

**CITY OF ROCHESTER
Oakland County, Michigan**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2016**

Prepared By:
The Finance Department



CITY OF ROCHESTER
Comprehensive Annual Financial Report
For the Year Ended June 30, 2016

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City of Rochester

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

Audit Transmittal Letter

November 15, 2016

TO: The Honorable Mayor and City Council

RE: Fiscal Year End 2016 Audit

Introduction

We are pleased to submit the Comprehensive Annual Financial Report of the City of Rochester for the fiscal year end June 30, 2016. 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). 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).

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 3.7%, which includes a 4.2% increase in residential taxable values. For fiscal year 2016, commercial properties increased 2.8% as compared to a 1.9% decrease in the previous year. Industrial property values have increased 1.54%. 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 City implemented an improved water and sewer rate structure. During calendar year 2015, the City received the final report to change the City's rate structure. The old rate structure relied on a minimum usage rate, while the new rate structure relies on a ready to serve fee and a commodity charge. The new rate structure will be more reflective of the actual usage of the customer and cost impact the customer has on the system.

During FYE 2015, the City's engineers presented the findings of the Sanitary Sewer Inflow and Infiltration (I&I) Monitoring and Review project, funded by a \$1,000,000 S-2 grant from the Michigan Department of Environmental Quality (MDEQ) to investigate I&I into the City's sanitary sewer system and to develop a plan to remedy the I&I issues. Implemented during FYE 2016 were the most cost-effective projects to reduce the most I&I, as identified by the plan. The investigation project and correction efforts are important because every drop of water from I&I removed from the sanitary sewer system saves money for the City's rate payers. In addition to the City's planned allocation to fund corrective projects, the S-2 grant award and resulting corrective action plan, qualifies the City to utilize State Revolving Funds (SRF) to address large I&I elimination projects. In addition, the City applied for a Stormwater and Wastewater Asset Management (SAW) grant from the MDEQ during FYE 2015, and the City was selected for \$942,793 in funding for the project to create and implement a sanitary and stormwater management system and for additional I&I investigations during FYE 2016,

as the SAW grant project. One of the major findings of the S-2 project was the City's lack of capacity in one of its main sanitary sewer lines. The sewer line runs along just north of the Clinton River from about Mill Street to Letica Drive. The line is undersized and does not meet the theoretical capacity required to serve the western half of the City. Not only is this an immediate concern, but it absolutely limits the City's planned economic development projects. The solution was construction of a Clinton River Interceptor (CRI) in the same area as the undersized line. FYE 2016 includes \$1,162,208 for the CRI construction.

During FYE 2016 a grant funded "look and feel" Clinton River Trail project was completed. This is an inter-municipal project including the cities of Rochester, Rochester Hills and Auburn Hills to create consistent signage and amenities along the Clinton River Trail through the three communities.

Two large projects were completed in the Municipal park. The Comfort Station project that was started during FYE 2015 was completed during FYE 2016. This added bathrooms, covered picnic areas and drinking fountains closer to the playground on the east end of the park. Also the second phase of rubberizing playground surfaces with Community Block Development Grant (CDBG) funds was completed.

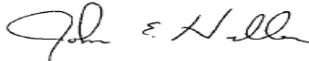
In January 2015, the City's bond rating was improved by Standard and Poor (S&P) from AA+ to AAA, which affirmed a stable outlook for the City. This improved rating will decrease the City's cost to acquire debt in the future. The rating also provides a benchmark for the financial health of the City.

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 through 2015. 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

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

Presented to

**City of Rochester
Michigan**

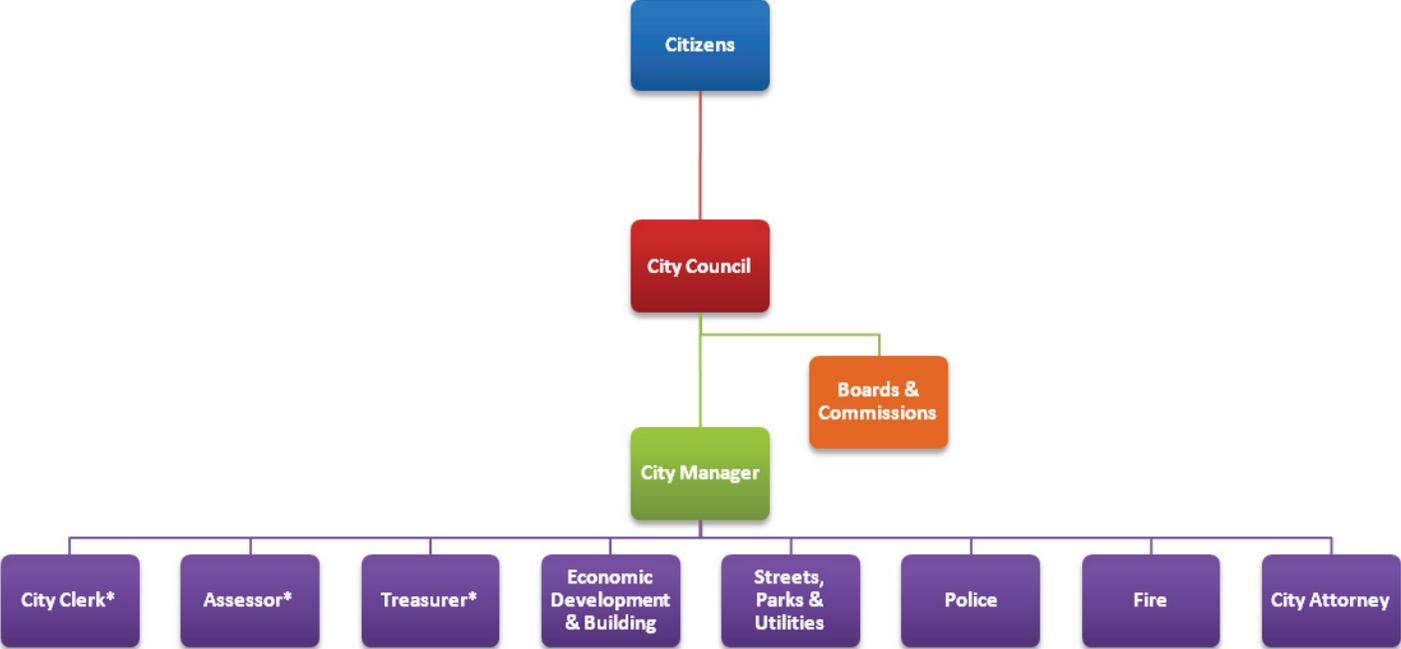
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

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, 2016

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



FINANCIAL SECTION



PSLZ LLP

Certified Public Accountants

PLYMOUTH

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

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

BLOOMFIELD HILLS

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

Deborah M. Cox, C.P.A.

Independent Auditor's Report

November 15, 2016

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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the 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, 2016.

Financial Highlights

- The assets of the City of Rochester exceeded its liabilities at the close of the most recent fiscal year by \$55,273,427 (*net position*). Of this amount, \$5,619,306 (*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 \$2,707,856. Governmental activities decreased net position by \$2,664,778 and the business-type activities decreased net position by \$43,078.
- At the close of the most recent fiscal year, the City of Rochester's governmental funds reported combined ending fund balances of \$12,743,355. Of this amount, \$8,641,847 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 \$8,641,847, or 94 percent of total general fund expenditures.
- The City of Rochester's total debt decreased by \$614,537 during the current fiscal year as a result of annual debt payments made.

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 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 23-46 of this report.

Government-wide Financial Analysis

Assets exceeded liabilities by \$55,273,427 at the close of the most recent fiscal year. Of the City of Rochester's net position, 79 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 15,394,609	\$ 15,824,396	\$ 5,139,038	\$ 10,889,886	\$ 20,533,647	\$ 26,714,282
Capital Assets	26,703,945	28,151,023	33,339,581	27,585,621	60,043,526	55,736,644
Total Assets	42,098,554	43,975,419	38,478,619	38,475,507	80,577,173	82,450,926
Deferred Outflows	2,005,025	431,518	-	-	2,005,025	431,518
Long-term liabilities	9,527,846	7,268,091	15,902,728	16,473,192	25,430,574	23,741,283
Other liabilities	698,513	596,848	1,179,684	563,030	1,878,197	1,159,878
Total Liabilities	10,226,359	7,864,939	17,082,412	17,036,222	27,308,771	24,901,161
Net Position:						
Net investment in capital assets	26,003,945	27,341,023	17,436,853	16,875,475	43,440,798	44,216,498
Restricted	4,101,508	4,750,756	2,111,815	2,704,505	6,213,323	7,455,261
Unrestricted	3,771,767	4,450,219	1,847,539	1,859,305	5,619,306	6,309,524
Total Net Position	\$ 33,877,220	\$ 36,541,998	\$ 21,396,207	\$ 21,439,285	\$ 55,273,427	\$ 57,981,283

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 \$2,707,856 during the current fiscal year as compared to a decrease of \$2,204,909 in the prior year. Governmental activities decreased net position \$2,664,778 in the current year.

City of Rochester - Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,489,059	\$ 2,402,247	\$ 6,087,134	\$ 5,474,600	\$ 8,576,193	\$ 7,876,847
Operating Grants & Contrib.	1,081,275	988,125	-	-	1,081,275	988,125
Capital Grants & Contrib.	9,460	75,000	196,472	122,859	205,932	197,859
General Revenues:						
Property Taxes	8,675,121	8,426,746	-	-	8,675,121	8,426,746
State Shared Revenues	1,115,501	1,005,311	-	-	1,115,501	1,005,311
Franchise Fees	274,175	259,356	-	-	274,175	259,356
Investment Earnings	67,028	64,466	20,871	38,492	87,899	102,958
Total Revenues	13,711,619	13,221,251	6,304,477	5,635,951	20,016,096	18,857,202
Expenses:						
General Government	2,209,891	1,941,972	-	-	2,209,891	1,941,972
Public Safety	5,731,103	5,162,930	-	-	5,731,103	5,162,930
Public Works	4,536,193	4,192,099	-	-	4,536,193	4,192,099
Community Development	1,847,024	1,611,999	-	-	1,847,024	1,611,999
Recreation and Cultural	1,373,395	1,263,245	-	-	1,373,395	1,263,245
Interest on Long-Term Debt	11,583	12,798	-	-	11,583	12,798
Automobile Parking System	-	-	1,152,781	699,387	1,152,781	699,387
Water and Sewer	-	-	5,861,982	6,177,681	5,861,982	6,177,681
Total Expenses	15,709,189	14,185,043	7,014,763	6,877,068	22,723,952	21,062,111
Excess (Deficiency) before Transfers	(1,997,570)	(963,792)	(710,286)	(1,241,117)	(2,707,856)	(2,204,909)
Special Items (net)	-	29,211	-	(29,211)	-	-
Transfers In (Out)	(667,208)	(463,750)	667,208	463,750	-	-
Change in Net Position	(2,664,778)	(1,398,331)	(43,078)	(806,578)	(2,707,856)	(2,204,909)
Net Position, Beg. of year	36,541,998	37,940,329	21,439,285	22,245,863	57,981,283	60,186,192
Net Position, End of year	\$ 33,877,220	\$ 36,541,998	\$ 21,396,207	\$ 21,439,285	\$ 55,273,427	\$ 57,981,283

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 reflect an increase of \$114,422 over the prior year, primarily as a result of an increase in gas and weight revenues received by the City in the Major and Local Street funds. In fiscal year 2016, the State made extra quarterly disbursements to the local units to assist with road projects totaling \$128,600 to the City. Also, building permit revenues remain steady totaling \$293,218 in the current year as compared to \$301,078 in the prior year.

