u>\$ 42,883</u>                      |

**CITY OF ROCHESTER**  
**Agency Funds**  
**Combining Statement of Net Position**  
**June 30, 2015**

|                               | <u>Tax Collection<br/>Fund</u> | <u>Payroll<br/>Fund</u> | <u>Total<br/>Agency Funds</u> |
|-------------------------------|--------------------------------|-------------------------|-------------------------------|
| <b><u>ASSETS</u></b>          |                                |                         |                               |
| Cash and Cash Equivalents     | \$ <u>          -</u>          | \$ <u>      244,100</u> | \$ <u>      244,100</u>       |
| <br>                          |                                |                         |                               |
| <b><u>LIABILITIES</u></b>     |                                |                         |                               |
| Accounts Payable              | \$           -                 | \$           -          | \$           -                |
| Accrued and Other Liabilities | <u>          -</u>             | <u>      244,100</u>    | <u>      244,100</u>          |
| Total Liabilities             | \$ <u>          -</u>          | \$ <u>      244,100</u> | \$ <u>      244,100</u>       |

**CITY OF ROCHESTER**  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the Year Ended June 30, 2015**

**Tax Collection Fund**

|                           | <u>Balance</u><br><u>June 30, 2014</u> | <u>Additions</u>     | <u>Deductions</u>    | <u>Balance</u><br><u>June 30, 2015</u> |
|---------------------------|--|----------------------|----------------------|--|
| <b><u>ASSETS</u></b>      |  |                      |                      |  |
| Cash and Cash Equivalents | \$ <u>-</u>                            | \$ <u>25,506,959</u> | \$ <u>25,506,959</u> | \$ <u>-</u>                            |
| <b><u>LIABILITIES</u></b> |  |                      |                      |  |
| Accounts Payable          | \$ <u>-</u>                            | \$ <u>25,506,959</u> | \$ <u>25,506,959</u> | \$ <u>-</u>                            |

**Payroll Fund**

|                               | <u>Balance</u><br><u>June 30, 2014</u> | <u>Additions</u>    | <u>Deductions</u>   | <u>Balance</u><br><u>June 30, 2015</u> |
|-------------------------------|--|---------------------|---------------------|--|
| <b><u>ASSETS</u></b>          |  |                     |                     |  |
| Cash and Cash Equivalents     | \$ <u>354,108</u>                      | \$ <u>4,681,743</u> | \$ <u>4,791,751</u> | \$ <u>244,100</u>                      |
| <b><u>LIABILITIES</u></b>     |  |                     |                     |  |
| Accounts Payable              | \$ <u>23,999</u>                       | \$ <u>4,092,855</u> | \$ <u>4,116,854</u> | \$ <u>-</u>                            |
| Accrued and Other Liabilities | <u>330,109</u>                         | <u>588,888</u>      | <u>674,897</u>      | <u>244,100</u>                         |
| Total Liabilities             | \$ <u>354,108</u>                      | \$ <u>4,681,743</u> | \$ <u>4,791,751</u> | \$ <u>244,100</u>                      |



STATISTICAL SECTION

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

|   | 2005-2006     | 2006-2007     | 2007-2008     | 2008-2009     | 2009-2010     | 2010-2011     | 2011-2012     | 2012-2013     | 2013-2014     | 2014-2015     |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Governmental Activities:</b>             |               |               |               |               |               |               |               |               |               |               |
| Net investment in capital assets            | \$ 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 | \$ 27,341,023 |
| Restricted                                  | 823,151       | 1,131,410     | 830,136       | 937,192       | 1,049,674     | 9,111,298     | 7,926,805     | 6,021,594     | 5,600,442     | 4,750,756     |
| Unrestricted                                | 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     | 4,450,219     |
| Total Governmental Activities Net Position  | 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    | 36,541,998    |
| <b>Business-type Activities:</b>            |               |               |               |               |               |               |               |               |               |               |
| Net investment in capital assets            | 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    | 16,875,475    |
| Restricted                                  | 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     | 2,704,505     |
| Unrestricted                                | 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     | 1,859,305     |
| Total Business-type Activities Net Position | 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    | 21,439,285    |
| <b>Primary Government:</b>                  |               |               |               |               |               |               |               |               |               |               |
| Net investment in capital assets            | 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    | 44,216,498    |
| Restricted                                  | 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    | 7,455,261     |
| Unrestricted                                | 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    | 6,309,524     |
| Total Primary Government Net Position       | 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    | 57,981,283    |

