

City of Roseville, Michigan

**Financial Report
with Supplemental Information
June 30, 2009**

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, 2009, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Roseville, Michigan as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

To the 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 financial and supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2009 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, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and 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 considered in assessing the results of our audit.

As discussed in Note I, the City implemented GASB No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year. As a result, the government-wide statements and Enterprise Funds now report the cost of retiree health care as those benefits are earned by the employees.

Plante & Moran, PLLC

December 22, 2009

City of Roseville, Michigan

Management's Discussion and Analysis

Using This Annual Report

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

The format of the annual report was modified in 2003 to comply with the reporting requirements of the 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 revenues and expenses, regardless of when cash is actually received or paid.

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

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

Fund Financial Statements

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

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

The City has three kinds of funds:

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

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

The City of Roseville 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, provide 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 of Roseville 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 of Roseville uses Internal Service Funds to account for its self-insurance program and workers' compensation related expenditures. Because these programs predominantly benefit governmental rather than business-type functions, they have been consolidated within the governmental activities in the government-wide financial statements.
- Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources held in those funds are not available to finance the City's programs.

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.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

Required Supplemental Information

The required supplemental information is in addition to the basic financial statements and accompanying notes. 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 Project Fund.

Other Financial and Supplemental Information

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

The City of Roseville as a Whole

The City's combined total net assets increased 4.0 percent from a year ago, increasing from \$113.7 million to \$118.2 million. A review of the governmental activities, separate from the business-type activities, shows an increase of approximately \$4.2 million in total net assets or 4.3 percent, during fiscal 2009. The change in total net assets is primarily attributed to an increase in prepaid assets, greater equity interest recognized in the City's joint venture investments, a net increase in the City's capital assets, and the reduction of current year and long-term debt obligations. The net increase is supported by increased revenues from charges for services type activities despite the effects of lower property tax revenues (due to decreased taxable values), decreased capital grant revenue, and decreased investment income and state-shared revenues. Additionally, the effects of funding retiree healthcare benefits for current and future retirees reduced the City's cash reserves by \$4.2 million. Like many communities, postemployment healthcare premiums have been 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 2009, this obligation was paid entirely by the General Fund.

Business-type activities experienced a \$.3 million increase in total net assets. This increase is primarily attributed to an increase in net capital assets together with disciplined expense control throughout fiscal 2009, despite the effects of lower charges for service activities and capital grant revenues.

Governmental unrestricted net assets, the portion of net assets available to finance day-to-day operations and future growth, increased from \$27.6 million at June 30, 2008 to \$28.3 million at June 30, 2009. The City's unrestricted net assets for business-type activities decreased by \$1.1 million at June 30, 2009.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

In a condensed format, the table below shows the comparison of net assets (in millions of dollars) as of June 30, 2009 to the prior year:

	June 30			
	2009	2008	Change	Percent
Assets				
Current assets	\$ 37.3	\$ 34.7	\$ 2.6	7.49%
Noncurrent assets:				
Investment in joint ventures	7.9	7.7	0.2	2.60%
Restricted assets	0.2	0.2	-	-
Capital assets	<u>80.0</u>	<u>79.0</u>	<u>1.0</u>	1.27%
Total assets	125.4	121.6	3.8	3.13%
Liabilities				
Current liabilities	4.7	4.2	0.5	11.90%
Long-term liabilities	<u>19.6</u>	<u>20.4</u>	<u>(0.8)</u>	-3.92%
Total liabilities	<u>24.3</u>	<u>24.6</u>	<u>(0.3)</u>	-1.22%
Net Assets				
Invested in capital assets -				
Net of related debt	64.0	62.0	2.0	3.23%
Restricted	8.8	7.4	1.4	18.92%
Unrestricted	<u>28.3</u>	<u>27.6</u>	<u>0.7</u>	2.54%
Total net assets	<u>\$ 101.1</u>	<u>\$ 97.0</u>	<u>\$ 4.1</u>	4.23%

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, 2009:

