

# **City of Roseville, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2012**

# City of Roseville, Michigan

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## Independent Auditor's Report

To the Honorable Mayor and  
Members of 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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Roseville, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of Roseville, Michigan, as of June 30, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, retirement system and other postemployment benefit schedules of funding progress, and the budgetary comparison schedules, as identified on pages 3-15, and 62-63, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Honorable Mayor and  
Members of 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 of Roseville, Michigan'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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2012 on our consideration of the City of Roseville, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide 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 3, the financial statements include investments valued at \$28,361,614 (22.4 percent of fiduciary net assets) at June 30, 2012 whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by the fund manager of the retirement system investments.

*Plante & Moran, PLLC*

December 13, 2012

# City of Roseville, Michigan

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## 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, Michigan's (the "City") 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, Michigan.

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:

- Governmental 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 to 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 12 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, Library 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 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 programs 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**

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## **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 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 .7 percent from a year ago, increasing from \$127.7 million to \$128.4 million. A review of the governmental activities, separate from the business-type activities, shows a decrease of approximately \$1.6 million in total net assets, or 2.6 percent, during fiscal year 2012. The change in total net assets is primarily attributed to the decrease of \$1.5 million in capital assets, a \$.5 million reduction in cash and investments, coupled with a \$0.3 million net reduction of current year and long-term debt obligations. The overall decrease is supported by lower property tax revenue (due to decreased taxable values) and decreased investment income, despite increased revenue charges from service-type activities and cable franchise fees. Additionally, the effects of funding retiree healthcare benefits for current and future retirees reduced the City's cash reserves by \$4.3 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 2012, this obligation was paid entirely by the General Fund.

Business-type activities experienced a \$2.3 million increase in total net assets during fiscal year 2012. 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, a significant increase in unbilled receivables at year end due to the timing of meter reads, coupled with disciplined expense control throughout fiscal year 2012. 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, decreased from \$29.6 million at June 30, 2011 to \$27.9 million at June 30, 2012. The City's unrestricted net assets for business-type activities increased by \$2.4 million at June 30, 2012.

### Governmental Activities

In a condensed format, the table below shows the comparison of net assets (in millions of dollars) as of June 30, 2012 to the prior year:

	June 30		Change	Percent
	2012	2011		
<b>Assets</b>				
Current assets	\$ 39.7	\$ 40.1	\$ (0.4)	-1.00%
Noncurrent assets:				
Investment in joint ventures	8.4	8.4	-	0.00%
Capital assets	<u>80.6</u>	<u>82.1</u>	<u>(1.5)</u>	-1.83%
Total assets	128.7	130.6	(1.9)	-1.45%
<b>Liabilities</b>				
Current liabilities	8.4	7.2	1.2	16.67%
Long-term liabilities	<u>13.8</u>	<u>15.3</u>	<u>(1.5)</u>	-9.80%
Total liabilities	<u>22.2</u>	<u>22.5</u>	<u>(0.3)</u>	-1.33%
<b>Net Assets</b>				
Invested in capital assets -				
Net of related debt	67.2	68.0	(0.8)	-1.18%
Restricted	11.4	10.5	0.9	8.57%
Unrestricted	<u>27.9</u>	<u>29.6</u>	<u>(1.7)</u>	-5.74%
Total net assets	<u>\$ 106.5</u>	<u>\$ 108.1</u>	<u>\$ (1.6)</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, 2012 from the prior year:

	Year Ended June 30			
	2012	2011	Change	Percent
<b>Revenue</b>				
Program revenue:				
Charges for services	\$ 7.0	\$ 6.9	\$ 0.1	1.45%
Operating grants and contributions	5.6	5.7	(0.1)	-1.75%
Capital grants and contributions	1.5	0.6	0.9	150.00%
General revenue:				
Property taxes and related fees	23.7	25.3	(1.6)	-6.32%
State sources	4.3	4.3	-	0.00%
Unrestricted investment earnings	-	0.1	(0.1)	-100.00%
Miscellaneous	0.5	0.7	(0.2)	-28.57%
Cable franchise fees	0.9	0.7	0.2	28.57%
Total revenue	43.5	44.3	(0.8)	-1.81%
<b>Program Expenses</b>				
General government	15.8	13.6	2.2	16.18%
Public safety	17.9	18.6	(0.7)	-3.76%
Public works - Highways and streets	7.7	5.9	1.8	30.51%
Recreation and culture	3.0	2.3	0.7	30.43%
Community and economic development	0.2	0.7	(0.5)	-71.43%
Other	-	0.1	(0.1)	-100.00%
Interest expense	0.5	0.5	-	0.00%
Total program expenses	45.1	41.7	3.4	8.15%
<b>Change in Net Assets</b>	<b>\$ (1.6)</b>	<b>\$ 2.6</b>	<b>\$ (4.2)</b>	<b>-161.54%</b>

The City's total governmental revenue decreased \$.8 million from \$44.3 million in 2011 to \$43.5 million in 2012. Of this amount, property taxes, which account for approximately 54 percent of total revenue, decreased by \$1.6 million to \$23.7 million due to lower taxable values. Investment income decreased \$.1 million due to market declines paid on investments. Capital grants and contributions increased 150 percent from \$.6 million to \$1.5 million attributed to the pursuit of federal and state energy and infrastructure improvement grants by the City. In addition, franchise fees and charges for service-type activities, which support program costs such as the District Court, building and rental inspections, etc., increased \$.2 million and \$.1 million, respectively. State-source revenue, which approximates 9.9 percent of total revenue, or \$4.3 million, and various incidental revenue sources which approximates 1.1 percent of total revenue, or \$.5 million, remained consistent with amounts received in 2011.

# City of Roseville, Michigan

## Management's Discussion and Analysis (Continued)

Total expenditures increased by approximately \$3.4 million or 8.2 percent over the previous fiscal year. This increase is attributed to several factors, including the financing of necessary street repairs projects and the cumulative payout expense related to banked and reserved time at year end due to retirements, despite 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 year 2012. During fiscal year 2012, the City satisfied its actuarial required contribution to the postemployment healthcare benefits trust. 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 underfunded 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. At June 30, 2012, 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, 2012 to the prior year:

	June 30			
	2012	2011	Change	Percent
<b>Assets</b>				
Current assets	\$ 13.6	\$ 11.3	\$ 2.3	20.35%
Noncurrent assets - Capital assets	<u>9.6</u>	<u>9.7</u>	<u>(0.1)</u>	-1.03%
Total assets	23.2	21.0	2.2	10.48%
<b>Liabilities</b>				
Current liabilities	1.1	1.3	(0.2)	-15.38%
Long-term liabilities	<u>0.2</u>	<u>0.1</u>	<u>0.1</u>	100.00%
Total liabilities	<u>1.3</u>	<u>1.4</u>	<u>(0.1)</u>	-7.14%
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	9.6	9.7	(0.1)	-1.03%
Unrestricted	<u>12.3</u>	<u>9.9</u>	<u>2.4</u>	24.24%
Total net assets	<u>\$ 21.9</u>	<u>\$ 19.6</u>	<u>\$ 2.3</u>	11.73%

# 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, 2012 from the prior year:

	Year Ended June 30		Change	Percent
	2012	2011		
<b>Revenue - Program revenue -</b>				
Charges for services	\$ 13.6	\$ 12.0	\$ 1.6	13.33%
<b>Operating Expenses</b>				
Operating expenses other than depreciation	(10.9)	(10.2)	(0.7)	6.86%
Depreciation	(0.4)	(0.5)	0.1	-20.00%
Total operating expenses	(11.3)	(10.7)	(0.6)	5.61%
<b>Operating Income</b>	2.3	1.3	1.0	76.92%
<b>Interest Income</b>	-	-	-	0.00%
<b>Change in Net Assets</b>	<u>\$ 2.3</u>	<u>\$ 1.3</u>	<u>\$ 1.0</u>	76.92%

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 \$13.6 million in 2012 and expenses were \$11.3 million. The City experienced an overall increase in net assets of \$2.3 million. For fiscal year 2012, as a result of internal efficiencies, no increases in the City's overall water and sewer rate were passed to customers. The City is currently in its fifth 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 year 2012, the City's water and sewer system incurred a 2 percent increase in the volume of water and sewage units purchased and an 11 percent increase in the total volume of water units sold and sewage units treated. This relationship is attributed to a significant increase in the City's unbilled receivables at year end, due to the timing of meter reads. The City's inferred water loss percentage increased from 9.7 percent to 11.2 percent in fiscal year 2012. During fiscal year 2011, the City of Detroit, Michigan made several capital improvements to its meter reading system, which measures the water volume sold or utilized by the City of Roseville, Michigan. 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 have occurred. The City continues to make internal enhancements to its infrastructure to reduce overall water loss, but prior year's more positive water loss percentage may have been influenced to some degree by inaccurate information being generated by Detroit's aging equipment. During fiscal year 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 was formally completed in August 2012, with critical improvements to the City's aging water and sewer infrastructure beginning shortly afterwards. For fiscal year 2013, City Council has approved a 4 percent rate increase, which was consistent with the rate 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. 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 2012 include the General Fund, the Major and Local Streets Funds, the Library Fund, 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 \$17.1 million in 2012, 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 \$3 million during fiscal year 2012. This decrease is directly attributed to lower property tax revenue (due to decreased taxable values) combined with the \$4.3 million funding for current retiree and post-retiree healthcare benefits, in addition to the \$0.5 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)

In July 2011, the City Councils of Roseville and Eastpointe created the "Recreation Authority of Roseville and Eastpointe," which is responsible for administering recreation programs and senior activities in their respective communities. In November 2011, voters of each community authorized a 1 mill tax levy to finance operations of the authority, which expires in 2031. Historically, recreation programming and senior activities for the City of Roseville, Michigan were reflected as separate departments and included in the City's general operating budget. Subsequent to January 2012, all recreation programming and senior activities became the financial responsibility of the "Recreation Authority." The "Recreation Authority" is a separate legal entity and as such separately issues a financial report at year end.