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

|  | 2005-2006         | 2006-2007         | 2007-2008         | 2008-2009         | 2009-2010         | 2010-2011         | 2011-2012         | 2012-2013         | 2013-2014         | 2014-2015         |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Expenses:</b>                                 |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Governmental Activities:</b>                  |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| General Government                               | \$ 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      | \$ 1,941,972      |
| Public Safety                                    | 3,656,032         | 3,728,349         | 3,826,669         | 4,050,383         | 4,139,177         | 4,417,135         | 4,617,009         | 4,677,987         | 4,804,877         | 5,162,930         |
| Public Works                                     | 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         | 4,192,099         |
| Community Development                            | 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         | 1,611,999         |
| Recreation and Cultural                          | 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         | 1,263,245         |
| Interest on Long-term Debt                       | 364,681           | 323,243           | 283,574           | 241,441           | 197,486           | 153,266           | 118,549           | 100,809           | 83,474            | 12,798            |
| Total Governmental Activities                    | 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        | 14,185,043        |
| <b>Business-type Activities:</b>                 |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Water & Sewer                                    | 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         | 6,177,681         |
| Automobile Parking System                        | 34,956            | 31,255            | 183,395           | 182,767           | 182,968           | 208,177           | 134,685           | 164,344           | 244,693           | 728,598           |
| Total Business-type Activities                   | 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         | 6,906,279         |
| <b>Total Primary Government Expenses</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>21,091,322</b> |
| <b>Program Revenues:</b>                         |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Governmental Activities:</b>                  |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Charges for Services:                            |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| General Government                               | 119,537           | 126,601           | 1,194,920         | 780,043           | 900,559           | 824,758           | 813,941           | 809,722           | 878,088           | 802,801           |
| Public Safety                                    | 443,474           | 366,030           | 513,396           | 343,109           | 613,200           | 744,211           | 767,365           | 1,037,970         | 875,913           | 977,804           |
| Public Works                                     | 38,466            | 40,631            | 668,215           | 102,307           | 61,587            | 48,750            | 51,201            | 50,706            | 114,622           | 133,851           |
| Community Development                            | 110,392           | 124,183           | 212,439           | 393,863           | 432,363           | 220,552           | 249,507           | 362,256           | 347,266           | 487,791           |
| Recreation and Cultural                          | 44,678            | 39,869            | 91,091            | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Operating Grants and Contributions               | 693,640           | 715,515           | 683,990           | 549,772           | 696,727           | 818,874           | 885,518           | 941,328           | 1,012,164         | 988,125           |
| Capital Grants and Contributions                 | 297,615           | 482,574           | 4,898             | 56,000            | 129,542           | 49,556            | 47,001            | 97,524            | 659,939           | 75,000            |
| Total Governmental Activities                    | 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         | 3,465,372         |
| <b>Business-type Activities:</b>                 |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Charges for Services:                            |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Water & Sewer                                    | 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         | 5,012,908         |
| Automobile Parking System                        | 79,519            | 124,991           | 98,878            | 96,185            | 93,087            | 118,510           | 62,278            | 46,912            | 175,339           | 461,692           |
| Operating Grants and Contributions               | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Capital Grants and Contributions                 | -                 | -                 | 34,100            | 6,600             | 24,000            | 52,000            | 35,800            | 424,593           | 661,742           | 122,859           |
| Total Business-type Activities                   | 3,424,777         | 3,274,724         | 3,229,618         | 3,053,775         | 3,554,396         | 4,179,636         | 4,693,255         | 5,341,511         | 5,782,151         | 5,597,459         |
| <b>Total Primary Government Program Revenues</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>  | <b>9,062,831</b>  |



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

|   | 2005-2006            | 2006-2007            | 2007-2008            | 2008-2009            | 2009-2010            | 2010-2011            | 2011-2012            | 2012-2013            | 2013-2014            | 2014-2015            |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>General Fund:</b>                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Reserved                                  | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| Unreserved                                | 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            | 8,585,258            |
| <b>Total General Fund</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>8,585,258</b>     |
| <b>All Other Governmental Funds</b>       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Reserved, reported in:                    |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Capital Projects                          | 380,162              | 660,343              | 329,341              | 348,164              | 257,718              | -                    | -                    | -                    | -                    | -                    |
| Debt Service                              | 154,713              | 163,117              | 184,845              | 160,348              | 102,764              | -                    | -                    | -                    | -                    | -                    |
| Other                                     | 298,276              | 312,950              | 315,950              | 372,315              | 502,571              | -                    | -                    | -                    | -                    | -                    |
| Unreserved, reported in:                  |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Special Revenue Funds                     | 2,748,182            | 2,803,994            | 5,169,843            | 4,245,160            | 4,160,841            | -                    | -                    | -                    | -                    | -                    |
| Capital Project Funds                     | 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            | 1,669,189            |
| Cemetery                                  | -                    | -                    | -                    | -                    | -                    | 448,400              | 433,620              | 420,320              | 455,626              | 492,447              |
| Law Enforcement Programs                  | -                    | -                    | -                    | -                    | -                    | 44,799               | 23,660               | 22,996               | 24,141               | 26,730               |
| Community Development Block Grant         | -                    | -                    | -                    | -                    | -                    | 8,113                | 8,794                | 5,885                | 4,694                | 4,694                |
| Downtown Development Authority            | -                    | -                    | -                    | -                    | -                    | 1,255,244            | 485,906              | 630                  | 130                  | 43,926               |
| Principal Shopping District               | -                    | -                    | -                    | -                    | -                    | 48,842               | 29,841               | 31,521               | 47,593               | 90,506               |
| Band Shelter                              | -                    | -                    | -                    | -                    | -                    | 237,329              | 238,082              | 238,656              | -                    | -                    |
| Debt Service                              | -                    | -                    | -                    | -                    | -                    | 33,814               | 17,908               | 17,286               | 11,400               | 25,419               |
| Capital Projects                          | -                    | -                    | -                    | -                    | -                    | 4,620,226            | 4,081,244            | 3,611,477            | 3,262,407            | 2,397,845            |
| <b>Total All Other Governmental Funds</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>4,750,756</b>     |
| <b>Total All Governmental Funds</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> | <b>\$ 13,336,014</b> |



