

**CITY OF ROCHESTER
Oakland County, Michigan**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2012**

Prepared By:
The Finance Department



CITY OF ROCHESTER
Comprehensive Annual Financial Report
For the Year Ended June 30, 2012

Table of Contents

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



CITY OF ROCHESTER
Comprehensive Annual Financial Report
For the Year Ended June 30, 2012

Table of Contents

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



CITY OF ROCHESTER
Comprehensive Annual Financial Report
For the Year Ended June 30, 2012

Table of Contents

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





City of Rochester

400 SIXTH STREET
ROCHESTER, MICHIGAN 48307
TELEPHONE (248) 651-9061
FAX (248) 651-2624
WWW.ROCHESTERMI.ORG

Audit Transmittal Letter

November 6, 2012

TO: The Honorable Mayor and City Council

RE: Fiscal Year End 2012 Audit

Introduction

We are pleased to submit the Comprehensive Annual Financial Report of the City of Rochester for the fiscal year ended June 30, 2012. 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.

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. 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 is now slowing, construction activity is still visible within the community, and the City continues to be seen as a premier locale for residential, family life and community involvement. The City has made attracting and retaining quality retail, commercial and industrial businesses one of its highest priorities.

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

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

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

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

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

Form of Government

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

City Budget

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

Controls and Cash Management

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

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

Reporting Changes

None.

Fiscal Year Highlights

This fiscal year, overall, taxable value was reduced in the City by 5.51%; however, the reduction was weighted toward the Commercial and Industrial Properties. Residential property values only were reduced by approximately 3.3%, with five neighborhoods increasing in value (the City Assessor categorizes like properties in the City as neighborhoods; the City has 48 assessor defined neighborhoods).

The Downtown Development Authority (DDA) district is comprised of nearly all Commercial and Industrial Properties. The loss in value of these properties reduced the tax captured review for the DDA by 12.2%. This loss in value required the DDA to substantially reduce its operating expenditures. The DDA Board also approved a policy goal of shifting DDA expenditures toward capital projects and less for non-capital expenses.

In the spring of 2012, the Michigan Department of Transportation (MDOT) began a project to reconstruct Main Street from the Clinton River Bridge to the Paint Creek Bridge. The project will span two fiscal years (FYE 2012 and FYE 2013) and will be the most important project in recent history of the City. The project funding includes an Enhancement Grant award to the DDA in the amount of \$525,000, which will be matched over the two fiscal years by the DDA. Also over the same two fiscal years, the Water and Sewer Capital Improvement Fund will spend approximately \$1,100,000 for the replacement of a circa 1890's 4" watermain with two 10" watermains. The Administration and the DDA have been preparing for this project for over three years and have a sound project management plan to both administer the construction activities and support the impacted businesses.

The DDA also invested in upgrades to the Paint Creek Bridge and Riverwalk near the Bridge. The improvements included adding ledge rock along the Riverwalk near the bridge; two overlooks off of the Bridge over the Paint Creek; a new more accessible, natural stone staircase; removal of barriers to the Creek and placement of stepping stones; a large waterfall and two smaller natural (stormwater fed) water features; removal of the remnants of an old dam and improved fish passage; creation of boulder clusters with micro pools to improve habitat in the Creek; and the addition of plantings on and around the Bridge. This project is part of the DDA's larger vision to extend downtown north of University to include more community businesses.

Capital investments were also made in an emergency generator for City Hall and upgrades at the water treatment plant. Both of these investments are phases of larger plans to improve these public facilities in the coming years. These investments are being funded with cash on hand, and future phases are contingent on the improvement of the taxable values in the City.

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

The decreased property values have created a situation whereby revenue from the debt millage for the 1994 Sanitary Interceptor G.O. Bond Fund will not support the City's required debt payments. Rather than increasing the millage rate to meet this obligation, which is allowed by law, the City continues to transfer funds from the City's Water and Sewer Capital Improvement account to pay

for the revenue shortfall. City Council considered it important to not increase taxes, even for debt payments. The City currently has a healthy Water and Sewer Capital Improvement account balance; however, yearly investments in water and sewer capital improvements are projected to utilize this reserve over time.

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

Acknowledgments

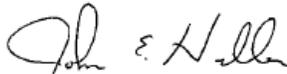
Last year's audit (fiscal year end 2011) was the first audit completed as a Comprehensive Annual Financial Report (CAFR) by the City. In prior years, the City has prepared an audit consistent with State and local requirements; however, the CAFR provides more context for the activities from the past fiscal year. The City's fiscal year end 2011 CAFR received the Certificate of Achievement for Excellence in Financial Reporting. 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, Post, Smythe, Lutz and Ziel of Plymouth LLP, Certified Public Accountants for their assistance during the audit process and for their document reviews. We look forward to working with staff and our independent auditors to continue to enhance the clarity and presentation of the City's financial information. Appreciation is also expressed to City Council for their leadership and support.

Sincerely,



Jaymes Vettrano
City Manager



John Hiller
Finance Director



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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

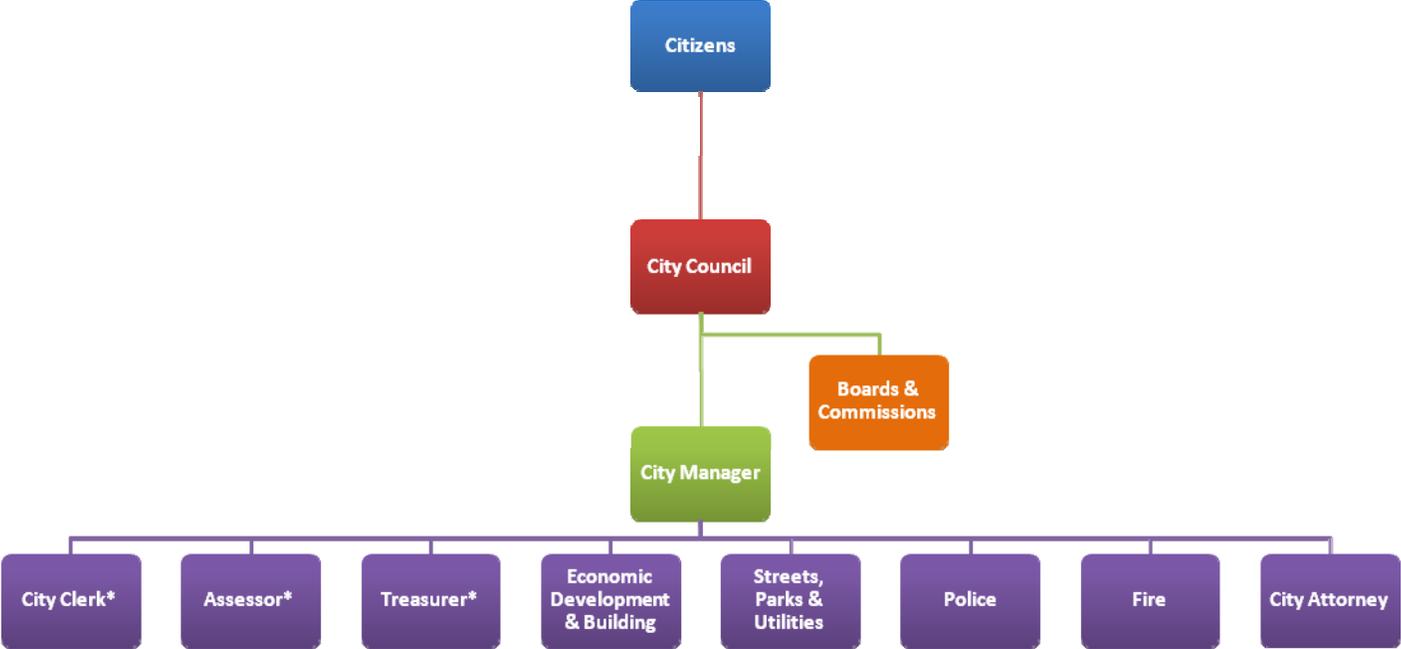
President

Jeffrey R. Emer

Executive Director



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, 2012

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



FINANCIAL SECTION



POST, SMYTHE, LUTZ and ZIEL

of Plymouth 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

Independent Auditor's Report

November 6, 2012

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rochester, Michigan as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Rochester's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



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

The management's discussion and analysis and the defined benefit pension plans-trend information, as listed in the table of contents on pages 3 through 10 and page 46, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on them.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rochester, Michigan's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables 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 combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables, as listed in the table of contents, have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully,



Post, Smythe, Lutz and Ziel of Plymouth 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, 2012.

Financial Highlights

- The assets of the City of Rochester exceeded its liabilities at the close of the most recent fiscal year by \$68,190,414 (*net assets*). Of this amount, \$11,126,999 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$151,935. Governmental activities decreased net assets by \$105,977 and the business-type activities decreased net assets by \$45,958.
- At the close of the most recent fiscal year, the City of Rochester's governmental funds reported combined ending fund balances of \$15,944,229. Of this amount, \$7,983,484 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 \$7,983,484, or 93 percent of total general fund expenditures.
- The City of Rochester's total debt increased by \$443,760 during the current fiscal year as a result of \$910,094 of new debt from the Oakland-Macomb Interceptor bonds less annual debt payments made of \$466,334.

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 assets* presents information on all of the City of Rochester's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

Fund financial statements.

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

Governmental funds.

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

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

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

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

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

Proprietary funds.

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

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

Fiduciary funds.

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

Notes to the financial statements.

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

Government-wide Financial Analysis

Assets exceeded liabilities by \$68,190,414 at the close of the most recent fiscal year. Of the City of Rochester's net assets, 62 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 Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 18,554,689	\$ 19,862,817	\$ 9,781,799	\$ 10,429,237	\$ 28,336,488	\$ 30,292,054
Capital Assets	29,594,526	28,793,027	16,639,320	14,902,894	46,233,846	43,695,921
Total Assets	48,149,215	48,655,844	26,421,119	25,332,131	74,570,334	73,987,975
Long-term liabilities	2,765,570	3,195,871	1,820,194	946,133	4,585,764	4,142,004
Other liabilities	725,928	696,279	1,068,228	807,343	1,794,156	1,503,622
Total Liabilities	3,491,498	3,892,150	2,888,422	1,753,476	6,379,920	5,645,626
Net Assets:						
Invested in capital assets, net of related debt	27,176,680	25,959,585	14,819,126	13,956,761	41,995,806	39,916,346
Restricted	7,926,805	9,111,298	7,140,804	8,403,234	15,067,609	17,514,532
Unrestricted	9,554,232	9,692,811	1,572,767	1,218,660	11,126,999	10,911,471
Total Net Assets	\$ 44,657,717	\$ 44,763,694	\$ 23,532,697	\$ 23,578,655	\$ 68,190,414	\$ 68,342,349

At the end of the current fiscal year, the City of Rochester is able to report positive balances in all three categories of net assets, 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 assets decreased by \$151,935 during the current fiscal year. Governmental activities decreased net assets \$105,977. The unrestricted portion of net assets related to governmental activities decreased by \$138,579.

City of Rochester - Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,882,014	\$ 1,838,271	\$ 4,657,455	\$ 4,127,636	\$ 6,539,469	\$ 5,965,907
Operating Grants & Contrib.	885,518	818,874	-	-	885,518	818,874
Capital Grants & Contrib.	47,001	49,556	35,800	52,000	82,801	101,556
General Revenues:						
Property Taxes	8,545,176	9,514,160	-	-	8,545,176	9,514,160
State Shared Revenues	941,914	813,516	-	-	941,914	813,516
Franchise Fees	212,515	202,340	-	-	212,515	202,340
Unrestricted Invest. Earnings	84,965	90,011	61,119	38,598	146,084	128,609
Total Revenues	<u>12,599,103</u>	<u>13,326,728</u>	<u>4,754,374</u>	<u>4,218,234</u>	<u>17,353,477</u>	<u>17,544,962</u>
Expenses:						
General Government	1,778,436	1,756,661	-	-	1,778,436	1,756,661
Public Safety	4,617,009	4,417,135	-	-	4,617,009	4,417,135
Public Works	3,368,718	3,483,972	-	-	3,368,718	3,483,972
Community Development	1,639,068	2,002,698	-	-	1,639,068	2,002,698
Recreation and Cultural	1,224,104	1,250,239	-	-	1,224,104	1,250,239
Interest on Long-Term Debt	118,549	153,266	-	-	118,549	153,266
Automobile Parking System	-	-	134,685	208,177	134,685	208,177
Water and Sewer	-	-	4,624,843	4,289,626	4,624,843	4,289,626
Total Expenses	<u>12,745,884</u>	<u>13,063,971</u>	<u>4,759,528</u>	<u>4,497,803</u>	<u>17,505,412</u>	<u>17,561,774</u>
Excess (Deficiency) before Transfers	(146,781)	262,757	(5,154)	(279,569)	(151,935)	(16,812)
Transfers In (Out)	40,804	(17,993)	(40,804)	17,993	-	-
Change in Net Assets	<u>(105,977)</u>	<u>244,764</u>	<u>(45,958)</u>	<u>(261,576)</u>	<u>(151,935)</u>	<u>(16,812)</u>
Net Assets, Beginning of year	44,763,694	44,518,930	23,578,655	23,840,231	68,342,349	68,359,161
Net Assets, End of year	<u>\$ 44,657,717</u>	<u>\$ 44,763,694</u>	<u>\$ 23,532,697</u>	<u>\$ 23,578,655</u>	<u>\$ 68,190,414</u>	<u>\$ 68,342,349</u>

Governmental activities

Program revenues, which include user fees and charges and restricted operating and capital grants and contributions, represent 22% of total governmental revenue sources. Program revenues reduce the net cost of the governmental functions to be financed from the City's general revenues, which are comprised primarily of property taxes and state revenue sharing. Program revenues increased \$107,832 from the prior year, primarily as a result of the State distributing more in revenues during the year.