In August 2011, City Council passed a resolution authorizing a 1 mill tax levy dedicated to finance operations of the Roseville Public Library under Public Act 164. There is no expiration date related to this levy. Activity related to the Roseville Public Library has historically been reflected as a separate department included in the City's general operating budget. Subsequent to August 2011, activity related to the Roseville Public Library is presented as a separate fund and reflected in the City's government-wide financial statements.

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 year 2012, fund balance in the Major Streets Fund increased by \$283,000 as prior year road improvement projects near completion. For 2012, fund balance in the Local Streets Fund increased by \$13,000 due to increased transfers received from other funds. Historically, the General Fund would have recorded a year-end transfer to the Local Streets Fund to support future road projects. Due to lower property tax revenue, these resources were not available to transfer in 2012. 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 Project 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. At June 30, 2009, construction on the Lake St. Clair Clean Water Initiative project was finally completed. In 2011, the County reallocated project costs and the related indebtedness among the participating municipalities during the final accounting for the project. In March 2012, City Council recommitted \$3 million of the fund's financial reserves for future road improvement projects, of which \$.4 million was expended at June 30, 2012. Special assessment collections, capital grants, and operating transfers from other funds primarily support the activities within this fund. In total, fund balance in the Capital Projects Fund decreased by \$257,000 during fiscal year 2012.

# **City of Roseville, Michigan**

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

### **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 2012. The City originally planned to use approximately \$3.6 million of General Fund fund balance this year but ended up using only \$3.0 million. At year end, actual General Fund revenue and expenditures were consistent with budgeted amounts. For fiscal year 2013 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.

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

At year end, the City had approximately \$90.2 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 year 2012, the total value of the City's infrastructure assets, net of depreciation, increased .6 percent from \$37.4 million in 2011 to \$38 million in 2012. 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.

During 2012, the City transferred approximately \$1.6 million in net assets to the Recreation Authority of Roseville and Eastpointe. The "Recreation Authority" was created under Public Act 32 to provide recreation programs and senior activities to the citizenship of these communities. At inception, the City Councils of Roseville and Eastpointe committed to contribute real and personal property to the authority limited to the City of Roseville Recreation Center, 18185 Sycamore, Roseville, MI and the City of Eastpointe Community Center, 16435 Eight Mile Road, Eastpointe, MI. The articles permit any participating municipality, including the City of Roseville, Michigan, 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.

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 year 2012 consisted of approximately \$1.1 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.

# City of Roseville, Michigan

## Management's Discussion and Analysis (Continued)

### 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 five years, property assessments have declined and continued decreases are anticipated for 2013. Property taxes account for 57 percent of the City’s General Fund operating budget. Total property assessments decreased by 3 percent in 2009 and by approximately 11 percent annually thereafter for 2010, 2011, and 2012. The City’s Assessor estimates an additional 8 percent decrease to incur in 2013. 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. Declining property tax revenue is projected to result in a cumulative loss of over \$10 million over the next four years. For example, in 2013 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, even with the inclusion of the “Library Authority” and “Recreation Authority” millages. 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.

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 2012 were \$4.1 million, even after stringent EVIP compliance. Revenue sharing represents approximately 11 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 over \$25 million more in state funding since 2000. Due to the State’s financial restructuring, the City anticipates future revenue-sharing payments to remain constant in the short term.

# City of Roseville, Michigan

## Management's Discussion and Analysis (Continued)

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. Although the city was able to negotiate concessions to negate most of its contractual obligations such as negotiated wage increases, other expenses such as pension contributions, and healthcare benefits have increased 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 2012 and beyond, City management anticipates overall expenses to increase, on average, 2 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 marginally per year, after extensive plan restructurings (due to the hard cap) and other related insurance changes. The City is currently 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 declining property tax revenue, the most adverse impact to fiscal year 2012 and beyond continues to 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 seven years to fund future retiree medical costs, the City, like most communities, remains severely underfunded 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 2012, the City's General Fund fund balance declined from \$7.4 million to \$4.3 million. The City's 2012-2013 operating budget is a balanced document and reflects no utilization of fund balance. In June 2012, City Council voted to increase the levies supporting refuse collection (1.2688 mills), debt service (.1615 mills), and general operations (.0391 mills). The 2012-2013 operating budget is predicated on utilizing savings generated from comprehensive contract wage and benefit restructuring with city unions. It is important to note, however, three of the City's seven collective bargaining contracts (fire and two police unions) remain unsettled as of December, 2012. The membership of these three unions constitutes over half of the total full-time employees of the City. The City has recently begun the budgetary process for fiscal year 2013-2014, at which time the financial status of fiscal year 2013 will be re-evaluated. The City is currently projecting budgetary deficits of over \$2 million for fiscal year 2013-2014, attributed to recent declines in property values and other economic factors. At that time, without additional savings and/or revenue sources, the City's financial reserves will be severely comprised. 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.

# **City of Roseville, Michigan**

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

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 volatile market values, the City continues to face unprecedented and permanent structural financial challenges. City government is a service to City residents and therefore, its primary costs are personnel related. At present, the City is negotiating immediate and long-term savings from all its collective bargaining units in order to eliminate the use of fund balance reserves, maintain core services, and avoid future 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. To complicate matters further, the State of Michigan is anticipated to eliminate personal property taxes for business in December 2012, which makes up 2.2 million of the General Fund's revenues. Although the City's management has been assured of some form of replacement, how much will be replaced and the source of the funding is unknown at this time. 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 cities 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, Michigan. The authority contracts with the City to provide certain fiscal and technology assistance for an annual fee. In addition, in July 2011, the cities of Roseville and Eastpointe created a legal entity known as the "Recreation Authority of Roseville & Eastpointe," which is responsible for administering recreation programs and senior activities in their respective communities. The Recreation Authority was created as a separate legal entity under Public Act 32 and is governed by an "Administrative Policy Board." The authority contracts with the City of Roseville, Michigan to provide certain administrative assistance for an annual fee.

### **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, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments (Note 3)	\$ 33,731,756	\$ 8,717,564	\$ 42,449,320
Receivables:			
Property taxes receivable - Net of allowance	431,251	-	431,251
Receivables from sales to customers on account	-	4,214,840	4,214,840
Accrued interest receivable	31,762	23	31,785
Other receivables	2,658,673	13,710	2,672,383
Due from other governmental units	2,239,347	-	2,239,347
Special assessments receivable	27,461	-	27,461
Internal balances (Note 6)	(190,488)	190,488	-
Inventory	646,714	118,434	765,148
Prepaid expenses and other assets	229,361	314,440	543,801
Restricted assets	13,975	-	13,975
Investment in joint ventures (Note 12)	8,358,958	-	8,358,958
Capital assets (Note 5):			
Assets not subject to depreciation	31,032,002	-	31,032,002
Assets subject to depreciation	49,530,897	9,590,511	59,121,408
Total assets	128,741,669	23,160,010	151,901,679
<b>Liabilities</b>			
Accounts payable	3,954,290	833,041	4,787,331
Due to other governmental units	-	155,425	155,425
Refundable deposits, bonds, etc.	139,239	12,749	151,988
Accrued liabilities and other	1,601,284	34,658	1,635,942
Noncurrent liabilities (Note 7):			
Due within one year:			
Compensated absences	1,531,707	145,828	1,677,535
Current portion of long-term debt	1,166,034	-	1,166,034
Due in more than one year:			
Compensated absences - Net of current portion	1,651,045	121,784	1,772,829
Long-term debt	12,162,347	-	12,162,347
Total liabilities	22,205,946	1,303,485	23,509,431
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	67,248,493	9,590,511	76,839,004
Restricted for:			
Streets and highways	5,751,111	-	5,751,111
Debt service	2,649,898	-	2,649,898
Drug law enforcement	2,393,902	-	2,393,902
Library authority	202,360	-	202,360
Grants	377,575	-	377,575
Capital improvements	23,975	-	23,975
Unrestricted	27,888,409	12,266,014	40,154,423
Total net assets	<b>\$ 106,535,723</b>	<b>\$ 21,856,525</b>	<b>\$ 128,392,248</b>

# 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	\$ 15,789,556	\$ 3,981,094	\$ 1,253,233	\$ -
Public safety	17,854,499	2,094,139	1,366,819	-
Public works	6,242,436	252,134	2,957,072	1,541,948
Construction and development	1,454,142	-	-	-
Community and economic development	226,019	-	-	-
Recreation and culture	3,040,005	719,508	64,976	-
Interest on long-term debt	475,069	-	-	-
Total governmental activities	45,081,726	7,046,875	5,642,100	1,541,948
Business-type activities - Water and sewer	11,404,541	13,623,854	-	-
Total primary government	<b>\$ 56,486,267</b>	<b>\$ 20,670,729</b>	<b>\$ 5,642,100</b>	<b>\$ 1,541,948</b>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
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, 2012**