	Year Ended June 30			
	2009	2008	Change	Percent
Revenue				
Program revenue:				
Charges for services	\$ 7.1	\$ 6.7	\$ 0.4	5.97%
Operating grants and contributions	5.0	4.8	0.2	4.17%
Capital grants and contributions	1.2	1.6	(0.4)	-25.00%
General revenue:				
Property taxes and related fees	30.0	30.2	(0.2)	-0.66%
State sources	4.9	5.1	(0.2)	-3.92%
Unrestricted investment earnings	0.6	1.6	(1.0)	-62.50%
Miscellaneous	0.3	0.3	-	0.00%
Cable franchise fees	0.7	0.6	0.1	16.67%
Total revenue	49.8	50.9	(1.0)	-1.96%
Program Expenses				
General government	12.5	12.3	0.2	1.63%
Public safety	19.1	18.9	0.2	1.06%
Public works - Highways and streets	8.2	7.7	0.5	6.49%
Recreation and culture	4.4	3.9	0.5	12.82%
Interest expense	1.6	1.9	(0.3)	-15.79%
Total program expenses	45.8	44.7	1.1	2.46%
Change in Net Assets	\$ 4.0	\$ 6.2	\$ (2.2)	-35.48%

The City's total governmental revenues decreased \$1.1 million from \$50.9 in 2008 to \$49.8 million in 2009. Of this amount, property taxes, which account for approximately 61 percent of total revenue, decreased by \$0.3 million to \$30.0 million due to lower taxable values. State sources, which approximates 10 percent of total revenue or \$4.9 million, and investment earnings, which represents 1.2 percent or \$0.6 million, decreased 4 percent and 63 percent, respectively. These reductions were offset by higher revenues generated from charges for services activities, which support program costs such as building inspections, recreation programs, etc., and amounted to approximately 14 percent of total revenue or \$7.1 million. In addition, the City received \$6.2 million in operating grants, capital grants, and capital contributions from federal and state sources, which accounted for approximately 12 percent of total governmental revenues.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

Total expenditures increased by approximately \$1.1 million, or 2.5 percent, over the previous fiscal year. This increase is attributed to several factors including wage increases in compliance with existing labor agreements, the repayment of certain debt obligations, the combined \$4.7 million supplement to fund current and future retiree healthcare benefits, as well as the continued demand for various governmental services by residents. The net effect of the increase was offset by the cumulative savings realized from various personnel vacancies, cost savings from renegotiated insurance contracts and strong cost control programs, in addition to reductions in interest paid for long-term debt. The City continued to meet its actuarial required contributions for the defined benefit pension system during fiscal 2009. 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 by the City over the past four years to fund future retiree medical costs, the City remains severely under-funded with regard to GASB Statement 45. The new pronouncement, effective June 30, 2009, requires the government-wide financial statement to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. During fiscal 2009, the City was unable to satisfy its actuarial required contribution to the postemployment healthcare benefits trust. At June 30, 2009, the City's outstanding liability with regard to the current funding for postemployment healthcare benefits was approximately \$.1 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, 2009 to the prior year:

	June 30		Change	Percent
	2009	2008		
Assets				
Current assets	\$ 8.5	\$ 9.6	\$ (1.1)	-11.46%
Noncurrent assets - Capital assets	<u>10.2</u>	<u>8.7</u>	<u>1.5</u>	17.24%
Total assets	18.7	18.3	0.4	2.19%
Liabilities				
Current liabilities	1.5	1.3	0.2	15.38%
Long-term liabilities	<u>0.2</u>	<u>0.3</u>	<u>(0.1)</u>	-33.33%
Total liabilities	<u>1.7</u>	<u>1.6</u>	<u>0.1</u>	6.25%
Net Assets				
Invested in capital assets - Net of related debt	10.2	8.7	1.5	17.24%
Unrestricted	<u>6.8</u>	<u>8.0</u>	<u>(1.2)</u>	-15.00%
Total net assets	<u>\$ 17.0</u>	<u>\$ 16.7</u>	<u>\$ 0.3</u>	1.80%

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, 2009 from the prior year:

	Year Ended June 30		Change	Percent
	2009	2008		
Revenue - Program revenue				
Charges for services	\$ 10.9	\$ 11.2	\$ (0.3)	-2.68%
Capital grants and contributions	-	0.9	(0.9)	-100.00%
Total revenue	10.9	12.1	(1.2)	-9.92%
Operating Expenses				
Operating expenses other than depreciation	(10.3)	(11.0)	0.7	-6.36%
Depreciation	(0.4)	(0.3)	(0.1)	33.33%
Total operating expenses	(10.7)	(11.3)	0.6	-5.31%
Operating Income	0.2	0.8	(0.6)	-75.00%
Interest Income	0.1	0.2	(0.1)	-50.00%
Change in Net Assets	<u>\$ 0.3</u>	<u>\$ 1.0</u>	<u>\$ (0.7)</u>	-70.00%

The City's business-type activities are recorded in the Water and Sewer Fund. Water and sewer operations are funded directly by user fees or charges for services. Revenues generated from the City's Water and Sewer Fund totaled \$10.9 million in 2009 and expenses were \$10.7 million. The City experienced an overall increase in net assets of \$.3 million. Due to limited growth within the City, no water and sewer lines or other donated assets were contributed by developers in the current year. For fiscal 2009, City Council raised water and sewer rates 5.8 percent, which was consistent with the rate increases charged by the City of Detroit and South Macomb Sanitary District. The City is currently in its second 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. The City's water and sewer rates 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) 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. For fiscal 2010 and beyond, City management has revised the City's water and sewer rate structure to include a ready to serve base charge on all accounts regardless of usage.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

During fiscal 2009, the City's water and sewer system incurred a 9 percent decrease in the volume of water and sewage units purchased in conjunction with a 6.7 percent decrease in the total volume of water units sold and sewage units treated. This relationship is supported by a 27 percent reduction in the City's inferred water loss percentage, which improved from 9.2 percent in fiscal 2008 to 6.7 percent in fiscal 2009. The City's water loss savings is attributed to several factors including favorable weather conditions, the completion of critical improvements to the City's water and sewer system, and greater efficiencies in repairing water line breaks and performing daily operations. During fiscal 2008, the City received approximately \$.9 million in state funding to identify and assess critical areas within the City's water and sewer infrastructure in need of significant capital improvements. During fiscal 2009, the City completed the formal application process to request \$5.8 million in low interest State Revolving Fund loans, made available by the State of Michigan, to finance the necessary repairs. These critical improvements to the City's aging water and sewer infrastructure are slated to occur during fiscal 2010 and fiscal 2011.

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 2009 include the General Fund, the Major and Local Streets Funds, and the Capital Projects Fund.

The General Fund receives all City revenue not designated for specific use by state statutes or City Charter, and accounts for most of the City's governmental services. The most significant of these are police and fire, which incurred expenditures of approximately \$18.1 million in 2009, before depreciation and other full accrual accounting adjustments. The general operating millage levied by the City supports these two services. Overall, fund balance in the General Fund decreased by \$1.4 million during fiscal 2009. This decrease was the cumulative effect of lower property tax revenues (due to decreased taxable values), decreased investment income, in addition to the \$4.2 million funding for current retiree healthcare benefits, \$.5 million to fund postretiree healthcare benefits, the increase in the actuarial required payment to fund the City's pension system, and the effects of long-term contractual obligations previously entered into by the City.

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. Fund balance in the Major and Local Street Funds increased by approximately \$528,000 and \$535,000, respectively. These increases are the result of closely monitored expenditures for capital improvements to the City's road system in addition to year-end transfers to support future road projects.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

The Capital Projects Fund includes the City's portion of the Lake St. Clair Clean Water Initiative projects 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. Debt proceeds, special assessment collections, and operating transfers from other funds primarily support the activities within this fund. During fiscal 2009, the Lake St. Clair Clean Water Initiative multi-year construction project was finally completed. Upon completion, construction costs incurred and the related indebtedness were reallocated among the participating municipalities. At the close of the project, the City's total debt obligation to Macomb County related to this project was reduced by \$.1 million. During fiscal 2009, total net assets in the Capital Projects Fund increased by approximately \$179,000.