Business-type activities

Business-type activities decreased the City's net assets by \$45,958. A significant part of this decrease is due to rate increases passed on to the City to purchase water from other municipalities.

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 \$15,944,229, a decrease of \$1,172,983 in comparison with the prior year. The majority of this total amount, or \$7,926,805, 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 \$7,983,484 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 \$8,017,424, of which \$33,940 is nonspendable (inventory) and \$7,983,484 is unassigned. Unassigned General Fund fund balance represents 93 percent of total general fund expenditures. The fund balance of the City's General Fund increased by \$11,510 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 assets of the Proprietary funds at the end of the year amounted to \$1,572,767.

General Fund Budgetary Highlights

General Fund revenues were 2.1% over the original budgeted amounts, and the General Fund expenditures were 1.9% more than the original budgeted amounts. The actual revenues exceeded the final budgeted revenues by \$36,658 and actual expenditures were more than the final budgeted expenditures by \$25,148. Significant budget amendments approved during the year include increases in expenditures of approximately \$60,000 in police health insurance due to the timing of the settlement of a union contract, and \$51,000 in fire contracted medical services due to an increase in the demand for services.

Capital Asset and Debt Administration

Capital assets.

The City of Rochester's investment in capital assets for its governmental and business type activities is \$46,233,846 (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 3 percent increase for governmental activities, and a 12 percent increase in business-type activities.

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

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

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

Long-term debt.

At the end of the current fiscal year, the City of Rochester had total bonded debt outstanding of \$1,700,000, and contractual debt outstanding of \$2,538,040. All of the City's debt represents general obligation debt backed by the full faith and credit of the City of Rochester, subject to constitutional limit.

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

Economic Factors and Next Year's Budgets and Rates

As has been the case since the year 2000, Michigan's economy has lagged behind the nation's economy in some key regards. The City of Rochester has used sound financial practices and careful budgeting resources to foster a strong financial footing however the City is not immune to the economic conditions facing all levels of government. Some of the recent challenges facing the City are the decline in the City's taxable property values and legacy costs. The City of Rochester has addressed these challenges by actively pursuing economic development throughout the City and continues to see more development. The City has focused on reducing operational expenses and legacy costs city-wide to meet projected revenue thus creating efficiencies in its service delivery and searching for new revenue sources. The City's fire department has implemented an emergency advanced life support program which has been very successful in benefiting the City's resident's needs and producing additional revenue to cover fire department costs.

The City has very little outstanding debt at this time, however, the City was 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. The debt began to be assessed July 2010. The City of Rochester added the debt to its water and sewer service rate structure in September 2011.

For the first time in four years the City did not start the budget process with a large revenue decrease in the General Fund, yet the practices of looking for cost reductions and improved efficiency, which has been finely-tuned over the past four 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 2013 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.

As the economy is showing signs of improving, residents and business owners are choosing to invest in Rochester. New residents and businesses are moving to the City and existing residents and businesses are investing in their properties. With the assistance of the State of Michigan, the Main Street Makeover is a once-in-a-generation multi-million dollar investment in the center of our City. The project is an excellent example of combining respect for history, attention to esthetic detail, use of cutting edge technology and investment in core government services. Each of those qualities are important to our community for this project and all of our City's efforts.

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

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS



CITY OF ROCHESTER
Statement of Net Assets
June 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Investments	\$ 18,011,186	\$ 1,517,041	\$ 19,528,227
Receivables (net of allowance for uncollectibles):			
Accounts	85,833	1,075,904	1,161,737
Due from Other Governmental Units	110,984	-	110,984
Inventory	43,329	48,050	91,379
Restricted Assets - Cash and Cash Equivalents	-	7,140,804	7,140,804
Other Post Employment Benefits Asset	303,357	-	303,357
Capital Assets:			
Nondepreciable Assets	3,656,450	363,253	4,019,703
Depreciable Assets	25,938,076	16,276,067	42,214,143
Total Assets	<u>48,149,215</u>	<u>26,421,119</u>	<u>74,570,334</u>
<u>LIABILITIES</u>			
Accounts Payable	433,973	1,058,614	1,492,587
Accrued Liabilities	82,429	6,514	88,943
Other	209,526	3,100	212,626
Noncurrent Liabilities:			
Compensated Absences Payable:			
Due within one year	77,557	-	77,557
Due in more than one year	270,167	-	270,167
Bonds and Contracts Payable:			
Due within one year	442,461	37,020	479,481
Due in more than one year	1,975,385	1,783,174	3,758,559
Total Liabilities	<u>3,491,498</u>	<u>2,888,422</u>	<u>6,379,920</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, net of related debt	27,176,680	14,819,126	41,995,806
Restricted for:			
Streets	2,607,750	-	2,607,750
Cemetery	433,620	-	433,620
Law Enforcement Programs	23,660	-	23,660
Community Development Block Grant	8,794	-	8,794
Downtown Development Authority	485,906	-	485,906
Principal Shopping District	29,841	-	29,841
Band Shelter	238,082	-	238,082
Debt Service	17,908	-	17,908
Capital Projects	4,081,244	-	4,081,244
Water and Sewer Improvements	-	7,140,804	7,140,804
Unrestricted	9,554,232	1,572,767	11,126,999
Total Net Assets	<u>\$ 44,657,717</u>	<u>\$ 23,532,697</u>	<u>\$ 68,190,414</u>

CITY OF ROCHESTER
Statement of Activities
For the Year Ended June 30, 2012

<u>Functions/Programs</u>	Program Revenues			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General Government	\$ 1,778,436	\$ 813,941	\$ 4,116	\$ 47,001
Public Safety	4,617,009	767,365	1,893	-
Community Development	1,639,068	249,507	216,733	-
Public Works	3,368,718	51,201	662,776	-
Recreation and Cultural	1,224,104	-	-	-
Interest on Long-Term Debt	118,549	-	-	-
Total Governmental Activities	<u>12,745,884</u>	<u>1,882,014</u>	<u>885,518</u>	<u>47,001</u>
Business-type Activities:				
Water and Sewer	4,624,843	4,595,177	-	35,800
Automobile parking system	134,685	62,278	-	-
Total Business-type Activities	<u>4,759,528</u>	<u>4,657,455</u>	<u>-</u>	<u>35,800</u>
Grand Total	<u>\$ 17,505,412</u>	<u>\$ 6,539,469</u>	<u>\$ 885,518</u>	<u>\$ 82,801</u>

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

Change in Net Assets
Net Assets - Beginning

Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (913,378)	\$ -	\$ (913,378)
(3,847,751)	-	(3,847,751)
(1,172,828)	-	(1,172,828)
(2,654,741)	-	(2,654,741)
(1,224,104)	-	(1,224,104)
(118,549)	-	(118,549)
<u>(9,931,351)</u>	<u>-</u>	<u>(9,931,351)</u>
-	6,134	6,134
-	(72,407)	(72,407)
<u>-</u>	<u>(66,273)</u>	<u>(66,273)</u>
<u>(9,931,351)</u>	<u>(66,273)</u>	<u>(9,997,624)</u>
8,545,176	-	8,545,176
941,914	-	941,914
212,515	-	212,515
84,965	61,119	146,084
40,804	(40,804)	-
<u>9,825,374</u>	<u>20,315</u>	<u>9,845,689</u>
(105,977)	(45,958)	(151,935)
<u>44,763,694</u>	<u>23,578,655</u>	<u>68,342,349</u>
\$ <u>44,657,717</u>	\$ <u>23,532,697</u>	\$ <u>68,190,414</u>

CITY OF ROCHESTER
Balance Sheet
Governmental Funds
June 30, 2012

	General	Major Streets	Local Streets	Downtown Development Authority
<u>ASSETS</u>				
Cash and Investments	\$ 8,445,121	\$ 1,082,356	\$ 1,447,628	\$ 568,168
Receivables (net of allowance for uncollectibles):				
Accounts	85,833	-	-	-
Due from Other Governmental Units	-	77,410	33,574	-
Inventory	33,940	-	-	-
Total Assets	\$ 8,564,894	\$ 1,159,766	\$ 1,481,202	\$ 568,168
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 282,900	\$ 6,688	\$ 21,779	\$ 79,393
Accrued and Other Liabilities	55,044	1,714	3,037	2,869
Other	209,526	-	-	-
Total Liabilities	547,470	8,402	24,816	82,262
Fund Balances:				
Nonspendable-Inventory	33,940	-	-	-
Restricted for:				
Streets	-	1,151,364	1,456,386	-
Cemetery	-	-	-	-
Law Enforcement Programs	-	-	-	-
Community Development Block Grant	-	-	-	-
Downtown Development Authority	-	-	-	485,906
Principal Shopping District	-	-	-	-
Band Shelter	-	-	-	-
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Unassigned	7,983,484	-	-	-
Total Fund Balances	8,017,424	1,151,364	1,456,386	485,906
Total Liabilities and Fund Balances	\$ 8,564,894	\$ 1,159,766	\$ 1,481,202	\$ 568,168

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

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

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

Other Post Employment Benefits Asset

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

Net Assets of Governmental Activities

<u>Capital Projects General</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ 4,049,785	\$ 825,471	\$ 16,418,529
-	-	85,833
-	-	110,984
-	-	33,940
<u>\$ 4,049,785</u>	<u>\$ 825,471</u>	<u>\$ 16,649,286</u>

\$ 11,683	\$ 11,554	\$ 413,997
-	18,870	81,534
-	-	209,526
<u>11,683</u>	<u>30,424</u>	<u>705,057</u>

-	-	33,940
-	-	2,607,750
-	433,620	433,620
-	23,660	23,660
-	8,794	8,794
-	-	485,906
-	29,841	29,841
-	238,082	238,082
-	17,908	17,908
4,038,102	43,142	4,081,244
-	-	7,983,484
<u>4,038,102</u>	<u>795,047</u>	<u>15,944,229</u>
<u>\$ 4,049,785</u>	<u>\$ 825,471</u>	

26,980,030

4,195,671

303,357

(2,765,570)

\$ 44,657,717

CITY OF ROCHESTER
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Downtown Development Authority</u>
Revenues				
Property Taxes	\$ 6,927,771	\$ -	\$ -	\$ 1,283,053
Licenses and Permits	171,530	-	-	-
Intergovernmental:				
Federal, State and Local	1,150,014	463,889	198,887	-
Charges for Services	806,380	-	-	72,566
Franchise Fees	212,515	-	-	-
Fines and Forfeitures	92,781	-	-	-
Special Assessments	-	-	18,247	-
Interest	52,275	5,231	3,593	3,215
Other	191,173	-	32,954	33,796
Total Revenues	<u>9,604,439</u>	<u>469,120</u>	<u>253,681</u>	<u>1,392,630</u>
Expenditures				
Current:				
General Government	1,677,133	-	-	-
Public Safety	4,421,908	-	-	-
Community Development	41,170	-	-	1,048,497
Public Works	1,452,574	267,600	429,101	-
Recreation and Cultural	989,465	-	-	-
Debt Service:				
Principal	-	-	-	40,596
Interest and Other Charges	-	-	-	33,424
Capital Outlay	-	-	386,194	1,036,951
Total Expenditures	<u>8,582,250</u>	<u>267,600</u>	<u>815,295</u>	<u>2,159,468</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,022,189</u>	<u>201,520</u>	<u>(561,614)</u>	<u>(766,838)</u>
Other Financing Sources (Uses)				
Transfers In	-	45,088	728,225	-
Transfers Out	(1,010,679)	(220,000)	-	(2,500)
Total Other Financing Sources (Uses)	<u>(1,010,679)</u>	<u>(174,912)</u>	<u>728,225</u>	<u>(2,500)</u>
Net Change in Fund Balances	11,510	26,608	166,611	(769,338)
Fund Balances - Beginning	<u>8,005,914</u>	<u>1,124,756</u>	<u>1,289,775</u>	<u>1,255,244</u>
Fund Balances - Ending	<u>\$ 8,017,424</u>	<u>\$ 1,151,364</u>	<u>\$ 1,456,386</u>	<u>\$ 485,906</u>

