

# **City of Roseville, Michigan**

---

**Financial Report  
with Supplemental Information  
June 30, 2011**

# City of Roseville, Michigan

---

## Contents

<b>Report Letter</b>	1-2
<b>Management's Discussion and Analysis</b>	3-15
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Assets	16
Statement of Activities	17-18
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	19
Reconciliation of the Balance Sheet to the Statement of Net Assets	20
Statement of Revenue, Expenditures, and Changes in Fund Balances	21
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Proprietary Funds:	
Statement of Net Assets	23
Statement of Revenue, Expenses, and Changes in Net Assets	24
Statement of Cash Flows	25
Fiduciary Funds:	
Statement of Fiduciary Net Assets	26
Statement of Changes in Fiduciary Net Assets - Pension and Other Employee Benefits Trust Fund	27
Notes to Financial Statements	28-54
<b>Required Supplemental Information</b>	55
Budgetary Comparison Schedule - General Fund	56-57
Budgetary Comparison Schedule - Major Special Revenue Funds	58-59
Pension System Schedule of Funding Progress	60
Other Postemployment Benefits Schedule of Funding Progress	61
Note to Required Supplemental Information	62-63

# City of Roseville, Michigan

---

## Contents (Continued)

<b>Other Supplemental Information</b>	64
Nonmajor Governmental Funds:	
Combining Balance Sheet	65
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	66
Internal Service Funds:	
Combining Statement of Net Assets	67
Combining Statement of Revenue, Expenses, and Changes in Net Assets	68
Combining Statement of Cash Flows	69
Fiduciary Funds:	
Statement of Assets and Liabilities	70
Combining Statement of Changes in Fiduciary Net Assets	71
Schedule of Indebtedness	72-77

## Independent Auditor's Report

To the City Council  
City of Roseville, 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 Roseville, Michigan (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 as of June 30, 2011 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.

The management's discussion and analysis, retirement system schedules of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the City Council  
City of Roseville, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As explained in Note 1, the financial statements include investments valued at approximately \$29.9 million (representing approximately 23 percent of net assets) whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the investment managers, periodic appraisal, real estate advisors, general partners, or other means.

During the year, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Note 1. As a result of this required implementation, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB No. 54.

*Plante & Morse, PLLC*

December 21, 2011

# City of Roseville, Michigan

## Management's Discussion and Analysis

### Using This Annual Report

The annual report consists of a series of narratives and financial statements. This narrative is intended to serve as an introduction to the City of Roseville's basic financial statements. The basic financial statements consist of three components: government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also contains other supplemental information, as well as continuing disclosure information related to bonded debt issued by the City of Roseville.

The format of the annual report was modified in 2003 to comply with the reporting requirements of Government Accounting Standards Board Statement No. 34. The basic financial statements include two kinds of statements that present different views of the City. The statement of net assets and the statement of activities provide information about the activities of the City on a government-wide basis. They are designed to present a long-term view of the City's finances. The fund financial statements, which follow the above-mentioned statements, illustrate how the services provided by the City were financed in the short term, as well as what remains for future spending. Additionally, the fund financial statements report the City's operations in more detail than the government-wide financial statements.

### **Government-wide Financial Statements**

The government-wide statements provide information about the City as a whole, using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the City's assets and liabilities. Net assets, the difference between the City's assets and liabilities, are one way to measure the City's overall financial health. The statement of activities reflects all of the current year's revenue and expenses, regardless of when cash is actually received or paid.

The government-wide financial statements of the City are divided into two categories:

- Government activities - Most of the City's basic services are included here, such as police, fire, public works, recreation, and general administration. Property taxes, state-shared revenue, charges for services, and grants provide the majority of the funding.
- Business-type activities - The City charges user fees to customers to cover costs of providing water and sewer services.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting tools that the City uses to keep track of specific sources of funding or monitor spending. Some funds are required to be separately maintained by state law. The City Council establishes other funds to control and manage money for particular purposes.

# City of Roseville, Michigan

## Management's Discussion and Analysis (Continued)

The City has three kinds of funds:

- Governmental funds - Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out and the balance left at year end that is available for future spending. The governmental fund statements provide a detailed short-term view that highlights whether there are more or fewer financial resources available in the near future to finance the City's programs. Because the focus of governmental funds is narrower, it is useful to compare this information with similar information presented for governmental activities in the government-wide financial statements. Both the balance sheet and the statement of revenue, expenditures, and changes in fund balances for the governmental funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 11 individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenue, expenditures, and changes in fund balances for the General Fund, Major Streets Fund, Local Streets Fund, and Capital Projects Fund, all of which are considered to be major funds. Data for the other seven governmental funds is combined into a single, aggregated presentation. Individual fund data for the nonmajor governmental funds is provided in the form of combining statements located in the other financial and supplemental information section of this report.

The City adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison statements have been provided for all major governmental funds to demonstrate budgetary compliance.

- Proprietary funds - Proprietary fund reporting, like government-wide statements, provides both short-term and long-term financial information. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented in the business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operation. This fund is considered a major fund of the City. Internal service funds accumulate and allocate costs internally among various functions. The City uses internal service funds to account for its self-insurance program and workers' compensation-related expenditures. Because these programs predominantly benefit governmental rather than business-type functions, they have been consolidated within the governmental activities in the government-wide financial statements.
- Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources held in those funds are not available to finance the City's programs.

# **City of Roseville, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **Notes to the Financial Statements**

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

### **Required Supplemental Information**

The required supplemental information is in addition to the basic financial statements and accompanying notes to the financial statements. This section of the report highlights the City's progress in funding its obligations to provide pension and other postemployment benefits to its employees. Also included in this section are the budgetary comparison statements for the General Fund, major special revenue funds, and Capital Projects Fund.

### **Other Financial and Supplemental Information**

Combining fund statements referred to earlier, as well as the City's schedule of indebtedness, are presented immediately following the required supplemental information section of this report.

### **The City of Roseville, Michigan as a Whole**

The City's combined total net assets increased 3.2 percent from a year ago, increasing from \$123.7 million to \$127.7 million. A review of the governmental activities, separate from the business-type activities, shows an increase of approximately \$2.7 million in total net assets or 2.6 percent, during fiscal 2011. The change in total net assets is primarily attributed to the addition of \$1.6 million in cash and investments, a \$0.3 million increase in receivables combined with the reduction of current year and long-term debt obligations, and despite \$0.8 million in decreases in the City's capital assets. The net increase is supported by increased revenue from capital grants and charges from service-type activities, despite the effects of lower property tax revenue (due to decreased taxable values) and decreased investment income. Additionally, the effects of funding retiree healthcare benefits for current and future retirees reduced the City's cash reserves by \$5.1 million. Like many communities, postemployment healthcare premiums were traditionally paid by the City's pension fund through its available "excess earnings." During 2005, as a result of increasing healthcare costs coupled with declining interest rates, the pension fund was no longer able to cover this obligation. During 2011, this obligation was paid entirely by the General Fund.

Business-type activities experienced a \$1.3 million increase in total net assets during fiscal 2011. This increase is attributed to the restructuring of the City's water and sewer billing rates, effective July 1, 2009, which generated increased unrestricted net assets from operations, coupled with disciplined expense control throughout fiscal 2011. The restructuring of the City's water and sewer billing structure was a requirement of the State Revolving Fund loan application process, the proceeds from which are necessary to finance critical improvements to the City's aging water and sewer infrastructure.

# City of Roseville, Michigan

## Management's Discussion and Analysis (Continued)

Governmental unrestricted net assets, the portion of net assets available to finance day-to-day operations and future growth, increased from \$27.8 million at June 30, 2010 to \$29.6 million at June 30, 2011. The City's unrestricted net assets for business-type activities increased by \$1.7 million at June 30, 2011.

### Governmental Activities

In a condensed format, the table below shows the comparison of net assets (in millions of dollars) as of June 30, 2011 to the prior year:

	June 30		Change	Percent
	2011	2010		
<b>Assets</b>				
Current assets	\$ 40.1	\$ 38.5	\$ 1.6	4.16%
Noncurrent assets:				
Investment in joint ventures	8.4	7.6	0.8	10.53%
Capital assets	<u>82.1</u>	<u>82.9</u>	<u>(0.8)</u>	-0.97%
Total assets	130.6	129.0	1.6	1.24%
<b>Liabilities</b>				
Current liabilities	7.2	7.4	(0.2)	-2.70%
Long-term liabilities	<u>15.3</u>	<u>16.2</u>	<u>(0.9)</u>	-5.56%
Total liabilities	<u>22.5</u>	<u>23.6</u>	<u>(1.1)</u>	-4.66%
<b>Net Assets</b>				
Invested in capital assets -				
Net of related debt	68.0	67.8	0.2	0.29%
Restricted	10.5	9.8	0.7	7.14%
Unrestricted	<u>29.6</u>	<u>27.8</u>	<u>1.8</u>	6.47%
Total net assets	<u>\$ 108.1</u>	<u>\$ 105.4</u>	<u>\$ 2.7</u>	2.56%

# City of Roseville, Michigan

## Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets (in millions of dollars) for the year ended June 30, 2011 from the prior year:

	Year Ended June 30		Change	Percent
	2011	2010		
<b>Revenue</b>				
Program revenue:				
Charges for services	\$ 6.9	\$ 9.4	\$ (2.5)	-26.60%
Operating grants and contributions	5.7	5.7	-	0.00%
Capital grants and contributions	0.6	2.0	(1.4)	-70.00%
General revenue:				
Property taxes and related fees	25.3	29.2	(3.9)	-13.36%
State sources	4.3	4.3	-	0.00%
Unrestricted investment earnings	0.1	0.2	(0.1)	-50.00%
Miscellaneous	0.7	0.1	0.6	600.00%
Cable franchise fees	0.7	0.7	-	0.00%
Total revenue	44.3	51.6	(7.3)	-14.15%
<b>Program Expenses</b>				
General government	13.6	13.0	0.6	4.62%
Public safety	18.6	20.2	(1.6)	-7.92%
Public works - Highways and streets	5.9	8.8	(2.9)	-32.95%
Recreation and culture	2.3	3.8	(1.5)	-39.47%
Community and economic development	0.7	-	0.7	100.00%
Other	0.1	-	0.1	100.00%
Interest expense	0.5	1.5	(1.0)	-66.67%
Total program expenses	41.7	47.3	(5.6)	-11.84%
<b>Change in Net Assets</b>	<b>\$ 2.6</b>	<b>\$ 4.3</b>	<b>\$ (1.7)</b>	<b>-39.53%</b>

The City's total governmental revenue decreased \$7.3 million from \$51.6 million in 2010 to \$44.3 million in 2011. Of this amount, property taxes, which account for approximately 57 percent of total revenue, decreased by \$3.9 million to \$25.3 million due to lower taxable values. Charges for service-type activities, which support program costs such as the District Court, building inspections, recreation programs, etc., decreased 26.6 percent from \$9.4 million to \$6.9 million. In addition, capital grants and contributions decreased \$1.4 million from \$2.0 in 2010 to \$0.6 million in 2011. The effects of these reductions were offset by a \$0.6 million increase from various incidental revenue sources. State-source revenue and operating grants, which approximate 9.7 percent of total revenue, or \$4.3 million, and approximately 12.9 percent of total revenue, or \$5.7 million, respectively, remained consistent with amounts received in 2010.

# City of Roseville, Michigan

## Management's Discussion and Analysis (Continued)

Total expenditures decreased by approximately \$5.6 million or 11.84 percent over the previous fiscal year. This decrease is attributed to several factors, including the cumulative savings realized from various personnel vacancies, restructuring of City departments and internal operations, strong expenditure control, and reductions in interest paid for long-term debt. The City continued to meet its actuarial required contribution for the defined benefit pension system during fiscal 2011. This is important for the City because future taxpayers should not be required to fund benefit payments that were earned in the current period. Despite increased designations over the past several years to fund future retiree medical costs, the City, like most communities, remains severely under-funded with regard to GASB Statement No. 45. The new pronouncement, effective June 30, 2009, requires the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. During fiscal 2011, the City was unable to satisfy its actuarial required contribution to the postemployment healthcare benefits trust. At June 30, 2011, the City's outstanding liability with regard to the current funding for postemployment healthcare benefits was approximately \$0.3 million.