Business-type activities

Business-type activities decreased the City's net position by \$43,078 as compared to a decrease of \$806,578 in the prior year. The current year reflects an increase in revenues of \$601,174 from parking meters, parking permits, and the two new parking platforms which were constructed in the prior year.

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 \$12,743,355, a decrease of \$592,659 in comparison with the prior year. Of the total fund balances, \$4,101,508 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 \$8,641,847 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 \$8,641,847, all of which is unassigned. Unassigned General Fund fund balance represents 82 percent of total general fund expenditures. The fund balance of the City's General Fund decreased by \$59,026 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 \$1,847,539.

General Fund Budgetary Highlights

General Fund final budgeted revenues were 2% over the original budgeted amounts, and the General Fund final budgeted expenditures were 2% over the original budgeted amounts. The actual revenues exceeded the final budgeted revenues by \$21,444 and actual expenditures were less than the original budgeted expenditures by \$7,898. Significant budget amendments approved during the year include an increase of \$51,708 increase for state shared revenues, a \$55,000 increase in building permit revenues, and a \$210,821 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 \$60,043,526 (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 21 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
- Stormwater Management Plan Project (SAW Grant)
- Fire Station Building Improvements

Additional information on the City of Rochester's capital assets can be found in note III.B on pages 34-35 of this report.

Long-term debt.

At the end of the current fiscal year, the City of Rochester had total bonded debt outstanding of \$12,345,000, and contractual debt outstanding of \$4,257,728. 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 37-38 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 2017 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 preceding years. Significant residential and mixed use developments near downtown have recently been approved by the Planning Commission, and there are several significant projects in the development cue awaiting approval. 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.

The City has completed implementation of an overall Parking Management 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 to oversee the newly created system. The PAC has been analyzing data from the nearly 6-month-old fully functional system and has made mid-year adjustments to the fee structure to assure we are heading towards a user-pay self sufficient financial model as we planned on from the inception of the idea. We have recently engaged new technology to offer Park Mobile, a pay from your mobile device system that allows patrons to pay for or extend parking without having to return to the meter.

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, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Investments	\$ 14,035,280	\$ 1,846,270	\$ 15,881,550
Receivables (net of allowance for uncollectibles):			
Accounts	143,120	1,125,583	1,268,703
Due from Other Governmental Units	218,907	-	218,907
Restricted Assets - Cash and Cash Equivalents	-	2,167,185	2,167,185
Other Post Employment Benefits Asset	997,302	-	997,302
Capital Assets:			
Nondepreciable Assets	3,656,450	363,253	4,019,703
Depreciable Assets	23,047,495	32,976,328	56,023,823
Total Assets	<u>42,098,554</u>	<u>38,478,619</u>	<u>80,577,173</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows related to Pensions	<u>2,005,025</u>	<u>-</u>	<u>2,005,025</u>
<u>LIABILITIES</u>			
Accounts Payable	500,140	1,140,491	1,640,631
Accrued Liabilities	184,440	9,593	194,033
Other	13,933	29,600	43,533
Noncurrent Liabilities:			
Net Pension Liability	8,401,246	-	8,401,246
Compensated Absences Payable:			
Due within one year	81,115	-	81,115
Due in more than one year	345,485	-	345,485
Bonds and Contracts Payable:			
Due within one year	135,000	682,296	817,296
Due in more than one year	565,000	15,220,432	15,785,432
Total Liabilities	<u>10,226,359</u>	<u>17,082,412</u>	<u>27,308,771</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	26,003,945	17,436,853	43,440,798
Restricted for:			
Streets	1,955,280	-	1,955,280
Cemetery	555,174	-	555,174
Law Enforcement Programs	23,238	-	23,238
Community Development Block Grant	3,075	-	3,075
Downtown Development Authority	107,833	-	107,833
Principal Shopping District	58,261	-	58,261
Debt Service	20,002	-	20,002
Capital Projects	1,378,645	-	1,378,645
Water and Sewer Improvements	-	2,111,815	2,111,815
Unrestricted	3,771,767	1,847,539	5,619,306
Total Net Position	<u>\$ 33,877,220</u>	<u>\$ 21,396,207</u>	<u>\$ 55,273,427</u>

CITY OF ROCHESTER
Statement of Activities
For the Year Ended June 30, 2016

<u>Functions/Programs</u>	Program Revenues			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General Government	\$ 2,209,891	\$ 837,627	\$ 4,050	\$ 9,460
Public Safety	5,731,103	968,416	45,957	-
Community Development	1,847,024	512,005	52,361	-
Public Works	4,536,193	171,011	978,907	-
Recreation and Cultural	1,373,395	-	-	-
Interest on Long-Term Debt	11,583	-	-	-
Total Governmental Activities	<u>15,709,189</u>	<u>2,489,059</u>	<u>1,081,275</u>	<u>9,460</u>
Business-type Activities:				
Water and Sewer	5,861,982	5,026,326	-	196,472
Automobile parking system	1,152,781	1,060,808	-	-
Total Business-type Activities	<u>7,014,763</u>	<u>6,087,134</u>	<u>-</u>	<u>196,472</u>
Grand Total	<u>\$ 22,723,952</u>	<u>\$ 8,576,193</u>	<u>\$ 1,081,275</u>	<u>\$ 205,932</u>

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

Change in Net Position
Net Position - Beginning

Net Position - Ending

Net (Expense) Revenue and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (1,358,754)	\$ -	\$ (1,358,754)
(4,716,730)	-	(4,716,730)
(1,282,658)	-	(1,282,658)
(3,386,275)	-	(3,386,275)
(1,373,395)	-	(1,373,395)
(11,583)	-	(11,583)
<u>(12,129,395)</u>	<u>-</u>	<u>(12,129,395)</u>
-	(639,184)	(639,184)
-	(91,973)	(91,973)
<u>-</u>	<u>(731,157)</u>	<u>(731,157)</u>
<u>(12,129,395)</u>	<u>(731,157)</u>	<u>(12,860,552)</u>
8,675,121	-	8,675,121
1,115,501	-	1,115,501
274,175	-	274,175
67,028	20,871	87,899
(667,208)	667,208	-
<u>9,464,617</u>	<u>688,079</u>	<u>10,152,696</u>
(2,664,778)	(43,078)	(2,707,856)
<u>36,541,998</u>	<u>21,439,285</u>	<u>57,981,283</u>
<u>\$ 33,877,220</u>	<u>\$ 21,396,207</u>	<u>\$ 55,273,427</u>

CITY OF ROCHESTER
Balance Sheet
Governmental Funds
June 30, 2016

	General	Major Streets	Local Streets	Downtown Development Authority
ASSETS				
Cash and Investments	\$ 8,961,898	\$ 1,000,616	\$ 836,510	\$ 132,438
Receivables (net of allowance for uncollectibles):				
Accounts	122,268	-	-	1,887
Due from Other Governmental Units	-	115,595	103,312	-
Total Assets	\$ 9,084,166	\$ 1,116,211	\$ 939,822	\$ 134,325
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 308,682	\$ 19,337	\$ 74,344	\$ 21,616
Accrued and Other Liabilities	119,704	1,882	5,190	4,876
Other	13,933	-	-	-
Total Liabilities	442,319	21,219	79,534	26,492
Fund Balances:				
Restricted for:				
Streets	-	1,094,992	860,288	-
Cemetery	-	-	-	-
Law Enforcement Programs	-	-	-	-
Community Development Block Grant	-	-	-	-
Downtown Development Authority	-	-	-	107,833
Principal Shopping District	-	-	-	-
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Unassigned	8,641,847	-	-	-
Total Fund Balances	8,641,847	1,094,992	860,288	107,833
Total Liabilities and Fund Balances	\$ 9,084,166	\$ 1,116,211	\$ 939,822	\$ 134,325

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 Projects General</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ 1,430,735	\$ 721,273	\$ 13,083,470
-	-	124,155
-	-	<u>218,907</u>
<u>\$ 1,430,735</u>	<u>\$ 721,273</u>	<u>\$ 13,426,532</u>

\$ 52,090	\$ 10,324	\$ 486,393
-	51,199	182,851
-	-	13,933
<u>52,090</u>	<u>61,523</u>	<u>683,177</u>

-	-	1,955,280
-	555,174	555,174
-	23,238	23,238
-	3,075	3,075
-	-	107,833
-	58,261	58,261
-	20,002	20,002
1,378,645	-	1,378,645
-	-	8,641,847
<u>1,378,645</u>	<u>659,750</u>	<u>12,743,355</u>
<u>\$ 1,430,735</u>	<u>\$ 721,273</u>	

23,337,001

4,322,383

997,302

2,005,025

(8,401,246)

(1,126,600)

\$ 33,877,220

CITY OF ROCHESTER
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Downtown Development Authority</u>
Revenues				
Property Taxes	\$ 7,425,048	\$ -	\$ -	\$ 1,133,915
Licenses and Permits	344,707	-	-	-
Intergovernmental:				
Federal, State and Local	1,332,676	603,410	375,497	44,320
Charges for Services	822,729	-	-	70,356
Franchise Fees	274,175	-	-	-
Fines and Forfeitures	98,102	-	-	-
Special Assessments	-	-	42,933	-
Interest	44,794	2,209	1,279	475
Other	203,146	64,171	63,907	17,048
Total Revenues	<u>10,545,377</u>	<u>669,790</u>	<u>483,616</u>	<u>1,266,114</u>
Expenditures				
Current:				
General Government	1,741,900	-	-	-
Public Safety	5,140,428	-	-	-
Community Development	40,849	-	-	1,002,207
Public Works	1,192,166	409,428	1,149,994	-
Recreation and Cultural	1,114,855	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and Other Charges	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>9,230,198</u>	<u>409,428</u>	<u>1,149,994</u>	<u>1,002,207</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,315,179</u>	<u>260,362</u>	<u>(666,378)</u>	<u>263,907</u>
Other Financing Sources (Uses)				
Transfers In	-	147,471	788,189	-
Transfers Out	(1,258,590)	(243,553)	-	(200,000)
Total Other Financing Sources (Uses)	<u>(1,258,590)</u>	<u>(96,082)</u>	<u>788,189</u>	<u>(200,000)</u>
Net Change in Fund Balances	56,589	164,280	121,811	63,907
Fund Balances - Beginning	<u>8,585,258</u>	<u>930,712</u>	<u>738,477</u>	<u>43,926</u>
Fund Balances - Ending	<u>\$ 8,641,847</u>	<u>\$ 1,094,992</u>	<u>\$ 860,288</u>	<u>\$ 107,833</u>