	Capital Projects General	Other Governmental	Total Governmental
\$	-	\$ 334,352	\$ 8,545,176
	-	-	171,530
	-	47,001	1,859,791
	-	188,699	1,067,645
	-	-	212,515
	-	-	92,781
	-	216,733	234,980
	11,184	3,901	79,399
	<u>7,612</u>	<u>64,185</u>	<u>329,720</u>
	<u>18,796</u>	<u>854,871</u>	<u>12,593,537</u>
	48,780	-	1,725,913
	33,364	26,599	4,481,871
	-	425,516	1,515,183
	84,591	-	2,233,866
	32,793	155,448	1,177,706
	-	375,000	415,596
	-	85,125	118,549
	<u>262,957</u>	<u>452,538</u>	<u>2,138,640</u>
	<u>462,485</u>	<u>1,520,226</u>	<u>13,807,324</u>
	<u>(443,689)</u>	<u>(665,355)</u>	<u>(1,213,787)</u>
	149,870	350,800	1,273,983
	-	-	(1,233,179)
	<u>149,870</u>	<u>350,800</u>	<u>40,804</u>
	(293,819)	(314,555)	(1,172,983)
	<u>4,331,921</u>	<u>1,109,602</u>	<u>17,117,212</u>
\$	<u><u>4,038,102</u></u>	<u><u>795,047</u></u>	<u><u>15,944,229</u></u>

CITY OF ROCHESTER
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2012

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

Net change in fund balances - total governmental funds	\$ (1,172,983)
--	----------------

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	2,138,640
Depreciation Expense	(1,561,712)

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.

(541)

Change in Other Post Employment Benefits

60,318

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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal Payments on Bonds	375,000
Principal Payments on Land Contracts	40,596
Decrease in Compensated Absences	14,705

Change in net assets in governmental activities

\$ (105,977)

CITY OF ROCHESTER
Balance Sheet
Proprietary Funds
June 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Water and Sewer System</u>	<u>Automobile Parking System</u>	<u>Total</u>	<u>Activities Internal Service Fund</u>
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,512,648	\$ 4,393	\$ 1,517,041	\$ 1,592,657
Restricted Assets - Cash	7,140,804	-	7,140,804	-
Accounts Receivable	1,075,904	-	1,075,904	-
Inventory	47,550	500	48,050	9,389
Total Current Assets	<u>9,776,906</u>	<u>4,893</u>	<u>9,781,799</u>	<u>1,602,046</u>
Capital Assets	22,822,656	571,327	23,393,983	5,373,915
Less: Accumulated Depreciation	(6,526,285)	(228,378)	(6,754,663)	(2,759,419)
Net Capital Assets	<u>16,296,371</u>	<u>342,949</u>	<u>16,639,320</u>	<u>2,614,496</u>
Total Assets	<u>\$ 26,073,277</u>	<u>\$ 347,842</u>	<u>\$ 26,421,119</u>	<u>\$ 4,216,542</u>
<u>LIABILITIES AND EQUITY</u>				
Current Liabilities (Payable from Current Assets):				
Accounts Payable	\$ 1,058,301	\$ 313	\$ 1,058,614	\$ 19,976
Accrued Liabilities	6,514	-	6,514	895
Deposits	3,100	-	3,100	-
Current Portion of Bonds Payable	37,020	-	37,020	-
Total Current Liabilities (Payable from Current Assets)	<u>1,104,935</u>	<u>313</u>	<u>1,105,248</u>	<u>20,871</u>
Noncurrent Liabilities:				
Bonds Payable (net of current portion)	<u>1,783,174</u>	<u>-</u>	<u>1,783,174</u>	<u>-</u>
Total Liabilities	<u>2,888,109</u>	<u>313</u>	<u>2,888,422</u>	<u>20,871</u>
Equity:				
Invested in Capital Assets, Net of Related Debt	14,476,177	342,949	14,819,126	2,614,496
Restricted for Improvements	7,140,804	-	7,140,804	-
Unrestricted	1,568,187	4,580	1,572,767	1,581,175
Total Equity	<u>23,185,168</u>	<u>347,529</u>	<u>23,532,697</u>	<u>4,195,671</u>
Total Liabilities and Equity	<u>\$ 26,073,277</u>	<u>\$ 347,842</u>	<u>\$ 26,421,119</u>	<u>\$ 4,216,542</u>

CITY OF ROCHESTER
Statement of Revenues, Expenses and Changes in Fund Equity
Proprietary Funds
For the Year Ended June 30, 2012

	<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	\$ 2,029,959	\$ -	\$ 2,029,959	\$ -
Sewage Disposal Fees	2,509,887	-	2,509,887	-
Charges for Services	53,904	62,278	116,182	854,173
Miscellaneous	1,427	-	1,427	36,601
Total Operating Revenues	<u>4,595,177</u>	<u>62,278</u>	<u>4,657,455</u>	<u>890,774</u>
<u>Operating Expenses:</u>				
Water Distribution	1,805,073	-	1,805,073	-
Sewage Collection and Disposal	1,888,135	-	1,888,135	-
Administrative	213,000	87,172	300,172	103,164
Operation and Maintenance	226,942	47,513	274,455	561,764
Depreciation	470,871	-	470,871	231,953
Total Operating Expenses	<u>4,604,021</u>	<u>134,685</u>	<u>4,738,706</u>	<u>896,881</u>
Operating Income (Loss)	<u>(8,844)</u>	<u>(72,407)</u>	<u>(81,251)</u>	<u>(6,107)</u>
<u>Non-Operating Revenues (Expenses):</u>				
Interest Earned	61,119	-	61,119	5,566
Interest Expense	(20,822)	-	(20,822)	-
Total Non-Operating Revenues (Expenses):	<u>40,297</u>	<u>-</u>	<u>40,297</u>	<u>5,566</u>
Income (Loss) before Contributions and Transfers	31,453	(72,407)	(40,954)	(541)
Capital Contributions	35,800	-	35,800	-
Operating Transfers In (Out)	<u>(109,804)</u>	<u>69,000</u>	<u>(40,804)</u>	<u>-</u>
Net Income (Loss)	(42,551)	(3,407)	(45,958)	(541)
Fund Equity, Beginning	<u>23,227,719</u>	<u>350,936</u>	<u>23,578,655</u>	<u>4,196,212</u>
Fund Equity, Ending	<u>\$ 23,185,168</u>	<u>\$ 347,529</u>	<u>\$ 23,532,697</u>	<u>\$ 4,195,671</u>

CITY OF ROCHESTER
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Water and Sewer System</u>	<u>Automobile Parking System</u>	<u>Total</u>	<u>Activities Internal Service Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from customers and users	\$ 4,384,162	\$ 62,278	\$ 4,446,440	\$ 890,774
Payments to suppliers	(3,543,685)	(125,120)	(3,668,805)	(537,583)
Payments to employees	(323,925)	(10,020)	(333,945)	(112,394)
Net Cash Provided (Used) by Operating Activities	<u>516,552</u>	<u>(72,862)</u>	<u>443,690</u>	<u>240,797</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>				
Refundable Deposits	(4,200)	-	(4,200)	-
Operating Transfers In (Out)	(109,804)	69,000	(40,804)	-
Net Cash Provided (Used) by Non-Capital Financing Financing Activities	<u>(114,004)</u>	<u>69,000</u>	<u>(45,004)</u>	<u>-</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Capital Contributions	35,800	-	35,800	-
Proceeds from Long Term Borrowing	910,094	-	910,094	-
Principal Paid on Debt	(36,033)	-	(36,033)	-
Interest Paid on Debt	(20,822)	-	(20,822)	-
Acquisition and Construction of Capital Assets	(2,207,297)	-	(2,207,297)	(456,524)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,318,258)</u>	<u>-</u>	<u>(1,318,258)</u>	<u>(456,524)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Earned	61,119	-	61,119	5,566
Net Increase (Decrease) in Cash and Cash Equivalents	(854,591)	(3,862)	(858,453)	(210,161)
Cash and Cash Equivalents, Beginning	9,508,043	8,255	9,516,298	1,802,818
Cash and Cash Equivalents, Ending	<u>\$ 8,653,452</u>	<u>\$ 4,393</u>	<u>\$ 8,657,845</u>	<u>\$ 1,592,657</u>
<u>Balance Sheet Classifications:</u>				
Cash and Cash Equivalents	\$ 1,512,648	\$ 4,393	\$ 1,517,041	\$ 1,592,657
Restricted Assets - Cash and Cash Equivalents	7,140,804	-	7,140,804	-
Total	<u>\$ 8,653,452</u>	<u>\$ 4,393</u>	<u>\$ 8,657,845</u>	<u>\$ 1,592,657</u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>				
Operating Income (Loss)	\$ (8,844)	\$ (72,407)	\$ (81,251)	\$ (6,107)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization Expense	470,871	-	470,871	231,953
(Increase) Decrease in Receivables	(211,015)	-	(211,015)	-
Increase (Decrease) in Accounts Payable	260,264	(383)	259,881	14,537
Increase (Decrease) in Accrued Liabilities	5,276	(72)	5,204	414
Net Cash Provided (Used) by Operating Activities	<u>\$ 516,552</u>	<u>\$ (72,862)</u>	<u>\$ 443,690</u>	<u>\$ 240,797</u>

CITY OF ROCHESTER
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Pension Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 135,395	\$ 306,583
LIABILITIES		
Accounts Payable	-	20,909
Accrued and Other Liabilities	-	285,674
Total Liabilities	-	306,583
NET ASSETS Held in Trust For Employees'		
Pension Benefits	\$ 135,395	\$ -

CITY OF ROCHESTER
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2012

	Pension Trust Fund
Additions	
Contributions - employer	\$ 13,238
Investment Income	
Interest	325
Total Additions	13,563
 Deductions	
Employee Benefits	5,961
Change in Net Assets	7,602
Net Assets - Beginning	127,793
Net Assets - Ending	\$ 135,395



CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Blended Component Unit

The City of Rochester Downtown Development Authority (DDA) was established to promote economic growth for the benefit of the community within the City's business district. The DDA Board is appointed by the City Council. The annual operating budget and any modifications require the approval of the City Council, and the City is financially accountable for it. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to promote the City and is in substance part of the City's operations.