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

|  | 2005-2006          | 2006-2007         | 2007-2008         | 2008-2009         | 2009-2010         | 2010-2011         | 2011-2012          | 2012-2013          | 2013-2014          | 2014-2015         |
|--|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|--------------------|-------------------|
| <b>Revenues:</b>   |                    |                   |                   |                   |                   |                   |                    |                    |                    |                   |
| Property Taxes   | \$ 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       | \$ 8,426,746      |
| Special Assessments  | -                  | -                 | 271,043           | 296,557           | 296,186           | 238,502           | 234,980            | 227,704            | 252,716            | 250,488           |
| Licenses and Permits   | 282,884            | 204,028           | 99,845            | 69,537            | 108,556           | 171,068           | 171,530            | 313,338            | 268,442            | 350,646           |
| Intergovernmental  | 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          | 2,072,544         |
| Charges for Services   | 773,333            | 805,973           | 1,097,993         | 756,372           | 1,057,334         | 1,142,305         | 1,067,645          | 1,269,120          | 1,327,673          | 1,441,080         |
| Fines and Forfeitures  | 63,380             | 63,059            | 106,656           | 85,928            | 97,019            | 81,149            | 92,781             | 93,265             | 80,262             | 83,053            |
| Investment Earnings  | 820,258            | 1,104,667         | 919,156           | 434,304           | 163,715           | 78,647            | 79,399             | 69,642             | 57,234             | 64,466            |
| Other  | 364,053            | 715,886           | 411,188           | 441,948           | 550,489           | 455,934           | 542,235            | 575,474            | 527,036            | 532,228           |
| <b>Total Revenues</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>13,221,251</b> |
| <b>Expenditures:</b>   |                    |                   |                   |                   |                   |                   |                    |                    |                    |                   |
| General Government   | 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          | 1,850,807         |
| Public Safety  | 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          | 4,983,298         |
| Public Works   | 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          | 2,883,083         |
| Community Development  | 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          | 1,488,465         |
| Recreation and Cultural  | 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          | 1,214,317         |
| Capital Outlay   | 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          | 935,999           |
| Debt Service:  |                    |                   |                   |                   |                   |                   |                    |                    |                    |                   |
| Principal  | 745,000            | 740,000           | 856,165           | 849,062           | 907,133           | 938,813           | 415,596            | 442,461            | 479,412            | 85,000            |
| Interest   | 309,335            | 273,407           | 283,574           | 241,441           | 197,486           | 153,266           | 118,549            | 100,809            | 53,474             | 12,798            |
| <b>Total Expenditures</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>13,453,767</b> |
| <b>Excess of Revenues over (under) Expenditures</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>(232,516)</b>  |
| <b>Other Financing Sources (Uses):</b>                         |                    |                   |                   |                   |                   |                   |                    |                    |                    |                   |
| Refunding Bond Proceeds  | -                  | -                 | -                 | -                 | -                 | -                 | -                  | -                  | 980,000            | -                 |
| Payment to Refunded Bond Escrow Agent                          | -                  | -                 | -                 | -                 | -                 | -                 | -                  | -                  | (980,000)          | -                 |
| Transfers In   | 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          | 1,426,491         |
| Transfers Out  | (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)        | (1,890,241)       |
| <b>Total Other Financing Sources (Uses)</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>(463,750)</b>  |
| <b>Net Change in Fund Balances</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>(696,266)</b>  |
| <b>Debt Service as a percentage of noncapital Expenditures</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>       | <b>0.78%</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 |
|----------|---------------------------|----------------------|---------------------|---------------------|--------------------|------------|-------------------|---------------------|-----------------|------------------------|---|
|          |                           | Residential Property | Commercial Property | Industrial Property | Developmental Real |            |                   |                     |                 |                        |   |
| 2005     | 2006                      | 519,545,935          | 116,959,330         | 40,881,210          | -                  | 44,967,270 | 722,353,745       | 870,045,785         | 1,740,091,570   | 41.51%                 |   |
| 2006     | 2007                      | 553,540,960          | 114,838,930         | 42,049,050          | -                  | 43,422,620 | 753,851,560       | 899,642,670         | 1,799,285,340   | 41.90%                 |   |
| 2007     | 2008                      | 578,389,250          | 120,682,600         | 41,523,040          | -                  | 43,403,130 | 783,998,020       | 925,431,320         | 1,850,862,640   | 42.36%                 |   |
| 2008     | 2009                      | 554,858,220          | 123,733,500         | 52,895,550          | -                  | 39,335,660 | 770,822,930       | 872,092,980         | 1,744,185,960   | 44.19%                 |   |
| 2009     | 2010                      | 518,116,780          | 130,174,140         | 53,808,740          | -                  | 39,963,070 | 742,062,730       | 807,486,870         | 1,614,973,740   | 45.95%                 |   |
| 2010     | 2011                      | 465,329,980          | 122,349,310         | 48,310,150          | -                  | 36,049,540 | 672,038,980       | 703,311,890         | 1,406,623,780   | 47.78%                 |   |
| 2011     | 2012                      | 450,001,370          | 118,289,290         | 30,684,010          | -                  | 36,063,930 | 635,038,600       | 652,438,240         | 1,304,876,480   | 48.67%                 |   |
| 2012     | 2013                      | 452,669,680          | 111,407,220         | 25,856,080          | -                  | 37,441,240 | 627,374,220       | 642,214,600         | 1,284,429,200   | 48.84%                 |   |
| 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%                 |   |
| 2014     | 2015                      | 481,434,500          | 107,587,640         | 26,003,480          | -                  | 36,548,030 | 651,573,650       | 713,911,410         | 1,427,822,820   | 45.63%                 |   |