Net (Expense) Revenue and Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (10,555,229)	\$ -	\$ (10,555,229)
(14,393,541)	-	(14,393,541)
(1,491,282)	-	(1,491,282)
(1,454,142)	-	(1,454,142)
(226,019)	-	(226,019)
(2,255,521)	-	(2,255,521)
(475,069)	-	(475,069)
(30,850,803)	-	(30,850,803)
-	2,219,313	2,219,313
(30,850,803)	2,219,313	(28,631,490)
23,706,003	-	23,706,003
4,275,112	-	4,275,112
9,398	2,499	11,897
863,627	-	863,627
452,257	-	452,257
29,306,397	2,499	29,308,896
(4,729)	4,729	-
(1,549,135)	2,226,541	677,406
108,084,858	19,629,984	127,714,842
<b>\$ 106,535,723</b>	<b>\$ 21,856,525</b>	<b>\$ 128,392,248</b>

# City of Roseville, Michigan

## Governmental Funds Balance Sheet June 30, 2012

	General Fund	Major Special Revenue Funds			Capital Projects Fund	Nonmajor Funds	Total
		Major Streets Fund	Local Streets Fund	Library Fund			
<b>Assets</b>							
Cash and investments (Note 3)	\$ 2,843,285	\$ 3,755,206	\$ 1,492,503	\$ 1,020,199	\$ 4,644,970	\$ 4,799,317	\$ 18,555,480
Receivables:							
Property taxes receivable	421,193	-	-	5,716	-	13,342	440,251
Special assessments receivable	-	-	-	-	27,461	-	27,461
Accrued interest receivable	31,762	-	-	-	-	-	31,762
Other receivables	2,562,990	-	-	50,758	6,363	239,460	2,859,571
Due from other governmental units	1,358,607	408,495	116,247	-	-	355,998	2,239,347
Due from other funds (Note 6)	2,935,133	-	-	-	-	76,321	3,011,454
Due from Employees' Pension Trust Fund (Note 6)	119,011	-	-	-	-	-	119,011
Inventory	-	-	-	-	-	172,000	172,000
Prepaid expenses and other assets	211,476	-	-	1,786	-	410	213,672
Restricted assets	-	-	-	-	13,975	-	13,975
<b>Total assets</b>	<b>\$ 10,483,457</b>	<b>\$ 4,163,701</b>	<b>\$ 1,608,750</b>	<b>\$ 1,078,459</b>	<b>\$ 4,692,769</b>	<b>\$ 5,656,848</b>	<b>\$ 27,683,984</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 2,465,721	\$ 21,340	\$ -	\$ 20,334	\$ 392,902	\$ 64,567	\$ 2,964,864
Due to other funds (Note 6)	64,187	-	-	848,232	-	135,732	1,048,151
Refundable deposits, bonds, etc.	124,579	-	-	-	-	14,660	139,239
Accrued liabilities and other	1,461,965	-	-	7,533	-	20,514	1,490,012
Deferred revenue (Note 4)	1,573,826	66,943	-	4,215	33,515	398,172	2,076,671
Compensated absences	471,002	-	-	-	-	-	471,002
<b>Total liabilities</b>	<b>6,161,280</b>	<b>88,283</b>	<b>-</b>	<b>880,314</b>	<b>426,417</b>	<b>633,645</b>	<b>8,189,939</b>
<b>Fund Balances</b>							
Nonspendable:							
Prepays	211,476	-	-	1,786	-	410	213,672
Inventory/Assets held for resale	-	-	-	-	-	172,000	172,000
Restricted:							
Streets and highways	-	4,075,418	1,608,750	-	-	-	5,684,168
Debt service	-	-	-	-	-	2,638,913	2,638,913
Grants	-	-	-	-	-	51,502	51,502
Capital improvements	10,000	-	-	-	13,975	-	23,975
Library authority	-	-	-	196,359	-	-	196,359
Drug law enforcement	-	-	-	-	-	2,160,378	2,160,378
Committed - Road construction projects	-	-	-	-	2,607,210	-	2,607,210
Assigned:							
Compensated absences	1,060,705	-	-	-	-	-	1,060,705
Capital projects	-	-	-	-	1,645,167	-	1,645,167
Unassigned	3,039,996	-	-	-	-	-	3,039,996
<b>Total fund balances</b>	<b>4,322,177</b>	<b>4,075,418</b>	<b>1,608,750</b>	<b>198,145</b>	<b>4,266,352</b>	<b>5,023,203</b>	<b>19,494,045</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,483,457</b>	<b>\$ 4,163,701</b>	<b>\$ 1,608,750</b>	<b>\$ 1,078,459</b>	<b>\$ 4,692,769</b>	<b>\$ 5,656,848</b>	<b>\$ 27,683,984</b>

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

# City of Roseville, Michigan

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets June 30, 2012

<b>Fund Balance Reported in Governmental Funds</b>	\$ 19,494,045
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	80,562,899
Investments in joint ventures are not financial resources and are not reported in the funds	8,358,958
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	2,076,671
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(13,328,381)
Bond premium/discount is not due and payable in the current period and is not reported in the funds	15,689
Accrued interest is not due and payable in the current period and is not reported in the funds	(111,271)
Allowance for doubtful accounts is not reported in the funds for taxes receivable to be collected over several years	(9,000)
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	(2,711,750)
Inventory is not available to pay for current period expenditures	474,714
Internal service funds are included as part of governmental activities	<u>11,713,149</u>
<b>Net Assets of Governmental Activities</b>	<b><u><u>\$ 106,535,723</u></u></b>

# City of Roseville, Michigan

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2012

	Major Special Revenue Funds				Capital Projects Fund	Nonmajor Funds	Total
	General Fund	Major Streets Fund	Local Streets Fund	Library Fund			
<b>Revenue</b>							
Property taxes	\$ 21,478,034	\$ -	\$ -	\$ 1,012,558	\$ -	\$ 1,205,029	\$ 23,695,621
Licenses and permits	769,854	-	-	-	-	-	769,854
Federal grants	506,374	-	-	-	-	1,056,832	1,563,206
State-shared revenue and grants	4,168,450	2,387,892	702,452	50,699	-	-	7,309,493
Charges for services	555,965	-	-	-	-	-	555,965
Fines and forfeitures	2,580,141	-	-	22,692	-	-	2,602,833
Investment income	-	-	-	-	639	3,242	3,881
Rental income	-	-	-	-	15,420	-	15,420
Other revenue:							
Special assessments	-	-	-	-	9,227	-	9,227
Local donations	-	-	-	14,277	-	-	14,277
Cable franchise fees	863,627	-	-	-	-	-	863,627
Other fees and miscellaneous income	2,224,388	-	-	2,546	820	609,793	2,837,547
<b>Total revenue</b>	<b>33,146,833</b>	<b>2,387,892</b>	<b>702,452</b>	<b>1,102,772</b>	<b>26,106</b>	<b>2,874,896</b>	<b>40,240,951</b>
<b>Expenditures</b>							
Current:							
General government	14,090,040	206,229	70,245	-	-	298,981	14,665,495
Public safety	18,027,571	-	-	-	-	780,439	18,808,010
Public works	2,548,125	491,262	985,189	-	395,992	858,295	5,278,863
Construction and development	355,023	891,913	154,560	-	52,646	-	1,454,142
Community and economic development	-	-	-	-	-	226,019	226,019
Recreation and culture	656,723	-	-	904,627	-	227,058	1,788,408
Other charges	-	-	-	-	-	326,121	326,121
Debt service - Interest on long-term debt	-	-	-	-	-	478,886	478,886
<b>Total expenditures</b>	<b>35,677,482</b>	<b>1,589,404</b>	<b>1,209,994</b>	<b>904,627</b>	<b>448,638</b>	<b>3,195,799</b>	<b>43,025,944</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(2,530,649)</b>	<b>798,488</b>	<b>(507,542)</b>	<b>198,145</b>	<b>(422,532)</b>	<b>(320,903)</b>	<b>(2,784,993)</b>
<b>Other Financing Sources (Uses)</b>							
Proceeds from sale of capital assets	5,200	-	-	-	175,401	8,868	189,469
Transfers in (Note 6)	-	-	520,303	-	-	509,322	1,029,625
Transfers out (Note 6)	(508,500)	(515,574)	-	-	(10,280)	-	(1,034,354)
<b>Total other financing (uses) sources</b>	<b>(503,300)</b>	<b>(515,574)</b>	<b>520,303</b>	<b>-</b>	<b>165,121</b>	<b>518,190</b>	<b>184,740</b>
<b>Net Change in Fund Balances</b>	<b>(3,033,949)</b>	<b>282,914</b>	<b>12,761</b>	<b>198,145</b>	<b>(257,411)</b>	<b>197,287</b>	<b>(2,600,253)</b>
<b>Fund Balances - Beginning of year</b>	<b>7,356,126</b>	<b>3,792,504</b>	<b>1,595,989</b>	<b>-</b>	<b>4,523,763</b>	<b>4,825,916</b>	<b>22,094,298</b>
<b>Fund Balances - End of year</b>	<b>\$ 4,322,177</b>	<b>\$ 4,075,418</b>	<b>\$ 1,608,750</b>	<b>\$ 198,145</b>	<b>\$ 4,266,352</b>	<b>\$ 5,023,203</b>	<b>\$ 19,494,045</b>

# 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, 2012**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (2,600,253)</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	1,679,995
Depreciation expense	(2,301,361)
Net book value of assets disposed of or contributed to joint venture	(1,649,910)
Contributed assets not reported in the funds	728,459
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	892,419
Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets	(272,636)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,098,270
Change in accrued interest payable and other	3,818
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	510,751
Purchase of inventory is an expense in the governmental funds, but not in the statement of activities, where it increases inventory asset balance	(70,981)
Joint venture loss	(84,907)
Other retirement healthcare obligation expenses are recognized in the statement of activities, but not in the governmental funds, where they increase liabilities	336,814
Internal service funds are included as part of governmental activities	180,387
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ (1,549,135)</u></b>