### Business-type Activities

In a condensed format, the table below shows the comparison of net assets (in millions of dollars) as of June 30, 2011 to the prior year:

	June 30			
	2011	2010	Change	Percent
<b>Assets</b>				
Current assets	\$ 11.3	\$ 9.6	\$ 1.7	17.71%
Noncurrent assets - Capital assets	9.7	10.1	(0.4)	-3.96%
Total assets	21.0	19.7	1.3	6.60%
<b>Liabilities</b>				
Current liabilities	1.3	1.2	0.1	8.33%
Long-term liabilities	0.1	0.2	(0.1)	-50.00%
Total liabilities	1.4	1.4	-	0.00%
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	9.7	10.1	(0.4)	-3.96%
Unrestricted	9.9	8.2	1.7	20.73%
Total net assets	<u>\$ 19.6</u>	<u>\$ 18.3</u>	<u>\$ 1.3</u>	7.10%

# City of Roseville, Michigan

## Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets (in millions of dollars) for the year ended June 30, 2011 from the prior year:

	Year Ended June 30		Change	Percent
	2011	2010		
<b>Revenue - Program revenue -</b>				
Charges for services	\$ 12.3	\$ 12.0	\$ 0.3	2.50%
<b>Operating Expenses</b>				
Operating expenses other than depreciation	(10.5)	(10.2)	(0.3)	2.94%
Depreciation	(0.5)	(0.5)	-	0.00%
Total operating expenses	(11.0)	(10.7)	(0.3)	2.80%
<b>Operating Income</b>	1.3	1.3	-	5.50%
<b>Interest Income</b>	-	-	-	0.00%
<b>Change in Net Assets</b>	<u>\$ 1.3</u>	<u>\$ 1.3</u>	<u>\$ -</u>	0.00%

The City's business-type activities are recorded in the Water and Sewer Fund. Water and sewer operations are funded directly by user fees or charges for services. Revenue generated from the City's Water and Sewer Fund totaled \$12.3 million in 2011 and expenses were \$11 million. The City experienced an overall increase in net assets of \$1.3 million. For fiscal 2011, the City Council approved a 10.4 percent rate increase, which was consistent with the rate increases charged by the City of Detroit and the South Macomb Sanitary District. The City is currently in its fourth year of a 30-year working agreement with the City of Detroit to monitor maximum day "peaking" costs and usage to minimize future rate increases from its supplier. Effective July 1, 2009, City management revised the water and sewer billing structure to include a ready-to-serve base charge on all accounts, regardless of usage. The City's water and sewer rates continue to reflect only the estimated cost for water units purchased or sewer treatment costs incurred by the City. No other expenses are factored into these rates. The City's local operating maintenance rate (LOM), which primarily reflects the day-to-day operating costs and future capital outlay considerations of the Water and Sewer Fund, excluding the purchase of water and sewer treatment expense, was significantly lowered on a per-unit basis as a result of implementing the ready-to-serve base charge to customer accounts.

# City of Roseville, Michigan

## Management's Discussion and Analysis (Continued)

During fiscal 2011, the City's water and sewer system incurred a slight increase in the volume of water and sewage units purchased despite a 6 percent decrease in the total volume of water units sold and sewage units treated. This adverse relationship is in conjunction with a significant spike in the City's inferred water loss percentage, which increased from 4.8 percent in fiscal 2010 to nearly 9.7 percent in fiscal 2011. During fiscal 2011, the City of Detroit made several capital improvements to its meter reading system, which measures the water volume sold or utilized by the City of Roseville. City management suspects Detroit's previous metering equipment was generating inaccurate reads, which may have resulted in an under reporting of actual units consumed by the City to occur. This would support the City's increase in water purchased amount without a proportional increase in water sales volume. Although the City has made internal enhancements to its infrastructure to reduce overall water loss, 2010's positive water loss percentage may have been influenced to some degree by inaccurate information being received by Detroit's aging equipment. During fiscal 2009, the City completed the initial application process to request \$5.8 million in low-interest State Revolving Fund loans to finance critical repairs to the City's water and sewer infrastructure. The final phase of the application process will be formally completed in spring 2012, with critical improvements to the City's aging water and sewer infrastructure slated to begin later that year. For fiscal 2011, as a result of internal efficiencies, no increase was projected in the City's overall water and sewer rate, despite separate increases for services charged by the Detroit Water Board and the South Macomb Sanitary District.

### The City's Funds

The analysis of the City's major funds follows the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as State of Michigan Act 51 major and local roads revenue sharing. The City's major funds for 2011 include the General Fund, the Major and Local Streets Funds, and the Capital Projects Fund.

The General Fund receives all City revenue not designated for specific use by state statutes or City Charter, and accounts for most of the City's governmental services. The most significant of these are police and fire, which incurred expenditures of approximately \$18.3 million in 2011, before depreciation and other full accrual accounting adjustments. The general operating millage levied by the City supports these two services. Overall, the fund balance in the General Fund decreased by \$2 million during fiscal 2011. This decrease is directly attributed to lower property tax revenue (due to decreased taxable values) combined with the \$4.6 million funding for current retiree healthcare benefits and \$0.5 million to fund postretiree healthcare benefits, in addition to the \$0.4 million increase in the actuarial required payment to fund the City's pension system, which are the residual financial effects of long-term contractual obligations previously entered into by the City.

# **City of Roseville, Michigan**

---

## **Management's Discussion and Analysis (Continued)**

The Major and Local Streets Funds are the two funds used by the City to account for capital outlay expenditures related to road construction and maintenance. State revenue sources and transfers from other funds support the activities recorded in these funds. During fiscal 2011, net assets in the Major Streets Fund increased by \$636,000 as prior year road construction projects near completion. For 2011, net assets in the Local Streets Fund decreased by \$181,000, due to a reduction in transfers received from other funds. Historically, the General Fund recorded a year-end transfer to the Local Streets Fund to support future road projects. Due to lower property tax revenue, these resources are not available to transfer in 2011. While some capital improvements can be delayed for the short term, the long-term effects of reduced road improvements and aging infrastructure ultimately compromise a city's ability to provide core services to its residents.

The Capital Projects Fund includes the City's portion of the Lake St. Clair Clean Water Initiative project being administered on behalf of the City by Macomb County. The City maintains certain intangible rights to a county drain asset equal to the City's share of the debt associated with the Clean Water Initiative project. Special assessment collections, capital grants, and operating transfers from other funds primarily support the activities within this fund. At June 30, 2009, construction on the Lake St. Clair Clean Water Initiative project was finally completed. During the current year, the County reallocated project costs and the related indebtedness among the participating municipalities, increasing the City's indebtedness by \$25,757 at June 30, 2011. In total, net assets in the Capital Projects Fund decreased by \$274,000 during fiscal 2011.

### **General Fund Budgetary Highlights**

City administration and the City Council monitor and amend the budget to take into account unanticipated events that occur during the year. The budget was formally amended once for fiscal year 2011. Total budgeted revenue in the General Fund increased by \$0.6 million or 1.6 percent due to increased revenue from federal grants, fines and forfeitures, and charges for services-type functions, despite lower than anticipated property tax revenue (due to decreased taxable values) and declines in interest earned on investments. In total, General Fund budgeted expenditures decreased by approximately \$0.2 million or .06 percent attributed to the overall savings realized from personnel vacancies and various operational efficiencies. At year end, actual General Fund revenue and expenditures were consistent with budgeted amounts. For fiscal 2012 and beyond, management has developed a comprehensive five-year financial forecast that is updated annually and is reflected as part of the City's annual operating budget.

# **City of Roseville, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **Capital Assets and Long-term Debt Administration**

At year end, the City had approximately \$91.8 million invested in a wide range of net capital assets, including land, buildings, police and fire equipment, computer equipment, infrastructure assets (roads, bridges, sidewalks, and storm drains in which it has invested since 1980), and water and sewer lines. Due to limited growth within the City, no water and sewer lines were contributed by developers in the current year. During fiscal 2011, the total value of the City's infrastructure assets, net of depreciation, decreased 1 percent from \$37.4 million in 2010 to \$37 million in 2011. Included in the City's infrastructure assets are certain intangible rights to a county drain asset equal to the City's share of the debt associated with the Clean Water Initiative project.

Debt reported in the financial statements typically relates to the purchase or construction of the above-mentioned capital assets and is reported as a liability on the statement of net assets. Debt service payments during fiscal 2011 consisted of approximately \$1 million in principal payments and \$0.5 million in interest on all outstanding bonds and debt obligations. See the notes to the financial statements section of the report for additional information.

### **Economic Factors and Next Year's Budgets and Rates**

In 2006, City management designed and implemented a comprehensive "multi-prong" turnaround plan to address the City's financial challenges. This plan cured the financial structural imbalance by implementing various expenditure controls including attrition of City personnel and wage and benefit concessions, as well as a voter-approved 5.0 mills tax increase in the City's operating levy. Prior to the adoption of the City's turnaround approach, the City was bracing for its third consecutive year of budget deficits.

Unfortunately, for the past four years, property assessments have declined and continued decreases are anticipated for 2012. Property taxes account for 66 percent of the City's General Fund operating budget. Total property assessments decreased by 3 percent in 2009 and by 11 percent and 11.5 percent in 2010 and 2011, respectively, and are estimated to decrease at least an additional 12 percent in 2012. For example, in 2012 the average homeowner is expected to pay approximately the same amount in taxes as they did prior to the City's 5 mill tax increase approved in 2006. Declining property tax revenue is projected to result in a cumulative loss of over \$10 million over the next three years. The City is considered nearly developed and as such does not foresee a great deal of potential growth in the tax base from new construction. In addition, the City's revenue-raising capacity is limited as a result of levying at the Headlee limit. Due to limitations imposed by Proposal A, the gap between assessed value and taxable value has been almost eliminated and property owners' tax bills have begun to decrease by the full assessment decline. Even when future property values stabilize, Proposal A will limit future increases in property value to the rate of inflation. This suppression of future increases in property values will hamper the City's financial recovery if and when the real estate market begins to improve.

# City of Roseville, Michigan

## Management's Discussion and Analysis (Continued)

In addition, the City's second largest revenue source, state revenue sharing, has been continuously reduced by the State of Michigan for the last 10 years. In 2000, the City received \$6.3 million in revenue-sharing payments from the State of Michigan. State-shared revenue payments in 2011 were \$4.1 million, which was consistent with the amount received in 2010. Revenue sharing represents approximately 11.7 percent of the General Fund operating budget. The true effects of declining state-shared revenue are further intensified once inflationary increases are factored into the equation. For example, if the City had received state-shared revenue payments, adjusted for the effects of inflation, the City would have received approximately \$22 million more in state funding since 2000. For fiscal 2012, projected revenue sharing has been reduced to \$3.85 million, which is a 23 percent reduction from the amount received in 2011. Due to the State's budget deficit, the City anticipates future reductions in revenue sharing to continue to occur.

Expenses, on the other hand, continue to rise faster than inflation in many areas, many of which are contractual in nature and are beyond the immediate control of City management. Although City departments continue to make concerted efforts to keep departmental expenditures at a minimum, contractual obligations continue to adversely influence the City's bottom line. Contractual obligations such as negotiated wage increases, pension contributions, and healthcare benefits are increasing at rates in excess of inflation. While our pension system is fully funded, we continue to experience dramatic increases in pension fund contribution requirements due to volatile financial markets. For 2011 and beyond, City management anticipates overall expenses to increase, on average, 5 percent annually. The City remains self-insured for medical and workers' compensation claims, which is the most cost-effective structure possible. Medical claims are estimated to increase approximately 4 percent per year, after consideration of plan restructuring and other related insurance savings. The City has begun negotiating labor contracts to reduce wages and other fringe benefits for both current employees and future retirees. Staff restructuring and utilizing alternative methods to provide essential City services, where economically feasible, are avenues under consideration by City management to control costs and improve efficiency. Coupled with a decline in property tax revenue, the most adverse impact to fiscal 2011 and beyond will be the required funding for current and future retiree healthcare benefits. GASB Statement No. 45, which became effective June 30, 2009, requires the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. Despite increased designations over the past six years to fund future retiree medical costs, the City, like most communities, remains severely under-funded with regard to this pronouncement.

Despite the many cost-saving measures implemented by City management, the City was forced, once again, to utilize its financial reserves to supplement day-to-day operations. In 2011, the City's General Fund balance declined from \$9.4 million to \$7.4 million. As originally reflected in the City's 2011-2012 operating budget, the City is projecting budgetary deficits of approximately \$3.6 million for fiscal 2012 and approximately \$5.6 million for fiscal 2013, at which time, without additional savings and/or revenue, the City's financial reserves will be completely depleted.

# City of Roseville, Michigan

## Management's Discussion and Analysis (Continued)

The City has recently begun the budgetary process for fiscal 2012-2013, at which time the projected deficit for fiscal 2012 will be re-evaluated. The City has not adopted a formal fund balance policy, but does target to maintain at least 10 percent of operating expenditures in the General Fund. It is imperative that the City maintain adequate financial levels to ensure positive cash flow and to preserve its favorable bond rating from Standard & Poor's, which has saved the City thousands of dollars in annual interest costs.

Roseville, like most communities, is faced with the financial challenge of reinventing the way it operates and provides essential core services to its residents. Due to further property tax reductions, deepening state revenue-sharing cuts, and higher pension and OPEB contribution requirements, supported by shrinking workforces and violable market values, the City continues to face unprecedented and permanent structural financial challenges. During fiscal 2009-2010, the City was forced to layoff several full-time positions in response to its economic situation. At the end of fiscal 2011, the majority of those vacated positions remain unfilled. In addition, several departments were consolidated to further reduce the City's operating budget. City government is a service to City residents and therefore, its primary costs are personnel related. For fiscal 2010-2011 and fiscal 2011-2012, all labor groups, with the exception of the City's general laborers union, voluntarily agreed to a wage freeze or other payroll concession, effective July 1. However, due to continued revenue declines, the City will be seeking additional labor savings from its collective bargaining units in order to lessen the use of fund balance reserves, maintain core services, and avoid additional layoffs. Even if the State's declining financial position improves and economic recovery becomes achievable, limitations under Proposal A will hamper the City's economic recovery even under the most optimistic assumption, which is, at best, that the City's revenue stream will increase proportionally with expenditures. Therefore, the structural changes being implemented must continue to be permanent in nature.