General Fund Budgetary Highlights

City administration and 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 2009. Total budgeted revenues in the General Fund decreased by \$1 million or 2.3 percent due to lower than anticipated charges for services amounts, declines in interest earned on investments, reductions in state-shared revenues, and the timing of reimbursements paid between related funds. In total, General Fund budgeted expenditures decreased by approximately \$.9 million or 2.1 percent attributed to the overall savings realized from personnel vacancies, renegotiated insurance premiums, and various department operational efficiencies. At year end, actual General Fund revenues and expenditures were consistent with budgeted amounts. For fiscal 2010 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 the end of fiscal 2009, the City had approximately \$89.7 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. 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. The total value of the City's infrastructure assets, net of depreciation contained in this report, remained at \$34.4 million and \$33.6 million for fiscal 2009 and 2008, respectively.

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 2009 consisted of \$.9 million in principal and \$.9 million in interest on all outstanding bonds and debt obligations. During fiscal 2009, the Lake St. Clair Clean Water Initiative multi-year construction project was finally completed. Based on the project's final accounting, the City's total debt obligation to Macomb County related to this project was reduced by \$.1 million. 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, 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 plan, the City was bracing for its third consecutive year of budget deficits. Although the tax dollars generated from the additional 5 mills have strengthened the City's overall financial position, the intent of the millage was to provide economic viability for the short run. During this time, the City eliminated or consolidated over 20 full-time positions, negotiated labor concessions resulting in estimated healthcare savings of \$.3 million annually, and further streamlined City departments and operations. Unfortunately, severe reductions in property values combined with deepening cuts in state funding have eroded the positive effects achieved by the City's original turnaround effort.

Since the completion of the 2006 turnaround plan, property assessments have declined in the past two years and larger decreases are anticipated for 2010 and beyond. Property taxes account for 61 percent of the City's General Fund operating budget. Total property assessments decreased 1 percent for 2008, decreased by 3 percent in 2009, and are estimated to decrease another 11 percent in 2010. For example, in 2010 the average homeowner is expected to pay the same amount in taxes as they did prior to the City's 5 mill tax increase approved in 2006. Declining property tax revenue is projected to result in a cumulative loss of \$5 million to \$7 million over the next three years. The City is considered fully developed and does not foresee a great deal of potential growth in the tax base from new construction. In addition, the City's revenue-raising capacity is limited as a result of levying at the Headlee limit. Due to limitations imposed by Proposal A, the gap between assessed value and taxable value has been almost eliminated and property owners' tax bills have begun to decrease by the full assessment decline. Even when 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 even if the real estate market begins to improve.

In addition, the City's second largest revenue source, state revenue sharing, has been cut by the State of Michigan for each of the last eight years. In 2000, the City received \$6.3 million in revenue-sharing payments from the State of Michigan. State-shared revenue payments in 2009 were approximately \$4.7 million, which represents approximately 10 percent of the General Fund operating budget. The true effects of declining state-shared revenues 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 realized an additional \$17.9 million in state funding since 2000. The City anticipates that the State's budget deficit will cause additional reductions in revenue sharing. In fiscal 2009, the State legislature reduced the City's revenue sharing amount by \$.2 million. For fiscal 2010, revenue sharing has been further reduced by an additional \$.5 million, causing the City's total 2010 revenue-sharing allotment to fall to \$4.1 million. The state revenue-sharing payments received by the City are now \$2 million less than the amount the City received in 2000.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

Expenses, on the other hand, continue to rise faster than inflation in areas which are contractual in nature and are beyond the immediate control of City management. Although City departments continue to make concerted efforts to keep departmental expenditures at a minimum, contractual obligations continue to adversely influence the City's bottom line. Contractual obligations such as negotiated wage increases, pension contributions, and healthcare benefits are increasing at rates in excess of inflation. While our pension system is fully funded, we continue to experience dramatic increases in pension fund contribution requirements due to volatile financial markets. For 2010 and beyond, City management anticipates overall expenses to increase on average 5 percent annually. The City remains self-insured for medical and workers' compensation claims which is the most cost-effective structure possible. Medical claims are estimated to increase 8 percent per year, after consideration of plan restructuring and other related insurance savings. The City will soon begin to re-negotiate labor contracts to further 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. Next to the decline in property tax revenue, the most adverse impact to fiscal 2010 will be the required \$4.4 million funding for current and future retiree healthcare benefits. GASB Statement 45, 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 by the City over the past four years to fund future retiree medical costs, the City remains severely under-funded with regard to the new pronouncement.