# City of Roseville, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2012

	Enterprise Fund	Governmental Activities
	Water and Sewer Fund	Proprietary Internal Service Funds
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 8,717,564	\$ 14,705,670
Receivables:		
Receivables from sales to customers on account	4,214,840	-
Accrued interest receivable	23	-
Other receivables	13,710	40,788
Due from other funds	213,194	1,685
Inventory	118,434	-
Prepaid expenses and other assets	314,440	109,908
Total current assets	13,592,205	14,858,051
Noncurrent assets - Capital assets - Assets subject to depreciation (Note 5)	9,590,511	-
Total assets	23,182,716	14,858,051
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	833,041	-
Due to other governmental units	155,425	-
Due to other funds (Note 6)	22,706	2,155,476
Refundable deposits, bonds, etc.	12,749	-
Accrued liabilities and other	34,658	-
Compensated absences (Note 7)	145,828	-
Provision for claims	-	989,426
Total current liabilities	1,204,407	3,144,902
Noncurrent liabilities - Compensated absences - Net of current portion (Note 7)	121,784	-
Total liabilities	1,326,191	3,144,902
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	9,590,511	-
Unrestricted	12,266,014	11,713,149
Total net assets	\$ 21,856,525	\$ 11,713,149

# City of Roseville, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2012

	Enterprise Fund	Governmental Activities
	Water and Sewer Fund	Proprietary Internal Service Funds
<b>Operating Revenue</b>		
Sale of water	\$ 2,040,365	\$ -
Sewage disposal charges	6,518,074	-
Maintenance charges	4,686,272	-
Interest and penalty charges	308,621	-
Other miscellaneous revenue	70,522	-
Charges to other funds	-	7,545,338
	13,623,854	7,545,338
Total operating revenue		
<b>Operating Expenses</b>		
Cost of water	1,808,337	-
Cost of sewage treatment	6,572,888	-
Billing and administrative costs	1,820,047	-
Benefit payments and other costs	766,949	7,364,951
Depreciation	436,320	-
	11,404,541	7,364,951
Total operating expenses		
<b>Operating Income</b>	2,219,313	180,387
<b>Nonoperating Revenue</b>	2,499	-
<b>Income - Before transfers</b>	2,221,812	180,387
<b>Transfers In (Note 6)</b>	4,729	-
<b>Change in Net Assets</b>	2,226,541	180,387
<b>Net Assets - Beginning of year</b>	19,629,984	11,532,762
<b>Net Assets - End of year</b>	\$ 21,856,525	\$ 11,713,149

# City of Roseville, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2012

	Enterprise Fund	Governmental Activities
	Water and Sewer Fund	Proprietary Internal Service Funds
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 12,086,046	\$ 7,900,128
Receipts (payments) from interfund services and reimbursements	(213,194)	488
Payments to suppliers	(9,292,198)	-
Payments to employees	(1,772,963)	-
Internal activity - Payments to other funds	22,634	2,155,476
Claims paid	-	(7,343,790)
	830,325	2,712,302
<b>Net cash provided by operating activities</b>	830,325	2,712,302
<b>Cash Flows from Noncapital Financing Activities</b> - Transfers from other funds	4,729	-
<b>Cash Flows from Capital and Related Financing Activities</b> - Purchase of capital assets	(313,531)	-
<b>Cash Flows from Investing Activities</b> - Interest received on investments	2,499	-
	524,022	2,712,302
<b>Net Increase in Cash and Cash Equivalents</b>	524,022	2,712,302
<b>Cash and Cash Equivalents</b> - Beginning of year	8,193,542	11,993,368
<b>Cash and Cash Equivalents</b> - End of year	<b>\$ 8,717,564</b>	<b>\$ 14,705,670</b>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>		
Operating income	\$ 2,219,313	\$ 180,387
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization	436,320	-
Changes in assets and liabilities:		
Receivables	(1,535,014)	354,790
Due from others	(213,194)	488
Inventories	19,771	-
Prepaid and other assets	(15,195)	-
Accounts payable	(184,834)	-
Due to others	22,634	2,155,476
Estimated claims liability	-	21,161
Accrued and other liabilities	47,084	-
Due to other governmental units	36,234	-
Cash bond and deposits	(2,794)	-
	<b>\$ 830,325</b>	<b>\$ 2,712,302</b>

**Noncash Investing, Capital, and Financing Activities** - During the year ended June 30, 2012, there were no noncash activities.

# City of Roseville, Michigan

## Fiduciary Funds Statement of Fiduciary Net Assets June 30, 2012

	Pension and Other Employee Benefits Trust Fund	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 3,357,359	\$ 733,986
Investments:		
U.S. government securities	16,450,901	-
Stocks	82,805,261	-
Bonds	11,735,277	-
Mutual funds	11,157,691	-
Receivables:		
Accrued interest receivable	252,675	-
Other receivables	175,657	-
Prepaid expenses and other assets	901,644	-
Total assets	126,836,465	\$ 733,986
<b>Liabilities</b>		
Accounts payable	5,776	\$ 534,794
Due to primary government	119,011	-
Refundable deposits, bonds, etc.	-	100,517
Accrued liabilities and other	94,451	98,675
Total liabilities	219,238	\$ 733,986
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<b>\$ 126,617,227</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, 2012

	Pension and Other Employee Benefits Trust Fund
<b>Additions</b>	
Investment income (loss):	
Interest and dividends	\$ 2,461,870
Net decrease in fair value of investments	(2,086,569)
Investment-related expenses	(695,128)
Total investment income	(319,827)
Contributions:	
Employer	8,227,557
Employee	1,952,233
Total contributions	10,179,790
Other additions	201,623
Total additions	10,061,586
<b>Deductions</b>	
Benefit payments	15,337,316
Refunds of contributions	1,619,825
Administrative expenses	197,390
Total deductions	17,154,531
<b>Net Decrease in Net Assets Held in Trust</b>	(7,092,945)
<b>Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	133,710,172
<b>Net Assets Held in Trust for Pension and Other Employee Benefits - End of year</b>	<b>\$ 126,617,227</b>

### **Note I - 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.

**Library Fund** - The Library Fund accounts for the resources of the dedicated library property tax millage revenue that is restricted for library activity.

**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 \$1.025 billion, on which taxes levied consisted of 19.000 mills for general operating purposes, 1.219 mills for refuse collections, 0.161 mills for debt service, 1.000 mills for the Chapter 20 Drain Fund, and 1.000 mills for library. This resulted in \$20,828,000 for general operating and refuse collections, \$168,000 for general debt service, \$1,035,000 for the Chapter 20 Drain Fund, and \$1,013,000 for library. These amounts are recognized in the respective General, Debt Service, Chapter 20 Drain, and Library 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."

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

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

**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, 2012, approximately \$471,000 represents the portion reported in the governmental funds.

### **Note I - 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.

**Fund Equity** - 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

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

- **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 Honorable Mayor and Members 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.

**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, 2011		\$ (5,298,163)
Current year permit revenue		603,876
Related expenses:		
Direct costs	\$ 1,042,680	
Estimated indirect costs	<u>104,268</u>	<u>1,146,948</u>
Current year shortfall		<u>(543,072)</u>
Cumulative shortfall at June 30, 2012		<u>\$ (5,841,235)</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.

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.

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

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 \$28,813,458 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, 2012

### 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	\$ 2,445,746	0.82
Municipal bonds	<u>2,450,760</u>	0.80
Total	<u>\$ 4,896,506</u>	
Employees' Retirement System:		
U.S. government agency securities	\$ 15,819,079	20.90
Corporate bonds	9,162,529	8.19
Foreign bonds	1,109,109	6.72
Municipal bonds	<u>1,134,108</u>	13.49
Total	<u>\$ 27,224,825</u>	
Retiree Health Care Benefits Trust:		
U.S. government agency securities	\$ 631,822	3.52
Corporate bonds	<u>329,532</u>	1.87
Total	<u>\$ 961,354</u>	

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2012

### 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	\$ 481,370	AAA	S&P
Municipal bonds	1,211,391	AA+ to AA-	S&P
Municipal bonds	336,951	A+ to A	S&P
Municipal bonds	70,001	SP-1+	S&P
Municipal bonds	351,047	Not Rated	-
Pooled funds	<u>11,048,251</u>	AI	Moody's
Total	<u>\$ 13,499,011</u>		
Employees' Retirement System:			
Corporate bonds	\$ 1,684,174	AAA	S&P
Corporate bonds	691,615	AA+ to AA-	S&P
Corporate bonds	3,486,711	A+ to A-	S&P
Corporate bonds	2,337,425	BBB+ to BBB-	S&P
Corporate bonds	136,496	BB+ to BB-	S&P
Corporate bonds	661,434	Not rated	-
Foreign bonds	150,341	AA+ to AA-	S&P
Foreign bonds	590,134	A+ to A-	S&P
Foreign bonds	368,634	BBB+ to BBB-	S&P
Municipal bonds	138,899	AAA+ to AAA-	S&P
Municipal bonds	752,229	AA+ to AA-	S&P
Municipal bonds	185,262	A+ to A-	S&P
Municipal bonds	57,718	Not rated	-
Collateralized mortgage obligations - Corporate	164,674	AAA	S&P
Pooled funds	<u>3,626,232</u>	Not rated	-
Total	<u>\$ 15,031,978</u>		
Retiree Health Care Benefits Trust:			
Corporate bonds	\$ 43,688	AA+ to AA-	S&P
Corporate bonds	160,090	A+ to A-	S&P
Corporate bonds	125,754	BBB+ to BBB-	S&P
Pooled funds	<u>433,005</u>	Not rated	-
Total	<u>\$ 762,537</u>		

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

**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 22.4153 percent of the Employees' Retirement System's total investments.