Capital Projects General	Other Governmental	Total Governmental
\$ -	\$ 116,158	\$ 8,675,121
-	-	344,707
-	52,361	2,408,264
-	293,050	1,186,135
-	-	274,175
-	-	98,102
-	213,924	256,857
17,853	418	67,028
17,121	35,837	401,230
<u>34,974</u>	<u>711,748</u>	<u>13,711,619</u>
175,506	-	1,917,406
7,060	39,329	5,186,817
-	660,919	1,703,975
37,455	-	2,789,043
27,730	155,930	1,298,515
-	110,000	110,000
-	11,583	11,583
619,731	-	619,731
<u>867,482</u>	<u>977,761</u>	<u>13,637,070</u>
<u>(832,508)</u>	<u>(266,013)</u>	<u>74,549</u>
380,516	285,967	1,602,143
<u>(567,208)</u>	<u>-</u>	<u>(2,269,351)</u>
<u>(186,692)</u>	<u>285,967</u>	<u>(667,208)</u>
(1,019,200)	19,954	(592,659)
<u>2,397,845</u>	<u>639,796</u>	<u>13,336,014</u>
\$ <u>1,378,645</u>	\$ <u>659,750</u>	\$ <u>12,743,355</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, 2016

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

Net change in fund balances - total governmental funds	\$	(592,659)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital Outlay		619,731
Depreciation Expense		(2,099,189)

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.

53,937

Change in Net Pension Liability

(730,321)

Change in Other Post Employment Benefits

39,650

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		110,000
Increase in Compensated Absences		(65,927)

Change in net position in governmental activities	\$	<u>(2,664,778)</u>
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CITY OF ROCHESTER
Balance Sheet
Proprietary Funds
June 30, 2016

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities Internal Service Fund</u>
	<u>Water and Sewer System</u>	<u>Automobile Parking System</u>	<u>Total</u>	
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,600,677	\$ 245,593	\$ 1,846,270	\$ 951,810
Accounts Receivable	1,125,583	-	1,125,583	18,965
Total Current Assets	<u>2,726,260</u>	<u>245,593</u>	<u>2,971,853</u>	<u>970,775</u>
Noncurrent Assets:				
Restricted Assets - Cash	<u>2,111,815</u>	<u>55,370</u>	<u>2,167,185</u>	<u>-</u>
Capital Assets	29,135,031	13,184,414	42,319,445	6,914,022
Less: Accumulated Depreciation	(8,525,097)	(454,767)	(8,979,864)	(3,547,078)
Net Capital Assets	<u>20,609,934</u>	<u>12,729,647</u>	<u>33,339,581</u>	<u>3,366,944</u>
Total Noncurrent Assets	<u>22,721,749</u>	<u>12,785,017</u>	<u>35,506,766</u>	<u>3,366,944</u>
Total Assets	<u>\$ 25,448,009</u>	<u>\$ 13,030,610</u>	<u>\$ 38,478,619</u>	<u>\$ 4,337,719</u>
<u>LIABILITIES AND NET POSITION</u>				
Current Liabilities (Payable from Current Assets):				
Accounts Payable	\$ 1,091,041	\$ 49,450	\$ 1,140,491	\$ 13,747
Accrued Liabilities	7,535	2,058	9,593	1,589
Deposits	29,600	-	29,600	-
Current Portion of Contracts Payable	-	50,818	50,818	-
Current Portion of Bonds Payable	<u>171,478</u>	<u>460,000</u>	<u>631,478</u>	<u>-</u>
Total Current Liabilities (Payable from Current Assets)	<u>1,299,654</u>	<u>562,326</u>	<u>1,861,980</u>	<u>15,336</u>
Noncurrent Liabilities:				
Contracts Payable (net of current portion)	-	485,117	485,117	-
Bonds Payable (net of current portion)	<u>3,550,315</u>	<u>11,185,000</u>	<u>14,735,315</u>	<u>-</u>
Total Noncurrent Liabilities	<u>3,550,315</u>	<u>11,670,117</u>	<u>15,220,432</u>	<u>-</u>
Total Liabilities	<u>4,849,969</u>	<u>12,232,443</u>	<u>17,082,412</u>	<u>15,336</u>
NET POSITION:				
Net Investment in Capital Assets	16,888,141	548,712	17,436,853	3,366,944
Restricted for Improvements	2,111,815	-	2,111,815	-
Unrestricted	<u>1,598,084</u>	<u>249,455</u>	<u>1,847,539</u>	<u>955,439</u>
Total Net Position	<u>20,598,040</u>	<u>798,167</u>	<u>21,396,207</u>	<u>4,322,383</u>
Total Liabilities and Net Position	<u>\$ 25,448,009</u>	<u>\$ 13,030,610</u>	<u>\$ 38,478,619</u>	<u>\$ 4,337,719</u>

CITY OF ROCHESTER
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities Internal Service Fund</u>
	<u>Water and Sewer System</u>	<u>Automobile Parking System</u>	<u>Total</u>	
<u>Operating Revenues:</u>				
Water Sales	\$ 2,025,872	\$ -	\$ 2,025,872	\$ -
Sewage Disposal Fees	2,921,673	-	2,921,673	-
Charges for Services	54,332	1,057,716	1,112,048	1,155,145
Miscellaneous	24,449	3,092	27,541	-
Total Operating Revenues	<u>5,026,326</u>	<u>1,060,808</u>	<u>6,087,134</u>	<u>1,155,145</u>
<u>Operating Expenses:</u>				
Water Distribution	1,859,650	-	1,859,650	-
Sewage Collection and Disposal	2,431,736	-	2,431,736	-
Administrative	293,324	115,280	408,604	131,385
Operation and Maintenance	646,138	430,569	1,076,707	549,619
Depreciation	543,597	207,287	750,884	421,191
Total Operating Expenses	<u>5,774,445</u>	<u>753,136</u>	<u>6,527,581</u>	<u>1,102,195</u>
Operating Income (Loss)	<u>(748,119)</u>	<u>307,672</u>	<u>(440,447)</u>	<u>52,950</u>
<u>Non-Operating Revenues (Expenses):</u>				
Interest Earned	12,950	7,921	20,871	987
Interest Expense	(87,537)	(399,645)	(487,182)	-
Total Non-Operating Revenues (Expenses)	<u>(74,587)</u>	<u>(391,724)</u>	<u>(466,311)</u>	<u>987</u>
Income (Loss) before Contributions, Special Items, and Transfers	(822,706)	(84,052)	(906,758)	53,937
Capital Contributions	196,472	-	196,472	-
Transfers In (Out)	<u>567,208</u>	<u>100,000</u>	<u>667,208</u>	<u>-</u>
Net Income (Loss)	(59,026)	15,948	(43,078)	53,937
Net Position, Beginning	<u>20,657,066</u>	<u>782,219</u>	<u>21,439,285</u>	<u>4,268,446</u>
Net Position, Ending	<u>\$ 20,598,040</u>	<u>\$ 798,167</u>	<u>\$ 21,396,207</u>	<u>\$ 4,322,383</u>

CITY OF ROCHESTER
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities Internal Service Fund</u>
	<u>Water and Sewer System</u>	<u>Automobile Parking System</u>	<u>Total</u>	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from customers and users	\$ 4,795,458	\$ 1,060,808	\$ 5,856,266	\$ 1,155,364
Payments to suppliers	(4,288,336)	(389,142)	(4,677,478)	(552,870)
Payments to employees	(363,491)	(115,974)	(479,465)	(118,170)
Net Cash Provided (Used) by Operating Activities	<u>143,631</u>	<u>555,692</u>	<u>699,323</u>	<u>484,324</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>				
Refundable Deposits	(3,100)	-	(3,100)	-
Operating Transfers In (Out)	567,208	100,000	667,208	-
Net Cash Provided (Used) by Non-Capital Financing Financing Activities	<u>564,108</u>	<u>100,000</u>	<u>664,108</u>	<u>-</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Capital Charges	42,660	-	42,660	-
State Grants	153,812	-	153,812	-
Principal Paid on Debt	(166,878)	(403,586)	(570,464)	-
Interest Paid on Debt	(87,537)	(399,645)	(487,182)	-
Acquisition and Construction of Capital Assets	(1,162,208)	(5,342,636)	(6,504,844)	(453,571)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,220,151)</u>	<u>(6,145,867)</u>	<u>(7,366,018)</u>	<u>(453,571)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Earned	12,950	7,921	20,871	987
Net Increase (Decrease) in Cash and Cash Equivalents	(499,462)	(5,482,254)	(5,981,716)	31,740
Cash and Cash Equivalents, Beginning	4,211,954	5,783,217	9,995,171	920,070
Cash and Cash Equivalents, Ending	<u>\$ 3,712,492</u>	<u>\$ 300,963</u>	<u>\$ 4,013,455</u>	<u>\$ 951,810</u>
<u>Balance Sheet Classifications:</u>				
Cash and Cash Equivalents	\$ 1,600,677	\$ 245,593	\$ 1,846,270	\$ 951,810
Restricted Assets - Cash and Cash Equivalents	2,111,815	55,370	2,167,185	-
Total	<u>\$ 3,712,492</u>	<u>\$ 300,963</u>	<u>\$ 4,013,455</u>	<u>\$ 951,810</u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>				
Operating Income (Loss)	\$ (748,119)	\$ 307,672	\$ (440,447)	\$ 52,950
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization Expense	543,597	207,287	750,884	421,191
(Increase) Decrease in Receivables	(230,868)	-	(230,868)	219
Increase (Decrease) in Accounts Payable	576,339	41,427	617,766	9,963
Increase (Decrease) in Accrued Liabilities	2,682	(694)	1,988	1
Net Cash Provided (Used) by Operating Activities	<u>\$ 143,631</u>	<u>\$ 555,692</u>	<u>\$ 699,323</u>	<u>\$ 484,324</u>

CITY OF ROCHESTER
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 218,048
Total Assets	<u>218,048</u>
LIABILITIES	
Accounts Payable	28,241
Accrued and Other Liabilities	<u>189,807</u>
Total Liabilities	<u>218,048</u>
NET POSITION	\$ <u><u>-</u></u>

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2016

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, 2016

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, 2016

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 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, 2016

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, 2016

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. 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, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

4. 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. The General Fund, Major Street Fund, Local Street Fund, and the Downtown Development Authority Fund have been used to liquidate compensated absences in the current year.

5. 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, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

6. 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, 2016

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 2016, budget amendments were made and are reflected in the financial statements.