City management continues to aggressively investigate new potential revenue opportunities, including service-sharing agreements with surrounding communities, while it monitors and adjusts expenditures to ensure adequate fund balance reserves are maintained. In July 2010, the City of Roseville, St. Clair Shores, and Eastpointe created a legal entity known as the South East Regional Emergency Services Authority (SERESA), which is responsible for the dispatching of emergency police, fire, and ambulance services throughout the member communities. The Articles of Incorporation allow funding to be from a dedicated millage or telephone operational surcharge. However, in the near term, dispatched calls for service are going to serve as the methodology for allocating SERESA's budget among the general funds of the cities. The articles also permit any participating municipality, including Roseville, to withdraw upon giving one full year's budgetary notice, although as a disincentive, any withdrawing municipality forfeits the asset previously transferred. SERESA is housed in a building wholly owned by the City of Roseville. The authority contracts with the City to provide certain fiscal and technology assistance for an annual fee. The newly formed authority is expected to save the City approximately \$2.4 million over the next five years.

# **City of Roseville, Michigan**

---

## **Management's Discussion and Analysis (Continued)**

In July 2011, the cities of Roseville and Eastpointe created a legal entity known as the “Roseville Eastpointe Recreation Authority”, which is responsible for administering recreation programs and senior activities in their respective communities. The Roseville Eastpointe Recreation Authority was created to be a separate legal entity under Public Act 32 and will be governed by an “Administrative Policy Board.” The authority will contract with the City of Roseville to provide certain administrative assistance for an annual fee. The Articles of Incorporation allow funding for the authority to be from a dedicated millage. In November 2011, voters of each community authorized a 1 mill tax levy to finance operations of the authority, which expires in 2031. The authority is authorized to borrow and issue debt not to exceed 2 mills of the total taxable property within the authority’s geographical area. Each participating municipality has committed to contribute real and personal property to the authority limited to City of Roseville Recreation Center, 18185 Sycamore, Roseville, MI and City of Eastpointe Community Center, 16435 Eight Mile Road, Eastpointe, MI. The articles permit any participating municipality, including the City of Roseville, to withdraw upon giving one full year’s budgetary notice. The articles also address dissolution of the authority, which requires council resolution from the governing board of the participating communities, at which time all outstanding debt of the authority is required to be paid in full. Any remaining assets of the authority would be evenly distributed to the member communities at the time of dissolution.

In August 2011, the City Council passed a resolution authorizing a 1 mill tax levy dedicated to finance operations of the Roseville Public Library under Public Act 164. The Roseville Public Library is a separate department included in the City’s general operating budget. There is no expiration date related to this levy.

### **Contacting the City’s Financial Management**

This financial report is intended to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have any questions about this report or need additional financial information, we invite you to contact the city manager at the City of Roseville, 29777 Gratiot Avenue, Roseville, MI 48066.

# City of Roseville, Michigan

## Statement of Net Assets June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 34,384,447	\$ 8,193,542	\$ 42,577,989
Receivables:			
Property taxes receivable - Net of allowance	478,398	-	478,398
Receivables from sales to customers on account	-	2,676,118	2,676,118
Accrued interest receivable	35,197	23	35,220
Other receivables	2,295,313	17,418	2,312,731
Due from other governmental units	1,972,730	-	1,972,730
Special assessments receivable	36,483	-	36,483
Internal balances	72	(72)	-
Inventory	687,426	138,205	825,631
Prepaid expenses and other assets	162,198	299,245	461,443
Restricted assets	13,840	-	13,840
Investment in joint ventures	8,443,865	-	8,443,865
Capital assets:			
Assets not subject to depreciation	31,530,832	-	31,530,832
Assets subject to depreciation	50,574,884	9,713,300	60,288,184
Total assets	130,615,685	21,037,779	151,653,464
<b>Liabilities</b>			
Accounts payable	2,628,495	1,078,464	3,706,959
Due to other governmental units	-	56,252	56,252
Refundable deposits, bonds, etc.	142,626	15,543	158,169
Accrued liabilities and other	2,046,376	35,380	2,081,756
Noncurrent liabilities:			
Due within one year:			
Compensated absences	1,303,682	83,426	1,387,108
Current portion of long-term debt	1,098,268	-	1,098,268
Due in more than one year:			
Compensated absences - Net of current portion	1,918,819	136,380	2,055,199
Net OPEB obligation - > 1 yr	336,814	2,350	339,164
Long-term debt	13,055,747	-	13,055,747
Total liabilities	22,530,827	1,407,795	23,938,622
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	67,965,541	9,713,300	77,678,841
Restricted for:			
Streets and highways	5,388,493	-	5,388,493
Debt service	2,797,465	-	2,797,465
Drug law enforcement	1,963,613	-	1,963,613
Grants	319,779	-	319,779
Capital improvements	27,079	-	27,079
Unrestricted	29,622,888	9,916,684	39,539,572
Total net assets	<u>\$ 108,084,858</u>	<u>\$ 19,629,984</u>	<u>\$ 127,714,842</u>

# City of Roseville, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 13,638,374	\$ 3,734,305	\$ 1,447,163	\$ -
Public safety	18,593,864	2,391,848	1,410,825	-
Public works	4,644,892	259,866	2,869,228	616,604
Construction and development	1,252,467	-	-	-
Community and economic development	691,842	-	-	-
Recreation and culture	2,263,408	506,374	-	-
Other charges	180,041	-	-	-
Interest on long-term debt	450,724	-	-	-
Total governmental activities	41,715,612	6,892,393	5,727,216	616,604
Business-type activities - Water and sewer	11,031,949	12,353,433	-	-
Total primary government	<u>\$ 52,747,561</u>	<u>\$ 19,245,826</u>	<u>\$ 5,727,216</u>	<u>\$ 616,604</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
Gain on sale of fixed assets				
Total general revenue				
Transfers				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year</b>				
<b>Net Assets - End of year</b>				

**Statement of Activities**  
**Year Ended June 30, 2011**

Net (Expense) Revenue and Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (8,456,906)	\$ -	\$ (8,456,906)
(14,791,191)	-	(14,791,191)
(899,194)	-	(899,194)
(1,252,467)	-	(1,252,467)
(691,842)	-	(691,842)
(1,757,034)	-	(1,757,034)
(180,041)	-	(180,041)
(450,724)	-	(450,724)
(28,479,399)	-	(28,479,399)
-	1,321,484	1,321,484
(28,479,399)	1,321,484	(27,157,915)
25,333,271	-	25,333,271
4,332,028	-	4,332,028
89,298	6,666	95,964
702,581	-	702,581
489,565	-	489,565
174,838	4,300	179,138
31,121,581	10,966	31,132,547
(5,419)	5,419	-
2,636,763	1,337,869	3,974,632
105,448,095	18,292,115	123,740,210
<b>\$ 108,084,858</b>	<b>\$ 19,629,984</b>	<b>\$ 127,714,842</b>

# City of Roseville, Michigan

## Governmental Funds Balance Sheet June 30, 2011

	General Fund	Major Special Revenue Funds		Capital Projects Fund	Nonmajor Funds	Total
		Major Streets Fund	Local Streets Fund			
<b>Assets</b>						
Cash and investments (Note 3)	\$ 7,891,936	\$ 3,608,763	\$ 1,489,436	\$ 4,652,802	\$ 4,748,123	\$ 22,391,060
Receivables:						
Property taxes receivable	469,183	-	-	-	18,215	487,398
Special assessments receivable	-	-	-	36,483	-	36,483
Accrued interest receivable	35,197	-	-	-	-	35,197
Other receivables	1,363,780	-	-	4,204	300,587	1,668,571
Due from other governmental units	1,372,165	346,466	108,848	-	145,251	1,972,730
Due from other funds (Note 6)	108,032	-	-	34,907	-	142,939
Due from Employees' Pension Trust Fund (Note 6)	121,275	-	-	-	-	121,275
Inventory	-	-	-	-	141,731	141,731
Prepaid expenses and other assets	140,822	-	-	-	410	141,232
Restricted assets	-	-	-	13,840	-	13,840
<b>Total assets</b>	<b>\$ 11,502,390</b>	<b>\$ 3,955,229</b>	<b>\$ 1,598,284</b>	<b>\$ 4,742,236</b>	<b>\$ 5,354,317</b>	<b>\$ 27,152,456</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 1,248,045	\$ 162,725	\$ 2,295	\$ 180,141	\$ 67,024	\$ 1,660,230
Due to other funds (Note 6)	2,166	-	-	-	142,874	145,040
Refundable deposits, bonds, etc.	131,431	-	-	-	11,195	142,626
Accrued liabilities and other	1,885,302	-	-	-	40,708	1,926,010
Deferred revenue (Note 4)	879,320	-	-	38,332	266,600	1,184,252
<b>Total liabilities</b>	<b>4,146,264</b>	<b>162,725</b>	<b>2,295</b>	<b>218,473</b>	<b>528,401</b>	<b>5,058,158</b>
<b>Fund Balances</b>						
Nonspendable - Prepays	140,822	-	-	-	410	141,232
Restricted:						
Streets and highways	-	3,792,504	1,595,989	-	-	5,388,493
Debt service	-	-	-	-	2,797,465	2,797,465
Grants	-	-	-	-	319,779	319,779
Capital improvements	10,000	-	-	17,079	-	27,079
Drug law enforcement	-	-	-	-	1,708,262	1,708,262
Committed:						
Parks and recreation	-	-	-	1,000,000	-	1,000,000
Road construction projects	-	-	-	2,000,000	-	2,000,000
Assigned:						
Compensated absences	1,303,682	-	-	-	-	1,303,682
Subsequent year's expenditures	3,603,022	-	-	-	-	3,603,022
Unassigned	2,298,600	-	-	1,506,684	-	3,805,284
<b>Total fund balances</b>	<b>7,356,126</b>	<b>3,792,504</b>	<b>1,595,989</b>	<b>4,523,763</b>	<b>4,825,916</b>	<b>22,094,298</b>
<b>Total liabilities and fund balances</b>	<b>\$ 11,502,390</b>	<b>\$ 3,955,229</b>	<b>\$ 1,598,284</b>	<b>\$ 4,742,236</b>	<b>\$ 5,354,317</b>	<b>\$ 27,152,456</b>

# City of Roseville, Michigan

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets June 30, 2011

<b>Fund Balance Reported in Governmental Funds</b>	\$ 22,094,298
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 are not reported in the funds	82,105,716
Investments in joint ventures are not financial resources and are not reported in the funds	8,443,865
Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	1,184,252
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(14,154,015)
Bond premium/discount is not due and payable in the current period and is not reported in the funds	20,966
Accrued interest is not due and payable in the current period and is not reported in the funds	(129,366)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(3,222,501)
Inventory is not available to pay for current period expenditures	545,695
Net retiree healthcare obligation is not due and payable in the current period and is not reported in the funds	(336,814)
Internal service funds are included as part of governmental activities	<u>11,532,762</u>
<b>Net Assets of Governmental Activities</b>	<b><u><u>\$ 108,084,858</u></u></b>

# City of Roseville, Michigan

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2011

	General Fund	Major Special Revenue Funds		Capital Projects Fund	Nonmajor Funds	Total
		Major Streets Fund	Local Streets Fund			
<b>Revenue</b>						
Property taxes	\$ 23,992,394	\$ -	\$ -	\$ 350	\$ 1,368,024	\$ 25,360,768
Licenses and permits	715,046	-	-	-	-	715,046
Federal grants	788,767	-	-	-	1,422,890	2,211,657
State-shared revenue and grants	4,225,625	2,318,215	674,619	-	-	7,218,459
Charges for services	431,776	-	-	-	-	431,776
Fines and forfeitures	2,840,409	-	-	-	-	2,840,409
Investment income	82,106	2,641	1,481	3,849	6,224	96,301
Rental income	-	-	-	20,263	-	20,263
Other revenue:						
Special assessments	-	-	-	17,551	-	17,551
Cable franchise fees	702,581	-	-	-	-	702,581
Other miscellaneous income	2,237,452	-	-	39,588	673,843	2,950,883
<b>Total revenue</b>	<b>36,016,156</b>	<b>2,320,856</b>	<b>676,100</b>	<b>81,601</b>	<b>3,470,981</b>	<b>42,565,694</b>
<b>Expenditures</b>						
Current:						
General government	14,362,774	200,000	70,000	-	307,531	14,940,305
Public safety	19,215,630	-	-	-	764,914	19,980,544
Public works	1,995,692	626,334	1,040,675	111,154	688,992	4,462,847
Construction and development	217,262	621,121	245,195	168,889	-	1,252,467
Community and economic development	-	-	-	-	691,842	691,842
Recreation and culture	1,513,521	-	-	-	266,933	1,780,454
Other charges	-	-	-	180,041	313,426	493,467
Debt service - Interest on long- term debt	-	-	-	-	487,343	487,343
<b>Total expenditures</b>	<b>37,304,879</b>	<b>1,447,455</b>	<b>1,355,870</b>	<b>460,084</b>	<b>3,520,981</b>	<b>44,089,269</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(1,288,723)</b>	<b>873,401</b>	<b>(679,770)</b>	<b>(378,483)</b>	<b>(50,000)</b>	<b>(1,523,575)</b>
<b>Other Financing Sources (Uses)</b>						
Proceeds from sale of capital assets	42,065	-	-	121,773	11,000	174,838
Transfers in (Note 6)	-	255,772	498,649	-	511,468	1,265,889
Transfers out (Note 6)	(760,526)	(493,230)	-	(17,552)	-	(1,271,308)
<b>Total other financing (uses) sources</b>	<b>(718,461)</b>	<b>(237,458)</b>	<b>498,649</b>	<b>104,221</b>	<b>522,468</b>	<b>169,419</b>
<b>Net Change in Fund Balances</b>	<b>(2,007,184)</b>	<b>635,943</b>	<b>(181,121)</b>	<b>(274,262)</b>	<b>472,468</b>	<b>(1,354,156)</b>
<b>Fund Balances - Beginning of year</b>	<b>9,363,310</b>	<b>3,156,561</b>	<b>1,777,110</b>	<b>4,798,025</b>	<b>4,353,448</b>	<b>23,448,454</b>
<b>Fund Balances - End of year</b>	<b>\$ 7,356,126</b>	<b>\$ 3,792,504</b>	<b>\$ 1,595,989</b>	<b>\$ 4,523,763</b>	<b>\$ 4,825,916</b>	<b>\$ 22,094,298</b>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# City of Roseville, Michigan