B. Government-Wide and Fund Financial Statements

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

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

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2012

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, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Proprietary Funds

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

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

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

Additionally, the City reports the following fund types:

Internal Service Funds

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

Fiduciary Funds

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

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

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

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

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

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

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

Estimates

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

D. Assets, Liabilities and Net Assets 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, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

2. Receivables and Payables – Continued

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

3. Inventory

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Interest incurred during the construction phase of capital assets of business-type activities is included as part of capitalized value of the assets constructed. Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

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

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

5. Compensated Absences

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

6. Long Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. 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 Assets. 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, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

7. Fund Equity

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

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

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

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

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

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

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

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

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2012

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2012

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:

	<u>Final Budget</u>	<u>Actual</u>	<u>Excess Expenditures Over Appropriations</u>
General Fund:			
Elections	\$ 23,131	\$ 23,957	\$ 826
City Clerk	126,953	127,100	147
Civic Center	75,134	77,765	2,631
Other General Services	338,063	370,272	32,209
Fire	951,442	970,816	19,734
Zoning Board of Appeals	2,322	3,204	882
Parks and Recreation	500,165	510,588	10,423
Historical Commission	6,313	6,950	637
Major Streets Fund:			
Routine Maintenance	138,207	155,449	17,242
Street Construction	18,654	23,143	4,489
Local Streets Fund:			
Routine Maintenance	234,039	267,827	33,788
Street Construction	427,219	453,473	26,254
Traffic Services	28,598	30,032	1,434
Downtown Dev. Authority	2,030,779	2,159,468	128,689
Cemetery Fund	149,243	155,448	6,205
Principal Shopping District	375,501	379,193	3,692

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, 2012 are as follows:

Cumulative Balance at June 30, 2011	\$ (603,765)
Fees Collected in Fiscal Year 2012	139,435
Expenditures in Fiscal Year 2012	<u>(144,704)</u>
Revenues Over (Under) Expenditures	<u>\$ (609,034)</u>

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2012

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law (Public Act 20 of 1943, as amended), the City is permitted to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

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

A reconciliation of cash and investments is as follows:

Statement of Net Assets:	
Cash and Investments	\$ 19,528,227
Restricted Cash	7,140,804
Fiduciary Funds:	
Trust & Agency Funds	<u>441,978</u>
Total Deposits and Investments	<u>\$ 27,111,009</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, 2012, the City's bank balance of its deposits was \$28,163,634, of which \$18,868,634 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, 2012

III. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

Custodial Credit Risk of Investments

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

Interest Rate Risk

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

<u>Investments</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
U.S. Government Agencies and Securities:		
Federal Home Loan Banks	\$ 745,000	4.14 years
Federal Farm Credit Banks	4,800,000	3.50 years
Treasury Notes	<u>500,000</u>	2.00 years
	<u>\$ 6,045,000</u>	

Credit Risk

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

<u>Investments:</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
U.S. Government Agencies	\$ 6,045,000	AAA	Moody's
MBIA Gov. Investment Pool	531,084	AAA/m	S&P
Bank Investment Pools	2,155,381	Not Rated	

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. The City has more than 5 percent of its cash and investments in Federal Farm Credit Banks (17%).

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2012

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2012 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	4,254,442	7,514	-	4,261,956
Improvements-Non Building	1,086,794	50,970	-	1,137,764
Machinery and Equipment	2,744,631	657,011	-	3,401,642
Infrastructure	30,382,463	1,423,145	-	31,805,608
Internal Service Fund	4,917,391	456,524	-	5,373,915
	<u>43,385,721</u>	<u>2,595,164</u>	<u>-</u>	<u>45,980,885</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(1,447,047)	(106,824)	-	(1,553,871)
Improvements-Non Building	(400,947)	(36,985)	-	(437,932)
Machinery and Equipment	(1,625,979)	(322,291)	-	(1,948,270)
Infrastructure	(12,247,705)	(1,095,612)	-	(13,343,317)
Internal Service Fund	(2,527,466)	(231,953)	-	(2,759,419)
	<u>(18,249,144)</u>	<u>(1,793,665)</u>	<u>-</u>	<u>(20,042,809)</u>
Governmental Activities Capital Assets, net	<u>\$ 28,793,027</u>	<u>\$ 801,499</u>	<u>\$ -</u>	<u>\$ 29,594,526</u>

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2012

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	11,268,208	1,057,650	-	12,325,858
Water Distribution System	9,271,510	1,149,647	-	10,421,157
Improvements Parking Lots	166,609	-	-	166,609
Parking Meters	59,776	-	-	59,776
Other Equipment	57,330	-	-	57,330
	<u>20,823,433</u>	<u>2,207,297</u>	<u>-</u>	<u>23,030,730</u>
Less: Accumulated Depreciation:				
Sewage Disposal System	(2,843,474)	(278,518)	-	(3,121,992)
Water Distribution System	(3,157,916)	(191,040)	-	(3,348,956)
Improvements Parking Lots	(166,609)	-	-	(166,609)
Parking Meters	(59,776)	-	-	(59,776)
Other Equipment	(56,017)	(1,313)	-	(57,330)
	<u>(6,283,792)</u>	<u>(470,871)</u>	<u>-</u>	<u>(6,754,663)</u>
Business-type Activities				
Capital Assets, net	<u>\$ 14,902,894</u>	<u>\$ 1,736,426</u>	<u>\$ -</u>	<u>\$ 16,639,320</u>

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

General Government	\$ 66,596
Public Safety	180,099
Public Works	1,142,397
Community Development	123,885
Recreation and Cultural	48,735
Charged though Internal Service Funds	231,953
	<u>\$ 1,793,665</u>

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2012

III. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers

The composition of interfund transfers at June 30, 2012 are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Major Street Fund	General Fund	\$ 42,588
Local Street Fund	General Fund	508,225
Cemetery	General Fund	90,996
Local Street Fund	Major Street Fund	220,000
Major Street Fund	DDA	2,500
1994 GO Bonds Debt	Water & Sewer Fund	109,804
Fire Equipment Reserve	General Fund	150,000
Capital Projects General	General Fund	149,870
Auto Parking System	General Fund	69,000
		<u>\$ 1,342,983</u>

Transfers represent the following:

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

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

D. Restricted Assets and Reserves

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

The following is the detail of the business-type activities restricted assets on June 30, 2012:

Water & Sewer System Fund:

Cash and investments restricted for

Water & Sewer Capital Improvement \$7,140,804

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2012

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, 2012:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Balance</u> <u>Within 1 Year</u>
Governmental Activities:					
1994 Unlimited Tax Bonds maturing thorough 10-1-2013, interest 4%-5%	\$ 975,000	\$ -	\$ (300,000)	\$ 675,000	\$ 325,000
2001 Unlimited Tax Bonds maturing through 4-1-2020, interest 4%-5%	1,100,000	-	(75,000)	1,025,000	75,000
Land Contracts Payable due 4-1-2025, interest at 4.5%	<u>758,442</u>	<u>-</u>	<u>(40,596)</u>	<u>717,846</u>	<u>42,461</u>
	2,833,442	-	(415,596)	2,417,846	442,461
Compensated Absences	<u>362,429</u>	<u>-</u>	<u>(14,705)</u>	<u>347,724</u>	<u>77,557</u>
	<u>\$ 3,195,871</u>	<u>\$ -</u>	<u>\$ (430,301)</u>	<u>\$ 2,765,570</u>	<u>\$ 520,018</u>
Business-type Activities:					
2010 Oakland-Macomb Interceptor bonds maturing thorough 4-1-2031, interest 2.50%	\$ 757,116	\$ -	\$ (29,500)	\$ 727,616	\$ 30,342
2010B Oakland-Macomb Interceptor bonds maturing thorough 4-1-2030, interest 1.15%-5.90%	189,017	-	(6,533)	182,484	6,678
2011 Oakland-Macomb Interceptor bonds maturing thorough 10-1-2033, interest 2.50%	<u>-</u>	<u>910,094</u>	<u>-</u>	<u>910,094</u>	<u>-</u>
	<u>\$ 946,133</u>	<u>\$ 910,094</u>	<u>\$ (36,033)</u>	<u>\$ 1,820,194</u>	<u>\$ 37,020</u>

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2012

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, 2012 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>
2013	\$ 442,461	\$ 100,059	\$ 37,020	\$ 50,122
2014	469,412	81,458	38,035	49,216
2015	121,452	69,193	74,700	47,824
2016	148,586	63,759	76,752	45,876
2017	175,818	57,027	78,804	43,852
2018-2022	866,328	151,547	427,225	186,062
2023-2027	193,789	13,164	491,061	122,378
2028-2032	-	-	484,127	47,249
2033-2034	-	-	112,470	2,828
	<u>\$ 2,417,846</u>	<u>\$ 536,207</u>	<u>\$ 1,820,194</u>	<u>\$ 595,407</u>

In July 2010, the Oakland-Macomb Interceptor Drain Drainage Board has assessed the City of Rochester, along with other communities within the drainage district, for the maintenance and rehabilitation of the Oakland-Macomb Interceptor Drain, under the provisions of the Michigan Drain Code, Public Act 40 of 1956, Section 526. Bonds were issued in the amount of \$26,076,000, Series 2010A, maturing in 2031 with an interest rate of 2.50%, \$6,731,484.20, Series 2010B, maturing in 2030 with interest rates of 1.15-5.90%, and \$25,530,000, Series 2011, maturing in 2033 with an interest rate of 2.50%. The City of Rochester's portion of 2.9035% of the total debt is \$1,861,744.

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 2011 tax roll is as follows (tax rate per \$1,000 of assessed valuation):

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

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2012

IV. OTHER INFORMATION

A. Employee Retirement Systems and Plans

1. Municipal Employees Retirement System Defined Benefit Plan

a. Plan Description

The City contributes to the Michigan Municipal Employees' Retirement System (MMERS), which is an agent multiple employer retirement system. The plan covers all full time employees except the City Manager. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by a certain percentage based on the benefit program in effect as of the date of termination of membership times the final average compensation (FAC). The most recent period for which actuarial data was available was for the actuarial valuation as of December 31, 2011.

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

b. Funding Policy

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

c. Annual Pension Cost

During the fiscal year ended June 30, 2012, the City's contributions totaling \$369,520 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2009.

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2012

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

c. Annual Pension Cost – Continued

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

<u>Three Year Trend Information</u>				
<u>Fiscal Year</u> <u>Ended</u> <u>June 30,</u>	<u>Valuation</u> <u>Date</u> <u>Dec. 31</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
2010	2007	\$301,526	100%	-0-
2011	2008	373,682	100%	-0-
2012	2009	369,520	100%	-0-

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

2. Firefighters Defined Benefit Plan

a. Plan Description

The City of Rochester has established a defined benefit plan as of July 1, 1989 for the Rochester Volunteer Firefighters Association. The plan provides for a defined benefit of \$3.00 per month for each year of service with a maximum of thirty-five years of service. The amount was increased to \$4.00 per month effective January 2008. The plan provides for vesting of benefits after 10 years of service. All volunteer firefighters that have attained eighteen years of age and completed the required training and 1000 hours of service are eligible to participate. Entry date is July 1st following satisfaction of the above requirements. Participants may elect normal retirement on the first day of the month following attainment of age 55. The City's contribution for the year ended June 30, 2012 was \$13,238 in accordance with contribution requirements determined by an actuarial valuation of the plan as of July 1, 2010. The Rochester Volunteer Firefighters Defined Benefit Plan (the Plan) is considered part of the City of Rochester financial reporting entity and is included in the City's financial reports as a Pension Trust Fund.

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2012

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

2. Rochester Fire Department Defined Benefit Plan – Continued

b. Annual Pension Cost

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

Schedule of Employer Contributions

Fiscal Year Ended <u>June 30</u>	Valuation Date <u>July 1</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	2008	\$ 7,979	100%	-0-
2011	2009	9,320	100%	-0-
2012	2010	13,238	100%	-0-

3. City of Rochester – Defined Contribution Plan

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

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. The City Manager, Director of Economic Development, and Director of Public Works, if not covered by the MERS defined benefit plan, are eligible to participate in the plan. Contributions made by the City for an employee vest immediately. During the year, the City's required and actual contributions amounted to \$24,767.

CITY OF ROCHESTER
Notes to Financial Statements
June 30, 2012

IV. OTHER INFORMATION – Continued

B. Post Retirement Health Care Benefits

Plan Description – The City provides post retirement health care insurance coverage to 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 \$306,493.

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, 2012, 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, 2012

IV. OTHER INFORMATION – Continued

B. Post Retirement Health Care Benefits – Continued

The computed contribution and actual funding are summarized as follows:

Annual Required Contribution (recommended)	\$ 333,918
Interest on the prior year's net OPEB obligation	-
Less adjustment to the annual required contribution	-
Annual OPEB Cost	<u>333,918</u>

Amounts Contributed:

Payments of current premiums	(306,493)
Advance funding	<u>(87,743)</u>
Increase(Decrease) in net OPEB obligation	(60,318)
OPEB obligation (asset) - Beginning of Year	<u>(243,039)</u>
OPEB obligation (asset) - End of Year	<u><u>\$ (303,357)</u></u>

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Annual Required Contribution</u>	<u>Annual OPEB Costs</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2010	12/31/2006	\$ 322,421	\$ 322,421	85%	\$ (205,880)
6/30/2011	6/30/2011	\$ 333,918	\$ 333,918	111%	\$ (243,039)
6/30/2012	6/30/2011	\$ 333,918	\$ 333,918	118%	\$ (303,357)

Valuation as of:	<u>Dec. 31, 2006</u>	<u>June 30, 2011</u>
Actuarial Value of Assets	\$ 4,869,017	\$ 5,981,420
Actuarial Accrued Liability	6,402,137	7,872,462
Unfunded AAL	1,533,120	1,891,042
Funded Ratio	76.05%	75.98%

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, 2012

IV. OTHER INFORMATION – Continued

B. Post Retirement Health Care Benefits – Continued

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

In the June 30, 2011 calculation, the entry age actuarial cost method was used. The actuarial assumptions included an 8.0 percent investment rate of return. The unfunded actuarial accrued liabilities were amortized as a level percent of active member payroll over a period of 30 years.