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2016

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

B. Compliance with P.A. 621 of 1978

Excess of Expenditures Over Appropriations in Budgetary Funds

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

	Final		Excess
	<u>Budget</u>	<u>Actual</u>	Expenditures Over <u>Appropriations</u>
General Fund:			
Fire	\$ 1,313,391	\$ 1,334,825	\$ 21,434
Protective Inspections	285,772	287,016	1,244
Planning Commission	37,842	38,250	408
Dept. of Public Works	381,229	387,176	5,947
Park and Recreation	595,239	596,861	1,622
Major Streets Fund:			
Routine Maintenance	170,566	170,829	263
Winter Maintenance	121,654	123,026	1,372
Local Streets Fund:			
Street Construction	642,822	683,615	40,793
Traffic Services	43,499	43,974	475
Winter Maintenance	121,964	123,371	1,407
Downtown Dev. Authority:			
Operating Transfer Out	123,845	200,000	76,155
Comm. Dev. Block Grant	32,985	53,980	20,995
Principal Shopping District	578,998	606,939	27,941

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, 2016 are as follows:

Cumulative Balance at June 30, 2015	\$ (389,989)
Fees Collected in Fiscal Year 2016	293,218
Expenditures in Fiscal Year 2016	<u>(287,016)</u>
Revenues Over (Under) Expenditures	<u>\$ (383,787)</u>

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2016

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.

A reconciliation of cash and investments is as follows:

Statement of Net Position:	
Cash and Investments	\$ 15,881,550
Restricted Cash	2,167,185
Fiduciary Funds:	
Trust & Agency Funds	<u>218,048</u>
Total Deposits and Investments	<u>\$ 18,266,783</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, 2016, the City's bank balance of its deposits was \$18,550,641, of which \$12,101,541 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, 2016

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 \$3,199,100 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 Farm Credit Banks	\$ 1,999,450	1.26 years
Federal Home Loan Banks	700,000	1.30 years
Federal National Mortgage Assoc.	<u>499,650</u>	1.83 years
	<u>\$ 3,199,100</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	\$ 3,199,100	Aaa	Moody's

Concentration of Credit Risk

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

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2016

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$ 3,656,450	\$ -	\$ -	\$ 3,656,450
Capital Assets, being depreciated:				
Buildings and Improvements	4,794,922	319,170	-	5,114,092
Improvements-Non Building	2,573,881	-	-	2,573,881
Machinery and Equipment	2,908,436	-	-	2,908,436
Infrastructure	32,920,819	300,561	-	33,221,380
Internal Service Fund	6,460,451	453,571	-	6,914,022
	<u>49,658,509</u>	<u>1,073,302</u>	<u>-</u>	<u>50,731,811</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(1,883,269)	(160,367)	-	(2,043,636)
Improvements-Non Building	(616,973)	(77,988)	-	(694,961)
Machinery and Equipment	(2,343,556)	(201,233)	-	(2,544,789)
Infrastructure	(17,194,251)	(1,659,601)	-	(18,853,852)
Internal Service Fund	(3,125,887)	(421,191)	-	(3,547,078)
	<u>(25,163,936)</u>	<u>(2,520,380)</u>	<u>-</u>	<u>(27,684,316)</u>
Governmental Activities				
Capital Assets, net	\$ <u>28,151,023</u>	\$ <u>(1,447,078)</u>	\$ <u>-</u>	\$ <u>26,703,945</u>

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2016

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets – Continued

<u>Business-type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$ 363,253	\$ -	\$ -	\$ 363,253
Capital Assets, being depreciated:				
Sewage Disposal System	15,275,379	1,162,208	-	16,437,587
Water Distribution System	12,621,803	-	-	12,621,803
Improvements Parking Lots & Platforms	6,950,742	5,342,636	-	12,293,378
Parking Meters	546,094	-	-	546,094
Other Equipment	57,330	-	-	57,330
	<u>35,451,348</u>	<u>6,504,844</u>	<u>-</u>	<u>41,956,192</u>
Less: Accumulated Depreciation:				
Sewage Disposal System	(3,962,158)	(311,408)	-	(4,273,566)
Water Distribution System	(3,962,012)	(232,189)	-	(4,194,201)
Improvements Parking Lots & Platforms	(181,056)	(184,050)	-	(365,106)
Parking Meters	(66,424)	(23,237)	-	(89,661)
Other Equipment	(57,330)	-	-	(57,330)
	<u>(8,228,980)</u>	<u>(750,884)</u>	<u>-</u>	<u>(8,979,864)</u>
Business-type Activities				
Capital Assets, net	<u>\$ 27,585,621</u>	<u>\$ 5,753,960</u>	<u>\$ -</u>	<u>\$ 33,339,581</u>

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

General Government	\$ 77,335
Public Safety	238,414
Public Works	1,616,630
Community Development	116,740
Recreation and Cultural	50,070
Charged though Internal Service Funds	421,191
	<u>\$ 2,520,380</u>

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2016

III. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers

The composition of interfund transfers at June 30, 2016 are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Local Street Fund	General Fund	\$ 544,636
Major Street Fund	General Fund	147,471
Cemetery	General Fund	135,967
Capital Projects General	General Fund	380,516
Auto Parking System	General Fund	50,000
Local Street Fund	Major Street Fund	243,553
Principal Shopping District	DDA	150,000
Auto Parking System	DDA	50,000
Water & Sewer	Capital Projects General	567,208
		<u>\$ 2,269,351</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, 2016:

Water & Sewer System Fund:

Cash and investments restricted for	
Water & Sewer Capital Improvement	<u>\$2,111,815</u>

Automobile Parking Fund:

Restricted Cash - Unspent Bond Proceeds	<u>\$ 55,370</u>
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CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2016

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, 2016:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Balance</u> <u>Within 1 Year</u>
Governmental Activities:					
2013 Refunding Bonds maturing through 4-1-2021, interest 1.43%	\$ 810,000	\$ -	\$ (110,000)	\$ 700,000	\$ 135,000
Compensated Absences	360,673	113,777	(47,850)	426,600	81,115
	<u>\$ 1,170,673</u>	<u>\$ 113,777</u>	<u>\$ (157,850)</u>	<u>\$ 1,126,600</u>	<u>\$ 216,115</u>
Business-type Activities:					
2010 Oakland-Macomb Interceptor bonds maturing through 4-1-2031, interest 2.50%	\$ 634,414	\$ -	\$ (32,664)	\$ 601,750	\$ 33,535
2010B Oakland-Macomb Interceptor bonds maturing through 4-1-2030, interest 1.15%-5.90%	161,579	-	(7,549)	154,030	7,839
2011 Oakland-Macomb Interceptor bonds maturing through 10-1-2033, interest 2.50%	874,446	-	(36,539)	837,907	37,430
2013A Oakland-Macomb Interceptor bonds maturing through 10-1-2033, interest 2.00%	1,985,952	-	(81,706)	1,904,246	83,383
2014A Oakland-Macomb Interceptor bonds maturing through 10-1-2034, interest 2.00%-3.50%	232,280	-	(8,420)	223,860	9,291
2015 Capital Improvement Parking bonds maturing through 5-1-2035, interest 2.00%-3.00%	12,000,000	-	(355,000)	11,645,000	460,000
Land Contracts Payable due 4-1-2025, interest at 4.5%	584,521	-	(48,586)	535,935	50,818
	<u>\$ 16,473,192</u>	<u>\$ -</u>	<u>\$ (570,464)</u>	<u>\$ 15,902,728</u>	<u>\$ 682,296</u>

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2016

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, 2016 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>
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	140,000	2,002	748,888	331,529
2022-2026	-	-	4,028,206	1,395,356
2027-2031	-	-	4,445,600	912,123
2032-2035	-	-	3,852,510	267,146
	<u>\$ 700,000</u>	<u>\$ 30,388</u>	<u>\$ 15,902,728</u>	<u>\$ 4,395,277</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 2015 tax roll is as follows (tax rate per \$1,000 of assessed valuation):

General Operating	11.5964
Older Persons Comm.	.2425
Older Persons Comm. Debt	<u>.1900</u>
Total	<u>12.0289</u> mills

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2016

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, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	53
Inactive plan members entitled to but not yet receiving benefits	2
Active Plan Members	<u>46</u>
Total Employees covered by MERS	<u>101</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, 2016

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, 2016, 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, 2016 was determined using a measure of the total pension liability and the plan net position as of December 31, 2015. The December 31, 2015 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, 2014	\$ 20,038,155	\$ 13,940,737	\$ 6,097,418
Service Cost	355,970	-	355,970
Interest	1,772,275	-	1,772,275
Contributions-Employer	-	533,424	(533,424)
Contributions-Employee	-	169,204	(169,204)
Net Investment Income	-	(201,425)	201,425
Differences between expected and actual experience	(246,693)	-	(246,693)
Change in Assumptions	893,559	-	893,559
Benefit Payments, including refunds	(1,395,122)	(1,395,122)	-
Administrative Expenses	-	(29,920)	29,920
Net Changes	<u>1,379,989</u>	<u>(923,839)</u>	<u>2,303,828</u>
Balance at December 31, 2015	<u>\$ 21,418,144</u>	<u>\$ 13,016,898</u>	<u>\$ 8,401,246</u>

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2016

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, 2016, the City recognized pension expense of \$730,321. At June 30, 2016, the City reported deferred outflows of resources related to pensions from the following sources:

<u>Source</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred</u>
Net difference between projected and actual earnings on pension plan investments	\$ 1,161,751	\$ -	
Difference between expected and actual experience	-	215,856	
Change in assumptions related to economic and demographic factors	781,864	-	
Employer contributions to the plan subsequent to the measurement date	<u>277,266</u>	<u>-</u>	
Total	<u>\$ 2,220,881</u>	<u>\$ 215,856</u>	<u>\$ 2,005,025</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 (\$277,266), which will impact the net pension liability in fiscal year 2017, rather than pension expense.

<u>Years Ending June 30</u>	<u>Amount</u>
2017	\$ 382,256
2018	382,256
2019	382,256
2020	338,417
2021	80,858
2022	80,858
2023	80,858

Actuarial Assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2016

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, 2015 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 8.00 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, 2015, the measurement date, for each major asset class are summarized in the following table:

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2016

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 8.00 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 (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Net Pension Liability	\$ 10,810,485	\$ 8,401,246	\$ 6,362,954

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, 2016

IV. OTHER INFORMATION - Continued

B. 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 \$43,573.

C. 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 \$377,261.

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, 2016, the City has estimated the cost of providing retiree healthcare benefits through use of the alternate calculation method as established under GASB 45. The alternate calculation method computes an annual required contribution that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The alternate calculation method uses actuarial techniques, although it was not performed by an actuary.