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

| Fiscal<br>Tax<br>Year<br>Year<br>End | City<br>Operating | Debt   | OPC    | OPC<br>Debt | Total<br>Direct | Rochester            |                  |                      | Intermediate<br>Schools |                      |                      | State<br>Education | Community<br>College | Oakland<br>County<br>Operating | Oakland<br>County<br>Parks/Rec | Oakland<br>County<br>HCMA | Zoo<br>Authority | Art<br>Institute<br>Authority | Admin<br>Fee 1% | Total<br>Millage |
|--------------------------------------|-------------------|--------|--------|-------------|-----------------|----------------------|------------------|----------------------|-------------------------|----------------------|----------------------|--------------------|----------------------|--------------------------------|--------------------------------|---------------------------|------------------|-------------------------------|-----------------|------------------|
|                                      |                   |        |        |             |                 | Schools<br>Operating | Schools<br>Voted | Schools<br>Operating | Schools<br>Operating    | Schools<br>Operating | Schools<br>Operating |                    |                      |                                |                                |                           |                  |                               |                 |                  |
| 2005                                 | 12.8834           | 0.4100 | 0.2440 | 0.2000      | 13.7374         | 5.1800               | -                | 3.1687               | 0.2003                  | 6.0000               | 1.5844               | 4.1900             | 0.2415               | 0.2146                         | -                              | -                         | -                | 34.5169                       | 0.3452          | 34.8621          |
| 2006                                 | 12.8834           | 0.4100 | 0.2440 | 0.2000      | 13.7374         | 5.1800               | 18.0000          | 3.1687               | 0.2003                  | 6.0000               | 1.5844               | 4.1900             | 0.2415               | 0.2146                         | -                              | -                         | -                | 52.5169                       | 0.5252          | 53.0421          |
| 2006                                 | 12.8834           | 0.4100 | 0.2440 | 0.2000      | 13.7374         | 5.1800               | -                | 3.1687               | 0.2003                  | 6.0000               | 1.5844               | 4.1900             | 0.2415               | 0.2146                         | -                              | -                         | -                | 34.5169                       | 0.3452          | 34.8621          |
| 2006                                 | 12.8834           | 0.4100 | 0.2440 | 0.2000      | 13.7374         | 5.1800               | 18.0000          | 3.1687               | 0.2003                  | 6.0000               | 1.5844               | 4.1900             | 0.2415               | 0.2146                         | -                              | -                         | -                | 52.5169                       | 0.5252          | 53.0421          |
| 2007                                 | 12.4964           | 0.4000 | 0.2440 | 0.1900      | 13.3304         | 5.1800               | -                | 3.1687               | 0.2003                  | 6.0000               | 1.5844               | 4.1900             | 0.2415               | 0.2146                         | -                              | -                         | -                | 34.1099                       | 0.3411          | 34.4510          |
| 2007                                 | 12.4964           | 0.4000 | 0.2440 | 0.1900      | 13.3304         | 5.1800               | 18.0000          | 3.1687               | 0.2003                  | 6.0000               | 1.5844               | 4.1900             | 0.2415               | 0.2146                         | -                              | -                         | -                | 52.1099                       | 0.5211          | 52.6310          |
| 2008                                 | 11.5964           | 0.4000 | 0.2440 | 0.1900      | 12.4304         | 5.1800               | -                | 3.1687               | 0.2003                  | 6.0000               | 1.5844               | 4.1900             | 0.2415               | 0.2146                         | 0.1000                         | -                         | -                | 33.3099                       | 0.3331          | 33.6430          |
| 2008                                 | 11.5964           | 0.4000 | 0.2440 | 0.1900      | 12.4304         | 5.1800               | 18.0000          | 3.1687               | 0.2003                  | 6.0000               | 1.5844               | 4.1900             | 0.2415               | 0.2146                         | 0.1000                         | -                         | -                | 51.3099                       | 0.5131          | 51.8230          |
| 2009                                 | 11.5964           | 0.4000 | 0.2440 | 0.1900      | 12.4304         | 5.1800               | -                | 3.1687               | 0.2003                  | 6.0000               | 1.5844               | 4.1900             | 0.2415               | 0.2146                         | 0.1000                         | -                         | -                | 33.3099                       | 0.3331          | 33.6430          |
| 2009                                 | 11.5964           | 0.4000 | 0.2440 | 0.1900      | 12.4304         | 5.1800               | 18.0000          | 3.1687               | 0.2003                  | 6.0000               | 1.5844               | 4.1900             | 0.2415               | 0.2146                         | 0.1000                         | -                         | -                | 51.3099                       | 0.5131          | 51.8230          |
| 2010                                 | 11.5964           | 0.4000 | 0.2440 | 0.1900      | 12.4304         | 6.7000               | -                | 3.1687               | 0.2003                  | 6.0000               | 1.5844               | 4.1900             | 0.2415               | 0.2146                         | 0.1000                         | -                         | -                | 34.8299                       | 0.3483          | 35.1782          |
| 2010                                 | 11.5964           | 0.4000 | 0.2440 | 0.1900      | 12.4304         | 6.7000               | 18.0000          | 3.1687               | 0.2003                  | 6.0000               | 1.5844               | 4.1900             | 0.2415               | 0.2146                         | 0.1000                         | -                         | -                | 52.8299                       | 0.5283          | 53.3582          |
| 2011                                 | 11.5964           | 0.4000 | 0.2440 | 0.1900      | 12.4304         | 6.7000               | -                | 3.1687               | 0.2003                  | 6.0000               | 1.5844               | 4.1900             | 0.2415               | 0.2146                         | 0.1000                         | -                         | -                | 34.8299                       | 0.3483          | 35.1782          |
| 2011                                 | 11.5964           | 0.4000 | 0.2440 | 0.1900      | 12.4304         | 6.7000               | 18.0000          | 3.1687               | 0.2003                  | 6.0000               | 1.5844               | 4.1900             | 0.2415               | 0.2146                         | 0.1000                         | -                         | -                | 52.8299                       | 0.5283          | 53.3582          |
| 2012                                 | 11.5964           | 0.4000 | 0.2440 | 0.1900      | 12.4304         | 6.7000               | -                | 3.1687               | 0.2003                  | 6.0000               | 1.5844               | 4.1900             | 0.2415               | 0.2146                         | 0.1000                         | -                         | -                | 34.8299                       | 0.3483          | 35.1782          |
| 2012                                 | 11.5964           | 0.4000 | 0.2440 | 0.1900      | 12.4304         | 6.7000               | 18.0000          | 3.1687               | 0.2003                  | 6.0000               | 1.5844               | 4.1900             | 0.2415               | 0.2146                         | 0.1000                         | -                         | -                | 52.8299                       | 0.5283          | 53.3582          |
| 2013                                 | 11.5964           | 0.4000 | 0.2440 | 0.1900      | 12.4304         | 6.7000               | -                | 3.1687               | 0.2003                  | 6.0000               | 1.5844               | 4.1900             | 0.2415               | 0.2146                         | 0.1000                         | -                         | -                | 34.8299                       | 0.3483          | 35.1782          |
| 2013                                 | 11.5964           | 0.4000 | 0.2440 | 0.1900      | 12.4304         | 6.7000               | 18.0000          | 3.1687               | 0.2003                  | 6.0000               | 1.5844               | 4.1900             | 0.2415               | 0.2146                         | 0.1000                         | 0.2000                    | 0.2000           | 35.0299                       | 0.3503          | 35.3802          |
| 2013                                 | 11.5964           | -      | 0.2440 | 0.1900      | 12.0304         | 6.4000               | -                | 3.1687               | 0.2003                  | 6.0000               | 1.5844               | 4.1900             | 0.2415               | 0.2146                         | 0.1000                         | 0.2000                    | 0.2000           | 53.0299                       | 0.5303          | 53.5602          |
| 2013                                 | 11.5964           | -      | 0.2440 | 0.1900      | 12.0304         | 6.4000               | 18.0000          | 3.1687               | 0.2003                  | 6.0000               | 1.5844               | 4.1900             | 0.2415               | 0.2146                         | 0.1000                         | 0.2000                    | 0.2000           | 34.3299                       | 0.3433          | 34.6732          |
| 2014                                 | 11.5964           | -      | 0.2440 | 0.1900      | 12.0304         | 6.4000               | -                | 3.1687               | 0.2003                  | 6.0000               | 1.5844               | 4.1900             | 0.2415               | 0.2146                         | 0.1000                         | 0.2000                    | 0.2000           | 52.3299                       | 0.5233          | 52.8532          |
| 2014                                 | 11.5964           | -      | 0.2440 | 0.1900      | 12.0304         | 6.4000               | 18.0000          | 3.1687               | 0.2003                  | 6.0000               | 1.5844               | 4.1900             | 0.2415               | 0.2146                         | 0.1000                         | 0.2000                    | 0.2000           | 34.3299                       | 0.3433          | 34.6732          |
| 2014                                 | 11.5964           | -      | 0.2440 | 0.1900      | 12.0304         | 6.4000               | -                | 3.1687               | 0.2003                  | 6.0000               | 1.5844               | 4.1900             | 0.2415               | 0.2146                         | 0.1000                         | 0.2000                    | 0.2000           | 52.3299                       | 0.5233          | 52.8532          |
| 2015                                 | 11.5964           | -      | 0.2440 | 0.1900      | 12.0304         | 6.4000               | 18.0000          | 3.1687               | 0.2003                  | 6.0000               | 1.5844               | 4.1900             | 0.2415               | 0.2146                         | 0.1000                         | 0.2000                    | 0.2000           | 34.3299                       | 0.3433          | 34.6732          |
| 2015                                 | 11.5964           | -      | 0.2440 | 0.1900      | 12.0304         | 6.4000               | -                | 3.1687               | 0.2003                  | 6.0000               | 1.5844               | 4.1900             | 0.2415               | 0.2146                         | 0.1000                         | 0.2000                    | 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 Nine Years Ago