C. Risk Management

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

D. Upcoming Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued a new pronouncement in June 2011, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement amends net asset reporting requirements of GASB Statement No. 34 by incorporating deferred outflows and deferred inflows into the definition of the component of residual measure and by renaming that measure as net position, rather than net assets. This statement also results in changes to the financial reporting format which include a Statement of Net Position and inclusion of deferred inflows and deferred outflows on the governmental fund balance sheets. This new standard will be effective beginning with the City's fiscal year ended June 30, 2013.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF ROCHESTER
Required Supplementary Information – (Unaudited)
Defined Benefit Pension Plans – Trend Information
For the Year Ended June 30, 2012

Municipal Employees Retirement System
Schedule of Funding Progress

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

Additional information as of December 31, 2011, the latest actual valuation, follows:

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

Rochester Volunteer Firefighters Retirement System
Schedule of Funding Progress

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

Additional information as of July 1, 2011, the latest actual valuation, follows:

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



CITY OF ROCHESTER
General Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General Property Taxes	\$ 6,879,916	\$ 6,927,363	\$ 6,927,771	\$ 408
Licenses and Permits	120,750	172,804	171,530	(1,274)
Intergovernmental - State and Local	1,034,228	1,150,014	1,150,014	-
Charges for Services	845,747	801,986	806,380	4,394
Franchise Fees	192,000	212,515	212,515	-
Fines	80,000	85,945	92,781	6,836
Interest	75,000	52,111	52,275	164
Reimbursements	145,110	116,335	119,622	3,287
Other Revenues	37,000	48,708	71,551	22,843
Total Revenues	<u>9,409,751</u>	<u>9,567,781</u>	<u>9,604,439</u>	<u>36,658</u>
Expenditures:				
General Government:				
City Council	77,749	71,406	68,376	3,030
City Manager	449,965	438,298	433,252	5,046
Elections	38,256	23,131	23,957	(826)
Finance	602,647	574,885	574,588	297
City Clerk	134,233	126,953	127,100	(147)
Board of Review	2,573	1,823	1,823	-
Civic Center	67,193	75,134	77,765	(2,631)
Other General Services	358,254	338,063	370,272	(32,209)
Total General Government	<u>1,730,870</u>	<u>1,649,693</u>	<u>1,677,133</u>	<u>(27,440)</u>
Public Safety:				
Police	3,248,687	3,307,671	3,306,388	1,283
Fire	786,547	951,442	970,816	(19,374)
Protective Inspections	122,534	144,944	144,704	240
Total Public Safety	<u>4,157,768</u>	<u>4,404,057</u>	<u>4,421,908</u>	<u>(17,851)</u>
Community Development:				
Planning Commission	37,861	39,705	37,966	1,739
Zoning Board of Appeals	2,153	2,322	3,204	(882)
Total Community Development	<u>40,014</u>	<u>42,027</u>	<u>41,170</u>	<u>857</u>
Public Works:				
Department of Public Works	633,662	764,412	740,614	23,798
Sanitation	709,009	713,508	711,960	1,548
Total Public Works	<u>1,342,671</u>	<u>1,477,920</u>	<u>1,452,574</u>	<u>25,346</u>
Recreation and Cultural:				
Parks and Recreation	480,093	500,165	510,588	(10,423)
Library	424,618	421,049	421,049	-
Older Persons Commission	51,531	50,878	50,878	-
Historical Commission	10,000	6,313	6,950	(637)
Total Recreation and Cultural	<u>966,242</u>	<u>978,405</u>	<u>989,465</u>	<u>(11,060)</u>
Contingencies	50,000	5,000	-	5,000
Total Expenditures	<u>8,287,565</u>	<u>8,557,102</u>	<u>8,582,250</u>	<u>(25,148)</u>
Excess (Deficiency) of Revenues Over Expenditures	1,122,186	1,010,679	1,022,189	11,510
Other Financing Uses:				
Operating Transfers Out	(1,122,186)	(1,010,679)	(1,010,679)	-
Change in Fund Balance	-	-	11,510	11,510
Fund Balance - July 1	8,005,914	8,005,914	8,005,914	-
Fund Balance - June 30	<u>\$ 8,005,914</u>	<u>\$ 8,005,914</u>	<u>\$ 8,017,424</u>	<u>\$ 11,510</u>

CITY OF ROCHESTER
Major Streets Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
State	\$ 456,240	\$ 459,085	\$ 463,889	\$ 4,804
Interest	2,500	4,677	5,231	554
Other	500	-	-	-
Total Revenues	<u>459,240</u>	<u>463,762</u>	<u>469,120</u>	<u>5,358</u>
Expenditures:				
Highways and Streets:				
General Administration	14,190	8,894	6,696	2,198
Routine Maintenance	228,149	138,207	155,449	(17,242)
Street Construction	11,214	18,654	23,143	(4,489)
Traffic Services	91,023	59,845	36,755	23,090
Winter Maintenance	159,752	45,654	45,557	97
Total Expenditures	<u>504,328</u>	<u>271,254</u>	<u>267,600</u>	<u>3,654</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(45,088)</u>	<u>192,508</u>	<u>201,520</u>	<u>9,012</u>
Other Financing Sources (Uses):				
Operating Transfers In	45,088	45,088	45,088	-
Operating Transfers Out	-	(220,000)	(220,000)	-
Total Other Financing Sources (Uses)	<u>45,088</u>	<u>(174,912)</u>	<u>(174,912)</u>	<u>-</u>
Net Change in Fund Balance	-	17,596	26,608	9,012
Fund Balance - July 1	<u>1,124,756</u>	<u>1,124,756</u>	<u>1,124,756</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 1,124,756</u>	<u>\$ 1,142,352</u>	<u>\$ 1,151,364</u>	<u>\$ 9,012</u>

CITY OF ROCHESTER
Local Streets Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State	\$ 186,750	\$ 199,000	\$ 198,887	\$ (113)
Special Assessments	10,000	18,247	18,247	-
Interest	2,500	3,490	3,593	103
Other	500	32,954	32,954	-
Total Revenues	<u>199,750</u>	<u>253,691</u>	<u>253,681</u>	<u>(10)</u>
Expenditures:				
Highways and Streets:				
General Administration	12,011	14,200	10,070	4,130
Routine Maintenance	311,992	234,039	267,827	(33,788)
Street Construction	239,021	427,219	453,473	(26,254)
Traffic Services	55,938	28,598	30,032	(1,434)
Winter Maintenance	89,013	53,998	53,893	105
Total Expenditures	<u>707,975</u>	<u>758,054</u>	<u>815,295</u>	<u>(57,241)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(508,225)</u>	<u>(504,363)</u>	<u>(561,614)</u>	<u>(57,251)</u>
Other Financing Sources:				
Operating Transfers In	<u>508,225</u>	<u>728,225</u>	<u>728,225</u>	<u>-</u>
Net Change in Fund Balance	-	223,862	166,611	(57,251)
Fund Balance - July 1	<u>1,289,775</u>	<u>1,289,775</u>	<u>1,289,775</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 1,289,775</u>	<u>\$ 1,513,637</u>	<u>\$ 1,456,386</u>	<u>\$ (57,251)</u>

CITY OF ROCHESTER
Downtown Development Authority Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 1,231,846	\$ 1,283,053	\$ 1,283,053	\$ -
Charges for Services	116,000	74,656	72,566	(2,090)
Interest	20,000	3,215	3,215	-
Other	500	31,684	33,796	2,112
Total Revenues	<u>1,368,346</u>	<u>1,392,608</u>	<u>1,392,630</u>	<u>22</u>
Expenditures:				
Community Development:				
Downtown Development	931,286	916,762	1,048,497	(131,735)
Debt Service:				
Principal	40,596	40,596	40,596	-
Interest	33,424	33,424	33,424	-
Capital Outlay	967,750	1,039,997	1,036,951	3,046
Total Expenditures	<u>1,973,056</u>	<u>2,030,779</u>	<u>2,159,468</u>	<u>(128,689)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(604,710)</u>	<u>(638,171)</u>	<u>(766,838)</u>	<u>(128,667)</u>
Other Financing Uses:				
Operating Transfers Out	(27,500)	(2,500)	(2,500)	-
Total Other Financing Uses	<u>(27,500)</u>	<u>(2,500)</u>	<u>(2,500)</u>	<u>-</u>
Net Change in Fund Balance	(632,210)	(640,671)	(769,338)	(128,667)
Fund Balance - July 1	<u>1,255,244</u>	<u>1,255,244</u>	<u>1,255,244</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 623,034</u>	<u>\$ 614,573</u>	<u>\$ 485,906</u>	<u>\$ (128,667)</u>

OTHER SUPPLEMENTARY INFORMATION



CITY OF ROCHESTER
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects Fire Equipment Reserve</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 764,421	\$ 17,908	\$ 43,142	\$ 825,471
 <u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts Payable	\$ 11,554	\$ -	\$ -	\$ 11,554
Accrued Liabilities	18,870	-	-	18,870
Total Liabilities	<u>30,424</u>	<u>-</u>	<u>-</u>	<u>30,424</u>
Fund Balance:				
Restricted for :				
Cemetery	433,620	-	-	433,620
Law Enforcement Programs	23,660	-	-	23,660
Community Development Block Grant	8,794	-	-	8,794
Principal Shopping District	29,841	-	-	29,841
Band Shelter	238,082	-	-	238,082
Debt Service	-	17,908	-	17,908
Capital Projects	-	-	43,142	43,142
Total Fund Balance	<u>733,997</u>	<u>17,908</u>	<u>43,142</u>	<u>795,047</u>
Total Liabilities and Fund Balance	<u>\$ 764,421</u>	<u>\$ 17,908</u>	<u>\$ 43,142</u>	<u>\$ 825,471</u>



CITY OF ROCHESTER
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects Fire Equipment Reserve</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:				
Property Taxes	\$ -	\$ 334,352	\$ -	\$ 334,352
Intergovernmental	47,001	-	-	47,001
Charges for Services	188,699	-	-	188,699
Special Assessments	216,733	-	-	216,733
Interest	2,988	63	850	3,901
Other	7,660	-	56,525	64,185
Total Revenues	<u>463,081</u>	<u>334,415</u>	<u>57,375</u>	<u>854,871</u>
Expenditures:				
Public Safety	26,599	-	-	26,599
Community Development	425,516	-	-	425,516
Recreation and Cultural	155,448	-	-	155,448
Debt Service:				
Principal	-	375,000	-	375,000
Interest and Other Charges	-	85,125	-	85,125
Capital Outlay	-	-	452,538	452,538
Total Expenditures	<u>607,563</u>	<u>460,125</u>	<u>452,538</u>	<u>1,520,226</u>
Excess (Deficiency) of Revenues Over Expenditures	(144,482)	(125,710)	(395,163)	(665,355)
Other Financing Sources:				
Operating Transfers In	<u>90,996</u>	<u>109,804</u>	<u>150,000</u>	<u>350,800</u>
Change in Fund Balances	(53,486)	(15,906)	(245,163)	(314,555)
Fund Balances - July 1	<u>787,483</u>	<u>33,814</u>	<u>288,305</u>	<u>1,109,602</u>
Fund Balances - June 30	<u>\$ 733,997</u>	<u>\$ 17,908</u>	<u>\$ 43,142</u>	<u>\$ 795,047</u>

CITY OF ROCHESTER
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2012

	<u>Cemetery</u>	<u>Drug Law Enforcement</u>	<u>Community Development Block Grant</u>	<u>Principal Shopping District</u>
<u>ASSETS</u>				
Cash	\$ <u>440,174</u>	\$ <u>23,660</u>	\$ <u>8,794</u>	\$ <u>53,711</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts Payable	\$ 5,582	\$ -	\$ -	\$ 5,972
Accrued Liabilities	<u>972</u>	<u>-</u>	<u>-</u>	<u>17,898</u>
Total Liabilities	<u>6,554</u>	<u>-</u>	<u>-</u>	<u>23,870</u>
Fund Balance:				
Restricted for:				
Cemetery	433,620	-	-	-
Law Enforcement Programs	-	23,660	-	-
Community Dev. Block Grant	-	-	8,794	-
Principal Shopping District	-	-	-	29,841
Band Shelter	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>433,620</u>	<u>23,660</u>	<u>8,794</u>	<u>29,841</u>
Total Liabilities and Fund Balance	\$ <u>440,174</u>	\$ <u>23,660</u>	\$ <u>8,794</u>	\$ <u>53,711</u>