**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, 2012, 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, 2012 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, 2012, 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, 2012 were \$6,805,676 and \$6,764,430, respectively.

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2012

### 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	\$ 404,146
Special assessments	26,522
State grant and categorical aid payment received prior to meeting all eligibility requirements	566,475
Federal grant and categorical aid payment received prior to meeting all eligibility requirements	579,232
Other	<u>500,296</u>
Total	<u>\$ 2,076,671</u>

### Note 5 - Capital Assets

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

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance June 30, 2012</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated - Land	\$ 31,530,832	\$ -	\$ 498,830	\$ 31,032,002
Capital assets being depreciated:				
Infrastructure	74,364,989	1,671,020	-	76,036,009
Buildings and improvements	17,818,754	587,096	2,269,935	16,135,915
Machinery and equipment	14,795,199	150,338	221,301	14,724,236
Subtotal	<u>106,978,942</u>	<u>2,408,454</u>	<u>2,491,236</u>	<u>106,896,160</u>
Accumulated depreciation:				
Infrastructure	36,897,963	1,129,117	-	38,027,080
Buildings and improvements	8,204,776	439,539	1,193,464	7,450,851
Machinery and equipment	11,301,319	732,705	146,692	11,887,332
Subtotal	<u>56,404,058</u>	<u>2,301,361</u>	<u>1,340,156</u>	<u>57,365,263</u>
Net capital assets being depreciated	<u>50,574,884</u>	<u>107,093</u>	<u>1,151,080</u>	<u>49,530,897</u>
Net capital assets	<u>\$ 82,105,716</u>	<u>\$ 107,093</u>	<u>\$ 1,649,910</u>	<u>\$ 80,562,899</u>

During the year ended June 30, 2102, the City transferred assets with net book value of \$1,616,173 to RARE (Recreational Authority Roseville Eastpointe). This transfer is included in the transfer disposal column noted above.

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2012

### Note 5 - Capital Assets (Continued)

	Balance July 1, 2011	Adjustments	Additions	Disposals	Balance June 30, 2012
<b>Business-type Activities</b>					
Capital assets being depreciated:					
Water and sewer lines	\$ 22,208,130	\$ -	\$ 259,610	\$ -	\$ 22,467,740
Buildings and improvements	126,654	-	-	-	126,654
Machinery and equipment	3,530,930	26,047	53,921	-	3,610,898
Subtotal	25,865,714	26,047	313,531	-	26,205,292
Accumulated depreciation:					
Water and sewer lines	13,093,467	-	333,418	-	13,426,885
Buildings and improvements	120,131	-	1,087	-	121,218
Machinery and equipment	2,938,816	26,047	101,815	-	3,066,678
Subtotal	16,152,414	26,047	436,320	-	16,614,781
Net capital assets	\$ 9,713,300	\$ -	\$ (122,789)	\$ -	\$ 9,590,511

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

Governmental activities:

General government	\$ 185,785
Public safety	582,062
Public works	1,223,636
Recreation and culture	309,878
Total governmental activities	<u>\$ 2,301,361</u>

Business-type activities - Water and sewer \$ 436,320

**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 \$257,974 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	Library Fund	Water and Sewer Fund	Internal Service Fund - Employee Benefit Fund	Nonmajor Governmental Funds		
General Fund	\$ -	\$ 848,232	\$ 22,706	\$ 1,942,424	\$ 121,771	\$ -	\$ 2,935,133
Water and Sewer Fund	-	-	-	213,052	142	-	213,194
Internal service fund - Workers' Compensation Fund	1,685	-	-	-	-	-	1,685
Nonmajor governmental funds	62,502	-	-	-	13,819	-	76,321
Total	\$ 64,187	\$ 848,232	\$ 22,706	\$ 2,155,476	\$ 135,732	\$ -	\$ 3,226,333

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2012

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

The General Fund has an interfund receivable of \$119,011 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	
Local Streets Fund	\$ -	\$ 515,574	\$ 4,729	\$ 520,303
Building Authority Debt Fund	508,500	-	-	508,500
Chapter 20 Drain Fund	-	-	822	822
Water and Sewer Fund	-	-	4,729	4,729
Total	<u>\$ 508,500</u>	<u>\$ 515,574</u>	<u>\$ 10,280</u>	<u>\$ 1,034,354</u>

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 transfers from the Capital Projects Fund to the 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, 2012

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

The City has the following long-term debt outstanding at June 30, 2012:

Description	Amount
Governmental activities:	
General obligations:*	
Unlimited Tax General Obligation Library Bonds	\$ 780,000
Building Authority Limited Tax General Obligation Refunding Bonds - Series 2006	3,505,000
Lake St. Clair Water Initiative Drainage District - 2001 Series A	1,887,677
Lake St. Clair Water Initiative Drainage District - 2002 Series A	417,037
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-01	2,687,465
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-02	1,895,379
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-03	366,115
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-05	225,343
Lake St. Clair Water Initiative Drainage District - 2004 Series A	1,291,729
Southeast Michigan Regional Energy Office - Interior Lighting Agreement	118,121
Southeast Michigan Regional Energy Office - Exterior Lighting Agreement	154,515
Subtotal	13,328,381
Additional obligations - Compensated absences	3,182,752
Total governmental activity debt	\$ 16,511,133
Business-type activities - Other obligations - Compensated absences	\$ 267,612

\* 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	\$ 14,154,015	\$ 272,636	\$ (1,098,270)	\$ 13,328,381	\$ 1,166,034
Accumulated compensated absences	3,222,501	1,263,933	(1,303,682)	3,182,752	1,531,707
Total governmental activities	\$ 17,376,516	\$ 1,536,569	\$ (2,401,952)	\$ 16,511,133	\$ 2,697,741
Business-type activities -					
Accumulated compensated absences	\$ 219,806	\$ 131,231	\$ (83,425)	\$ 267,612	\$ 145,828

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2012

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

Total interest expense for the year was approximately \$479,000. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Principal	Interest	Total
2013	\$ 1,166,034	\$ 438,699	\$ 1,604,733
2014	1,178,691	399,030	1,577,721
2015	1,223,108	357,781	1,580,889
2016	1,267,977	314,359	1,582,336
2017	1,086,211	274,984	1,361,195
2018-2022	4,849,992	851,652	5,701,644
2023-2027	1,739,170	318,513	2,057,683
2028-2032	817,198	56,113	873,311
Total	<u>\$ 13,328,381</u>	<u>\$ 3,011,131</u>	<u>\$ 16,339,512</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, 2012, \$3,325,000 of bonds outstanding are considered defeased.

**County Contractual Obligations** - The above contractual obligations to the County are the result of the County issuance of bonds on the City's behalf and other communities involved in the Lake St. Clair Clean Water Initiative Project. The City has pledged to raise property taxes, to the extent permitted by law, if necessary to fund the obligation to repay the County. Proceeds from the County bonds provided financing for the construction of the Lake St. Clair Clean Water Initiative Drainage Districts. The remaining principal and interest to be paid on the bonds total \$11,112,286. During the current year, total property taxes levied to fund drain debt obligations of the City were \$1,035,295 compared to the total principal and interest paid by the City for County-issued debt of \$823,492.

### 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.

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2012

### Note 8 - Risk Management (Continued)

Under the employee medical benefit plan, the City is liable for claims up to a maximum amount of \$200,000 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.

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>2012</u>	<u>2011</u>
Unpaid claims - Beginning of year	\$ 968,265	\$ 959,029
Incurred claims - Including claims incurred but not reported	7,364,951	7,133,014
Claim payments	<u>(7,343,790)</u>	<u>(7,123,778)</u>
Unpaid claims - End of year	<u>\$ 989,426</u>	<u>\$ 968,265</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, 2011, the date of the most recent actuarial valuation, membership consisted of 341 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 245 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.

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

**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, 2012, the City's annual pension cost of \$4,050,761 for the plan was equal to the City's required and actual contribution.

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

	Fiscal Year Ended June 30		
	2012	2011	2010
Annual pension cost (APC)	\$ 4,050,761	\$ 4,691,696	\$ 4,160,914
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation (asset)	\$ (134,306)	\$ -	\$ -

**Funding Status and Funding Progress** - As of June 30, 2011, the most recent actuarial valuation date, the plan was 72.3 percent funded. The actuarial accrued liability for benefits was \$174 million, and the actuarial value of assets was \$126 million, resulting in an unfunded actuarial accrued liability of \$48 million. The covered payroll (annual payroll to active employees covered by the plan) was \$16 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 306.5 percent.

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multi-year 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, 2010, 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 23 years.

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

**Reserves** - As of June 30, 2012, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 21,786,390
Reserve for retired benefit payments	97,485,777

### 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, 2012, the City made payments for postemployment health benefit premiums of \$3,633,034. 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 \$3,781,051 as of June 30, 2012.

**Funding Progress** - For the year ended June 30, 2012, 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:

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2012

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

Annual required contribution (recommended)	\$ 4,502,127
Interest on the prior year's net OPEB obligation	<u>25,437</u>
Annual OPEB cost	4,527,564
Amounts contributed:	
Payments of current premiums	(3,633,034)
Postemployment healthcare expense - General Fund	(983,694)
Advance funding	<u>(250,000)</u>
Decrease in net OPEB obligation	(339,164)
OPEB obligation - Beginning of year	<u>339,164</u>
OPEB obligation - End of year	<u>\$ -</u>

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
6/30/10	6/30/08	\$ 4,438,037	96.8%	\$ 254,048
6/30/11	6/30/10	4,521,181	98.1%	339,164
6/30/12	6/30/10	4,527,564	106.3%	-

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

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

**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.

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.