| Taxpayer                    | Type of Business  | 2014         |                   |      |                                       | 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    | \$ 1,205,364 | \$ 28,046,570     | 1    | 4.30%                                 | \$ 1,251,751          | \$ 32,899,700     | 1                     | 4.55%                                 |
| Village Green of Rochester  | Apartments/Condos | 474,826      | 8,983,870         | 2    | 1.38%                                 | 399,697               | 10,505,210        | 3                     | 1.45%                                 |
| JR Investors, LLC           | Hotel             | 387,013      | 7,620,710         | 3    | 1.17%                                 | 568,039               | 14,929,720        | 2                     | 2.07%                                 |
| Great Oaks Apts             | Apartments        | 272,930      | 5,175,020         | 4    | 0.79%                                 | 211,666               | 5,563,200         | 4                     | 0.77%                                 |
| Ventas, INC                 | Assisted Living   | 206,524      | 3,945,270         | 5    | 0.61%                                 | 163,080               | 4,286,220         | 6                     | 0.59%                                 |
| Pfizer                      | Pharmaceutical    | 197,743      | 5,344,070         | 6    | 0.82%                                 |                       |                   |                       |                                       |
| Detroit Edison Company      | Utilities         | 184,956      | 3,499,430         | 7    | 0.54%                                 | 209,272               | 5,500,280         | 5                     | 0.76%                                 |
| River Square Main LLC       | Commercial        | 178,460      | 3,376,530         | 8    | 0.52%                                 |                       |                   |                       |                                       |
| RJN Ventures Skating Center | Ice Skating       | 162,301      | 3,107,810         | 9    | 0.48%                                 | 132,736               | 3,488,700         | 7                     | 0.48%                                 |
| Bradmont Properties         | Commercial        | 118,617      | 2,244,270         | 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>\$ 651,573,650</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.