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2011

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (1,354,156)</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	1,431,564
Depreciation expense	(2,363,032)
Net book value of assets disposed of	(242,964)
Contributed assets not reported in the funds	310,252
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(86,776)
Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets	(25,757)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,046,124
Change in accrued interest payable and other	36,621
Decrease in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources and therefore are not reported in the fund statements until they come due for payment	261,161
Purchase of inventory is an expense in the governmental funds, but not in the statement of activities, where it increases inventory asset balance	(18,320)
Joint venture gain	846,276
Other retirement healthcare obligation expenses are recognized in the statement of activities, but not in the governmental funds, where they increase liabilities	(120,508)
Internal service funds are included as part of governmental activities	2,916,278
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 2,636,763</u></b>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# City of Roseville, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2011

	Enterprise Fund	Governmental Activities
	Water and Sewer Fund	Proprietary Internal Service Funds
<b>Assets</b>		
Current assets:		
Cash and investments	\$ 8,193,542	\$ 11,993,368
Receivables:		
Receivables from sales to customers on account	2,676,118	-
Accrued interest receivable	23	-
Other receivables	17,418	495,486
Due from other funds	-	2,173
Inventory	138,205	-
Prepaid expenses and other assets	299,245	10,000
Total current assets	11,324,551	12,501,027
Noncurrent assets - Capital assets - Assets subject to depreciation	9,713,300	-
Total assets	21,037,851	12,501,027
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	1,078,464	-
Due to other governmental units	56,252	-
Due to other funds	72	-
Refundable deposits, bonds, etc.	15,543	-
Accrued liabilities and other	35,380	-
Compensated absences	83,426	-
Provision for claims	-	968,265
Total current liabilities	1,269,137	968,265
Noncurrent liabilities:		
Compensated absences - Net of current portion	136,380	-
Net retirement healthcare obligation	2,350	-
Total noncurrent liabilities	138,730	-
Total liabilities	1,407,867	968,265
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	9,713,300	-
Unrestricted	9,916,684	11,532,762
Total net assets	\$ 19,629,984	\$ 11,532,762

The Notes to Financial Statements are an  
Integral Part of this Statement.

# City of Roseville, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2011

	Enterprise Fund	Governmental Activities
	Water and Sewer Fund	Proprietary Internal Service Funds
<b>Operating Revenue</b>		
Sale of water	\$ 1,671,233	\$ -
Sewage disposal charges	5,651,093	-
Maintenance charges	4,587,330	-
Interest and penalty charges	335,510	-
Other miscellaneous revenue	108,267	-
Charges to other funds	-	10,040,934
	12,353,433	10,040,934
Total operating revenue		
<b>Operating Expenses</b>		
Cost of water	1,603,162	-
Cost of sewage treatment	6,190,967	-
Billing and administrative costs	2,065,063	-
Benefit payments and other costs	719,455	7,133,015
Depreciation	453,302	-
	11,031,949	7,133,015
Total operating expenses		
<b>Operating Income</b>	1,321,484	2,907,919
<b>Nonoperating Revenue</b>		
Investment income	6,666	8,359
Gain on sale of assets	4,300	-
	10,966	8,359
Total nonoperating revenue		
<b>Income - Before transfers</b>	1,332,450	2,916,278
<b>Transfers In (Note 6)</b>	5,419	-
	1,337,869	2,916,278
<b>Change in Net Assets</b>		
<b>Net Assets - Beginning of year</b>	18,292,115	8,616,484
<b>Net Assets - End of year</b>	\$ 19,629,984	\$ 11,532,762

# City of Roseville, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2011

	Enterprise Fund	Governmental Activities
	Water and Sewer Fund	Proprietary Internal Service Funds
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 12,310,346	\$ 9,732,135
Receipts from interfund services and reimbursements	-	5,311
Payments to suppliers	(8,447,195)	-
Payments to employees	(2,092,631)	-
Internal activity - Payments to other funds	(4,270)	(6,382)
Claims paid	-	(7,123,779)
	1,766,250	2,607,285
<b>Net cash provided by operating activities</b>		
<b>Cash Flows from Noncapital Financing Activities -</b>		
Transfers from other funds	5,419	-
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from sales of capital assets	4,300	-
Purchase of capital assets	(70,250)	-
	(65,950)	-
<b>Net cash used in capital and related financing activities</b>		
<b>Cash Flows from Investing Activities - Interest received on investments</b>	6,666	8,359
<b>Net Increase in Cash and Cash Equivalents</b>	1,712,385	2,615,644
<b>Cash and Cash Equivalents - Beginning of year</b>	6,481,157	9,377,724
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 8,193,542</b>	<b>\$ 11,993,368</b>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>		
Operating income	\$ 1,321,484	\$ 2,907,919
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization	453,302	-
Changes in assets and liabilities:		
Receivables	(41,805)	(308,799)
Due from others	-	5,311
Inventories	4,814	-
Prepaid and other assets	73,253	-
Accounts payable	1,165	-
Due to others	(4,270)	(6,382)
Estimated claims liability	-	9,236
Accrued and other liabilities	(27,568)	-
Due to other governmental units	(12,843)	-
Cash bond and deposits	(1,282)	-
	<b>\$ 1,766,250</b>	<b>\$ 2,607,285</b>

**Noncash Investing, Capital, and Financing Activities** - During the year ended June 30, 2011, there were no noncash activities.

# City of Roseville, Michigan

## Fiduciary Funds Statement of Fiduciary Net Assets June 30, 2011

	Pension and Other Employee Benefits Trust Fund	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 4,588,631	\$ 225,948
Investments:		
U.S. government securities	16,232,650	-
Stocks	87,886,301	-
Bonds	10,078,759	-
Mutual funds	14,559,810	-
Receivables:		
Accrued interest receivable	260,460	-
Other receivables	325,640	-
	133,932,251	<b>\$ 225,948</b>
<b>Liabilities</b>		
Accounts payable	6,352	\$ 55,792
Due to other governmental units	-	6,277
Due to primary government	121,275	-
Accrued liabilities and other	94,452	163,879
	222,079	<b>\$ 225,948</b>
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<b>\$ 133,710,172</b>	

# City of Roseville, Michigan

## Fiduciary Funds Statement of Changes in Fiduciary Net Assets - Pension and Other Employee Benefits Trust Fund Year Ended June 30, 2011

	Pension and Other Employee Benefits Trust Fund
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 2,437,043
Net increase in fair value of investments	19,996,451
Investment-related expenses	<u>(701,589)</u>
Net investment income	21,731,905
Contributions:	
Employer	9,127,762
Employee	<u>1,099,307</u>
Total contributions	10,227,069
Other additions	<u>74,473</u>
Total additions	32,033,447
<b>Deductions</b>	
Benefit payments	13,800,566
Refunds of contributions	972,377
Administrative expenses	<u>295,912</u>
Total deductions	<u>15,068,855</u>
<b>Net Increase in Net Assets Held in Trust</b>	16,964,592
<b>Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	<u>116,745,580</u>
<b>Net Assets Held in Trust for Pension and Other Employee Benefits - End of year</b>	<u><u>\$ 133,710,172</u></u>

### **Note 1 - Nature of Business and Significant Accounting Policies**

The accounting policies of the City of Roseville, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Roseville, Michigan.

#### **Reporting Entity**

The City of Roseville, Michigan is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations.

#### **Blended Component Units**

The City of Roseville Building Authority is governed by a board appointed by the City's governing body. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings.

The City of Roseville Employees' Retirement System has been blended into the City's financial statements. The system is governed by a five-member Pension Board that includes three individuals chosen by the City Council. The system is reported as if it were part of the primary government because of the fiduciary responsibility that the City retains relative to the operations of the retirement system.

The City of Roseville District Court Funds have also been blended into the City's financial statements. The financial activities of the funds are limited to collections of amounts that are subsequently returned or paid to third parties. The funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The District Court is reported as if it were part of the primary government because of the fiduciary responsibility that the City retains relative to the operations of the District Court.

The City has excluded the Housing Commission from this report because the City is not able to impose its will on the Housing Commission. The Housing Commission's financial statements have been issued under separate cover.

**Jointly Governed Organization** - Jointly governed organizations are discussed in Note 12.

### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) 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, normally supported by taxes and intergovernmental revenue, 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 revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (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 revenue are reported instead as general revenue.

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.

#### **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, fiduciary fund, and component unit financial statements. Revenue is 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 revenue 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.

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, District Court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

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

**Major Streets Fund** - The Major Streets Fund accounts for the resources of state gas and weight tax revenue that is restricted for use on major streets.

**Local Streets Fund** - The Local Streets Fund accounts for the resources of state gas and weight tax revenue that is restricted for use on local streets.

**Capital Projects Fund** - The Capital Projects Fund accounts for the proceeds of bond issuances and all other resources used for the purpose of constructing all major capital improvement projects of the City.

The City reports the following major proprietary fund:

**Enterprise Fund** - The enterprise fund accounts for the activities of the water distribution system and sewage collection system.

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

Additionally, the City reports the following internal service and fiduciary activities:

**Internal Service Funds** - The internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the City. These include the Self-insurance Healthcare Fund, Flexible Spending Fund, and the Self-insurance Workers' Compensation Fund. The Self-insurance Healthcare Fund is used to account for current healthcare coverage provided for City employees and their dependents and to provide a reserve for future catastrophic healthcare claims. The Self-insurance Workers' Compensation Fund is used to account for workers' compensation claims and to provide a reserve for future catastrophic workers' compensation claims.

**Trust and Agency Funds** - Trust and agency funds account for assets held by the City in a trustee capacity or as an agent for individuals, employees, organizations, other governments, or other funds. These include the Employees' Pension Trust Fund, the Miscellaneous Agency Fund, the P.A.I.R. Fund, the Tax Collection Fund, and the District Court Fund. The Employees' Pension Trust Fund is accounted for in the same manner as proprietary funds. The other agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as program revenue 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 revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When an expense is incurred for purposes for which both restricted and unrestricted net assets or fund balance are available, the City's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the City's policy to spend funds in this order: committed, assigned, and unassigned.

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### **Property Tax Revenue**

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Properties are assessed as of December 31 of each year. Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are due by September 1 with the final collection date of February 28. Taxes are considered delinquent on March 1, at which time penalties and interest are assessed.

The current year taxable valuation of the City totaled \$3.959 billion, on which taxes levied consisted of 19.000 mills for general operating purposes, 1.198 mills for refuse collections, 0.182 mills for debt service, and 1.000 mills for the Chapter 20 Drain Fund. This resulted in \$24,342,000 for general operating and refuse collections, \$211,000 for general debt service, and \$1,157,000 for the Chapter 20 Drain Fund. These amounts are recognized in the respective General, Debt Service, and Chapter 20 Drain Funds in the financial statements as tax revenue.

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**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 column in the government-wide financial statements. 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. 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.

Capital assets are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	30 to 50 years
Water and sewer distribution systems	50 to 75 years
Buildings and building improvements	20 to 50 years
Other tools and equipment	3 to 15 years

**Compensated Absences (Vacation and Sick Leave)** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for these amounts is reported in governmental funds only as it comes due for payment. The government-wide and proprietary statements accrue vacation and personal pay as it is earned and sick pay is accrued as it is used or vested (whichever is earlier). As of June 30, 2011, approximately \$110,000 represents the portion reported in the governmental funds.

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**Long-term Obligations** - In the government-wide financial statements and the 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. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Pension and Other Postemployment Benefit Costs** - The City offers both pension and retiree healthcare benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

**Methods Used to Value Investments** - Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is based on periodic appraisals as well as the judgment of independent real estate advisors and management. Investments that do not have an established market value are reported at estimated fair value as determined by the plan's management. Approximately 23 percent of the Employee Pension Trust Fund's assets are not publicly traded and therefore do not have a readily determinable market value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market for these securities existed. The difference could be material.

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**Fund Equity** - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. 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. The City implemented Statement No. 54 during the year. The impact of the implementation was only the use of the new fund balance classifications; no fund changes were necessary.

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

- **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 the City Council for use for specific purposes. 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 governing body or city manager, who is authorized by resolution approved by the governing body to make assignments
- **Unassigned:** Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2011

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### Note 2 - Stewardship, Compliance, and Accountability

**Construction Code Fees** - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 are as follows:

Shortfall at July 1, 2010		\$ (4,800,620)
Current year permit revenue		550,976
Related expenses:		
Direct costs	\$ 953,199	
Estimated indirect costs	95,320	1,048,519
		<u>          </u>
Current year shortfall		<u>(497,543)</u>
Cumulative shortfall at June 30, 2011		<u>\$ (5,298,163)</u>

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units 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 law also allows investments outside the state of Michigan when fully insured. The local unit 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 matures 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.