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2016

IV. OTHER INFORMATION – Continued

C. Post Retirement Health Care Benefits – Continued

The computed contribution and actual funding are summarized as follows:

Annual Required Contribution (recommended)	\$	337,611
Interest on the prior year's net OPEB obligation		-
Less adjustment to the annual required contribution		-
Annual OPEB Cost		337,611
Amounts Contributed:		
Payments of current premiums		(377,261)
Advance funding		-
Increase(Decrease) in net OPEB obligation		(39,650)
OPEB obligation (asset) - Beginning of Year		(957,652)
OPEB obligation (asset) - End of Year	\$	(997,302)

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Annual OPEB Costs	Percentage of OPEB Costs Contributed	Net OPEB Obligation (Asset)
6/30/2014	6/30/2014	\$ 182,833	\$ 182,833	264%	\$ (744,314)
6/30/2015	6/30/2015	\$ 218,857	\$ 233,387	191%	\$ (957,652)
6/30/2016	6/30/2016	\$ 324,867	\$ 337,611	112%	\$ (997,302)

Valuation as of:	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Actuarial Value of Assets	\$ 8,375,000	\$ 8,950,000	\$ 8,967,830
Actuarial Accrued Liability	7,859,569	9,052,230	10,488,560
Unfunded AAL	(515,431)	102,230	1,520,730
Funded Ratio	106.56%	98.87%	85.50%
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.

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2016

IV. OTHER INFORMATION – Continued

C. Post Retirement Health Care Benefits – Continued

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

In the June 30, 2016 calculation, the entry age actuarial cost method was used, assuming projected salary increases of 3.0%. The actuarial assumptions included a 6.50 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 and are closed. The investments are calculated based on the funded level of the plan at the valuation date and the healthcare cost trend rate assumed an 8.0% annual rate for inflation reducing every year for next ten years to an ultimate rate of 4.70% in year 2026.

D. 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.

E. 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 Ten Fiscal Years (schedule is built prospectively upon implementation of GASB 68)

	<u>2016</u>	<u>2015</u>
Total Pension Liability:		
Service Cost	\$ 355,970	\$ 353,366
Interest	1,772,275	1,524,423
Differences between expected and actual experience	(246,693)	-
Change in assumptions	893,559	-
Benefit payments, including refunds	(1,395,122)	(1,436,489)
Net Change in Total Pension Liability	<u>1,379,989</u>	<u>441,300</u>
Total Pension Liability, Beginning of year	<u>20,038,155</u>	<u>19,596,855</u>
Total Pension Liability, End of year	<u>\$ 21,418,144</u>	<u>\$ 20,038,155</u>
Plan Fiduciary Net Position:		
Contributions - Employer	\$ 533,424	\$ 487,578
Contributions - Employee	169,204	160,405
Net Investment Income	(201,425)	860,051
Administrative Expenses	(29,920)	(31,456)
Benefit payments, including refunds	(1,395,122)	(1,436,489)
Net Change in Plan Fiduciary Net Position	<u>(923,839)</u>	<u>40,089</u>
Plan Fiduciary Net Position, Beginning of year	<u>13,940,737</u>	<u>13,900,648</u>
Plan Fiduciary Net Position, End of year	<u>\$ 13,016,898</u>	<u>\$ 13,940,737</u>
City's Net Pension Liability - Ending	<u>\$ 8,401,246</u>	<u>\$ 6,097,418</u>
Plan Fiduciary Net Position as a Percent of Total Pension Liability	60.8%	69.6%
Covered Employee Payroll	\$ 3,076,971	\$ 3,052,455
City's Net Pension Liability as a Percent of Covered Employee Payroll	273.0%	199.8%



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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 554,532	\$ 512,316	\$ 462,840	\$ 418,456	\$ 369,520	\$ 373,682	\$ 301,526	\$ 306,246	\$ 270,158	\$ 295,035
Contributions in relation to the actuarially determined contribution	554,532	512,316	462,840	418,456	369,520	373,682	301,526	306,246	270,158	295,035
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 3,076,971	\$ 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	18.0%	16.4%	13.6%	12.5%	11.0%	11.2%	8.1%	9.4%	8.2%	9.0%

Actuarial valuation information relative to the determination of contributions:
Valuation Date 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 5 year smoothed market

Inflation 2.50%

Salary Increases 3.75% including inflation

Investment Rate of Return 7.75%

Retirement Age Experience based tables of rates that are specific to the type of eligibility condition

Mortality 50% Male - 50% Female blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables



CITY OF ROCHESTER
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General Property Taxes	\$ 7,391,753	\$ 7,425,048	\$ 7,425,048	\$ -
Licenses and Permits	284,650	341,357	344,707	3,350
Intergovernmental - State and Local	1,232,393	1,305,003	1,332,676	27,673
Charges for Services	849,602	844,685	822,729	(21,956)
Franchise Fees	250,000	274,175	274,175	-
Fines	85,000	97,000	98,102	1,102
Interest	40,000	44,790	44,794	4
Reimbursements	103,500	97,817	100,092	2,275
Other Revenues	58,600	94,058	103,054	8,996
Total Revenues	<u>10,295,498</u>	<u>10,523,933</u>	<u>10,545,377</u>	<u>21,444</u>
Expenditures:				
General Government:				
City Council	74,563	73,122	71,977	1,145
City Manager	446,045	449,881	444,579	5,302
Elections	33,877	43,237	41,881	1,356
Finance	625,449	624,305	621,237	3,068
City Clerk	143,983	141,926	139,732	2,194
Board of Review	1,675	1,857	1,857	-
Civic Center	98,652	91,206	88,929	2,277
Other General Services	356,440	343,629	331,708	11,921
Total General Government	<u>1,780,684</u>	<u>1,769,163</u>	<u>1,741,900</u>	<u>27,263</u>
Public Safety:				
Police	3,560,686	3,518,885	3,518,587	298
Fire	1,102,570	1,313,391	1,334,825	(21,434)
Protective Inspections	245,920	285,772	287,016	(1,244)
Total Public Safety	<u>4,909,176</u>	<u>5,118,048</u>	<u>5,140,428</u>	<u>(22,380)</u>
Community Development:				
Planning Commission	40,100	37,842	38,250	(408)
Zoning Board of Appeals	4,050	2,753	2,599	154
Total Community Development	<u>44,150</u>	<u>40,595</u>	<u>40,849</u>	<u>(254)</u>
Public Works:				
Department of Public Works	374,948	381,229	387,176	(5,947)
Sanitation	404,229	440,096	437,575	2,521
Environmental Services	381,677	374,658	367,415	7,243
Total Public Works	<u>1,160,854</u>	<u>1,195,983</u>	<u>1,192,166</u>	<u>3,817</u>
Recreation and Cultural:				
Parks and Recreation	577,044	595,239	596,861	(1,622)
Library	450,000	453,976	453,976	-
Older Persons Commission	55,000	55,092	55,092	-
Historical Commission	10,000	10,000	8,926	1,074
Total Recreation and Cultural	<u>1,092,044</u>	<u>1,114,307</u>	<u>1,114,855</u>	<u>(548)</u>
Contingencies	50,000	-	-	-
Total Expenditures	<u>9,036,908</u>	<u>9,238,096</u>	<u>9,230,198</u>	<u>7,898</u>
Excess (Deficiency) of Revenues Over Expenditures	1,258,590	1,285,837	1,315,179	29,342
Other Financing Uses:				
Operating Transfers Out	<u>(1,258,590)</u>	<u>(1,258,590)</u>	<u>(1,258,590)</u>	<u>-</u>
Change in Fund Balance	-	27,247	56,589	29,342
Fund Balance - July 1	<u>8,585,258</u>	<u>8,585,258</u>	<u>8,585,258</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 8,585,258</u>	<u>\$ 8,612,505</u>	<u>\$ 8,641,847</u>	<u>\$ 29,342</u>

CITY OF ROCHESTER
Major Streets Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
State	\$ 523,408	\$ 575,780	\$ 603,410	\$ 27,630
Interest	2,500	2,056	2,209	153
Other	-	64,171	64,171	-
Total Revenues	<u>525,908</u>	<u>642,007</u>	<u>669,790</u>	<u>27,783</u>
Expenditures:				
Highways and Streets:				
General Administration	8,344	21,129	16,915	4,214
Routine Maintenance	176,634	170,566	170,829	(263)
Street Construction	66,948	51,093	55,919	(4,826)
Traffic Services	41,356	43,868	42,739	1,129
Winter Maintenance	136,544	121,654	123,026	(1,372)
Total Expenditures	<u>429,826</u>	<u>408,310</u>	<u>409,428</u>	<u>(1,118)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>96,082</u>	<u>233,697</u>	<u>260,362</u>	<u>26,665</u>
Other Financing Sources (Uses):				
Operating Transfers In	147,471	147,471	147,471	-
Operating Transfers Out	(243,553)	(243,553)	(243,553)	-
Total Other Financing Sources (Uses)	<u>(96,082)</u>	<u>(96,082)</u>	<u>(96,082)</u>	<u>-</u>
Net Change in Fund Balance	-	137,615	164,280	26,665
Fund Balance - July 1	<u>930,712</u>	<u>930,712</u>	<u>930,712</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 930,712</u>	<u>\$ 1,068,327</u>	<u>\$ 1,094,992</u>	<u>\$ 26,665</u>

CITY OF ROCHESTER
Local Streets Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State	\$ 211,458	\$ 345,769	\$ 375,497	\$ 29,728
Special Assessments	32,005	42,933	42,933	-
Interest	2,500	1,279	1,279	-
Other	32,000	52,530	63,907	11,377
Total Revenues	<u>277,963</u>	<u>442,511</u>	<u>483,616</u>	<u>41,105</u>
Expenditures:				
Highways and Streets:				
General Administration	18,378	24,432	23,962	470
Routine Maintenance	316,405	336,610	275,072	61,538
Street Construction	573,517	642,822	683,615	(40,793)
Traffic Services	55,124	43,499	43,974	(475)
Winter Maintenance	102,728	121,964	123,371	(1,407)
Total Expenditures	<u>1,066,152</u>	<u>1,169,327</u>	<u>1,149,994</u>	<u>19,333</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(788,189)</u>	<u>(726,816)</u>	<u>(666,378)</u>	<u>60,438</u>
Other Financing Sources:				
Operating Transfers In	<u>788,189</u>	<u>788,189</u>	<u>788,189</u>	<u>-</u>
Net Change in Fund Balance	-	61,373	121,811	60,438
Fund Balance - July 1	<u>738,477</u>	<u>738,477</u>	<u>738,477</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 738,477</u>	<u>\$ 799,850</u>	<u>\$ 860,288</u>	<u>\$ 60,438</u>