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2012

### 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	\$ 121,742,028	\$ 3,764,461	\$ 125,506,489
Receivables and other assets	1,313,386	16,590	1,329,976
Liabilities	219,238	-	219,238
Net assets	<u>\$ 122,836,176</u>	<u>\$ 3,781,051</u>	<u>\$ 126,617,227</u>
<b>Statement of Changes in Net Assets</b>			
Investment loss	\$ (131,280)	\$ (188,547)	\$ (319,827)
Contributions	6,296,756	3,883,034	10,179,790
Other additions	201,623	-	201,623
Benefit payments	11,704,282	3,633,034	15,337,316
Other deductions	1,808,235	8,980	1,817,215
Net change in net assets	<u>\$ (7,145,418)</u>	<u>\$ 52,473</u>	<u>\$ (7,092,945)</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, 2012 in the Southeast Macomb Sanitary District of \$7,416,777 is recorded within the governmental activities column of the statement of net assets based on the Southeast Macomb Sanitary District's June 30, 2011 financial statements. 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 \$527,767 is recorded within the governmental activities column of the statement of net assets based on the South Macomb Disposal Authority's June 30, 2011 financial statements.

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

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.

The City is a member of 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. Other members include the cities of St. Clair Shores and Eastpointe. 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. The City's equity interest in SERESA of \$414,414 is recorded within the governmental activities column of the statement of net assets. Complete financial statements for the South East Regional Emergency Services Authority can be obtained from its administrative offices at 18961 Common Road, Roseville, Michigan 48066. 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)**

The City is a member of the Roseville Eastpointe Recreation Authority (RARE), which is responsible for administering recreation programs and senior activities in its respective communities. The other member is the City of Eastpointe. The authority is 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. However, if either member withdraws from the authority, the member is not entitled to the return of any credit for property or money that was transferred to or paid to the authority. As a result, the City has not recorded an equity interest. Complete financial statements for the Roseville Eastpointe Recreation Authority can be obtained from its administrative offices at 18185 Sycamore, Roseville, Michigan 48066. 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 13 - Subsequent Events**

In September 2012, the City issued \$4,455,000 in limited tax general obligation bonds for State Revolving Fund Project No. 5373-01. The 2012 Capital Improvement Bonds mature through October 2033 with a 2.50 percent interest rate. Interest on the bonds will be payable semiannually on April 1 and October 1 of each year beginning on April 1, 2013, but may vary based on the amount and timing of the drawdowns. Principal payments will begin April 1, 2014.

### 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 No. 14 and Statement No. 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.

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.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the City as of July 1, 2014.

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

In June 2012, GASB Statement No. 67, *Financial Reporting for Pension Plans*, was issued by the Governmental Accounting Standards Board. This new standard, which replaces the requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, establishes standards for financial reporting that outline the basic framework for separately issued pension plan financial reports and specifies the required approach to measuring the liability of employer(s) and certain nonemployer contributing entities, about which information is required to be disclosed. GASB Statement No. 67 is required to be adopted for years beginning after June 15, 2013. For the City of Roseville, Michigan, this standard will be adopted for the year ending June 30, 2014.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

## **Required Supplemental Information**

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# City of Roseville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 21,561,863	\$ 21,478,034	\$ 21,478,034	\$ -
Licenses and permits	748,250	769,854	769,854	-
Federal grants	25,000	506,374	506,374	-
State-shared revenue and grants	3,491,643	4,168,450	4,168,450	-
Charges for services	257,500	555,965	555,965	-
Fines and forfeitures	2,798,000	2,580,141	2,580,141	-
Investment income	100,000	-	-	-
Other fees and miscellaneous income	3,244,437	3,088,015	3,088,015	-
Total revenue	32,226,693	33,146,833	33,146,833	-
<b>Expenditures - Current</b>				
General government:				
Governing body	8,282,438	7,224,645	7,224,645	-
Finance/Accounting/Budget department	171,464	225,080	225,080	-
Purchasing	195,086	151,676	151,676	-
Information technology/Data processing	457,809	411,601	411,601	-
Treasurer	361,737	177,182	177,182	-
Assessing	484,400	438,578	438,578	-
Clerk	472,567	469,653	469,653	-
Buildings and grounds	1,346,202	1,205,101	1,205,101	-
Attorney	311,472	311,472	311,472	-
Human resources/Personnel	138,968	144,639	144,639	-
Pension board	111,208	-	-	-
Other	3,075,666	3,330,413	3,330,413	-
Total general government	15,409,017	14,090,040	14,090,040	-
Public safety:				
Police/Sheriff (county)	10,797,501	11,281,419	11,281,419	-
Fire and EMS	5,705,835	5,752,682	5,752,682	-
Building inspections and related	1,208,977	993,470	993,470	-
Total public safety	17,712,313	18,027,571	18,027,571	-
Public works:				
Street construction	882,497	1,072,906	1,072,906	-
Rubbish disposal	2,399,756	2,319,851	2,319,851	-
Street lighting	850,000	908,292	908,292	-
Allocated to other operations	(2,430,000)	(1,752,924)	(1,752,924)	-
Total public works	1,702,253	2,548,125	2,548,125	-

# City of Roseville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Expenditures - Current (Continued)</b>				
Construction and development	\$ 75,000	\$ 355,023	\$ 355,023	\$ -
Recreation and culture:				
Library	442,928	115,322	115,322	-
Parks and recreation	454,704	541,401	541,401	-
Total recreation and culture	<u>897,632</u>	<u>656,723</u>	<u>656,723</u>	<u>-</u>
Total expenditures	<u>35,796,215</u>	<u>35,677,482</u>	<u>35,677,482</u>	<u>-</u>
<b>Excess of Expenditures Over Revenue</b>	(3,569,522)	(2,530,649)	(2,530,649)	-
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	25,000	5,200	5,200	-
Transfers in	700,000	-	-	-
Transfers out	<u>(758,500)</u>	<u>(508,500)</u>	<u>(508,500)</u>	<u>-</u>
Total other financing uses	<u>(33,500)</u>	<u>(503,300)</u>	<u>(503,300)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	(3,603,022)	(3,033,949)	(3,033,949)	-
<b>Fund Balance - Beginning of year</b>	<u>7,356,126</u>	<u>7,356,126</u>	<u>7,356,126</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 3,753,104</u></u>	<u><u>\$ 4,322,177</u></u>	<u><u>\$ 4,322,177</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, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 2,135,000	\$ 2,387,892	\$ 2,387,892	\$ -
Investment income	7,500	-	-	-
Total revenue	2,142,500	2,387,892	2,387,892	-
<b>Expenditures - Current</b>				
General government	200,000	206,229	206,229	-
Public works	945,000	491,262	491,262	-
Construction and development	1,167,718	891,913	891,913	-
Total expenditures	2,312,718	1,589,404	1,589,404	-
<b>Excess of Revenue (Under) Over Expenditures</b>	(170,218)	798,488	798,488	-
<b>Other Financing Sources (Uses)</b>				
Transfers in	3,000	-	-	-
Transfers out	(462,500)	(515,574)	(515,574)	-
<b>Net Change in Fund Balance</b>	(629,718)	282,914	282,914	-
<b>Fund Balance - Beginning of year</b>	3,792,504	3,792,504	3,792,504	-
<b>Fund Balance - End of year</b>	<u>\$ 3,162,786</u>	<u>\$ 4,075,418</u>	<u>\$ 4,075,418</u>	<u>\$ -</u>

# City of Roseville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Local Streets Fund Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 625,000	\$ 702,452	\$ 702,452	\$ -
Investment income	4,750	-	-	-
Total revenue	629,750	702,452	702,452	-
<b>Expenditures - Current</b>				
General government	70,000	70,245	70,245	-
Public works	1,215,000	985,189	985,189	-
Construction and development	80,000	154,560	154,560	-
Total expenditures	1,365,000	1,209,994	1,209,994	-
<b>Excess of Expenditures Over Revenue</b>	(735,250)	(507,542)	(507,542)	-
<b>Other Financing Sources - Transfers in</b>	466,500	520,303	520,303	-
<b>Net Change in Fund Balance</b>	(268,750)	12,761	12,761	-
<b>Fund Balance - Beginning of year</b>	1,595,989	1,595,989	1,595,989	-
<b>Fund Balance - End of year</b>	<u>\$ 1,327,239</u>	<u>\$ 1,608,750</u>	<u>\$ 1,608,750</u>	<u>\$ -</u>

# City of Roseville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Library Fund Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 1,012,558	\$ 1,012,558	\$ 1,012,558	\$ -
State-shared revenue and grants	50,699	50,699	50,699	-
Fines and forfeitures	22,692	22,692	22,692	-
Other revenue:				
Local donations	14,277	14,277	14,277	-
Other miscellaneous income	2,546	2,546	2,546	-
Total revenue	1,102,772	1,102,772	1,102,772	-
<b>Expenditures</b> - Current - Recreation and culture	904,627	904,627	904,627	-
<b>Net Change in Fund Balance</b>	198,145	198,145	198,145	-
<b>Fund Balance</b> - Beginning of year	-	-	-	-
<b>Fund Balance</b> - End of year	<u>\$ 198,145</u>	<u>\$ 198,145</u>	<u>\$ 198,145</u>	<u>\$ -</u>

# City of Roseville, Michigan

## Required Supplemental Information Pension System Schedule of Funding Progress Year Ended June 30, 2012

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
6/30/06	\$ 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
6/30/11	125,962	174,318	48,356	72.3	15,777	306.5

The schedule of employer contributions is as follows:

Fiscal Years Ending	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
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
6/30/12	6/30/10	4,050,761	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, 2011, the latest actuarial valuation, follows:

Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll - Closed
Amortization period (perpetual)	23 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, 2012

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
6/30/10	6/30/08	\$ 4,429,760	96.9 %
6/30/11	6/30/10	4,502,127	98.5
6/30/12	6/30/10	4,502,127	106.9

\* 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

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## Note to Required Supplemental Information Year Ended June 30, 2012

### Budgetary Information

The City is legally subject to the budgetary control requirements of State of Michigan PA 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 PA 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, 2012

### 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, 2012. The impact on total budgeted revenue and expenditures is as follows:

	Revenue (Including Other Financing Sources) Increases	Expenditures (Including Transfers Out) Decreases
General Fund	\$ 200,340	\$ (368,733)
Major Streets Fund	242,392	(670,240)
Local Streets Fund	72,702	(155,006)
Library	-	-

The City did not have significant expenditure budget variances.