### Note 3 - Deposits and Investments (Continued)

The Pension Trust Fund and Retiree Health Care Fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

**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 returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had approximately \$1,746,800 of bank deposits (certificates of deposit, checking, and savings accounts) that were 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.

**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 not have a policy for custodial credit risk. At year end, none of the City's investments were subject to custodial credit risk due to one of the following:

- Investments were part of an insured pool
- Investments were book-entry only in the name of the City and were fully insured
- Investments were part of a mutual fund
- Investments were held by an agent in the City's name

**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.

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2011

### Note 3 - Deposits and Investments (Continued)

At year end, the City had the following investments subject to interest rate risk:

Investment	Fair Value	Weighted Average Maturity (Years)
Primary government		
U.S. government agency securities	\$ 1,853,968	0.52
Municipal bonds	<u>2,375,848</u>	1.35
Total	<u>\$ 4,229,816</u>	
Employees' Retirement System:		
U.S. government agency securities	\$ 15,700,800	19.25
Corporate bonds	8,062,573	7.78
Foreign bonds	900,603	6.46
Municipal bonds	<u>858,458</u>	11.43
Total	<u>\$ 25,522,434</u>	
Retiree Health Care Benefits Trust:		
U.S. government agency securities	\$ 531,850	2.77
Corporate bonds	<u>257,126</u>	1.69
Total	<u>\$ 788,976</u>	

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2011

### Note 3 - Deposits and Investments (Continued)

**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:

Investment	Fair Value	Rating	Rating Organization
Primary government:			
Municipal bonds	\$ 202,348	AAA	S&P
Municipal bonds	1,140,118	AA+ to AA-	S&P
Municipal bonds	557,277	A+ to A	S&P
Municipal bonds	476,105	SP-1+	S&P
Pooled funds	36,473,088	AI	Moody's
Total	\$ 38,848,936		
Employees' Retirement System:			
Corporate bonds	\$ 1,602,573	AAA	S&P
Corporate bonds	485,774	AA+ to AA-	S&P
Corporate bonds	2,760,457	A+ to A-	S&P
Corporate bonds	2,360,793	BBB+ to BBB-	S&P
Corporate bonds	560,092	Not rated	-
Foreign bonds	403,987	A+ to A-	S&P
Foreign bonds	496,616	BBB+ to BBB-	S&P
Municipal bonds	756,764	AA+ to AA-	S&P
Municipal bonds	101,694	A+ to A-	S&P
Collateralized mortgage obligations - Corporate	292,884	AAA	S&P
Pooled funds	4,158,899	Not rated	-
Total	\$ 13,980,533		
Retiree Health Care Benefits Trust:			
Corporate bonds	\$ 56,008	AA+ to AA-	S&P
Corporate bonds	126,487	A+ to A-	S&P
Corporate bonds	74,631	BBB+ to BBB-	S&P
Pooled funds	324,308	Not rated	-
Total	\$ 581,434		

**Concentration of Credit Risk** - The City places no limit on the amount it may invest in any one issuer. More than 5 percent of the Employees' Retirement System's investments are in Loomis Core Trust NHIT CLA; these investments are 21.402 percent of the Employees' Retirement System's total investments.

### Note 3 - Deposits and Investments (Continued)

**Retirement Investments Securities Lending Transactions** - As permitted by some state statutes, and under the provisions of a Securities Lending Authorization Agreement, the retirement system lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The system's custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended June 30, 2011, only United States currency was received as collateral. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank. The retirement system had limited credit risk exposure to the borrowers because the amounts the pension system owes the borrowers were less than the amounts the borrowers owe the pension system.

The retirement system did not impose any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank. Contracts with the lending agents require them to indemnify the pension system if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the system for income distributions by the securities' issuers while the securities are on loan.

The retirement system and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of June 30, 2011 was one day. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2011, the retirement system had no credit risk exposure to borrowers. The collateral held and the fair market value of the underlying securities on loan for the retirement system as of June 30, 2011 were \$11,626,119 and \$11,411,570, respectively.

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2011

### Note 4 - Receivables and Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Delinquent property taxes	\$ 393,761
Special assessments	34,203
Grant and categorical aid payment received prior to meeting all eligibility requirements	284,465
Other	<u>471,823</u>
Total	<u>\$ 1,184,252</u>

### Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2010	Reclassifications	Additions	Disposals	Balance June 30, 2011
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 31,592,628	\$ -	\$ -	\$ 61,796	\$ 31,530,832
Construction in progress	438,350	(438,350)	-	-	-
Subtotal	32,030,978	(438,350)	-	61,796	31,530,832
Capital assets being depreciated:					
Infrastructure	73,182,310	-	1,182,679	-	74,364,989
Buildings and improvements	17,544,007	-	274,747	-	17,818,754
Machinery and equipment	14,562,732	438,350	284,390	490,273	14,795,199
Subtotal	105,289,049	438,350	1,741,816	490,273	106,978,942
Accumulated depreciation:					
Infrastructure	35,793,272	-	1,104,691	-	36,897,963
Buildings and improvements	7,753,114	-	451,662	-	8,204,776
Machinery and equipment	10,803,745	-	806,679	309,105	11,301,319
Subtotal	54,350,131	-	2,363,032	309,105	56,404,058
Net capital assets being depreciated	<u>50,938,918</u>	<u>438,350</u>	<u>(621,216)</u>	<u>181,168</u>	<u>50,574,884</u>
Net capital assets	<u>\$ 82,969,896</u>	<u>\$ -</u>	<u>\$ (621,216)</u>	<u>\$ 242,964</u>	<u>\$ 82,105,716</u>

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2011

### Note 5 - Capital Assets (Continued)

	Balance July 1, 2010	Additions	Disposals	Balance June 30, 2011
<b>Business-type Activities</b>				
Capital assets being depreciated:				
Water and sewer lines	22,153,058	55,072	-	22,208,130
Buildings and improvements	126,654	-	-	126,654
Machinery and equipment	3,574,627	15,178	58,875	3,530,930
Subtotal	25,854,339	70,250	58,875	25,865,714
Accumulated depreciation:				
Water and sewer lines	12,762,197	331,270	-	13,093,467
Buildings and improvements	119,044	1,087	-	120,131
Machinery and equipment	2,876,746	120,945	58,875	2,938,816
Subtotal	15,757,987	453,302	58,875	16,152,414
Net capital assets	<u>\$ 10,096,352</u>	<u>\$ (383,052)</u>	<u>\$ -</u>	<u>\$ 9,713,300</u>

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

Governmental activities:

General government	\$ 193,054
Public safety	622,351
Public works	1,219,597
Recreation and culture	328,030

Total governmental activities \$ 2,363,032

Business-type activities - Water and sewer \$ 453,302

**Construction Commitments** - The City has active construction projects at year end, including various major and local street projects administered by the Michigan Department of Transportation and Macomb County Road Commission. At year end, the City's commitments on these projects total \$482,207 and \$83,830, respectively.

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From			Total
	General Fund	Water and Sewer Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 65	\$ 107,967	\$ 108,032
Capital Projects Fund	-	-	34,907	34,907
Internal service fund - Workers' Compensation Fund	2,166	7	-	2,173
Total	<u>\$ 2,166</u>	<u>\$ 72</u>	<u>\$ 142,874</u>	<u>\$ 145,112</u>

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2011

### Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

The General Fund has an interfund receivable of \$121,275 from the Employees' Pension Trust Fund as of the end of the year.

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Transfers In	Transfers Out			Total
	General Fund	Major Streets Fund	Capital Projects Fund	
Major Streets Fund	\$ 250,000	\$ -	\$ 5,772	\$ 255,772
Local Streets Fund	-	493,230	5,419	498,649
Community Development Block Grant Fund	1,276	-	-	1,276
Building Authority Debt Fund	509,250	-	-	509,250
Chapter 20 Drain Fund	-	-	942	942
Water and Sewer Fund	-	-	5,419	5,419
Total	\$ 760,526	\$ 493,230	\$ 17,552	\$ 1,271,308

The transfer from the General Fund to the Major Streets Fund is to help support major road projects. The transfer from the Major Streets Fund to the Local Streets Fund is to help support local road projects. The transfer from the General Fund to the Building Authority Debt Fund is for loan/debt current year obligations. The transfer from the General Fund to the Community Development Block Grant Fund is to finance capital repairs incurred related to the residential rehabilitation program. The transfers from the Capital Projects Fund to the Major Streets, Local Streets, Chapter 20 Drain, and Water and Sewer Funds represent special assessment allocations.

### Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government.

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2011

### Note 7 - Long-term Debt (Continued)

The City has the following long-term debt outstanding at June 30, 2011:

Description	Amount
Governmental activities:	
General obligations:*	
Unlimited Tax General Obligation Library Bonds	\$ 950,000
Building Authority Limited Tax General Obligation Refunding Bonds - Series 2006	3,865,000
Lake St. Clair Water Initiative Drainage District - 2001 Series A	1,961,396
Lake St. Clair Water Initiative Drainage District - 2002 Series A	433,719
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-01	2,896,975
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-02	2,043,189
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-03	394,540
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-05	241,189
Lake St. Clair Water Initiative Drainage District - 2004 Series A	1,337,635
BS&A Software Agreement	30,372
Subtotal	14,154,015
Additional obligations - Compensated absences	3,222,501
Total governmental activity debt	\$ 17,376,516
Business-type activities - Other obligations - Compensated absences	\$ 219,806

\* The original issue amount, principal maturing ranges, maturity date, and interest range for each issuance are located in the other financial and supplemental information section.

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligations	\$ 15,174,382	\$ 25,757	\$ (1,046,124)	\$ 14,154,015	\$ 1,098,268
Accumulated compensated absences	3,483,662	1,132,348	(1,393,509)	3,222,501	1,303,682
Total governmental activities	\$ 18,658,044	\$ 1,158,105	\$ (2,439,633)	\$ 17,376,516	\$ 2,401,950
Business-type activities - Accumulated compensated absences	\$ 216,433	\$ 100,055	\$ (96,682)	\$ 219,806	\$ 83,426

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2011

### Note 7 - Long-term Debt (Continued)

Total interest expense for the year was approximately \$487,000. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Principal	Interest	Total
2012	\$ 1,098,268	\$ 478,043	\$ 1,576,311
2013	1,132,773	438,699	1,571,472
2014	1,145,430	399,030	1,544,460
2015	1,189,847	357,781	1,547,628
2016	1,234,716	314,359	1,549,075
2017-2021	5,137,045	1,014,604	6,151,649
2022-2026	2,149,305	388,712	2,538,017
2027-2031	1,066,631	97,947	1,164,578
Total	<u>\$ 14,154,015</u>	<u>\$ 3,489,175</u>	<u>\$ 17,643,190</u>

**Advance and Current Refundings** - In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2011, \$3,675,000 of bonds outstanding are considered defeased.

### Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for property loss, torts, errors and omissions, and workers' compensation claims; the City is partially uninsured for employee medical benefit claims and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Under the employee medical benefit plan, the City is liable for claims up to a maximum amount of \$175,000 on an individual level annually. Under the workers' compensation plan, the City is liable for claims up to a maximum amount of \$425,000 on an individual level and \$655,300 in aggregate. All claims incurred prior to June 30, 2006 are covered under the City's previous workers' compensation insurance provider.

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2011

### Note 8 - Risk Management (Continued)

The City estimates the liability for employee medical benefit claims and workers' compensation claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. The estimates are recorded in the Self-insurance Internal Service Fund and the Workers' Compensation Internal Service Fund. Changes in the estimated liability for the past two fiscal years were as follows:

	<u>2011</u>	<u>2010</u>
Unpaid claims - Beginning of year	\$ 959,029	\$ 1,064,600
Incurred claims - Including claims incurred but not reported	7,133,014	7,742,315
Claim payments	<u>(7,123,778)</u>	<u>(7,847,886)</u>
Unpaid claims - End of year	<u>\$ 968,265</u>	<u>\$ 959,029</u>

### Note 9 - Defined Benefit Pension Plan

**Plan Description** - The City of Roseville Employees' Pension Trust Fund System is a single-employer defined benefit pension plan that is administered by the City of Roseville, Michigan; this plan covers all full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2010, the date of the most recent actuarial valuation, membership consisted of 335 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 253 current active employees. The plan does not issue a separate financial report.

**Contributions** - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

**Funding Policy** - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 6.5 percent and 7.0 percent of gross wages for general, supervisor, and clerical members and police and fire members, respectively. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

**Annual Pension Cost** - For the year ended June 30, 2011, the City's annual pension cost of \$4,691,696 for the plan was equal to the City's required and actual contribution.

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2011

### Note 9 - Defined Benefit Pension Plan (Continued)

The pension cost for the three most recent years is as follows:

	Fiscal Year Ended June 30		
	2011	2010	2009
Annual pension cost (APC)	\$ 4,691,696	\$ 4,160,914	\$ 3,892,855
Percentage of APC contributed	100.0 %	100.0 %	100.0 %

**Funding Status and Funding Progress** - As of June 30, 2010, the most recent actuarial valuation date, the plan was 75.2 percent funded. The actuarial accrued liability for benefits was \$171 million, and the actuarial value of assets was \$129 million, resulting in an unfunded actuarial accrued liability of \$42 million. The covered payroll (annual payroll to active employees covered by the plan) was \$17 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 252.9 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**Actuarial Methods and Assumptions** - The annual required contribution was determined as part of an actuarial valuation at June 30, 2009, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.5 investment rate of return, (b) projected salary increases of 5.0 percent per year, and (c) 0.0 percent to 3.8 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 5.0. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 25 years.