<u>Band Shelter</u>	<u>Total</u>
\$ <u>238,082</u>	\$ <u>764,421</u>
\$ -	\$ 11,554
<u>-</u>	<u>18,870</u>
<u>-</u>	<u>30,424</u>
-	433,620
-	23,660
-	8,794
-	29,841
<u>238,082</u>	<u>238,082</u>
<u>238,082</u>	<u>733,997</u>
\$ <u>238,082</u>	\$ <u>764,421</u>

CITY OF ROCHESTER
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2012

	<u>Cemetery</u>	<u>Drug Law Enforcement</u>	<u>Community Development Block Grant</u>	<u>Principal Shopping District</u>
<u>Revenues:</u>				
Intergovernmental-Federal	\$ -	\$ -	\$ 47,001	\$ -
Charges for Services	47,754	-	-	140,945
Special Assessments	-	-	-	216,733
Interest Earned	1,918	-	3	314
Other	-	5,460	-	2,200
Total Revenues	<u>49,672</u>	<u>5,460</u>	<u>47,004</u>	<u>360,192</u>
<u>Expenditures:</u>				
Public Safety	-	26,599	-	-
Community Development	-	-	46,323	379,193
Recreation and Cultural	155,448	-	-	-
Total Expenditures	<u>155,448</u>	<u>26,599</u>	<u>46,323</u>	<u>379,193</u>
Excess (Deficiency) of Revenues Over Expenditures	(105,776)	(21,139)	681	(19,001)
Other Financing Sources:				
Transfers In	<u>90,996</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(14,780)	(21,139)	681	(19,001)
Fund Balance - July 1	<u>448,400</u>	<u>44,799</u>	<u>8,113</u>	<u>48,842</u>
Fund Balance - June 30	<u>\$ 433,620</u>	<u>\$ 23,660</u>	<u>\$ 8,794</u>	<u>\$ 29,841</u>

<u>Band Shelter</u>	<u>Total</u>
\$ -	\$ 47,001
-	188,699
-	216,733
753	2,988
-	<u>7,660</u>
<u>753</u>	<u>463,081</u>
-	26,599
-	425,516
-	<u>155,448</u>
-	<u>607,563</u>
753	(144,482)
-	<u>90,996</u>
753	(53,486)
<u>237,329</u>	<u>787,483</u>
\$ <u><u>238,082</u></u>	\$ <u><u>733,997</u></u>

CITY OF ROCHESTER
Nonmajor Debt Service Funds
Combining Balance Sheet
June 30, 2012

	<u>1994 General Obligation Bonds</u>	<u>2001 General Obligation Bonds</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ <u>8,551</u>	\$ <u>9,357</u>	\$ <u>17,908</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities	\$ -	\$ -	\$ -
Fund Balance:			
Restricted For Debt Service	<u>8,551</u>	<u>9,357</u>	<u>17,908</u>
Total Liabilities and Fund Balance	\$ <u>8,551</u>	\$ <u>9,357</u>	\$ <u>17,908</u>

CITY OF ROCHESTER
Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2012

	<u>1994 General Obligation Bonds</u>	<u>2001 General Obligation Bonds</u>	<u>Total</u>
<u>Revenues:</u>			
Property Taxes	\$ 226,690	\$ 107,662	\$ 334,352
Interest Earned	<u>22</u>	<u>41</u>	<u>63</u>
Total Revenues	<u>226,712</u>	<u>107,703</u>	<u>334,415</u>
<u>Expenditures:</u>			
Principal Retirement	300,000	75,000	375,000
Interest	33,000	51,075	84,075
Paying Agent Fees	<u>750</u>	<u>300</u>	<u>1,050</u>
Total Expenditures	<u>333,750</u>	<u>126,375</u>	<u>460,125</u>
Excess (Deficiency) of Revenues Over Expenditures	(107,038)	(18,672)	(125,710)
Other Financing Sources:			
Transfers In	<u>109,804</u>	<u>-</u>	<u>109,804</u>
Change in Fund Balances	2,766	(18,672)	(15,906)
Fund Balance - July 1	<u>5,785</u>	<u>28,029</u>	<u>33,814</u>
Fund Balance - June 30	\$ <u><u>8,551</u></u>	\$ <u><u>9,357</u></u>	\$ <u><u>17,908</u></u>

CITY OF ROCHESTER
Cemetery Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services	\$ 45,300	\$ 44,050	\$ 47,754	\$ 3,704
Interest	3,100	1,855	1,918	63
Total Revenues	<u>48,400</u>	<u>45,905</u>	<u>49,672</u>	<u>3,767</u>
Expenditures:				
Cemetery Maintenance	<u>139,396</u>	<u>149,243</u>	<u>155,448</u>	<u>(6,205)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(90,996)</u>	<u>(103,338)</u>	<u>(105,776)</u>	<u>(2,438)</u>
Other Financing Sources:				
Operating Transfers In	<u>90,996</u>	<u>90,996</u>	<u>90,996</u>	<u>-</u>
Net Change in Fund Balance	-	(12,342)	(14,780)	(2,438)
Fund Balance - July 1	<u>448,400</u>	<u>448,400</u>	<u>448,400</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 448,400</u>	<u>\$ 436,058</u>	<u>\$ 433,620</u>	<u>\$ (2,438)</u>

CITY OF ROCHESTER
Drug Law Enforcement Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other Revenues	\$ 30,100	\$ 5,460	\$ 5,460	\$ -
Expenditures:				
Public Safety	<u>36,000</u>	<u>26,599</u>	<u>26,599</u>	<u>-</u>
Net Change in Fund Balance	(5,900)	(21,139)	(21,139)	-
Fund Balance - July 1	<u>44,799</u>	<u>44,799</u>	<u>44,799</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 38,899</u>	<u>\$ 23,660</u>	<u>\$ 23,660</u>	<u>\$ -</u>

CITY OF ROCHESTER
Community Development Block Grant Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal Grants	\$ 50,918	\$ 47,001	\$ 47,001	\$ -
Interest Income	-	3	3	-
Total Revenues	<u>50,918</u>	<u>47,004</u>	<u>47,004</u>	<u>-</u>
Expenditures:				
Community Development	<u>50,918</u>	<u>46,323</u>	<u>46,323</u>	<u>-</u>
Net Change in Fund Balance	-	681	681	-
Fund Balance - July 1	<u>8,113</u>	<u>8,113</u>	<u>8,113</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 8,113</u>	<u>\$ 8,794</u>	<u>\$ 8,794</u>	<u>\$ -</u>

CITY OF ROCHESTER
Principal Shopping District Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services	\$ 176,300	\$ 142,240	\$ 140,945	\$ (1,295)
Special Assessments	205,000	216,733	216,733	-
Interest	-	314	314	-
Other	-	2,200	2,200	-
Total Revenues	<u>381,300</u>	<u>361,487</u>	<u>360,192</u>	<u>(1,295)</u>
Expenditures:				
Community Promotions	<u>381,300</u>	<u>375,501</u>	<u>379,193</u>	<u>(3,692)</u>
Total Expenditures	<u>381,300</u>	<u>375,501</u>	<u>379,193</u>	<u>(3,692)</u>
Net Change in Fund Balance	-	(14,014)	(19,001)	(4,987)
Fund Balance - July 1	<u>48,842</u>	<u>48,842</u>	<u>48,842</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 48,842</u>	<u>\$ 34,828</u>	<u>\$ 29,841</u>	<u>\$ (4,987)</u>

CITY OF ROCHESTER
Band Shelter Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ -	\$ -	\$ 753	\$ 753
Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	753	753
Fund Balance - July 1	<u>237,329</u>	<u>237,329</u>	<u>237,329</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 237,329</u>	<u>\$ 237,329</u>	<u>\$ 238,082</u>	<u>\$ 753</u>

CITY OF ROCHESTER
Agency Funds
Combining Statement of Net Assets
June 30, 2012

	<u>Tax Collection Fund</u>	<u>Payroll Fund</u>	<u>Total Agency Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ <u>341</u>	\$ <u>306,242</u>	\$ <u>306,583</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 341	\$ 16,284	\$ 16,625
Accrued and Other Liabilities	<u>-</u>	<u>289,958</u>	<u>289,958</u>
Total Liabilities	\$ <u>341</u>	\$ <u>306,242</u>	\$ <u>306,583</u>

CITY OF ROCHESTER
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2012

Tax Collection Fund

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ <u>8,230</u>	\$ <u>25,541,287</u>	\$ <u>25,549,176</u>	\$ <u>341</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ <u>8,230</u>	\$ <u>25,541,287</u>	\$ <u>25,549,176</u>	\$ <u>341</u>

Payroll Fund

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ <u>328,883</u>	\$ <u>6,499,016</u>	\$ <u>6,521,657</u>	\$ <u>306,242</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 41,810	\$ 5,585,148	\$ 5,610,674	\$ 16,284
Accrued and Other Liabilities	<u>287,073</u>	<u>913,868</u>	<u>910,983</u>	<u>289,958</u>
Total Liabilities	\$ <u>328,883</u>	\$ <u>6,499,016</u>	\$ <u>6,521,657</u>	\$ <u>306,242</u>

STATISTICAL SECTION



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

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Governmental Activities:										
Invested in capital assets, net of related debt	\$ 9,882,455	\$ 16,796,557	\$ 18,799,804	\$ 23,144,833	\$ 24,157,312	\$ 20,606,112	\$ 23,278,358	\$ 25,406,724	\$ 25,959,585	\$ 27,176,680
Restricted	1,515,588	646,157	916,568	823,151	1,131,410	830,136	937,192	1,049,674	9,111,298	7,926,805
Unrestricted	5,559,178	7,376,013	6,989,639	7,799,034	10,629,168	18,773,481	18,150,639	18,062,532	9,692,811	9,554,232
Total Governmental Activities Net Assets	16,957,221	24,818,727	26,706,011	31,767,018	35,917,890	40,159,729	42,366,189	44,518,930	44,763,694	44,657,717
Business-type Activities:										
Invested in capital assets, net of related debt	9,951,548	9,994,004	10,617,251	10,795,882	10,999,056	11,609,891	12,407,825	13,864,844	13,956,761	14,819,126
Restricted	6,304,588	11,561,149	11,062,322	11,064,756	11,042,195	11,050,703	10,668,922	9,096,914	8,403,234	7,140,804
Unrestricted	5,925,209	867,035	1,308,384	1,432,806	1,864,389	1,528,918	825,773	878,473	1,218,660	1,572,767
Total Business-type Activities Net Assets	22,181,345	22,422,188	22,987,957	23,293,444	23,905,640	24,189,512	23,902,520	23,840,231	23,578,655	23,532,697
Primary Government:										
Invested in capital assets, net of related debt	19,834,003	26,790,561	29,417,055	33,940,715	35,156,368	32,216,003	35,686,183	39,271,568	39,916,346	41,995,806
Restricted	7,820,176	12,207,306	11,978,890	11,887,907	12,173,605	11,880,839	11,606,114	10,146,588	17,514,532	15,067,609
Unrestricted	11,484,387	8,243,048	8,298,023	9,231,840	12,493,557	20,252,399	18,976,412	18,941,005	10,911,471	11,126,999
Total Primary Government Net Assets	39,138,566	47,240,915	49,693,968	55,060,462	59,823,530	64,349,241	66,268,709	68,359,161	68,342,349	68,190,414