## **Other Supplemental Information**

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# City of Roseville, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2012

	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	\$ -	\$ -	\$ 9,661	\$ 2,191,064	\$ 14,692	\$ 684,596	\$ 1,899,304	\$ 4,799,317
Receivables:								
Property taxes receivable	-	-	-	-	-	3,506	9,836	13,342
Other receivables	-	-	-	239,460	-	-	-	239,460
Due from other governmental units	152,269	203,729	-	-	-	-	-	355,998
Due from other funds	6,260	7,559	-	-	-	62,502	-	76,321
Inventory	-	172,000	-	-	-	-	-	172,000
Prepaid expenses and other assets	-	-	-	410	-	-	-	410
<b>Total assets</b>	<b>\$ 158,529</b>	<b>\$ 383,288</b>	<b>\$ 9,661</b>	<b>\$ 2,430,934</b>	<b>\$ 14,692</b>	<b>\$ 750,604</b>	<b>\$ 1,909,140</b>	<b>\$ 5,656,848</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Accounts payable	\$ 48,437	\$ 2,651	\$ -	\$ 6,634	\$ -	\$ 536	\$ 6,309	\$ 64,567
Due to other funds	101,683	10,752	7,559	15,738	-	-	-	135,732
Refundable deposits, bonds, etc.	-	-	-	14,660	-	-	-	14,660
Accrued liabilities and other	2,149	-	672	-	-	2,196	15,497	20,514
Deferred revenue	6,260	147,813	-	233,114	-	3,261	7,724	398,172
<b>Total liabilities</b>	<b>158,529</b>	<b>161,216</b>	<b>8,231</b>	<b>270,146</b>	<b>-</b>	<b>5,993</b>	<b>29,530</b>	<b>633,645</b>
<b>Fund Balances</b>								
Nonspendable:								
Prepays	-	-	-	410	-	-	-	410
Inventory / Assets held for resale	-	172,000	-	-	-	-	-	172,000
Restricted:								
Debt service	-	-	-	-	14,692	744,611	1,879,610	2,638,913
Grants	-	50,072	1,430	-	-	-	-	51,502
Drug law enforcement	-	-	-	2,160,378	-	-	-	2,160,378
<b>Total fund balances</b>	<b>-</b>	<b>222,072</b>	<b>1,430</b>	<b>2,160,788</b>	<b>14,692</b>	<b>744,611</b>	<b>1,879,610</b>	<b>5,023,203</b>
<b>Total liabilities and fund balances</b>	<b>\$ 158,529</b>	<b>\$ 383,288</b>	<b>\$ 9,661</b>	<b>\$ 2,430,934</b>	<b>\$ 14,692</b>	<b>\$ 750,604</b>	<b>\$ 1,909,140</b>	<b>\$ 5,656,848</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, 2012

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 168,220	\$ 1,036,809	\$ 1,205,029
Federal grants	585,496	164,483	606	306,247	-	-	-	1,056,832
Investment income	-	-	-	3,242	-	-	-	3,242
Other fees and miscellaneous revenue	55,595	-	-	554,198	-	-	-	609,793
<b>Total revenue</b>	<b>641,091</b>	<b>164,483</b>	<b>606</b>	<b>863,687</b>	<b>-</b>	<b>168,220</b>	<b>1,036,809</b>	<b>2,874,896</b>
<b>Expenditures</b>								
Current:								
General government	93,634	32,327	3,020	-	-	170,000	-	298,981
Public safety	-	-	-	420,439	360,000	-	-	780,439
Public works	320,399	-	-	-	-	-	537,896	858,295
Community and economic development	-	226,019	-	-	-	-	-	226,019
Recreation and culture	227,058	-	-	-	-	-	-	227,058
Other charges	-	-	-	-	-	19,322	306,799	326,121
Debt service - Interest on long-term debt	-	-	-	-	148,625	44,665	285,596	478,886
<b>Total expenditures</b>	<b>641,091</b>	<b>258,346</b>	<b>3,020</b>	<b>420,439</b>	<b>508,625</b>	<b>233,987</b>	<b>1,130,291</b>	<b>3,195,799</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>-</b>	<b>(93,863)</b>	<b>(2,414)</b>	<b>443,248</b>	<b>(508,625)</b>	<b>(65,767)</b>	<b>(93,482)</b>	<b>(320,903)</b>
<b>Other Financing Sources</b>								
Proceeds from sale of capital assets	-	-	-	8,868	-	-	-	8,868
Transfers in	-	-	-	-	508,500	-	822	509,322
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,868</b>	<b>508,500</b>	<b>-</b>	<b>822</b>	<b>518,190</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(93,863)</b>	<b>(2,414)</b>	<b>452,116</b>	<b>(125)</b>	<b>(65,767)</b>	<b>(92,660)</b>	<b>197,287</b>
<b>Fund Balances - Beginning of year</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>Fund Balances - End of year</b>	<b>\$ -</b>	<b>\$ 222,072</b>	<b>\$ 1,430</b>	<b>\$ 2,160,788</b>	<b>\$ 14,692</b>	<b>\$ 744,611</b>	<b>\$ 1,879,610</b>	<b>\$ 5,023,203</b>

# City of Roseville, Michigan

## Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2012

	Employee Benefits Fund	Flexible Savings Fund	Workers' Compensation Fund	Total
<b>Assets - Current</b>				
Cash and cash equivalents	\$ 14,563,184	\$ 7,267	\$ 135,219	\$ 14,705,670
Receivables	40,788	-	-	40,788
Due from other funds	-	-	1,685	1,685
Prepaid expenses and other assets	99,908	-	10,000	109,908
Total assets	14,703,880	7,267	146,904	14,858,051
<b>Liabilities - Current liabilities</b>				
Due to other funds	2,155,476	-	-	2,155,476
Provision for claims	858,530	-	130,896	989,426
Total liabilities	3,014,006	-	130,896	3,144,902
<b>Net Assets - Unrestricted</b>	<b>\$ 11,689,874</b>	<b>\$ 7,267</b>	<b>\$ 16,008</b>	<b>\$ 11,713,149</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, 2012

	Employee Benefits Fund	Flexible Savings Fund	Workers' Compensation Fund	Total
<b>Operating Revenue</b> - Charges to other funds	\$ 7,268,013	\$ 74,283	\$ 203,042	\$ 7,545,338
<b>Operating Expenses</b> - Benefit payments and other costs	<u>7,079,110</u>	<u>69,857</u>	<u>215,984</u>	<u>7,364,951</u>
<b>Change in Net Assets</b>	188,903	4,426	(12,942)	180,387
<b>Net Assets</b> - Beginning of year	<u>11,500,971</u>	<u>2,841</u>	<u>28,950</u>	<u>11,532,762</u>
<b>Net Assets</b> - End of year	<u>\$ 11,689,874</u>	<u>\$ 7,267</u>	<u>\$ 16,008</u>	<u>\$ 11,713,149</u>

# City of Roseville, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2012

	Employee Benefits Fund	Flexible Savings Fund	Workers' Compensation Fund	Total
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 7,622,803	\$ 74,283	\$ 203,042	\$ 7,900,128
Receipts from interfund services and reimbursements	-	-	488	488
Internal activity - Payments to other funds	2,155,476	-	-	2,155,476
Claims paid	<u>(7,073,066)</u>	<u>(69,857)</u>	<u>(200,867)</u>	<u>(7,343,790)</u>
Net cash provided by operating activities	<u>2,705,213</u>	<u>4,426</u>	<u>2,663</u>	<u>2,712,302</u>
<b>Net Increase in Cash and Cash Equivalents</b>	2,705,213	4,426	2,663	2,712,302
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>11,857,971</u>	<u>2,841</u>	<u>132,556</u>	<u>11,993,368</u>
<b>Cash and Cash Equivalents - End of year</b>	<u><b>\$14,563,184</b></u>	<u><b>\$ 7,267</b></u>	<u><b>\$ 135,219</b></u>	<u><b>\$14,705,670</b></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ 188,903	\$ 4,426	\$ (12,942)	\$ 180,387
Changes in assets and liabilities:				
Receivables	354,790	-	-	354,790
Due from others	-	-	488	488
Due to others	2,155,476	-	-	2,155,476
Estimated claims liability	<u>6,044</u>	<u>-</u>	<u>15,117</u>	<u>21,161</u>
Net cash provided by operating activities	<u><b>\$ 2,705,213</b></u>	<u><b>\$ 4,426</b></u>	<u><b>\$ 2,663</b></u>	<u><b>\$ 2,712,302</b></u>