CITY OF ROCHESTER
Downtown Development Authority Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 1,064,595	\$ 1,064,595	\$ 1,133,915	\$ 69,320
State	-	-	44,320	44,320
Charges for Services	69,500	69,500	70,356	856
Interest	500	500	475	(25)
Other	11,075	11,075	17,048	5,973
Total Revenues	<u>1,145,670</u>	<u>1,145,670</u>	<u>1,266,114</u>	<u>120,444</u>
Expenditures:				
Community Development:				
Downtown Development	<u>1,021,825</u>	<u>1,021,825</u>	<u>1,002,207</u>	<u>19,618</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>123,845</u>	<u>123,845</u>	<u>263,907</u>	<u>140,062</u>
Other Financing Sources (Uses):				
Operating Transfers Out	<u>(123,845)</u>	<u>(123,845)</u>	<u>(200,000)</u>	<u>(76,155)</u>
Total Other Financing Sources (Uses)	<u>(123,845)</u>	<u>(123,845)</u>	<u>(200,000)</u>	<u>(76,155)</u>
Net Change in Fund Balance	-	-	63,907	63,907
Fund Balance - July 1	<u>43,926</u>	<u>43,926</u>	<u>43,926</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 43,926</u>	<u>\$ 43,926</u>	<u>\$ 107,833</u>	<u>\$ 63,907</u>

CITY OF ROCHESTER
Notes to Required Supplementary Information
June 30, 2016

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, 2016

	<u>Special Revenue</u>	<u>2013 G.O. Refunding Bonds Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 701,271	\$ 20,002	\$ 721,273
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts Payable	\$ 10,324	\$ -	\$ 10,324
Accrued Liabilities	51,199	-	51,199
Total Liabilities	<u>61,523</u>	<u>-</u>	<u>61,523</u>
Fund Balance:			
Restricted for :			
Cemetery	555,174	-	555,174
Law Enforcement Programs	23,238	-	23,238
Community Development Block Grant	3,075	-	3,075
Principal Shopping District	58,261	-	58,261
Debt Service	-	20,002	20,002
Total Fund Balance	<u>639,748</u>	<u>20,002</u>	<u>659,750</u>
Total Liabilities and Fund Balance	<u>\$ 701,271</u>	<u>\$ 20,002</u>	<u>\$ 721,273</u>

CITY OF ROCHESTER
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	<u>Special Revenue</u>	<u>2013 G.O. Refunding Bonds Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:			
Property Taxes	\$ -	\$ 116,158	\$ 116,158
Federal Grants	52,361	-	52,361
Charges for Services	293,050	-	293,050
Special Assessments	213,924	-	213,924
Interest	410	8	418
Other	35,837	-	35,837
Total Revenues	<u>595,582</u>	<u>116,166</u>	<u>711,748</u>
Expenditures:			
Public Safety	39,329	-	39,329
Community Development	660,919	-	660,919
Recreation and Cultural	155,930	-	155,930
Debt Service:			
Principal	-	110,000	110,000
Interest and Other Charges	-	11,583	11,583
Total Expenditures	<u>856,178</u>	<u>121,583</u>	<u>977,761</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(260,596)</u>	<u>(5,417)</u>	<u>(266,013)</u>
Other Financing Sources (Uses):			
Operating Transfers In	<u>285,967</u>	<u>-</u>	<u>285,967</u>
Total Other Financing Sources (Uses)	<u>285,967</u>	<u>-</u>	<u>285,967</u>
Change in Fund Balances	25,371	(5,417)	19,954
Fund Balances - July 1	<u>614,377</u>	<u>25,419</u>	<u>639,796</u>
Fund Balances - June 30	<u>\$ 639,748</u>	<u>\$ 20,002</u>	<u>\$ 659,750</u>

CITY OF ROCHESTER
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2016

	<u>Cemetery</u>	<u>Drug Law Enforcement</u>	<u>Community Development Block Grant</u>	<u>Principal Shopping District</u>	<u>Total</u>
<u>ASSETS</u>					
Cash	\$ 560,659	\$ 23,238	\$ 3,075	\$ 114,299	\$ 701,271
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts Payable	\$ 4,105	\$ -	\$ -	\$ 6,219	\$ 10,324
Accrued Liabilities	1,380	-	-	49,819	51,199
Total Liabilities	<u>5,485</u>	<u>-</u>	<u>-</u>	<u>56,038</u>	<u>61,523</u>
Fund Balance:					
Restricted for:					
Cemetery	555,174	-	-	-	555,174
Law Enforcement Programs	-	23,238	-	-	23,238
Community Dev. Block Grant	-	-	3,075	-	3,075
Principal Shopping District	-	-	-	58,261	58,261
Total Fund Balance	<u>555,174</u>	<u>23,238</u>	<u>3,075</u>	<u>58,261</u>	<u>639,748</u>
Total Liabilities and Fund Balance	<u>\$ 560,659</u>	<u>\$ 23,238</u>	<u>\$ 3,075</u>	<u>\$ 114,299</u>	<u>\$ 701,271</u>

CITY OF ROCHESTER
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2016

	<u>Cemetery</u>	<u>Drug Law Enforcement</u>	<u>Community Development Block Grant</u>	<u>Principal Shopping District</u>	<u>Total</u>
Revenues:					
Federal Grants	\$ -	\$ -	\$ 52,361	\$ -	\$ 52,361
Charges for Services	82,373	-	-	210,677	293,050
Special Assessments	-	-	-	213,924	213,924
Interest Earned	317	-	-	93	410
Other	-	35,837	-	-	35,837
Total Revenues	<u>82,690</u>	<u>35,837</u>	<u>52,361</u>	<u>424,694</u>	<u>595,582</u>
Expenditures:					
Public Safety	-	39,329	-	-	39,329
Community Development	-	-	53,980	606,939	660,919
Recreation and Cultural	<u>155,930</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,930</u>
Total Expenditures	<u>155,930</u>	<u>39,329</u>	<u>53,980</u>	<u>606,939</u>	<u>856,178</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(73,240)</u>	<u>(3,492)</u>	<u>(1,619)</u>	<u>(182,245)</u>	<u>(260,596)</u>
Other Financing Sources:					
Transfers In	<u>135,967</u>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>285,967</u>
Total Other Financing Sources	<u>135,967</u>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>285,967</u>
Net Change in Fund Balance	62,727	(3,492)	(1,619)	(32,245)	25,371
Fund Balance - July 1	<u>492,447</u>	<u>26,730</u>	<u>4,694</u>	<u>90,506</u>	<u>614,377</u>
Fund Balance - June 30	<u>\$ 555,174</u>	<u>\$ 23,238</u>	<u>\$ 3,075</u>	<u>\$ 58,261</u>	<u>\$ 639,748</u>

CITY OF ROCHESTER
Cemetery Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services	\$ 49,800	\$ 83,073	\$ 82,373	\$ (700)
Interest	-	317	317	-
Total Revenues	<u>49,800</u>	<u>83,390</u>	<u>82,690</u>	<u>(700)</u>
Expenditures:				
Cemetery Maintenance	<u>185,767</u>	<u>160,208</u>	<u>155,930</u>	<u>4,278</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(135,967)</u>	<u>(76,818)</u>	<u>(73,240)</u>	<u>3,578</u>
Other Financing Sources:				
Operating Transfers In	<u>135,967</u>	<u>135,967</u>	<u>135,967</u>	<u>-</u>
Net Change in Fund Balance	-	59,149	62,727	3,578
Fund Balance - July 1	<u>492,447</u>	<u>492,447</u>	<u>492,447</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 492,447</u>	<u>\$ 551,596</u>	<u>\$ 555,174</u>	<u>\$ 3,578</u>

CITY OF ROCHESTER
Drug Law Enforcement Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other Revenues	\$ 54,000	\$ 35,837	\$ 35,837	\$ -
Expenditures:				
Public Safety	54,000	39,329	39,329	-
Net Change in Fund Balance	-	(3,492)	(3,492)	-
Fund Balance - July 1	26,730	26,730	26,730	-
Fund Balance - June 30	\$ 26,730	\$ 23,238	\$ 23,238	-

CITY OF ROCHESTER
Community Development Block Grant Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal Grants	\$ 25,000	\$ 28,291	\$ 52,361	\$ 24,070
Expenditures:				
Community Development	27,500	32,985	53,980	(20,995)
Net Change in Fund Balance	(2,500)	(4,694)	(1,619)	3,075
Fund Balance - July 1	4,694	4,694	4,694	-
Fund Balance - June 30	\$ <u>2,194</u>	\$ <u>-</u>	\$ <u>3,075</u>	\$ <u>3,075</u>

CITY OF ROCHESTER
Principal Shopping District Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services	\$ 224,000	\$ 253,998	\$ 210,677	\$ (43,321)
Special Assessments	205,000	205,000	213,924	8,924
Interest	-	-	93	93
Total Revenues	<u>429,000</u>	<u>458,998</u>	<u>424,694</u>	<u>(34,304)</u>
Expenditures:				
Community Promotions	549,000	578,998	606,939	(27,941)
Total Expenditures	<u>549,000</u>	<u>578,998</u>	<u>606,939</u>	<u>(27,941)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(120,000)</u>	<u>(120,000)</u>	<u>(182,245)</u>	<u>(62,245)</u>
Other Financing Sources:				
Operating Transfers In	150,000	150,000	150,000	-
Net Change in Fund Balance	30,000	30,000	(32,245)	(62,245)
Fund Balance - July 1	90,506	90,506	90,506	-
Fund Balance - June 30	<u>\$ 120,506</u>	<u>\$ 120,506</u>	<u>\$ 58,261</u>	<u>\$ (62,245)</u>

CITY OF ROCHESTER
Agency Funds
Combining Statement of Net Position
June 30, 2016

	<u>Tax Collection Fund</u>	<u>Payroll Fund</u>	<u>Total Agency Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ <u> -</u>	\$ <u> 218,048</u>	\$ <u> 218,048</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ -	\$ 28,241	\$ 28,241
Accrued and Other Liabilities	-	189,807	189,807
Total Liabilities	\$ <u> -</u>	\$ <u> 218,048</u>	\$ <u> 218,048</u>

CITY OF ROCHESTER
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2016

Tax Collection Fund

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ -	\$ 26,278,633	\$ 26,278,633	\$ -
<u>LIABILITIES</u>				
Accounts Payable	\$ -	\$ 26,278,633	\$ 26,278,633	\$ -

Payroll Fund

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 244,100	\$ 4,640,339	\$ 4,666,391	\$ 218,048
<u>LIABILITIES</u>				
Accounts Payable	\$ -	\$ 4,229,834	\$ 4,201,593	\$ 28,241
Accrued and Other Liabilities	244,100	410,505	464,798	189,807
Total Liabilities	\$ 244,100	\$ 4,640,339	\$ 4,666,391	\$ 218,048



STATISTICAL SECTION



STATISTICAL SECTION

This part of the City of Rochester's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

	<u>Page</u>
<u>Financial Trends</u> These schedules contain trend information to help the reader understand how the City's financial performance has changed over time.	64-68
<u>Revenue Capacity</u> These schedules contain information to help the reader access the City's most significant local revenue source, the property tax.	69-72
<u>Debt Capacity</u> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	73-76
<u>Demographic and Economic Information</u> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	77-78
<u>Operating Information</u> These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	79-81