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 |
|----------|----------------------------|----------------------------------|---------------------|---------------------------|------------------------|-----------------------|--|
| 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%                                   |
| 2014     | 2015                       | 8,658,243                        | 8,409,650           | 97.13%                    | 220,944                | 8,630,594             | 99.68%                                   |

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

| Fiscal Year<br>Ending<br>June 30, | Governmental Activities        |                   | Business-type Activities       |                   |                      | Total<br>Primary<br>Government | Total<br>Taxable<br>Values | Ratio of<br>Total Debt<br>to Taxable<br>Values | Total<br>Population | Total<br>Debt<br>Per Capita |
|-----------------------------------|--------------------------------|-------------------|--------------------------------|-------------------|----------------------|--------------------------------|----------------------------|--|---------------------|-----------------------------|
|                                   | General<br>Obligation<br>Bonds | Land<br>Contracts | General<br>Obligation<br>Bonds | Land<br>Contracts | Contracts<br>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                         |
| 2015                              | 810,000                        | -                 | 12,000,000                     | 584,521           | 3,888,671            | 17,283,192                     | 651,573,650                | 2.65%  | 12,711              | 1,360                       |

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<br>Ending<br>June 30, | General<br>Obligation<br>Bonds | Total<br>Taxable<br>Values | Ratio of                           |                     | Total<br>Debt<br>Per Capita |
|-----------------------------------|--------------------------------|----------------------------|------------------------------------|---------------------|-----------------------------|
|                                   |                                |                            | Total Debt<br>to Taxable<br>Values | Total<br>Population |                             |
| 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                          |
| 2015                              | 12,810,000                     | 651,573,650                | 1.97%                              | 12,711              | 1,008                       |

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



Schedule 11  
City of Rochester  
Direct and Overlapping Governmental Activities Debt  
June 30, 2015

| Jurisdiction                         | Net Debt<br>Outstanding | Percentage Debt<br>Applicable<br>To City | Estimated<br>Share of<br>Overlapping<br>Debt |
|--------------------------------------|-------------------------|--|--|
| Direct Debt:                         |                         |  |  |
| City of Rochester                    | \$ 13,394,521           | 100%                                     | \$ 13,394,521                                |
| Overlapping Debt:                    |                         |  |  |
| Rochester School District            | 80,590,000              | 15.23%                                   | 12,273,857                                   |
| Oakland County                       | 416,241,443             | 1.30%                                    | 5,411,139                                    |
| Oakland Intermediate School District | 54,540,000              | 1.31%                                    | 714,474                                      |
| Oakland Community College            | 2,355,000               | 1.31%                                    | 30,851                                       |
| Total Overlapping Debt               | <u>553,726,443</u>      |  | <u>18,430,320</u>                            |
| Total Direct and Overlapping Debt    | <u>\$ 567,120,964</u>   |  | <u>\$ 31,824,841</u>                         |

Source: Municipal Advisory Council of Michigan.



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

|   | 2005-2006     | 2006-2007     | 2007-2008     | 2008-2009     | 2009-2010     | 2010-2011     | 2011-2012     | 2012-2013     | 2013-2014     | 2014-2015     |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Debt Limit  | \$ 87,004,579 | \$ 89,964,267 | \$ 92,543,132 | \$ 87,209,298 | \$ 80,748,687 | \$ 70,331,189 | \$ 65,243,824 | \$ 64,221,460 | \$ 66,707,541 | \$ 71,391,141 |
| Total Net Debt applicable to limit                                      | 6,435,000     | 5,765,000     | 5,100,000     | 4,370,000     | 3,650,000     | 2,875,000     | 1,700,000     | 1,300,000     | 895,000       | 12,810,000    |
| Legal Debt Margin   | \$ 80,569,579 | \$ 84,199,267 | \$ 87,443,132 | \$ 82,839,298 | \$ 77,098,687 | \$ 67,456,189 | \$ 63,543,824 | \$ 62,921,460 | \$ 65,812,541 | \$ 58,581,141 |
| Total Net Debt applicable to the limit<br>as a percentage of debt limit | 7.40%         | 6.41%         | 5.51%         | 5.01%         | 4.52%         | 4.09%         | 2.61%         | 2.02%         | 1.34%         | 17.94%        |

Legal Debt Margin Calculation for Fiscal Year 2015:  
Assessed Value

|   |                |
|---|----------------|
| Assessed Value                                    | \$ 713,911,410 |
| Legal Debt Limit (10% of Assessed Value)          | \$ 71,391,141  |
| Gross Indebtedness                                | \$ 17,283,192  |
| Less: Contractual Debt                            | (4,473,192)    |
| Net Bonded Debt                                   | 12,810,000     |
| Legal Debt Margin                                 | \$ 58,581,141  |
| Net Bonded Debt as a Percentage of Assessed Value | 1.79%          |

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

| Fiscal Year<br>Ending<br>June 30, | Population* | Personal<br>Income* | Per*<br>Capita<br>Personal<br>Income | Median<br>Age* | Unemployment<br>Rate** |
|-----------------------------------|-------------|---------------------|--------------------------------------|----------------|------------------------|
| 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%                   |
| 2015                              | 12,711      | 76,603              | \$ 47,286                            | 38.3           | 4.5%                   |

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 net state control totals.