The State's depressed economy has only intensified the City's already weakening financial position. As such, the City has been forced to utilize its financial reserves to supplement day-to-day operations. In 2009, the City's General Fund balance declined from \$13.3 million to \$11.9 million, which represents 29.2 percent of total expenditures. Sweeping changes in expenditure controls are required by July 1, 2010, as the City is currently forecasting a projected deficit of \$9.6 million for the fiscal year ending 2011, at which time the City's financial reserves will be completely depleted. 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 maintains adequate financial levels to ensure positive cash flow and to preserve its favorable bond rating from Standards & Poor's, which has saved the City thousands of dollars in annual interest costs.

City of Roseville, Michigan

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. Despite the many cost-saving measures implemented by City management, due to further property tax reductions, deepening state revenue-sharing cuts, and higher pension and OPEB contribution requirements as a result of declining investment market values, the City faces unprecedented and permanent structural financial challenges. For fiscal 2009-2010, City departments have been asked to further reduce their operating budgets. For fiscal 2010-2011, the City is seeking an additional \$9 million in department savings, which will result in the loss of full-time positions along with other cost-saving measures. The City has been able to avoid layoffs; however, with the economic challenges we are currently faced with, layoffs of personnel are no longer avoidable. Furthermore, if the State's declining financial position improves and economic recovery becomes achievable, limitations under Proposal A will hamper the City's recovery even under the most optimistic assumptions, which is, at best, that the City's revenue stream will increase proportionally with expenditures. Therefore, the structural changes required to be implemented in fiscal 2010 will 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. City management remains committed to implementing a financial strategy that ensures fiscal responsibility for the City while preserving as many essential core services for its residents as possible.

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, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments (Note 3)	\$ 31,926,647	\$ 5,818,069	\$ 37,744,716
Receivables:			
Property taxes receivable - Net of allowance	398,340	-	398,340
Special assessment receivable	203,426	-	203,426
Receivables for sales to customers on account	-	2,173,634	2,173,634
Accrued interest receivable	-	1,462	1,462
Other receivables	1,810,870	354,441	2,165,311
Due from other governmental units	2,015,552	-	2,015,552
Internal balance	636	(636)	-
Inventory	341,810	156,127	497,937
Prepaid expenses and other assets	563,392	-	563,392
Restricted assets	171,658	-	171,658
Investments in joint ventures (Note 12)	7,865,632	-	7,865,632
Capital assets not being depreciated (Note 5)	31,936,296	-	31,936,296
Capital assets being depreciated - Net (Note 5)	48,118,192	10,172,567	58,290,759
Total assets	125,352,451	18,675,664	144,028,115
Liabilities			
Accounts payable	3,006,285	1,345,406	4,351,691
Due to other governmental units	-	63,417	63,417
Refundable deposits, bonds, etc.	165,508	23,922	189,430
Accrued liabilities and other	1,452,143	34,331	1,486,474
Net retirement healthcare obligation	103,731	6,621	110,352
Noncurrent liabilities:			
Due within one year:			
Compensated absences (Note 7)	1,520,026	136,521	1,656,547
Current portion of long-term debt (Note 7)	1,005,617	-	1,005,617
Due in more than one year:			
Compensated absences - Net of current portion (Note 7)	1,850,762	109,584	1,960,346
Long-term debt - Net of current portion (Note 7)	15,174,380	-	15,174,380
Total liabilities	24,278,452	1,719,802	25,998,254
Net Assets			
Invested in capital assets - Net of related debt	64,046,149	10,172,567	74,218,716
Restricted for:			
Sanitation	1,239,682	-	1,239,682
Streets and highways	3,945,598	-	3,945,598
Debt service	2,192,399	-	2,192,399
Law and drug enforcement	1,393,804	-	1,393,804
Unrestricted	28,256,367	6,783,295	35,039,662
Total net assets	\$ 101,073,999	\$ 16,955,862	\$ 118,029,861