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

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Governmental Activities:										
Net investment in capital assets	\$ 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	\$ 26,003,945
Restricted	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	4,101,508
Unrestricted	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	3,771,767
Total Governmental Activities Net Position	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	33,877,220
Business-type Activities:										
Net investment in capital assets	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	17,436,853
Restricted	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	2,111,815
Unrestricted	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	1,847,539
Total Business-type Activities Net Position	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	21,396,207
Primary Government:										
Net investment in capital assets	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	43,440,798
Restricted	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	6,213,323
Unrestricted	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	5,619,306
Total Primary Government Net Position	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	55,273,427

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

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Expenses:										
Governmental Activities:										
General Government	\$ 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	\$ 2,209,891
Public Safety	3,728,349	3,826,669	4,050,383	4,139,177	4,417,135	4,617,009	4,677,997	4,804,877	5,162,930	5,731,103
Public Works	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	4,536,193
Community Development	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	1,847,024
Recreation and Cultural	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	1,373,395
Interest on Long-term Debt	323,243	283,574	241,441	197,486	153,266	118,549	100,809	83,474	12,798	11,583
Total Governmental Activities	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	15,709,189
Business-type Activities:										
Water & Sewer	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	6,261,627
Automobile Parking System	31,255	183,395	182,767	182,968	208,177	134,685	164,344	244,693	728,598	753,136
Total Business-type Activities	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	7,014,763
Total Primary Government Expenses	15,007,910	15,900,517	16,064,245	16,126,792	17,561,774	17,484,590	19,369,004	20,368,202	21,091,322	22,723,952
Program Revenues:										
Governmental Activities:										
Charges for Services:										
General Government	126,601	1,194,920	780,043	900,559	824,758	813,941	809,722	878,088	802,801	837,627
Public Safety	366,030	513,396	343,109	613,200	744,211	767,365	1,037,970	875,913	977,804	968,416
Public Works	40,631	668,215	102,307	61,587	48,750	51,201	50,706	114,622	133,851	171,011
Community Development	124,183	212,439	393,863	432,363	220,552	249,507	362,256	347,266	487,791	512,005
Recreation and Cultural	39,869	91,091	-	-	-	-	-	-	-	-
Operating Grants and Contributions	715,515	683,990	549,772	696,727	818,874	885,518	941,328	1,012,164	988,125	1,081,275
Capital Grants and Contributions	482,574	4,898	56,000	129,542	49,556	47,001	97,524	659,939	75,000	9,460
Total Governmental Activities	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	3,579,794
Business-type Activities:										
Charges for Services:										
Water & Sewer	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	5,026,326
Automobile Parking System	124,991	98,878	96,185	93,087	118,510	62,278	46,912	175,339	461,692	1,060,808
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	-	34,100	6,600	24,000	52,000	35,800	424,593	661,742	122,859	196,472
Total Business-type Activities	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	6,283,606
Total Primary Government Program Revenues	5,170,127	6,598,567	5,278,869	6,388,374	6,886,337	7,507,788	8,641,017	9,670,143	9,062,831	9,863,400

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

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
General Fund:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	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	8,641,847
Total General Fund	5,082,598	6,377,489	7,220,982	7,790,725	8,005,914	8,017,424	8,251,947	8,431,838	8,585,258	8,641,847
All Other Governmental Funds										
Reserved, reported in:										
Capital Projects	660,343	329,341	348,164	257,718	-	-	-	-	-	-
Debt Service	163,117	184,845	160,348	102,764	-	-	-	-	-	-
Other	312,950	315,950	372,315	502,571	-	-	-	-	-	-
Unreserved, reported in:										
Special Revenue Funds	2,803,994	5,169,843	4,245,160	4,160,841	-	-	-	-	-	-
Capital Project Funds	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	1,955,280
Cemetery	-	-	-	-	448,400	433,620	420,320	455,626	492,447	555,174
Law Enforcement Programs	-	-	-	-	44,799	23,660	22,996	24,141	26,730	23,238
Community Dev. Block Grant	-	-	-	-	8,113	8,794	5,885	4,694	4,694	3,075
Downtown Development Authority	-	-	-	-	1,255,244	485,906	630	130	43,926	107,833
Principal Shopping District	-	-	-	-	48,842	29,841	31,521	47,593	90,506	58,261
Band Shelter	-	-	-	-	237,329	238,082	238,656	-	-	-
Debt Service	-	-	-	-	33,814	17,908	17,286	11,400	25,419	20,002
Capital Projects	-	-	-	-	4,620,226	4,081,244	3,611,477	3,262,407	2,397,845	1,378,645
Total All Other Governmental Funds	11,093,461	11,193,846	9,992,195	9,471,516	9,111,298	7,926,805	6,021,594	5,600,442	4,750,756	4,101,508
Total All Governmental Funds	\$ 16,176,059	\$ 17,571,335	\$ 17,213,177	\$ 17,262,241	\$ 17,117,212	\$ 15,944,229	\$ 14,273,541	\$ 14,032,280	\$ 13,336,014	\$ 12,743,355

Note: Fiscal years 2007 through 2010 reflect the fund balance terminology before adoption of GASB Statement No. 54.



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

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Revenues:										
Property Taxes	\$ 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	\$ 8,675,121
Special Assessments	-	271,043	296,557	296,186	238,502	234,980	227,704	252,716	250,488	256,857
Licenses and Permits	204,028	99,845	69,537	108,556	171,068	171,530	313,338	268,442	350,646	344,707
Intergovernmental	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	2,408,264
Charges for Services	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	1,186,135
Fines and Forfeitures	63,059	106,656	85,928	97,019	81,149	92,781	93,265	80,262	83,053	98,102
Investment Earnings	1,104,667	919,156	434,304	163,715	78,647	79,399	69,642	57,234	64,466	67,028
Other	715,886	411,188	441,948	550,489	455,934	542,235	575,474	527,036	532,228	675,405
Total Revenues	16,439,841	15,976,340	14,520,607	14,437,379	13,315,369	12,593,537	12,912,423	13,634,658	13,221,251	13,711,619
Expenditures:										
General Government	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	1,917,406
Public Safety	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	5,186,817
Public Works	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	2,789,043
Community Development	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	1,703,975
Recreation and Cultural	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	1,298,515
Capital Outlay	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	619,731
Debt Service:										
Principal	740,000	856,165	849,062	907,133	938,813	415,596	442,461	479,412	85,000	110,000
Interest	273,407	283,574	241,441	197,486	153,266	118,549	100,809	53,474	12,798	11,583
Total Expenditures	14,030,814	14,581,064	14,878,765	14,331,815	13,442,405	13,807,324	14,582,188	13,593,526	13,453,767	13,637,070
Excess of Revenues over (under) Expenditures	2,409,027	1,395,276	(358,158)	105,564	(127,036)	(1,213,787)	(1,669,765)	41,132	(232,516)	74,549
Other Financing Sources (Uses):										
Refunding Bond Proceeds	-	-	-	-	-	-	-	980,000	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	-	-	(980,000)	-	-
Transfers In	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	1,602,143
Transfers Out	(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)	(2,269,351)
Total Other Financing Sources (Uses)	-	-	-	(56,500)	(17,993)	40,804	(923)	(1,262,393)	(463,750)	(667,208)
Net Change in Fund Balances	2,409,027	1,395,276	(358,158)	49,064	(145,029)	(1,172,983)	(1,670,688)	(1,221,261)	(696,266)	(592,659)
Debt Service as a percentage of noncapital Expenditures	8.12%	10.10%	9.38%	9.09%	8.76%	4.58%	4.28%	4.39%	0.78%	0.93%



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						
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%	
2015	2016	501,524,100	110,612,370	26,404,300	-	36,899,700	675,440,470	787,041,910	1,574,083,820	42.91%	

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 Tax Year Year End	City Operating	Debt	OPC	OPC Debt	Total Direct	Rochester			Intermediate Schools		State Education	Community College	Oakland County Operating	Oakland County Parks/Rec	Oakland County HCMA	Zoo Authority	Art Institute Authority	Total	Admin Fee 1%	Total Millage	
						Schools Operating	Schools Voted	Schools Operating	Schools Operating												
2006	2007	Homestead	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	2007	Non-Homestead	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	2008	Homestead	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	2008	Non-Homestead	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	2009	Homestead	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	2009	Non-Homestead	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	2010	Homestead	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	2010	Non-Homestead	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	2011	Homestead	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	2011	Non-Homestead	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	2012	Homestead	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	2012	Non-Homestead	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	2013	Homestead	11.5964	0.4000	0.2440	0.1900	12.4304	6.7000	-	3.1687	0.2003	6.0000	1.5844	4.1900	0.2415	0.2146	0.1000	0.2000	35.0299	0.3503	35.3802
2012	2013	Non-Homestead	11.5964	0.4000	0.2440	0.1900	12.4304	6.7000	18.0000	3.1687	0.2003	6.0000	1.5844	4.1900	0.2415	0.2146	0.1000	0.2000	53.0299	0.5303	53.5602
2013	2014	Homestead	11.5964	-	0.2440	0.1900	12.0304	6.4000	-	3.1687	0.2003	6.0000	1.5844	4.1900	0.2415	0.2146	0.1000	0.2000	34.3299	0.3433	34.6732
2013	2014	Non-Homestead	11.5964	-	0.2440	0.1900	12.0304	6.4000	18.0000	3.1687	0.2003	6.0000	1.5844	4.1900	0.2415	0.2146	0.1000	0.2000	52.3299	0.5233	52.8532
2014	2015	Homestead	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	34.3299	0.3433	34.6732
2014	2015	Non-Homestead	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	52.3299	0.5233	52.8532
2015	2016	Homestead	11.5964	-	0.2425	0.1900	12.0289	6.2000	-	3.1634	0.1999	6.0000	1.5819	4.0900	0.2410	0.2146	0.0998	0.1996	34.0191	0.3402	34.3593
2015	2016	Non-Homestead	11.5964	-	0.2425	0.1900	12.0289	6.2000	18.0000	3.1634	0.1999	6.0000	1.5819	4.0900	0.2410	0.2146	0.0998	0.1996	52.0191	0.5202	52.5393