# City of Roseville, Michigan

## Other Supplemental Information Statement of Assets and Liabilities Fiduciary Funds June 30, 2012

	Pension Trust Funds			Agency Funds				Total Agency Funds
	Employees' Pension Trust Fund	Retiree Healthcare Benefits Trust Fund	Total Pension Trust Funds	Tax Collections	Misc. Agency	P.A.I.R.	Court	
<b>Assets</b>								
Cash and cash equivalents	\$ 2,924,354	\$ 433,005	\$ 3,357,359	\$ 91	\$ 511,159	\$ 22,434	\$ 200,302	\$ 733,986
Investments:								
U.S. government securities	15,819,079	631,822	16,450,901	-	-	-	-	-
Stocks	80,435,159	2,370,102	82,805,261	-	-	-	-	-
Bonds	11,405,745	329,532	11,735,277	-	-	-	-	-
Mutual funds	11,157,691	-	11,157,691	-	-	-	-	-
Receivables	411,742	16,590	428,332	-	-	-	-	-
Prepaid expenses and other assets	901,644	-	901,644	-	-	-	-	-
<b>Total assets</b>	<b>123,055,414</b>	<b>3,781,051</b>	<b>126,836,465</b>	<b>\$ 91</b>	<b>\$ 511,159</b>	<b>\$ 22,434</b>	<b>\$ 200,302</b>	<b>\$ 733,986</b>
<b>Liabilities</b>								
Accounts payable	5,776	-	5,776	\$ 91	\$ 511,159	\$ 22,434	\$ 1,110	\$ 534,794
Due to primary government	119,011	-	119,011	-	-	-	-	-
Refundable deposits, bonds, etc.	-	-	-	-	-	-	100,517	100,517
Accrued liabilities and other	94,451	-	94,451	-	-	-	98,675	98,675
<b>Total liabilities</b>	<b>219,238</b>	<b>-</b>	<b>219,238</b>	<b>\$ 91</b>	<b>\$ 511,159</b>	<b>\$ 22,434</b>	<b>\$ 200,302</b>	<b>\$ 733,986</b>
<b>Net Assets</b>	<b>\$ 122,836,176</b>	<b>\$ 3,781,051</b>	<b>\$ 126,617,227</b>					

# City of Roseville, Michigan

## Other Supplemental Information Combining Statement of Changes in Fiduciary Net Assets Fiduciary Funds Year Ended June 30, 2012

	Employees' Pension Trust Fund	Retiree Healthcare Benefits Trust Fund	Total
<b>Additions</b>			
Investment income (loss):			
Interest and dividends	\$ 2,365,117	\$ 96,753	\$ 2,461,870
Net decrease in fair value of investments	(1,854,267)	(232,302)	(2,086,569)
Investment-related expenses	(642,130)	(52,998)	(695,128)
Total investment loss	(131,280)	(188,547)	(319,827)
Contributions:			
Employer	4,344,523	3,883,034	8,227,557
Employee	1,952,233	-	1,952,233
Total contributions	6,296,756	3,883,034	10,179,790
Other additions	201,623	-	201,623
Total additions	6,367,099	3,694,487	10,061,586
<b>Deductions</b>			
Benefit payments	11,704,282	3,633,034	15,337,316
Refunds of contributions	1,619,825	-	1,619,825
Administrative expenses	188,410	8,980	197,390
Total deductions	13,512,517	3,642,014	17,154,531
<b>Net (Decrease) Increase in Net Assets Held in Trust</b>	(7,145,418)	52,473	(7,092,945)
<b>Net Assets - Beginning of year</b>	129,981,594	3,728,578	133,710,172
<b>Net Assets - End of year</b>	<u>\$ 122,836,176</u>	<u>\$ 3,781,051</u>	<u>\$ 126,617,227</u>

# City of Roseville, Michigan

## Other Supplemental Information Schedule of Indebtedness June 30, 2012

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2012	2011
<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	11/01/11	\$ 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>\$ 780,000</b>	<b>\$ 950,000</b>

### Building Authority Bonds

Building Authority Limited Tax General Obligation Refunding Bonds - Series 2006

Date of issue - October 1, 2006

Amount of issue - \$4,895,000

	5.10	10/01/11	\$ 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>\$ 3,505,000</b>	<b>\$ 3,865,000</b>

# City of Roseville, Michigan

## Other Supplemental Information Schedule of Indebtedness (Continued) June 30, 2012

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2012	2011
<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	10/01/11	\$ 73,719	\$ -	\$ 73,719
	4.30	10/01/12	76,135	76,135	76,135
	4.30	10/01/13	77,344	77,344	77,344
	4.30	10/01/14	78,552	78,552	78,552
	4.30	10/01/15	82,178	82,178	82,178
	4.30	10/01/16	84,595	84,595	84,595
	4.30	10/01/17	88,220	88,220	88,220
	4.30	10/01/18	90,638	90,638	90,638
	4.30	10/01/19	94,263	94,263	94,263
	4.30	10/01/20	97,888	97,888	97,888
	4.30	10/01/21	102,723	102,723	102,723
	4.30	10/01/22	107,556	107,556	107,556
	4.30	10/01/23	113,599	113,599	113,599
	4.30	10/01/24	119,642	119,642	119,642
	4.30	10/01/25	123,267	123,267	123,267
	4.30	10/01/26	129,310	129,310	129,310
	4.30	10/01/27	135,352	135,352	135,352
	4.30	10/01/28	140,186	140,186	140,186
	4.30	10/01/29	146,229	146,229	146,229
		Total Series A		1,887,677	1,961,396

# City of Roseville, Michigan

## Other Supplemental Information Schedule of Indebtedness (Continued) June 30, 2012

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2012	2011
<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	10/01/11	\$ 16,681	\$ -	\$ 16,681
	4.500	10/01/12	17,692	17,692	17,692
	4.500	10/01/13	17,692	17,692	17,692
	4.550	10/01/14	17,692	17,692	17,692
	4.700	10/01/15	18,704	18,704	18,704
	4.850	10/01/16	19,210	19,210	19,210
	4.950	10/01/17	19,715	19,715	19,715
	5.000	10/01/18	19,715	19,715	19,715
	5.050	10/01/19	20,724	20,724	20,724
	5.100	10/01/20	21,737	21,737	21,737
	5.100	10/01/21	22,242	22,242	22,242
	5.125	10/01/22	24,264	24,264	24,264
	5.125	10/01/23	25,275	25,275	25,275
	5.200	10/01/24	25,781	25,781	25,781
	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	29,319
	5.250	10/01/28	30,330	30,330	30,330
	5.250	10/01/29	31,847	31,847	31,847
Total Series 2002A				417,038	433,719

# City of Roseville, Michigan

## Other Supplemental Information Schedule of Indebtedness (Continued) June 30, 2012

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2012	2011
<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	10/01/11	\$ 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	276,512
		Total SRF Project 5186-01		2,687,465	2,896,975
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	10/01/11	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	194,427
		Total SRF Project 5186-02		1,895,379	2,043,189

# City of Roseville, Michigan

## Other Supplemental Information Schedule of Indebtedness (Continued) June 30, 2012

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2012	2011
<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	10/01/11	\$ 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	37,522	37,522	37,522
		Total SRF Project 5186-03		366,115	394,540
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	10/01/11	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	21,127
		Total SRF Project 5186-05		225,344	241,189

# City of Roseville, Michigan

## Other Supplemental Information Schedule of Indebtedness (Continued) June 30, 2012

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2012	2011
<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	10/01/11	\$ 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				<u>1,291,728</u>	<u>1,337,635</u>
Total County Drain Contract obligations				<u><b>\$ 8,770,746</b></u>	<u><b>\$ 9,308,643</b></u>

# City of Roseville, Michigan

## Other Supplemental Information Schedule of Indebtedness (Continued) June 30, 2012

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2012	2011
<b>Installment Loan Obligations</b>					
Installment loan - Computer software					
Date of issue - May 2008					
Amount of issue - \$151,860					
	-	5/01/12	\$ 30,372	\$ -	\$ 30,372
Total computer software				-	30,372
Installment loan - Interior lighting project					
Date of issue - June 2012					
Amount of issue - \$118,121					
	-	2/28/12	-	-	-
	-	2/28/13	22,960	22,960	-
	-	2/28/14	22,960	22,960	-
	-	2/28/15	22,960	22,960	-
	-	2/28/16	22,960	22,960	-
	-	2/28/17	22,960	22,960	-
	-	2/28/18	3,321	3,321	-
Total interior lighting project				118,121	-

# City of Roseville, Michigan

## Other Supplemental Information Schedule of Indebtedness (Continued) June 30, 2012

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2012	2011
<b>Installment Loan Obligations (Continued)</b>					
Installment loan - Exterior lighting project					
Date of issue - June 2012					
Amount of issue - \$154,515					
	-	2/28/12	\$ -	\$ -	\$ -
	-	2/28/13	10,301	10,301	-
	-	2/28/14	10,301	10,301	-
	-	2/28/15	10,301	10,301	-
	-	2/28/16	10,301	10,301	-
	-	2/28/17	10,301	10,301	-
	-	2/28/18	10,301	10,301	-
	-	2/28/19	10,301	10,301	-
	-	2/28/20	10,301	10,301	-
	-	2/28/21	10,301	10,301	-
	-	2/28/22	10,301	10,301	-
	-	2/28/23	10,301	10,301	-
	-	2/28/24	10,301	10,301	-
	-	2/28/25	10,301	10,301	-
	-	2/28/26	10,301	10,301	-
	-	2/28/27	10,301	10,301	-
Total exterior lighting project				154,515	-
Total installment loan obligations				<b>\$ 272,636</b>	<b>\$ 30,372</b>