**Reserves** - As of June 30, 2011, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 23,971,196
Reserve for retired benefit payments	89,747,114

### Note 10 - Other Postemployment Benefits

**Plan Description** - The City provides retiree healthcare benefits to eligible employees and their spouses for public safety and general employees of the City. Currently, the plan has 598 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

This is a single-employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the Plan through employer contributions.

**Funding Policy** - Retiree healthcare costs are recognized when paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2011, the City made payments for postemployment health benefit premiums of \$3,861,066. The costs of administering the plan are borne by the City's General Fund. The activity is reported in this financial statement as a pension and other employee benefit trust fund type. The trust has a fund balance of \$3,728,578 as of June 30, 2011.

**Funding Progress** - For the year ended June 30, 2011, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2010. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 4,502,127
Interest on the prior year's net OPEB obligation	<u>19,054</u>
Annual OPEB cost	4,521,181
Amounts contributed:	
Payments of current premiums	(3,861,066)
Advance funding	<u>(575,000)</u>
Increase in net OPEB obligation	85,115
OPEB obligation - Beginning of year	<u>254,049</u>
OPEB obligation - End of year	<u>\$ 339,164</u>

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2011

### Note 10 - Other Postemployment Benefits (Continued)

Employer contributions and annual OPEB cost data for the current and two preceding years were as follows:

Fiscal Years Ending	Actuarial Valuation Date	Annual OPEB Costs	Percentage OPEB Costs Contributed	Net OPEB Obligation
6/30/09	6/30/08	\$ 4,429,760	97.5%	\$ 110,352
6/30/10	6/30/08	4,438,037	96.8%	254,048
6/30/11	6/30/10	4,521,181	98.1%	339,164

\* The required contribution is expressed to the City as a percentage of payroll.

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/08	\$ 1,742,055	\$ 65,990,073	\$ 64,248,018	2.6	\$ 18,683,089	343.9
6/30/10	2,539,522	70,335,321	67,795,799	3.6	16,755,219	404.6

**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, presented above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

### Note 10 - Other Postemployment Benefits (Continued)

In the June 30, 2010 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend flat rate of 5 percent, adjusted for inflation. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010 was 30 years.

### Note 11 - Pension and Other Employee Benefits Trust Funds

The following are condensed financial statements for the individual pension plans and postemployment healthcare plans:

	Employee Pension Trust Fund	Retiree Healthcare Benefits Trust Fund	Total
<b>Statement of Net Assets</b>			
Cash and investments	\$ 141,480,297	\$ 3,397,521	\$ 144,877,818
Receivables	255,043	331,057	586,100
Liabilities	11,753,746	-	11,753,746
Net assets	<u>\$ 129,981,594</u>	<u>\$ 3,728,578</u>	<u>\$ 133,710,172</u>
<b>Statement of Changes in Net Assets</b>			
Investment income	\$ 21,119,027	\$ 612,878	\$ 21,731,905
Contributions	5,791,003	4,436,066	10,227,069
Other additions	72,963	1,510	74,473
Benefit payments	9,939,500	3,861,066	13,800,566
Other deductions	1,267,957	332	1,268,289
Net change in net assets	<u>\$ 15,775,536</u>	<u>\$ 1,189,056</u>	<u>\$ 16,964,592</u>

### Note 12 - Joint Ventures

The City is a member of the Southeast Macomb Sanitary District, which provides sewage disposal to participating municipalities in Macomb County, Michigan. Other members include the cities of St. Clair Shores and Eastpointe, Michigan. The City appoints one member to the joint venture's governing board, which then approves the annual budgets. The City's equity interest at June 30, 2011 in the Southeast Macomb Sanitary District of \$7,416,777 is recorded within the governmental activities column of the statement of net assets. Complete financial statements for the Southeast Macomb Sanitary District can be obtained from its administrative offices at 20001 Pleasant Avenue, St. Clair Shores, Michigan 48080. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

The City is a member of the South Macomb Disposal Authority (the "Authority"), which provides refuse disposal services to participating municipalities in Macomb County, Michigan. Other members include the cities of Centerline, Eastpointe, and Warren, Michigan. The City appoints one member to the joint venture's governing board, which then approves the annual budgets. The City's equity interest in the Authority of \$1,027,088 is recorded within the governmental activities column of the statement of net assets.

Each participating community's equity interest in the insurance reserve is not determinable. Complete financial statements for the Southeast Macomb Sanitary District and the South Macomb Disposal Authority can be obtained from their administrative offices at 20001 Pleasant Avenue, St. Clair Shores, Michigan 48080. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

### **Note 12 - Joint Ventures (Continued)**

In July 2010, the City of Roseville, St. Clair Shores, and Eastpointe created a legal entity known as the "South East Regional Emergency Services Authority" (SERESA), which is responsible for the dispatch of emergency police, fire, and ambulance services throughout the geographical area subject to the political control of the participating municipalities effective December 29, 2010. SERESA was created to be a separate legal entity under MCL 124.601, which is called "Act 57", authorizing Michigan cities to create a new public entity. The authority is governed by an Administrative Policy Board. Each participating municipality is entitled to one board member appointment and then a fire chief and police chief are selected by the board. Each appointee is given a three-year term, except for the police and fire chiefs, who receive a one-year term. The Articles of Incorporation allow funding to be from a dedicated millage or telephone operational surcharge. However, in the near term, dispatched calls for service are going to serve as the methodology for allocating SERESA's budget among the general funds of the cities. The articles also permit any participating municipality, including Roseville, to withdraw upon giving one full year's budgetary notice, although as a disincentive, any withdrawing municipality forfeits the asset previously transferred. SERESA's dispatch center is housed in a building wholly owned by the City of Roseville. The authority contracts with the City of Roseville to provide certain fiscal and information technology assistance for an annual fee.

### **Note 13 - Subsequent Events**

In July 2011, the cities of Roseville and Eastpointe created a legal entity known as the "Roseville Eastpointe Recreation Authority", which is responsible for administering recreation programs and senior activities in its respective communities. The Roseville Eastpointe Recreation Authority was created to be a separate legal entity under Public Act 32. The authority will be governed by an Administrative Policy Board. Each participating municipality is entitled to two board member appointments. In addition, the board selects one additional representative from either the community of Roseville or Eastpointe for a two-year term position. The authority will contract with the City of Roseville to provide certain administrative assistance for an annual fee. The Articles of Incorporation allow funding for the authority to be from a dedicated millage. In November 2011, voters of each community authorized a 1 mill tax levy to finance operations of the authority, which expires in 2031. The authority is authorized to borrow and issue debt, not to exceed 2 mills of the total taxable property within the authority's geographical area. Each participating municipality has committed to contribute real and personal property to the Authority limited to; City of Roseville Recreation Center, 18185 Sycamore, Roseville, MI and City of Eastpointe Community Center, 16435 Eight Mile Road, Eastpointe, MI. The articles permit any participating municipality, including the City of Roseville, to withdraw upon giving one full year's budgetary notice. The articles also address dissolution of the authority, which requires council resolution from the governing board of the participating communities, at which time all outstanding debt of the authority is required to be paid in full. Any remaining assets of the authority would be evenly distributed to the member communities at the time of dissolution.

In August 2011, the City Council passed a resolution authorizing a 1 mill tax levy, dedicated to finance operations of the Roseville Public Library under Public Act 164. The Roseville Public Library is a separate department included in the City's general operating budget. There is no expiration date related to this levy.

### **Note 14 - Upcoming Accounting Pronouncements**

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement 14 and Statement 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

### **Note 14 - Upcoming Accounting Pronouncements (Continued)**

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the City's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

## **Required Supplemental Information**

---

# City of Roseville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 24,359,486	\$ 23,992,394	\$ 23,992,394	\$ -
Licenses and permits	550,850	715,046	715,046	-
Federal grants	25,000	788,767	788,767	-
State-shared revenue and grants	4,185,000	4,225,625	4,225,625	-
Charges for services	258,500	431,776	431,776	-
Fines and forfeitures	2,564,300	2,840,409	2,840,409	-
Investment income	350,000	82,109	82,106	(3)
Other revenue	3,158,168	2,940,033	2,940,033	-
Total revenue	35,451,304	36,016,159	36,016,156	(3)
<b>Expenditures - Current</b>				
General government:				
Governing body	9,505,852	8,114,126	8,114,126	-
Finance/Accounting/Budget department	194,617	269,002	269,002	-
Purchasing	204,774	182,803	182,803	-
Information technology/Data processing	437,524	439,295	439,295	-
Treasurer	347,599	197,697	197,697	-
Assessing	483,519	517,114	517,114	-
Clerk	475,242	449,004	449,004	-
Buildings and grounds	1,018,216	1,167,674	1,167,674	-
Attorney	311,472	311,472	311,472	-
Human resources/Personnel	143,563	136,774	136,774	-
Pension board	116,041	-	-	-
Other	2,121,423	2,577,816	2,577,813	3
Total general government	15,359,842	14,362,777	14,362,774	3
Public safety:				
Police/Sheriff (county)	11,510,857	12,168,585	12,168,585	-
Fire and EMS	5,794,103	6,096,013	6,096,013	-
Building inspections and related	1,054,082	951,032	951,032	-
Total public safety	18,359,042	19,215,630	19,215,630	-
Public works:				
Street construction	1,284,472	835,350	835,350	-
Rubbish disposal	2,399,756	2,257,002	2,257,002	-
Street lighting	800,000	840,348	840,348	-
Allocated to other operations	(2,430,000)	(1,937,008)	(1,937,008)	-
Total public works	2,054,228	1,995,692	1,995,692	-

# City of Roseville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Expenditures - Current (Continued)</b>				
Construction and development	\$ 120,000	\$ 217,262	\$ 217,262	\$ -
Recreation and culture:				
Library	800,464	807,034	807,034	-
Parks and recreation	846,876	706,487	706,487	-
Total recreation and culture	<u>1,647,340</u>	<u>1,513,521</u>	<u>1,513,521</u>	<u>-</u>
Total expenditures	<u>37,540,452</u>	<u>37,304,882</u>	<u>37,304,879</u>	<u>3</u>
<b>Excess of Expenditures Over Revenue</b>	(2,089,148)	(1,288,723)	(1,288,723)	-
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	20,000	42,065	42,065	-
Transfers out	<u>(1,509,250)</u>	<u>(760,526)</u>	<u>(760,526)</u>	<u>-</u>
Total other financing uses	<u>(1,489,250)</u>	<u>(718,461)</u>	<u>(718,461)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	(3,578,398)	(2,007,184)	(2,007,184)	-
<b>Fund Balance - Beginning of year</b>	<u>9,363,310</u>	<u>9,363,310</u>	<u>9,363,310</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 5,784,912</u></u>	<u><u>\$ 7,356,126</u></u>	<u><u>\$ 7,356,126</u></u>	<u><u>\$ -</u></u>

# City of Roseville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Fund Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 2,180,000	\$ 2,318,215	\$ 2,318,215	\$ -
Investment income	19,000	2,641	2,641	-
Total revenue	2,199,000	2,320,856	2,320,856	-
<b>Expenditures - Current</b>				
General government	200,000	200,000	200,000	-
Public works	945,000	626,334	626,334	-
Construction and development	1,660,000	621,121	621,121	-
Total expenditures	2,805,000	1,447,455	1,447,455	-
<b>Excess of Revenue (Under) Over Expenditures</b>	(606,000)	873,401	873,401	-
<b>Other Financing Sources (Uses)</b>				
Transfers in	253,000	255,772	255,772	-
Transfers out	(475,000)	(493,230)	(493,230)	-
<b>Net Change in Fund Balance</b>	(828,000)	635,943	635,943	-
<b>Fund Balance - Beginning of year</b>	3,156,561	3,156,561	3,156,561	-
<b>Fund Balance - End of year</b>	<u>\$ 2,328,561</u>	<u>\$ 3,792,504</u>	<u>\$ 3,792,504</u>	<u>\$ -</u>

# City of Roseville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Local Streets Fund Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 625,000	\$ 674,619	\$ 674,619	\$ -
Investment income	4,750	1,481	1,481	-
Total revenue	629,750	676,100	676,100	-
<b>Expenditures - Current</b>				
General government	70,000	70,000	70,000	-
Public works	1,215,000	1,040,675	1,040,675	-
Construction and development	280,000	245,195	245,195	-
Total expenditures	1,565,000	1,355,870	1,355,870	-
<b>Excess of Expenditures Over Revenue</b>	(935,250)	(679,770)	(679,770)	-
<b>Other Financing Sources - Transfers in</b>	980,500	498,649	498,649	-
<b>Net Change in Fund Balance</b>	45,250	(181,121)	(181,121)	-
<b>Fund Balance - Beginning of year</b>	1,777,110	1,777,110	1,777,110	-
<b>Fund Balance - End of year</b>	<u>\$ 1,822,360</u>	<u>\$ 1,595,989</u>	<u>\$ 1,595,989</u>	<u>\$ -</u>