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	2015					2006				
		Tax Dollars	Taxable Valuation	Rank	Percentage of Total Taxable Valuation	Tax Dollars	Taxable Valuation	Rank	Percentage of Total Taxable Valuation		
JHP Pharmaceuticals LLC	Pharmaceutical	\$ 667,923	\$ 16,885,630	1	2.50%	\$ 1,309,771	\$ 33,182,620	1	4.40%		
Village Green of Rochester	Apartments/Condos	361,049	9,127,610	2	1.35%	428,341	10,851,880	2	1.44%		
Par Sterile Products LLC	Pharmaceutical	296,609	12,153,270	3	1.80%						
JR Investors, LLC	Commercial	253,924	6,419,400	4	0.95%						
Great Oaks Apts	Apartments	162,011	4,095,770	5	0.61%	226,833	5,746,750	4	0.76%		
Ventas, INC	Assisted Living	151,935	3,841,060	6	0.57%	174,766	4,427,660	6	0.59%		
Detroit Edison Company	Utilities	131,654	3,328,320	7	0.49%	212,459	5,382,600	5	0.71%		
RJN Ventures Skating Center	Ice Skating	118,411	2,993,540	8	0.44%	142,248	3,603,820	7	0.48%		
Bradmont Properties	Commercial	90,193	2,280,160	9	0.34%				0.00%		
Parkedale Pharmaceuticals	Pharmaceutical	89,700	3,675,370	10	0.54%						
RFB LLC A Mich Limited	Hotel					403,329	10,218,210	3	1.36%		
Letica Development INC	Business					107,753	2,729,890	8	0.36%		
The Western Knitting Mills	Office Building					106,594	2,700,550	9	0.36%		
Royal Park Hotel	Commercial					104,456	2,646,370	10	0.35%		
Total Taxable Value						\$ 675,440,470		\$ 753,851,560			

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
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%
2015	2016	8,941,469	8,749,526	97.85%	170,205	8,919,731	99.76%

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

Fiscal Year Ending June 30,	Governmental Activities		Business-type Activities			Total Primary Government	Total Taxable Values	Ratio of Total Debt to Taxable Values	Total Population	Total Debt Per Capita
	General Obligation Bonds	Land Contracts	General Obligation Bonds	Land Contracts	Contracts Payable					
2005	6,910,000	1,054,141	-	-	-	7,964,141	678,278,202	1.17%	10,467	761
2006	6,165,000	1,008,169	-	-	-	7,173,169	722,353,745	0.99%	10,467	685
2007	5,425,000	959,615	-	-	-	6,384,615	753,851,560	0.85%	10,467	610
2008	4,620,000	908,450	-	-	-	5,528,450	783,998,020	0.71%	10,467	528
2009	3,825,000	854,388	-	-	-	4,679,388	770,822,930	0.61%	10,467	447
2010	2,975,000	797,255	-	-	-	3,772,255	742,062,730	0.51%	12,711	297
2011	2,075,000	758,442	-	-	946,133	3,779,575	672,038,980	0.56%	12,711	297
2012	1,700,000	717,846	-	-	1,820,194	4,238,040	635,038,600	0.67%	12,711	333
2013	1,300,000	675,385	-	-	3,770,113	5,745,498	627,374,220	0.92%	12,711	452
2014	895,000	630,973	-	-	3,731,091	5,257,064	642,686,450	0.82%	12,711	414
2015	810,000	-	12,000,000	584,521	3,888,671	17,283,192	651,573,650	2.65%	12,711	1,360
2016	700,000	-	11,645,000	535,935	3,721,793	16,602,728	675,440,470	2.46%	12,711	1,306

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



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

Fiscal Year Ending June 30,	General Obligation Bonds	Total Taxable Values	Ratio of		Total Debt Per Capita
			Total Debt to Taxable Values	Total Population	
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
2016	12,345,000	675,440,470	1.83%	12,711	971

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



Schedule 11
City of Rochester
Direct and Overlapping Governmental Activities Debt
June 30, 2016

Jurisdiction	Net Debt Outstanding	Percentage Debt Applicable To City	Estimated Share of Overlapping Debt
Direct Debt:			
City of Rochester	\$ 700,000	100%	\$ 700,000
Overlapping Debt:			
Rochester School District	165,995,000	15.23%	25,281,039
Oakland County	403,351,276	1.30%	5,243,567
Oakland Intermediate School District	46,680,000	1.31%	611,508
Oakland Community College	1,605,000	1.31%	21,026
Total Overlapping Debt	<u>617,631,276</u>		<u>31,157,139</u>
Total Direct and Overlapping Debt	<u>\$ 618,331,276</u>		<u>\$ 31,857,139</u>

Direct debt is the outstanding long term debt of the City.

Overlapping debt figures supplied by Municipal Advisory Council of Michigan.

The percentage of overlapping bonded debt applicable to each governmental unit is estimated using the taxable valuation of assessed property. Applicable percentages were estimated by determining the portion of each governmental unit's taxable property located within the boundaries of the City of Rochester and dividing it by that governmental unit's total taxable value.



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

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Debt Limit	\$ 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	\$ 78,704,191
Total Net Debt applicable to limit	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	12,345,000
Legal Debt Margin	\$ 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	\$ 66,359,191
Total Net Debt applicable to the limit as a percentage of debt limit	6.41%	5.51%	5.01%	4.52%	4.09%	2.61%	2.02%	1.34%	17.94%	15.69%

Legal Debt Margin Calculation for Fiscal Year 2016:

Assessed Value	\$ 787,041,910
Legal Debt Limit (10% of Assessed Value)	\$ 78,704,191
Gross Indebtedness	\$ 16,602,728
Less: Contractual Debt	(4,257,728)
Net Bonded Debt	12,345,000
Legal Debt Margin	\$ 66,359,191
Net Bonded Debt as a Percentage of Assessed Value	1.57%

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

Fiscal Year Ending June 30,	Population*	Personal Income*	Per* Capita Personal Income	Median Age*	Unemployment Rate**
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%
2016	12,711	\$ 76,603	\$ 47,286	38.3	4.7%

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, 2016			Year Ended June 30, 2007		
	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%	*	*	*
Great Oaks Country Club	100	6	0.79%	*	*	*
Kruse & Muer Restaurants	100	7	0.79%	*	*	*
Real Estate One-Rochester	100	8	0.79%	*	*	*
Rochester Community School District	100	9	0.79%	*	*	*
Potestivo	100	10	0.79%	*	*	*

* Information not available.

Source: Southeast Michigan Council of Governments

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

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

Service Type	FYE 2007	FYE 2008	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016
Administration	13	13	12	13	12	13	13	13	13	12
Manager	4	4	3	4	4	4	4	4	4	4
Building	3	3	2	1	1	1	1	1	1	1
Clerk	1	1	1	1	1	2	2	2	2	2
Finance	5	5	6	6	6	6	6	6	6	5
Public Safety	30	27	27	27	27	28	28	28	29	29
Police	29	26	26	26	26	27	27	28	28	28
Fire	1	1	1	1	1	1	1	1	1	1
Public Works & Parks	18	18	17	16	15	15	15	15	15	15
Public Works	13	13	12	11	10	10	10	10	9	9
Water & Sewer	1	1	1	1	1	2	2	2	2	2
Revolving Eq	1	1	1	1	1	1	1	1	1	1
Parks	3	3	3	3	3	2	2	2	3	3
TOTAL	61	58	56	56	54	56	56	57	57	56

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

Service Type	FYE 2007	FYE 2008	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016
Administration	1.0	1.0	1.0	1.0	1.5	0.5	0.5	0.5	0.5	1.5
Manager	-	-	-	-	-	-	-	-	-	-
Building	0.5	0.5	0.5	0.5	1.0	0.5	0.5	0.5	0.5	0.5
Clerk	0.5	0.5	0.5	0.5	0.5	-	-	-	-	-
Finance	-	-	-	-	-	-	-	-	-	1.0
Public Safety	1.5	1.5	1.5	1.5	1.5	1.5	1.5	2.5	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	-	-	-	-	-	-	-	-	-	1.0
Public Works & Parks	2.5	1.5	1.5	1.0	2.5	2.0	2.5	3.0	3.0	3.0
Public Works	1.0	-	-	-	1.5	1.0	1.0	1.5	1.5	1.5
Water & Sewer	-	-	-	-	-	-	0.5	0.5	0.5	0.5
Revolving Eq	-	-	-	-	-	-	-	-	-	-
Parks	1.5	1.5	1.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL	5.0	4.0	4.0	3.5	5.5	4.0	4.5	6.0	6.0	7.0
TOTAL Full-Time Equivalent (FTE)	66.0	62.0	60.0	59.5	59.5	60.0	60.5	63.0	63.0	63.0

Other

DDA	3	3	3	3	3.5	3	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	27	27	32	39	38	40	45	40	45	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
By Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Clerks Department										
Elections										
Number of Absentee	1,168	903	1,828	831	1,257	1,487	2,670	700	2853	1667
Number Voted	5,393	2,327	7,169	1,545	4,968	3,749	9,254	1,429	9150	6365
Absentee as a % of Total Votes	22%	39%	25%	54%	25%	40%	29%	49%	31%	26%
Water Department										
Number of Accounts										
RE	3,600	3,607	3,606	3,613	3,617	3,624	3,628	3,684	3,734	3,745
CO	353	353	353	353	356	364	379	379	382	376
Units of water Used										
Each unit is 100 Cubic Feet										
Residential	595,788	654,840	567,914	543,051	589,167	559,774	592,798	694,631	423,930	472,088
Commercial	281,879	286,828	235,594	217,977	243,394	295,310	232,530	247,683	142,530	216,473
	877,667	941,668	803,508	761,028	832,561	855,084	825,328	942,314	566,460	688,561
Police Department										
Total Calls for Service	6,801	11,937	13,798	13,057	12,132	11,772	12,458	14,002	13,195	13093
Group A Crime Incidents	508	584	538	457	451	445	437	391	375	318
Group B Crime Incidents	439	479	400	300	290	273	300	209	206	199
Property Damage Vehicle Crashes	361	317	286	203	345	271	375	422	340	372
Personal Injury Vehicle Crashes	20	11	20	9	14	19	16	20	24	21
Total Arrests	543	592	603	483	486	441	477	348	357	323
Drunk Driving Arrests	149	190	185	111	120	121	135	103	99	88
Fire Department										
Total Calls	567	754	786	1,090	1,452	1,578	1,523	1,630	1,687	1,626
Fires	31	17	28	17	21	34	30	15	19	11
EMS/Rescue	381	497	468	812	1,147	1,232	1,197	1,295	1,315	1,275
Hazardous Condition	31	43	38	44	24	49	41	51	55	53
Service Call	36	87	80	57	84	99	98	101	105	113
Good Intent	55	44	45	48	59	65	73	84	115	107
False Calls	33	37	70	75	54	57	57	51	55	46
Other	-	29	57	37	63	42	27	33	23	21



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

Department	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Administrative										
Vehicles Assigned	3	2	2	2	2	2	2	2	2	2
Police										
Vehicles Assigned	15	15	15	14	13	13	13	14	14	14
Fire										
Vehicles Assigned	10	11	11	11	11	11	11	11	11	11
Public Works										
Vehicles - (Trucks/Tractors)	29	27	27	29	30	30	32	34	34	34
Road Maintenance and Repair										
Miles of Major Streets	9	9	9	9	9	9	9	9	9	9
Miles of Local Streets	34	34	34	34	34	34	34	34	34	35
Water & Sewer										
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	58.4	58.4	58.4	58.4	58.4	58.4	58.4	58.4	60.5	60.5
Recreation										
City Parks	9	9	9	9	9	9	9	9	9	9
Park Acreage	153	153	153	153	153	153	153	153	153	153