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

| Company Name                        | Year Ended June 30, 2015 |      |                       | Year Ended June 30, 2006 |      |                       |
|-------------------------------------|--------------------------|------|-----------------------|--------------------------|------|-----------------------|
|                                     | Employees                | Rank | Total City Employment | Employees                | Rank | Total City Employment |
| JHP Pharmaceuticals                 | 600                      | 1    | 4.72%                 | *                        | *    | *                     |
| Royal Park Hotel                    | 250                      | 2    | 1.97%                 | *                        | *    | *                     |
| Rescare Homecare                    | 200                      | 3    | 1.57%                 | *                        | *    | *                     |
| US Post Office                      | 160                      | 4    | 1.26%                 | *                        | *    | *                     |
| Holy Family Regional School         | 110                      | 5    | 0.87%                 | *                        | *    | *                     |
| 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         | FYE 2006  | FYE 2007  | FYE 2008  | FYE 2009  | FYE 2010  | FYE 2011  | FYE 2012  | FYE 2013  | FYE 2014  | FYE 2015  |
|----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Administration       | 13        | 13        | 13        | 12        | 13        | 12        | 13        | 13        | 13        | 13        |
| Manager              | 4         | 4         | 4         | 3         | 4         | 4         | 4         | 4         | 4         | 4         |
| Building             | 3         | 3         | 3         | 2         | 2         | 1         | 1         | 1         | 1         | 1         |
| Clerk                | 1         | 1         | 1         | 1         | 1         | 1         | 2         | 2         | 2         | 2         |
| Finance              | 5         | 5         | 5         | 6         | 6         | 6         | 6         | 6         | 6         | 6         |
| Public Safety        | 30        | 29        | 27        | 27        | 27        | 27        | 28        | 28        | 29        | 29        |
| Police               | 29        | 29        | 26        | 26        | 26        | 26        | 27        | 27        | 28        | 28        |
| Fire                 | 1         | 1         | 1         | 1         | 1         | 1         | 1         | 1         | 1         | 1         |
| Public Works & Parks | 18        | 18        | 18        | 17        | 16        | 15        | 15        | 15        | 15        | 15        |
| Public Works         | 13        | 13        | 13        | 12        | 11        | 10        | 10        | 10        | 10        | 9         |
| Water & Sewer        | 1         | 1         | 1         | 1         | 1         | 1         | 2         | 2         | 2         | 2         |
| Revolving Eq         | 1         | 1         | 1         | 1         | 1         | 1         | 1         | 1         | 1         | 1         |
| Parks                | 3         | 3         | 3         | 3         | 3         | 3         | 2         | 2         | 2         | 3         |
| <b>TOTAL</b>         | <b>61</b> | <b>61</b> | <b>58</b> | <b>56</b> | <b>56</b> | <b>54</b> | <b>56</b> | <b>56</b> | <b>57</b> | <b>57</b> |

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

| Service Type                | FYE 2006   | FYE 2007   | FYE 2008   | FYE 2009   | FYE 2010   | FYE 2011   | FYE 2012   | FYE 2013   | FYE 2014   | FYE 2015   |
|-----------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Administration              | 1.0        | 1.0        | 1.0        | 1.0        | 1.0        | 1.5        | 0.5        | 0.5        | 0.5        | 0.5        |
| Manager                     | -          | -          | -          | -          | -          | -          | -          | -          | -          | -          |
| Building                    | 0.5        | 0.5        | 0.5        | 0.5        | 0.5        | 1.0        | 0.5        | 0.5        | 0.5        | 0.5        |
| Clerk                       | 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        | 2.5        | 2.5        |
| Police Clerk                | 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        |
| Parking Enforcement         | -          | -          | -          | -          | -          | -          | -          | -          | -          | -          |
| Public Works & Parks        | 2.5        | 2.5        | 1.5        | 1.5        | 1.0        | 2.5        | 2.0        | 2.5        | 3.0        | 3.0        |
| Public Works                | 1.0        | 1.0        | -          | -          | -          | 1.5        | 1.0        | 1.0        | 1.5        | 1.5        |
| Water & Sewer               | -          | -          | -          | -          | -          | -          | -          | -          | 0.5        | 0.5        |
| Revolving Eq                | -          | -          | -          | -          | -          | -          | -          | -          | -          | -          |
| Parks                       | 1.5        | 1.5        | 1.5        | 1.5        | 1.0        | 1.0        | 1.0        | 1.0        | 1.0        | 1.0        |
| <b>TOTAL</b>                | <b>5.0</b> | <b>5.0</b> | <b>4.0</b> | <b>4.0</b> | <b>3.5</b> | <b>5.5</b> | <b>4.0</b> | <b>4.5</b> | <b>6.0</b> | <b>6.0</b> |

**TOTAL Full-Time Equivalent (FTEs)**

|              |             |             |             |             |             |             |             |             |             |             |
|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <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>60.0</b> | <b>60.5</b> | <b>63.0</b> | <b>63.0</b> |
| <b>Other</b> | 3           | 3           | 3           | 3           | 3.5         | 3.5         | 3           | 3           | 3           | 3           |
| <b>DDA</b>   | 3           | 3           | 3           | 3           | 3.5         | 3.5         | 3           | 3           | 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**

|    |    |    |    |    |    |    |    |    |    |
|----|----|----|----|----|----|----|----|----|----|
| 26 | 27 | 27 | 32 | 39 | 38 | 40 | 45 | 40 | 45 |
|----|----|----|----|----|----|----|----|----|----|

The City has a paid-on call volunteer fire department. Payment to firefighters is a flat per hour fee when they are on duty, paid as a contracted service to the Volunteer Fire Association.