# City of Roseville, Michigan

## Required Supplemental Information Pension System Schedule of Funding Progress Year Ended June 30, 2011

The schedule of funding progress is as follows (dollar amounts in millions):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/05	\$ 114,059	\$ 135,778	\$ 21,719	84.0	\$ 18,217	119.2
6/30/06	119,145	143,792	24,647	82.9	17,976	137.1
6/30/07	128,047	150,926	22,879	84.8	18,165	126.0
6/30/08	133,644	158,417	24,773	84.4	18,683	132.6
6/30/09	131,095	160,689	29,594	81.6	18,619	158.9
6/30/10	128,488	170,862	42,374	75.2	16,755	252.9

The schedule of employer contributions is as follows:

Fiscal Years Ending	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
6/30/06	6/30/04	\$ 3,885,093	100.0
6/30/07	6/30/05	3,938,255	100.0
6/30/08	6/30/06	3,863,676	100.0
6/30/09	6/30/07	3,892,855	100.0
6/30/10	6/30/08	4,160,914	100.0
6/30/11	6/30/09	4,691,696	100.0

\* The required contribution is expressed to the City as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2010, the latest actuarial valuation, follows:

Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll, closed
Amortization period (perpetual)	25 years
Asset valuation method	4-year smoothed market value
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	5.0% - 8.8%
* Includes inflation at	5.0%
Cost of living adjustments	0% to 3.8%

# City of Roseville, Michigan

## Required Supplemental Information Other Postemployment Benefits Schedule of Funding Progress Year Ended June 30, 2011

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/05	\$ -	\$ 73,768,489	\$ 73,768,489	-	\$ 18,216,786	404.9
6/30/08	1,742,055	65,990,073	64,248,018	2.6	18,683,089	343.9
6/30/10	2,539,522	70,335,321	67,795,799	3.6	16,755,219	404.6

The schedule of employer contributions is as follows:

Fiscal Years Ending	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
6/30/09	6/30/08	\$ 4,429,760	97.5
6/30/10	6/30/08	4,429,760	96.9
6/30/11	6/30/10	4,502,127	98.5

\* The required contribution is expressed to the City as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2010, the latest actuarial valuation, follows:

Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll - Closed
Amortization period (perpetual)	30 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	5.0%
* Includes inflation at	5.0%
Cost of living adjustments	None

# City of Roseville, Michigan

---

## Note to Required Supplemental Information Year Ended June 30, 2011

### Budgetary Information

The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following is a summary of the requirements of this act according to the State Treasurer's *Bulletin for Audits of Local Units of Government in Michigan*, dated April 1982 as amended by P.A. 493 of 2000:

- a. Budgets must be adopted for the General Fund and special revenue funds.
- b. Budgeted expenditures cannot exceed budgeted revenue and fund balance.
- c. The budgets must be amended when necessary.
- d. Public hearings must be held before budget adoptions.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget before being incurred.

The City adopts its budget by activity, which is in accordance with the State's legal requirements. An activity is the level that aggregates budgetary line items by departmental responsibility. This then represents the level of classification detail at which expenditures may not legally exceed appropriations. The level of detail presented in the required supplemental information budgetary comparison schedules for the major governmental funds is a summarization of the activity basis budget. Copies of the activity basis budgets for all budgeted funds are available at the office of the city clerk.

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

- Prior to February 1, all departments and entities within the City submit to the city manager their proposed operating budget for the fiscal year commencing the following July 1.
- On the second Tuesday in April, the city manager submits to the City Council a proposed balanced operating budget for the next fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to the first Monday in May, the budget is legally adopted by the City Council through adoption of the appropriation ordinance.
- The city manager is authorized to transfer budgeted amounts within budgetary activities; however, any revisions that alter the total expenditures of any budgetary activity must be approved by the City Council.

# City of Roseville, Michigan

## Note to Required Supplemental Information (Continued) Year Ended June 30, 2011

### Budgetary Information (Continued)

Budgeted amounts of the revenue and expenditures are presented for the General Fund and special revenue funds. Individual amendments were not material in relation to the original appropriations that were adopted. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner except that the final budget amendments were approved subsequent to June 30, 2011. The impact on total budgeted revenue and expenditures is as follows:

	Revenue (Including Other Financing Sources) Increase (Decrease)	Expenditures (Including Transfers Out) Decreases
General Fund	\$ 586,920	\$ (984,294)
Major Streets Fund	124,628	(1,339,315)
Local Streets Fund	(435,501)	(209,130)

The City did not have significant expenditure budget variances.

## **Other Supplemental Information**

---

# City of Roseville, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2011

	Special Revenue Funds				Debt Service Funds			Total Nonmajor Governmental Funds
	Community Development Block Grant	Neighborhood Stabilization Grant	HOME	Drug Law Enforcement	Building Authority	General Debt	Chapter 20 Drain	
<b>Assets</b>								
Cash and investments	\$ 12,338	\$ 166,740	\$ -	\$ 1,739,607	\$ 14,817	\$ 814,923	\$ 1,999,698	\$ 4,748,123
Receivables:								
Property taxes receivable	-	-	-	-	-	4,449	13,766	18,215
Other receivables	-	-	7,362	293,225	-	-	-	300,587
Due from other governmental units	63,792	81,459	-	-	-	-	-	145,251
Inventory	-	141,731	-	-	-	-	-	141,731
Prepaid expenses and other assets	-	-	-	410	-	-	-	410
<b>Total assets</b>	<b>\$ 76,130</b>	<b>\$ 389,930</b>	<b>\$ 7,362</b>	<b>\$ 2,033,242</b>	<b>\$ 14,817</b>	<b>\$ 819,372</b>	<b>\$ 2,013,464</b>	<b>\$ 5,354,317</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Accounts payable	\$ 17,431	\$ 37,315	\$ 11	\$ 9,145	\$ -	\$ -	\$ 3,122	\$ 67,024
Due to other funds	55,464	34,907	3,214	49,289	-	-	-	142,874
Refundable deposits, bonds, etc.	-	-	-	11,195	-	-	-	11,195
Accrued liabilities and other	3,235	1,773	293	-	-	5,452	29,955	40,708
Deferred revenue	-	-	-	254,941	-	3,542	8,117	266,600
<b>Total liabilities</b>	<b>76,130</b>	<b>73,995</b>	<b>3,518</b>	<b>324,570</b>	<b>-</b>	<b>8,994</b>	<b>41,194</b>	<b>528,401</b>
<b>Fund Balances</b>								
Nonspendable - Prepays	-	-	-	410	-	-	-	410
Restricted:								
Debt service	-	-	-	-	14,817	810,378	1,972,270	2,797,465
Grants	-	315,935	3,844	-	-	-	-	319,779
Drug law enforcement	-	-	-	1,708,262	-	-	-	1,708,262
<b>Total fund balances</b>	<b>-</b>	<b>315,935</b>	<b>3,844</b>	<b>1,708,672</b>	<b>14,817</b>	<b>810,378</b>	<b>1,972,270</b>	<b>4,825,916</b>
<b>Total liabilities and fund balances</b>	<b>\$ 76,130</b>	<b>\$ 389,930</b>	<b>\$ 7,362</b>	<b>\$ 2,033,242</b>	<b>\$ 14,817</b>	<b>\$ 819,372</b>	<b>\$ 2,013,464</b>	<b>\$ 5,354,317</b>

# City of Roseville, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2011

	Special Revenue Funds				Debt Service Funds			Total Nonmajor Governmental Funds
	Community Development Block Grant	Neighborhood Stabilization Grant	HOME	Drug Law Enforcement	Building Authority	General Debt	Chapter 20 Drain	
<b>Revenue</b>								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 210,806	\$ 1,157,218	\$ 1,368,024
Federal grants	467,892	694,653	20,468	239,877	-	-	-	1,422,890
Investment income	-	-	-	3,611	12	768	1,833	6,224
Other revenue	68,267	223,395	-	382,181	-	-	-	673,843
Total revenue	536,159	918,048	20,468	625,669	12	211,574	1,159,051	3,470,981
<b>Expenditures</b>								
Current:								
General government	92,263	38,644	16,624	-	-	160,000	-	307,531
Public safety	-	-	-	419,914	345,000	-	-	764,914
Public works	178,239	-	-	-	-	-	510,753	688,992
Community and economic development	-	691,842	-	-	-	-	-	691,842
Recreation and culture	266,933	-	-	-	-	-	-	266,933
Other charges	-	-	-	-	-	19,321	294,105	313,426
Debt service - Interest on long-term debt	-	-	-	-	164,225	53,080	270,038	487,343
Total expenditures	537,435	730,486	16,624	419,914	509,225	232,401	1,074,896	3,520,981
<b>Excess of Revenue (Under) Over Expenditures</b>	(1,276)	187,562	3,844	205,755	(509,213)	(20,827)	84,155	(50,000)
<b>Other Financing Sources</b>								
Proceeds from sale of capital assets	-	-	-	11,000	-	-	-	11,000
Transfers in	1,276	-	-	-	509,250	-	942	511,468
Total other financing sources	1,276	-	-	11,000	509,250	-	942	522,468
<b>Net Change in Fund Balances</b>	-	187,562	3,844	216,755	37	(20,827)	85,097	472,468
<b>Fund Balances - Beginning of year</b>	-	128,373	-	1,491,917	14,780	831,205	1,887,173	4,353,448
<b>Fund Balances - End of year</b>	<u>\$ -</u>	<u>\$ 315,935</u>	<u>\$ 3,844</u>	<u>\$ 1,708,672</u>	<u>\$ 14,817</u>	<u>\$ 810,378</u>	<u>\$ 1,972,270</u>	<u>\$ 4,825,916</u>

# City of Roseville, Michigan

## Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2011

	Employee Benefits Fund	Flexible Savings Fund	Workers' Compensation Fund	Total
<b>Assets - Current</b>				
Cash and cash equivalents	\$ 11,857,971	\$ 2,841	\$ 132,556	\$ 11,993,368
Receivables	495,486	-	-	495,486
Due from other funds	-	-	2,173	2,173
Prepaid expenses and other assets	-	-	10,000	10,000
Total assets	12,353,457	2,841	144,729	12,501,027
<b>Liabilities - Current liabilities -</b>				
Provision for claims	852,486	-	115,779	968,265
<b>Net Assets - Unrestricted</b>	<b>\$ 11,500,971</b>	<b>\$ 2,841</b>	<b>\$ 28,950</b>	<b>\$ 11,532,762</b>

# City of Roseville, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2011

	Employee Benefits Fund	Flexible Savings Fund	Workers' Compensation Fund	Total
<b>Operating Revenue</b> - Charges to other funds	\$ 9,818,257	\$ 78,207	\$ 144,470	\$ 10,040,934
<b>Operating Expenses</b> - Benefit payments and other costs	6,885,963	75,375	171,677	7,133,015
<b>Operating Income (Loss)</b>	2,932,294	2,832	(27,207)	2,907,919
<b>Nonoperating Revenue</b> - Investment income	8,247	9	103	8,359
<b>Change in Net Assets</b>	2,940,541	2,841	(27,104)	2,916,278
<b>Net Assets</b> - Beginning of year	8,560,430	-	56,054	8,616,484
<b>Net Assets</b> - End of year	<u>\$ 11,500,971</u>	<u>\$ 2,841</u>	<u>\$ 28,950</u>	<u>\$ 11,532,762</u>

# City of Roseville, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2011

	Employee Benefits Fund	Flexible Savings Fund	Workers' Compensation Fund	Total
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 9,508,438	\$ 78,207	\$ 145,491	\$ 9,732,136
Receipts from interfund services and reimbursements	6,382	-	(1,071)	5,311
Internal activity - Payments to other funds	-	(6,382)	-	(6,382)
Claims paid	<u>(6,910,094)</u>	<u>(75,375)</u>	<u>(138,310)</u>	<u>(7,123,779)</u>
Net cash provided by (used in) operating activities	2,604,726	(3,550)	6,110	2,607,286
<b>Cash Flows from Investing Activities -</b>				
Interest received on investments	<u>8,247</u>	<u>9</u>	<u>102</u>	<u>8,358</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	2,612,973	(3,541)	6,212	2,615,644
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>9,244,998</u>	<u>6,382</u>	<u>126,344</u>	<u>9,377,724</u>
<b>Cash and Cash Equivalents - End of year</b>	<u><b>\$11,857,971</b></u>	<u><b>\$ 2,841</b></u>	<u><b>\$ 132,556</b></u>	<u><b>\$11,993,368</b></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ 2,932,294	\$ 2,832	\$ (27,207)	\$ 2,907,919
Changes in assets and liabilities:				
Receivables	(309,820)	-	1,022	(308,798)
Due from others	6,382	-	(1,071)	5,311
Due to others	-	(6,382)	-	(6,382)
Estimated claims liability	<u>(24,130)</u>	<u>-</u>	<u>33,366</u>	<u>9,236</u>
Net cash provided by (used in) operating activities	<u><b>\$ 2,604,726</b></u>	<u><b>\$ (3,550)</b></u>	<u><b>\$ 6,110</b></u>	<u><b>\$ 2,607,286</b></u>