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

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Expenses:										
Governmental Activities:										
General Government	\$ 1,358,838	\$ 873,453	\$ 1,809,011	\$ 1,492,348	\$ 1,545,968	\$ 1,789,615	\$ 1,707,089	\$ 1,782,269	\$ 1,756,661	\$ 1,778,436
Public Safety	2,954,455	3,197,203	3,465,691	3,656,032	3,728,349	3,826,669	4,050,383	4,139,177	4,417,135	4,617,009
Public Works	2,712,169	3,528,480	1,769,332	3,402,680	3,875,351	3,706,880	3,466,081	3,022,195	3,483,972	3,368,718
Community Development	1,724,685	3,747,251	2,856,804	1,161,221	1,387,645	1,427,300	1,561,146	1,796,686	2,002,698	1,639,068
Recreation and Cultural	1,008,534	990,222	1,170,204	1,257,624	1,243,291	1,440,314	1,339,779	1,314,198	1,250,239	1,224,104
Interest on Long-term Debt	441,964	387,962	396,561	364,681	323,243	283,574	241,441	197,486	153,266	118,549
Total Governmental Activities	10,200,645	12,724,571	11,467,603	11,334,586	12,103,847	12,474,352	12,365,919	12,252,011	13,063,971	12,745,884
Business-type Activities:										
Water & Sewer	2,908,984	2,825,135	2,701,322	3,012,969	2,872,808	3,242,770	3,515,559	3,691,813	4,289,626	4,604,021
Automobile Parking System	159,793	26,019	53,529	34,956	31,255	183,395	182,767	182,968	208,177	134,685
Total Business-type Activities	3,068,777	2,851,154	2,754,851	3,047,925	2,904,063	3,426,165	3,698,326	3,874,781	4,497,803	4,738,706
Total Primary Government Expenses	13,269,422	15,575,725	14,222,454	14,382,511	15,007,910	15,900,517	16,064,245	16,126,792	17,561,774	17,484,590
Program Revenues:										
Governmental Activities:										
Charges for Services:										
General Government	1,252,471	34,797	128,119	119,537	126,601	1,194,920	780,043	900,559	824,758	813,941
Public Safety	522,663	640,850	621,424	443,474	366,030	513,396	343,109	613,200	744,211	767,365
Public Works	138,169	74,771	105,894	38,466	40,631	668,215	102,307	61,587	48,750	51,201
Community Development	14,147	203,829	150,610	110,392	124,183	212,439	393,863	432,363	220,552	249,507
Recreation and Cultural	49,200	42,846	39,460	44,678	39,869	91,091	-	-	-	-
Operating Grants and Contributions	1,548,260	1,542,769	1,530,856	693,640	715,515	683,990	549,772	696,727	818,874	885,518
Capital Grants and Contributions	276,347	92,920	28,707	297,615	482,574	4,898	56,000	129,542	49,556	47,001
Total Governmental Activities	3,801,257	2,632,782	2,605,070	1,747,802	1,895,403	3,368,949	2,225,094	2,833,978	2,706,701	2,814,533
Business-type Activities:										
Charges for Services:										
Water & Sewer	3,476,650	3,137,315	3,284,224	3,345,258	3,149,733	3,096,640	2,950,990	3,437,309	4,009,126	4,595,177
Automobile Parking System	161,103	92,166	167,558	79,519	124,991	98,878	96,185	93,087	118,510	62,278
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	-	96,000	-	-	-	34,100	6,600	24,000	52,000	35,800
Total Business-type Activities	3,637,753	3,325,481	3,451,782	3,424,777	3,274,724	3,229,618	3,053,775	3,554,396	4,179,636	4,693,255
Total Primary Government Program Revenues	7,439,010	5,958,263	6,056,852	5,172,579	5,170,127	6,598,567	5,278,869	6,388,374	6,886,337	7,507,788

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

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
General Fund:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	4,063,559	4,634,389	4,957,111	3,939,212	5,082,598	6,377,489	7,220,982	7,790,725	61,225	33,940
Nonspendable-InVENTORY	-	-	-	-	-	-	-	-	7,944,689	7,983,484
Unassigned	-	-	-	-	-	-	-	-	8,005,914	8,017,424
Total General Fund	4,063,559	4,634,389	4,957,111	3,939,212	5,082,598	6,377,489	7,220,982	7,790,725	8,005,914	8,017,424
All Other Governmental Funds										
Reserved, reported in:										
Capital Projects	1,085,706	217,886	472,429	380,162	660,343	329,341	348,164	257,718	-	-
Debt Service	168,673	173,412	171,648	154,713	163,117	184,845	160,348	102,764	-	-
Other	261,209	274,859	287,491	298,276	312,950	315,950	372,315	502,571	-	-
Unreserved, reported in:										
Special Revenue Funds	2,490,189	3,015,652	2,809,252	2,748,182	2,803,994	5,169,843	4,245,160	4,160,841	-	-
Capital Project Funds	5,627,302	5,245,205	5,195,311	6,246,487	7,153,057	5,193,867	4,866,208	4,447,622	-	-
Restricted for:										
Streets	-	-	-	-	-	-	-	-	2,414,531	2,607,750
Cemetery	-	-	-	-	-	-	-	-	448,400	433,620
Law Enforcement Programs	-	-	-	-	-	-	-	-	44,799	23,660
Community Development Block Grant	-	-	-	-	-	-	-	-	8,113	8,794
Downtown Development Authority	-	-	-	-	-	-	-	-	1,255,244	485,906
Principal Shopping District	-	-	-	-	-	-	-	-	48,842	29,841
Band Shelter	-	-	-	-	-	-	-	-	237,329	238,082
Debt Service	-	-	-	-	-	-	-	-	33,814	17,908
Capital Projects	-	-	-	-	-	-	-	-	4,620,226	4,081,244
Total All Other Governmental Funds	9,633,079	8,927,014	8,936,131	9,827,820	11,093,461	11,193,846	9,992,195	9,471,516	9,111,298	7,926,805
Total All Governmental Funds	\$ 13,696,638	\$ 13,561,403	\$ 13,893,242	\$ 13,767,032	\$ 16,176,059	\$ 17,571,335	\$ 17,213,177	\$ 17,262,241	\$ 17,117,212	\$ 15,944,229

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

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Revenues:										
Property Taxes	\$ 10,243,908	\$ 10,363,445	\$ 10,730,980	\$ 11,565,561	\$ 11,951,457	\$ 11,339,232	\$ 10,860,125	\$ 10,532,824	\$ 9,514,160	\$ 8,545,176
Special Assessments	406,663	384,848	356,531	282,884	204,028	271,043	296,557	296,186	238,502	234,980
Licenses and Permits	1,610,260	1,580,183	1,540,794	1,775,492	1,594,771	1,731,227	1,575,836	1,631,256	1,71,068	171,530
Intergovernmental	768,662	777,246	813,078	773,333	805,973	1,097,993	756,372	1,057,334	1,633,604	1,859,791
Charges for Services	79,806	69,046	63,711	63,380	63,059	106,656	85,928	97,019	1,142,305	1,067,645
Fines and Forfeitures	228,088	157,770	397,309	820,258	1,104,667	919,156	434,304	163,715	81,149	92,781
Investment Earnings	369,435	449,108	358,159	364,053	715,886	411,188	441,948	550,489	455,934	79,399
Other	13,706,822	13,781,646	14,260,562	15,644,961	16,439,841	15,976,340	14,520,607	14,437,379	13,315,369	12,593,537
Total Revenues										
General Government	2,111,461	2,184,103	2,468,717	2,608,764	2,816,108	1,683,891	1,627,505	1,808,565	1,712,718	1,725,913
Public Safety	2,833,525	3,159,414	3,331,304	3,527,179	3,544,984	3,584,139	3,860,264	4,117,262	4,289,699	4,481,871
Public Works	2,043,471	3,149,355	3,860,516	3,388,538	3,991,915	2,292,905	2,352,423	2,214,097	2,322,344	2,233,866
Community Development	35,316	41,374	54,059	40,653	66,093	1,290,277	1,424,123	1,659,663	1,865,675	1,515,183
Recreation and Cultural	853,736	904,727	992,728	1,042,332	1,052,768	1,292,134	1,274,289	1,248,708	1,184,749	1,177,706
Capital Outlay	2,471,646	3,007,005	1,806,547	1,959,370	1,545,539	3,297,979	3,249,658	2,178,901	975,141	2,138,640
Debt Service:										
Principal	700,000	630,000	625,000	745,000	740,000	856,165	849,062	907,133	938,813	415,596
Interest	449,544	376,593	343,666	309,335	273,407	283,574	241,441	197,486	153,266	118,549
Total Expenditures	11,498,699	13,452,571	13,482,537	13,621,171	14,030,814	14,581,064	14,878,765	14,331,815	13,442,405	13,807,324
Excess of Revenues over (under) Expenditures	2,208,123	329,075	778,025	2,023,790	2,409,027	1,395,276	(358,158)	105,564	(127,036)	(1,213,787)
Other Financing Sources (Uses):										
Proceeds from Sale of Bonds	-	-	-	-	-	-	-	-	-	-
Transfers In	3,131,141	3,474,068	3,620,541	3,173,804	3,270,742	3,019,595	2,353,102	1,856,553	1,801,958	1,273,983
Transfers Out	(3,496,302)	(3,933,378)	(4,071,471)	(5,323,804)	(3,270,742)	(3,019,595)	(2,353,102)	(1,913,053)	(1,819,951)	(1,233,179)
Total Other Financing Sources (Uses)	(365,161)	(459,310)	(450,930)	(2,150,000)	-	-	-	(56,500)	(17,993)	40,804
Net Change in Fund Balances	1,842,962	(130,235)	327,095	(126,210)	2,409,027	1,395,276	(358,158)	49,064	(145,029)	(1,172,983)
Debt Service as a percentage of noncapital Expenditures	12.73%	9.64%	8.30%	9.04%	8.12%	10.10%	9.38%	9.09%	8.76%	4.58%



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						
2002	2003	422,738,600	93,383,040	36,886,970	276,520	51,834,060	605,119,190	744,441,020	1,488,882,040	40.64%	
2003	2004	456,947,182	95,542,550	41,683,220	171,040	54,314,460	648,658,452	801,417,230	1,602,834,460	40.47%	
2004	2005	490,041,952	101,969,120	40,600,410	-	45,666,720	678,278,202	820,004,850	1,640,009,700	41.36%	
2005	2006	519,545,935	116,959,330	40,881,210	-	44,967,270	722,353,745	870,045,785	1,740,091,570	41.51%	
2006	2007	553,540,960	114,838,930	42,049,050	-	43,422,620	753,851,560	899,642,670	1,799,285,340	41.90%	
2007	2008	578,389,250	120,682,600	41,523,040	-	43,403,130	783,998,020	925,431,320	1,850,862,640	42.36%	
2008	2009	554,858,220	123,733,500	52,895,550	-	39,335,660	770,822,930	872,092,980	1,744,185,960	44.19%	
2009	2010	518,116,780	130,174,140	53,808,740	-	39,963,070	742,062,730	807,486,870	1,614,973,740	45.95%	
2010	2011	465,329,980	122,349,310	48,310,150	-	36,049,540	672,038,980	703,311,890	1,406,623,780	47.78%	
2011	2012	450,001,370	118,289,290	30,684,010	-	36,063,930	635,038,600	652,438,240	1,304,876,480	48.67%	

Source: Oakland County Equalization

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

Tax Year	Fiscal Year	City Operating	City Debt	OPC	OPC Debt	Total Direct	Rochester Schools Debt	Rochester Schools Operating	Intermed. Schools Voted	Intermed. Schools Operating	State Education	Community College	Oakland County Operating	Oakland County Parks/Rec	Oakland County HCMA	Zoo Authority	Total	Admin Fee 1%	Total Millage
2002	2003 Homestead	13.6634	0.5900	0.2137	0.2800	14.7471	5.2250	-	3.2189	0.2035	6.0000	1.6090	4.1900	0.2453	0.2170	-	50.4029	0.5040	50.9069
2002	2003 Non-Homestead	13.6634	0.5900	0.2137	0.2800	14.7471	5.2250	18.0000	3.2189	0.2035	6.0000	1.6090	4.1900	0.2453	0.2170	-	68.4029	0.6840	69.0869
2003	2004 Homestead	12.8834	0.4400	0.2470	0.2300	13.8004	5.2250	-	3.1970	0.2021	5.0000	1.5983	4.1900	0.2436	0.2161	-	47.4729	0.4747	47.9476
2003	2004 Non-Homestead	12.8834	0.4400	0.2470	0.2300	13.8004	5.2250	18.0000	3.1970	0.2021	5.0000	1.5983	4.1900	0.2436	0.2161	-	65.4729	0.6547	66.1276
2004	2005 Homestead	12.8834	0.4100	0.2412	0.2000	13.7346	5.1800	-	3.1780	0.2009	6.0000	1.5889	4.1900	0.2422	0.2154	-	48.2646	0.4826	48.7472
2004	2005 Non-Homestead	12.8834	0.4100	0.2412	0.2000	13.7346	5.1800	18.0000	3.1780	0.2009	6.0000	1.5889	4.1900	0.2422	0.2154	-	66.2646	0.6626	66.9272
2005	2006 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	-	48.2543	0.4825	48.7368
2005	2006 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	-	66.2543	0.6625	66.9168
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	-	48.2543	0.4825	48.7368
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	-	66.2543	0.6625	66.9168
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	-	47.4403	0.4744	47.9147
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	-	65.4403	0.6544	66.0947
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	45.7403	0.4574	46.1977
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	63.7403	0.6374	64.3777
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	45.7403	0.4574	46.1977
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	63.7403	0.6374	64.3777
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	47.2603	0.4726	47.7329
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	65.2603	0.6526	65.9129
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	47.2603	0.4726	47.7329
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	65.2603	0.6526	65.9129