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

|                                 | 2006    | 2007    | 2008    | 2009    | 2010    | 2011    | 2012    | 2013    | 2014    | 2015    |
|---------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Clerks Department</b>        |         |         |         |         |         |         |         |         |         |         |
| Elections                       |         |         |         |         |         |         |         |         |         |         |
| Number of Absentee              | 682     | 1,168   | 903     | 1,828   | 831     | 1,257   | 1,487   | 2,670   | 700     | 2853    |
| Number Voted                    | 1,505   | 5,393   | 2,327   | 7,169   | 1,545   | 4,968   | 3,749   | 9,254   | 1,429   | 9150    |
| Absentee as a % of Total Votes  | 45%     | 22%     | 39%     | 25%     | 54%     | 25%     | 40%     | 29%     | 49%     | 31%     |
| <b>Water Department</b>         |         |         |         |         |         |         |         |         |         |         |
| Number of Accounts              |         |         |         |         |         |         |         |         |         |         |
| RE                              | 3,595   | 3,600   | 3,607   | 3,606   | 3,613   | 3,617   | 3,624   | 3,628   | 3,684   | 3,734   |
| CO                              | 351     | 353     | 353     | 353     | 353     | 356     | 364     | 379     | 379     | 382     |
| Units of water Used             |         |         |         |         |         |         |         |         |         |         |
| Each unit is 100 Cubic Feet     |         |         |         |         |         |         |         |         |         |         |
| Residential                     | 655,192 | 595,788 | 654,840 | 567,914 | 543,051 | 589,167 | 559,774 | 592,798 | 694,631 | 423,930 |
| Commercial                      | 317,723 | 281,879 | 286,828 | 235,594 | 217,977 | 243,394 | 295,310 | 232,530 | 247,683 | 142,530 |
| <b>Police Department</b>        |         |         |         |         |         |         |         |         |         |         |
| Total Calls for Service         | 6,005   | 6,801   | 11,937  | 13,798  | 13,057  | 12,132  | 11,772  | 12,458  | 14,002  | 13,195  |
| Group A Crime Incidents         | 497     | 508     | 584     | 538     | 457     | 451     | 445     | 437     | 391     | 375     |
| Group B Crime Incidents         | 351     | 439     | 479     | 400     | 300     | 290     | 273     | 300     | 209     | 206     |
| Property Damage Vehicle Crashes | 362     | 361     | 317     | 286     | 203     | 345     | 271     | 375     | 422     | 340     |
| Personal Injury Vehicle Crashes | 42      | 20      | 11      | 20      | 9       | 14      | 19      | 16      | 20      | 24      |
| Total Arrests                   | 372     | 543     | 592     | 603     | 483     | 486     | 441     | 477     | 348     | 357     |
| Drunk Driving Arrests           | 81      | 149     | 190     | 185     | 111     | 120     | 121     | 135     | 103     | 99      |
| <b>Fire Department</b>          |         |         |         |         |         |         |         |         |         |         |
| Total Calls                     | 530     | 567     | 754     | 786     | 1,090   | 1,452   | 1,578   | 1,523   | 1,630   | 1,687   |
| Fires                           | 23      | 31      | 17      | 28      | 17      | 21      | 34      | 30      | 15      | 19      |
| EMS/Rescue                      | 401     | 381     | 497     | 468     | 812     | 1,147   | 1,232   | 1,197   | 1,295   | 1,315   |
| Hazardous Condition             | 22      | 31      | 43      | 38      | 44      | 24      | 49      | 41      | 51      | 55      |
| Service Call                    | 22      | 36      | 87      | 80      | 57      | 84      | 99      | 98      | 101     | 105     |
| Good Intent                     | 44      | 55      | 44      | 45      | 48      | 59      | 65      | 73      | 84      | 115     |
| False Calls                     | 18      | 33      | 37      | 70      | 75      | 54      | 57      | 57      | 51      | 55      |
| Other                           | -       | -       | 29      | 57      | 37      | 63      | 42      | 27      | 33      | 23      |



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

| Department                         | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|------------------------------------|------|------|------|------|------|------|------|------|------|------|
| <b>Administrative</b>              |      |      |      |      |      |      |      |      |      |      |
| Vehicles Assigned                  | 3    | 3    | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    |
| <b>Police</b>                      |      |      |      |      |      |      |      |      |      |      |
| Vehicles Assigned                  | 14   | 15   | 15   | 15   | 14   | 13   | 13   | 13   | 14   | 14   |
| <b>Fire</b>                        |      |      |      |      |      |      |      |      |      |      |
| Vehicles Assigned                  | 10   | 10   | 11   | 11   | 11   | 11   | 11   | 11   | 11   | 11   |
| <b>Public Works</b>                |      |      |      |      |      |      |      |      |      |      |
| Vehicles - (Trucks/Tractors)       | 27   | 29   | 27   | 27   | 29   | 30   | 30   | 32   | 34   | 34   |
| <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               | 74.4 | 74.4 | 74.4 | 74.4 | 74.4 | 74.4 | 74.4 | 74.4 | 74.4 | 74.4 |
| Miles of Sewers                    | 57.9 | 58.4 | 58.4 | 58.4 | 58.4 | 58.4 | 58.4 | 58.4 | 58.4 | 60.5 |
| <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  |