# City of Roseville, Michigan

## Other Supplemental Information Statement of Assets and Liabilities Fiduciary Funds June 30, 2011

	Pension Trust Funds			Agency Funds				Total Agency Funds
	Employees' Pension Trust Fund	Retiree Healthcare Benefits Trust Fund	Total Pension Trust Funds	County and School Tax	Misc. Agency	P.A.I.R.	Court	
<b>Assets</b>								
Cash and cash equivalents	\$ 4,264,323	\$ 324,308	\$ 4,588,631	\$ 6,277	\$ 45,409	\$ 10,367	\$ 163,895	\$ 225,948
Investments:								
U.S. government securities	15,700,800	531,850	16,232,650	-	-	-	-	-
Stocks	85,602,064	2,284,237	87,886,301	-	-	-	-	-
Bonds	9,821,633	257,126	10,078,759	-	-	-	-	-
Mutual funds	14,559,810	-	14,559,810	-	-	-	-	-
Receivables	255,043	331,057	586,100	-	-	-	-	-
<b>Total assets</b>	<b>130,203,673</b>	<b>3,728,578</b>	<b>133,932,251</b>	<b>\$ 6,277</b>	<b>\$ 45,409</b>	<b>\$ 10,367</b>	<b>\$ 163,895</b>	<b>\$ 225,948</b>
<b>Liabilities</b>								
Accounts payable	6,352	-	6,352	\$ -	\$ 45,409	\$ 10,367	\$ 16	\$ 55,792
Due to other governmental units	-	-	-	6,277	-	-	-	6,277
Due to primary government	121,275	-	121,275	-	-	-	-	-
Accrued liabilities and other	94,452	-	94,452	-	-	-	163,879	163,879
<b>Total liabilities</b>	<b>222,079</b>	<b>-</b>	<b>222,079</b>	<b>\$ 6,277</b>	<b>\$ 45,409</b>	<b>\$ 10,367</b>	<b>\$ 163,895</b>	<b>\$ 225,948</b>
<b>Net Assets</b>	<b>\$ 129,981,594</b>	<b>\$ 3,728,578</b>	<b>\$ 133,710,172</b>					

# City of Roseville, Michigan

## Other Supplemental Information Combining Statement of Changes in Fiduciary Net Assets Fiduciary Funds Year Ended June 30, 2011

	Employees' Pension Trust Fund	Retiree Healthcare Benefits Trust Fund	Total
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 2,368,766	\$ 68,277	\$ 2,437,043
Net increase in fair value of investments	19,401,395	595,056	19,996,451
Investment-related expenses	(651,134)	(50,455)	(701,589)
Net investment income	21,119,027	612,878	21,731,905
Contributions:			
Employer	4,691,696	4,436,066	9,127,762
Employee	1,099,307	-	1,099,307
Total contributions	5,791,003	4,436,066	10,227,069
Other additions	72,963	1,510	74,473
Total additions	26,982,993	5,050,454	32,033,447
<b>Deductions</b>			
Benefit payments	9,939,500	3,861,066	13,800,566
Refunds of contributions	972,377	-	972,377
Administrative expenses	295,580	332	295,912
Total deductions	11,207,457	3,861,398	15,068,855
<b>Net Increase in Net Assets Held in Trust</b>	15,775,536	1,189,056	16,964,592
<b>Net Assets - Beginning of year</b>	114,206,058	2,539,522	116,745,580
<b>Net Assets - End of year</b>	<b>\$ 129,981,594</b>	<b>\$ 3,728,578</b>	<b>\$ 133,710,172</b>

# City of Roseville, Michigan

## Schedule of Indebtedness June 30, 2011

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2011	2010
<b>General Obligation Bonds</b>					
Unlimited Tax General Obligation Library Bonds					
Date of issue - November 1, 1995					
Amount of issue - \$2,715,000					
	5.100	11/01/10	\$ 160,000	\$ -	\$ 160,000
	5.100	11/01/11	170,000	170,000	170,000
	5.100	11/01/12	180,000	180,000	180,000
	5.125	11/01/13	190,000	190,000	190,000
	5.125	11/01/14	200,000	200,000	200,000
	5.125	11/01/15	210,000	210,000	210,000
Total General Obligation Bonds				<b>\$ 950,000</b>	<b>\$ 1,110,000</b>
<b>Building Authority Bonds</b>					
Building Authority Limited Tax General Obligation Refunding Bonds - Series 2006					
Date of issue - October 1, 2006					
Amount of issue - \$4,895,000					
	5.00	10/01/10	\$ 345,000	\$ -	\$ 345,000
	5.10	10/01/11	360,000	360,000	360,000
	5.10	10/01/12	400,000	400,000	400,000
	5.20	10/01/13	390,000	390,000	390,000
	5.20	10/01/14	410,000	410,000	410,000
	5.38	10/01/15	425,000	425,000	425,000
	5.38	10/01/16	440,000	440,000	440,000
	5.38	10/01/17	460,000	460,000	460,000
	5.50	10/01/18	480,000	480,000	480,000
	5.55	10/01/19	500,000	500,000	500,000
Total Building Authority Bonds				<b>\$ 3,865,000</b>	<b>\$ 4,210,000</b>

# City of Roseville, Michigan

## Schedule of Indebtedness (Continued) June 30, 2011

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2011	2010
<b>County Drain Contract Obligations</b>					
Lake St. Clair Water Initiative Drainage District - Series A					
Date of issue - January 1, 2001					
Amount of issue - \$2,414,583					
	4.30	10/01/10	\$ 60,425	\$ -	\$ 60,425
	4.30	10/01/11	73,719	73,719	62,842
	4.30	10/01/12	76,135	76,135	66,468
	4.30	10/01/13	77,344	77,344	68,885
	4.30	10/01/14	78,552	78,552	72,510
	4.30	10/01/15	82,178	82,178	76,136
	4.30	10/01/16	84,595	84,595	79,761
	4.30	10/01/17	88,220	88,220	84,595
	4.30	10/01/18	90,638	90,638	89,429
	4.30	10/01/19	94,263	94,263	93,055
	4.30	10/01/20	97,888	97,888	97,888
	4.30	10/01/21	102,723	102,723	103,931
	4.30	10/01/22	107,556	107,556	108,765
	4.30	10/01/23	113,599	113,599	114,807
	4.30	10/01/24	119,642	119,642	122,058
	4.30	10/01/25	123,267	123,267	128,101
	4.30	10/01/26	129,310	129,310	135,352
	4.30	10/01/27	135,352	135,352	142,603
	4.30	10/01/28	140,186	140,186	149,854
	4.30	10/01/29	146,229	146,229	158,313
Total Series A				1,961,396	2,015,778

# City of Roseville, Michigan

## Schedule of Indebtedness (Continued) June 30, 2011

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2011	2010
<b>County Drain Contract Obligations (Continued)</b>					
Lake St. Clair Water Initiative Drainage District - Series 2002A					
Date of issue - May 1, 2002					
Amount of issue - \$505,500					
	4.500	10/01/10	\$ 13,143	\$ -	\$ 13,143
	4.500	10/01/11	16,681	16,681	13,649
	4.500	10/01/12	17,692	17,692	14,660
	4.500	10/01/13	17,692	17,692	15,165
	4.550	10/01/14	17,692	17,692	15,671
	4.700	10/01/15	18,704	18,704	16,682
	4.850	10/01/16	19,210	19,210	17,187
	4.950	10/01/17	19,715	19,715	18,198
	5.000	10/01/18	19,715	19,715	18,704
	5.050	10/01/19	20,724	20,724	19,714
	5.100	10/01/20	21,737	21,737	20,725
	5.100	10/01/21	22,242	22,242	21,736
	5.125	10/01/22	24,264	24,264	23,253
	5.125	10/01/23	25,275	25,275	24,264
	5.200	10/01/24	25,781	25,781	25,275
	5.200	10/01/25	26,791	26,791	26,791
	5.200	10/01/26	28,308	28,308	28,308
	5.250	10/01/27	29,319	29,319	29,824
	5.250	10/01/28	30,330	30,330	31,341
	5.250	10/01/29	31,847	31,847	32,857
				433,719	427,147
Total Series 2002A					

# City of Roseville, Michigan

## Schedule of Indebtedness (Continued) June 30, 2011

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2011	2010
<b>County Drain Contract Obligations (Continued)</b>					
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-01					
Date of issue - December 20, 2000					
City's portion of issuance - \$4,396,509					
	2.50	10/01/10	\$ 204,192	\$ -	\$ 204,192
	2.50	10/01/11	209,510	209,510	209,510
	2.50	10/01/12	214,827	214,827	214,827
	2.50	10/01/13	220,145	220,145	220,145
	2.50	10/01/14	225,462	225,462	225,462
	2.50	10/01/15	231,843	231,843	231,843
	2.50	10/01/16	237,161	237,161	237,161
	2.50	10/01/17	243,541	243,541	243,541
	2.50	10/01/18	249,922	249,922	249,922
	2.50	10/01/19	256,303	256,303	256,303
	2.50	10/01/20	262,684	262,684	262,684
	2.50	10/01/21	269,065	269,065	269,065
	2.50	10/01/22	276,512	276,512	276,511
		Total SRF Project 5186-01		2,896,975	3,101,166
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-02					
Date of issue - December 20, 2001					
City's portion of issuance - \$3,099,462					
	2.50	10/01/10	144,399	-	144,399
	2.50	10/01/11	147,810	147,810	147,810
	2.50	10/01/12	151,221	151,221	151,221
	2.50	10/01/13	155,769	155,769	155,769
	2.50	10/01/14	159,180	159,180	159,180
	2.50	10/01/15	163,728	163,728	163,728
	2.50	10/01/16	167,139	167,139	167,139
	2.50	10/01/17	171,687	171,687	171,687
	2.50	10/01/18	176,235	176,235	176,235
	2.50	10/01/19	180,783	180,783	180,783
	2.50	10/01/20	185,331	185,331	185,331
	2.50	10/01/21	189,879	189,879	189,879
	2.50	10/01/22	194,426	194,427	194,426
		Total SRF Project 5186-02		2,043,189	2,187,587

# City of Roseville, Michigan

## Schedule of Indebtedness (Continued) June 30, 2011

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2011	2010
<b>County Drain Contract Obligations (Continued)</b>					
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-03					
Date of issue - December 20, 2001					
City's portion of issuance - \$600,336					
	2.50	10/01/10	\$ 28,425	\$ -	\$ 28,425
	2.50	10/01/11	28,425	28,425	28,425
	2.50	10/01/12	29,562	29,562	29,562
	2.50	10/01/13	29,562	29,562	29,562
	2.50	10/01/14	30,699	30,699	30,699
	2.50	10/01/15	31,836	31,836	31,836
	2.50	10/01/16	31,836	31,836	31,836
	2.50	10/01/17	32,973	32,973	32,973
	2.50	10/01/18	34,110	34,110	34,110
	2.50	10/01/19	35,247	35,247	35,247
	2.50	10/01/20	36,384	36,384	36,384
	2.50	10/01/21	36,384	36,384	36,384
	2.50	10/01/22	37,520	37,522	37,520
		Total SRF Project 5186-03		394,540	422,963
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-05					
Date of issue - June 26, 2003					
City's portion of issuance - \$343,298					
	2.50	10/01/10	15,845	-	15,845
	2.50	10/01/11	15,845	15,845	15,845
	2.50	10/01/12	15,845	15,845	15,845
	2.50	10/01/13	15,845	15,845	15,845
	2.50	10/01/14	17,605	17,605	17,605
	2.50	10/01/15	17,605	17,605	17,605
	2.50	10/01/16	17,605	17,605	17,605
	2.50	10/01/17	19,365	19,365	19,365
	2.50	10/01/18	19,365	19,365	19,365
	2.50	10/01/19	19,365	19,365	19,365
	2.50	10/01/20	19,365	19,365	19,365
	2.50	10/01/21	21,126	21,126	21,126
	2.50	10/01/22	21,126	21,126	21,126
	2.50	10/01/23	21,127	21,127	21,128
		Total SRF Project 5186-05		241,189	257,035

# City of Roseville, Michigan

## Schedule of Indebtedness (Continued) June 30, 2011

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2011	2010
<b>County Drain Contract Obligations (Continued)</b>					
Lake St. Clair Water Initiative Drainage District - Series A					
Date of issue - June 1, 2004					
Amount of issue - \$2,425,000					
	4.375	10/01/10	\$ 44,324	\$ -	\$ 44,324
	4.375	10/01/11	45,907	45,907	45,907
	4.375	10/01/12	47,490	47,490	47,490
	4.375	10/01/13	49,073	49,073	49,073
	4.375	10/01/14	50,656	50,656	50,656
	4.375	10/01/15	53,822	53,822	53,822
	4.375	10/01/16	55,405	55,405	55,405
	4.375	10/01/17	58,571	58,571	58,571
	4.500	10/01/18	60,154	60,154	60,154
	4.625	10/01/19	63,320	63,320	63,320
	4.625	10/01/20	66,486	66,486	66,486
	4.750	10/01/21	69,652	69,652	69,652
	4.750	10/01/22	74,401	74,401	74,401
	4.875	10/01/23	77,567	77,567	77,567
	5.000	10/01/24	82,316	82,316	82,316
	5.000	10/01/25	87,065	87,065	87,065
	5.000	10/01/26	91,814	91,814	91,814
	5.000	10/01/27	94,980	94,980	94,980
	5.000	10/01/28	102,895	102,895	102,895
	5.000	10/01/29	106,061	106,061	106,061
Total Series A				1,337,635	1,381,959
Total County Drain Contract obligations				<u>\$ 9,308,643</u>	<u>\$ 9,793,635</u>
<b>Installment Loan Obligation</b>					
Installment loan - Computer software					
Date of issue - May 2008					
Amount of issue - \$151,860					
	-	5/01/11	\$ 30,372	\$ -	\$ 30,372
	-	5/01/12	30,372	30,372	30,372
Total installment loan obligation				<u>\$ 30,372</u>	<u>\$ 60,744</u>