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 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
2002	2003	\$ 11,165,642	\$ 10,608,488	95.01%	\$ 509,908	\$ 11,118,396	99.58%
2003	2004	11,273,103	10,768,092	95.52%	445,893	11,213,985	99.48%
2004	2005	11,860,152	11,481,358	96.81%	314,449	11,795,807	99.46%
2005	2006	13,111,892	12,622,176	96.27%	442,503	13,064,679	99.64%
2006	2007	11,824,704	11,191,150	94.64%	621,053	11,812,204	99.89%
2007	2008	11,943,125	11,262,641	94.30%	634,931	11,897,572	99.62%
2008	2009	11,475,448	10,641,693	92.73%	785,060	11,426,753	99.58%
2009	2010	10,765,019	10,100,728	93.83%	604,984	10,705,712	99.45%
2010	2011	9,695,762	9,245,285	95.35%	423,622	9,668,907	99.72%
2011	2012	8,722,405	8,446,597	96.84%	252,582	8,699,179	99.73%

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

Fiscal Year Ending June 30,	Governmental Activities		Business-type Activities	Total Primary Government	Total Taxable Values	Ratio of Total Debt to Taxable Values	Total Population	Total Debt Per Capita
	General Obligation Bonds	Land Contracts	Contracts Payable					
2003	\$ 8,165,000	\$ 113,273	\$ -	\$ 8,278,273	\$ 605,119,190	1.37%	10,467	\$ 791
2004	7,535,000	100,486	-	7,635,486	648,658,452	1.18%	10,467	729
2005	6,910,000	1,054,141	-	7,964,141	678,278,202	1.17%	10,467	761
2006	6,165,000	1,008,169	-	7,173,169	722,353,745	0.99%	10,467	685
2007	5,425,000	959,615	-	6,384,615	753,851,560	0.85%	10,467	610
2008	4,620,000	908,450	-	5,528,450	783,998,020	0.71%	10,467	528
2009	3,825,000	854,388	-	4,679,388	770,822,930	0.61%	10,467	447
2010	2,975,000	797,255	-	3,772,255	742,062,730	0.51%	12,711	297
2011	2,075,000	758,442	946,133	3,779,575	672,038,980	0.56%	12,711	297
2012	1,700,000	717,846	1,820,194	4,238,040	635,038,600	0.67%	12,711	333

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



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

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

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



Schedule 11
City of Rochester
Direct and Overlapping Governmental Activities Debt
June 30, 2012

Jurisdiction	Net Debt Outstanding	Percentage Debt Applicable To City	Estimated Share of Overlapping Debt
Direct Debt:			
City of Rochester	\$ 2,417,846	100%	\$ 2,417,846
Overlapping Debt:			
Rochester School District	149,510,000	15.45%	23,099,295
Oakland County	88,001,960	1.27%	1,117,625
Oakland Intermediate School District	61,705,000	1.28%	789,824
Oakland Community College	4,435,000	1.28%	56,768
Total Overlapping Debt	<u>303,651,960</u>		<u>25,063,512</u>
Total Direct and Overlapping Debt	<u>\$ 306,069,806</u>		<u>\$ 27,481,358</u>

Source: Municipal Advisory Council of Michigan.



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

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Debt Limit	\$ 74,444,102	\$ 80,141,723	\$ 82,000,485	\$ 87,004,579	\$ 89,964,267	\$ 92,543,132	\$ 87,209,298	\$ 80,748,687	\$ 70,331,189	\$ 65,243,824
Total Net Debt applicable to limit	8,240,000	7,590,000	7,010,000	6,435,000	5,765,000	5,100,000	4,370,000	3,650,000	2,875,000	1,700,000
Legal Debt Margin	\$ 66,204,102	\$ 72,551,723	\$ 74,990,485	\$ 80,569,579	\$ 84,199,267	\$ 87,443,132	\$ 82,839,298	\$ 77,098,687	\$ 67,456,189	\$ 63,543,824
Total Net Debt applicable to the limit as a percentage of debt limit	11.07%	9.47%	8.55%	7.40%	6.41%	5.51%	5.01%	4.52%	4.09%	2.61%

Legal Debt Margin Calculation for Fiscal Year 2012:
Assessed Value

Assessed Value	\$ 652,438,240
Legal Debt Limit (10% of Assessed Value)	\$ 65,243,824
Gross Indebtedness	\$ 4,238,040
Less: Contractual Debt	(2,538,040)
Net Bonded Debt	1,700,000
Legal Debt Margin	\$ 63,543,824
Net Bonded Debt as a Percentage of Assessed Value	0.26%

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**
2003	10,467	\$ 74,959	\$ 47,804	38.9	3.2%
2004	10,467	74,959	\$ 47,804	38.9	3.3%
2005	10,467	74,959	\$ 47,804	38.9	3.3%
2006	10,467	74,959	\$ 47,804	38.9	3.3%
2007	10,467	74,959	\$ 47,804	38.9	3.5%
2008	10,467	74,959	\$ 47,804	38.9	4.1%
2009	10,467	74,959	\$ 47,804	38.9	7.6%
2010	12,711	76,603	\$ 47,286	38.3	7.2%
2011	12,711	76,603	\$ 47,286	38.3	7.2%
2012	12,711	76,603	\$ 47,286	38.3	5.9%

Sources: * U.S. Census Bureau
** U.S. Bureau of Labor Statistics

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

Company Name	Year Ended June 30, 2012			Year Ended June 30, 2003		
	Employees	Rank	Total City Employment	Employees	Rank	Total City Employment
JHP Pharmaceuticals, LLC	315	1	3.01%	*	*	*
Rochester Hills Public Library	132	2	1.26%	*	*	*
Sunrise Assisted Living	95	3	0.91%	*	*	*
Crittenton Financial Building	88	4	0.84%	*	*	*
Rochester Public Schools	75	5	0.72%	*	*	*
Bond Desk Group	75	6	0.72%	*	*	*
U.S. Post Office	75	7	0.72%	*	*	*
Real Estate One	70	8	0.67%	*	*	*
Royal Park Hotel	60	9	0.57%	*	*	*
Letica Corporation	57	10	0.54%	*	*	*

* 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 2003	FYE 2004	FYE 2005	FYE 2006	FYE 2007	FYE 2008	FYE 2009	FYE 2010	FYE 2011	FYE 2012
Administration	13	13	12	13	13	13	12	13	12	13
Manager	4	4	4	4	4	4	3	4	4	4
Building	3	3	2	3	3	3	2	2	1	1
Clerk	1	1	1	1	1	1	1	1	1	2
Finance	5	5	5	5	5	5	6	6	6	6
Public Safety	30	30	30	30	30	27	27	27	27	28
Police	29	29	29	29	29	26	26	26	26	27
Fire	1	1	1	1	1	1	1	1	1	1
Public Works & Parks	18	18	18	18	18	18	17	16	15	15
Public Works	13	13	13	13	13	13	12	11	10	10
Water & Sewer	1	1	1	1	1	1	1	1	1	2
Revolving Eq	1	1	1	1	1	1	1	1	1	1
Parks	3	3	3	3	3	3	3	3	3	2
TOTAL	61	61	60	61	61	58	56	56	54	56

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

Service Type	FYE 2003	FYE 2004	FYE 2005	FYE 2006	FYE 2007	FYE 2008	FYE 2009	FYE 2010	FYE 2011	FYE 2012
Administration	0	0	0.5	1	1	1	1	1	1.5	0.5
Manager	0	0	0	0	0	0	0	0	0	0
Building	0	0	0.5	0.5	0.5	0.5	0.5	0.5	1	0.5
Clerk	0	0	0	0.5	0.5	0.5	0.5	0.5	0.5	0
Finance	0	0	0	0	0	0	0	0	0	0
Public Safety	1	1	1	2	1.5	1.5	1.5	1.5	1.5	1.5
Police	1	1	1	2	1.5	1.5	1.5	1.5	1.5	1.5
Public Works & Parks	1	1	1	2.5	2.5	1.5	1.5	1	2.5	2
Public Works	0	0	0	1	1	0	0	0	1.5	1
Water & Sewer	0	0	0	0	0	0	0	0	0	0
Revolving Eq	0	0	0	0	0	0	0	0	0	0
Parks	1	1	1	1.5	1.5	1.5	1.5	1	1	1
TOTAL	2	2	2.5	5.5	5	4	4	3.5	5.5	4
TOTAL Full-Time Equivalent (FTEs)	63	63	62.5	66.5	66	62	60	59.5	59.5	60

Other

DDA	3	3	3	3	3	3	3	3.5	3.5	3
-----	---	---	---	---	---	---	---	-----	-----	---

DDA employees are hired by the Downtown Development Authority, but are administered as employees of the City of Rochester.

Paid On-Call Firefighters

	30	28	27	26	27	27	32	39	38	40
--	----	----	----	----	----	----	----	----	----	----

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

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Clerks Department										
Elections										
Number of Absentee	773	474	1,457	682	1,168	903	1,828	831	1,257	1,487
Number Voted	3,966	1,081	6,436	1,505	5,393	2,327	7,169	1,545	4,968	3,749
Absentee as a % of Total Votes	20%	43%	22%	45%	21%	38%	25%	53%	25%	40%
Water Department										
Number of Accounts										
RE	3,504	3,553	3,573	3,595	3,600	3,607	3,606	3,613	3,617	3,624
CO	343	345	346	351	353	353	353	353	356	364
Units of water Used										
Each unit is 100 Cubic Feet										
Residential	656,373	643,290	607,962	655,192	595,788	654,840	567,914	543,051	589,167	559,774
Commercial	289,787	302,896	294,088	317,723	281,879	286,828	235,594	217,977	243,394	295,310
Police Department										
Total Calls for Service	5,843	6,283	6,253	6,005	6,801	11,937	13,798	13,057	12,132	11,772
Group A Crime Incidents	525	435	444	497	508	584	538	457	451	445
Group B Crime Incidents	529	510	465	351	439	479	400	300	290	273
Property Damage Vehicle Crashes	474	422	421	362	361	317	286	203	345	271
Personal Injury Vehicle Crashes	30	18	35	42	20	11	20	9	14	19
Total Arrests	463	531	447	372	543	592	603	483	486	441
Drunk Driving Arrests	145	170	105	81	149	190	185	111	120	121
Fire Department										
Total Calls	498	450	520	530	567	754	786	1,090	1,452	1,578
Fires	17	15	16	23	31	17	28	17	21	34
EMS/Rescue	353	329	410	401	381	497	468	812	1,147	1,232
Hazardous Condition	41	25	17	22	31	43	38	44	24	49
Service Call	15	10	11	22	36	87	80	57	84	99
Good Intent	32	40	42	44	55	44	45	48	59	65
False Calls	40	30	24	18	33	37	70	75	54	57
Other	-	1	-	-	-	29	57	37	63	42



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

Department	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Administrative										
Vehicles Assigned	3	3	3	3	3	2	2	2	2	2
Police										
Vehicles Assigned	13	13	14	14	15	15	15	14	13	13
Fire										
Vehicles Assigned	8	8	9	10	10	11	11	11	11	11
Public Works										
Vehicles Assigned	29	29	26	27	29	27	27	29	30	30
Road Maintenance and Repair										
Miles of Major Streets	9	9	9	9	9	9	9	9	9	9
Miles of Local Streets	34	34	34	34	34	34	34	34	34	34
Water & Sewer										
Miles of Water Mains	72.3	72.9	74.2	74.4	74.4	74.4	74.4	74.4	74.4	74.4
Miles of Sewers	56.8	57.5	57.8	57.9	58.4	58.4	58.4	58.4	58.4	58.4
Recreation										
City Parks	9	9	9	9	9	9	9	9	9	9
Park Acreage	153	153	153	153	153	153	153	153	153	153