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

City of Roseville, Michigan

Statement of Activities Year Ended June 30, 2009

	Program Revenues			
	Charges for	Operating	Capital Grants	
Expenses	Services	Grants and	and	Contributions
		Contributions	Contributions	
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 12,482,543	\$ 4,080,796	\$ 128,051	\$ -
Public safety	19,114,974	2,218,965	2,015,506	-
Public works	8,226,645	462,765	2,889,013	1,227,283
Recreation and culture	4,384,644	345,176	-	-
Interest expense	1,553,053	-	-	-
Total governmental activities	45,761,859	7,107,702	5,032,570	1,227,283
Business-type activities - Water and sewer	10,681,209	10,865,689	-	-
Total primary government	<u>\$ 56,443,068</u>	<u>\$ 17,973,391</u>	<u>\$ 5,032,570</u>	<u>\$ 1,227,283</u>

General revenues:

Property taxes

State-shared revenues

Investment interest

Gain on sale of capital assets and other assets

Franchise fees

Insurance refunds

Miscellaneous

Transfers

Total general revenues and transfers

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

Statement of Activities
Year Ended June 30, 2009

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (8,273,696)	\$ -	\$ (8,273,696)
(14,880,503)	-	(14,880,503)
(3,647,584)	-	(3,647,584)
(4,039,468)	-	(4,039,468)
(1,553,053)	-	(1,553,053)
(32,394,304)	-	(32,394,304)
-	184,480	184,480
(32,394,304)	184,480	(32,209,824)
29,919,453	-	29,919,453
4,901,532	2,973	4,904,505
553,773	79,442	633,215
22,000	2,000	24,000
720,721	-	720,721
38,721	-	38,721
272,152	-	272,152
(5,650)	5,650	-
36,422,702	90,065	36,512,767
4,028,398	274,545	4,302,943
97,045,601	16,681,317	113,726,918
<u>\$ 101,073,999</u>	<u>\$ 16,955,862</u>	<u>\$ 118,029,861</u>

City of Roseville, Michigan

Governmental Funds Balance Sheet June 30, 2009

	General Fund	Major Streets Fund	Local Streets Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments (Note 3)	\$ 11,980,411	\$ 2,860,615	\$ 1,637,314	\$ 4,390,090	\$ 3,689,766	\$ 24,558,196
Receivables (Note 4):						
Taxes	384,891	-	-	-	13,449	398,340
Special assessments	-	-	-	203,426	-	203,426
Other	1,176,602	-	-	3,896	283,448	1,463,946
Due from other governmental units	1,431,004	380,874	109,219	-	94,455	2,015,552
Due from other funds (Note 6)	1,241,367	9,148	501,072	700,000	515,424	2,967,011
Prepaid expenses and other assets	553,071	-	-	-	4,684	557,755
Restricted assets	-	-	-	171,658	-	171,658
Total assets	\$ 16,767,346	\$ 3,250,637	\$ 2,247,605	\$ 5,469,070	\$ 4,601,226	\$ 32,335,884
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 1,232,076	\$ 51,364	\$ 17,385	\$ 164,056	\$ 476,806	\$ 1,941,687
Due to other funds (Note 6)	1,240,644	534,813	949,082	22,054	246,183	2,992,776
Other liabilities	1,295,272	-	-	-	3,350	1,298,622
Cash bonds and deposits	165,508	-	-	-	-	165,508
Deferred revenue (Note 4)	906,177	-	-	95,532	288,359	1,290,068
Total liabilities	4,839,677	586,177	966,467	281,642	1,014,698	7,688,661
Fund Balances						
Reserved for:						
Sanitation	1,239,682	-	-	-	-	1,239,682
Drug law enforcement	-	-	-	-	1,393,804	1,393,804
Prepaid expenses	553,071	-	-	-	-	553,071
Unreserved, reported in:						
General Fund:						
Designated:						
Capital improvements	10,000	-	-	-	-	10,000
Subsequent year's expenditures	3,252,107	-	-	-	-	3,252,107
Compensated absences	1,520,026	-	-	-	-	1,520,026
Working capital	1,431,004	-	-	-	-	1,431,004
Undesignated	3,921,779	-	-	-	-	3,921,779
Debt Service Funds	-	-	-	-	2,192,724	2,192,724
Special Revenue Funds	-	2,664,460	1,281,138	-	-	3,945,598
Capital Projects Fund	-	-	-	5,187,428	-	5,187,428
Total fund balances	11,927,669	2,664,460	1,281,138	5,187,428	3,586,528	24,647,223
Total liabilities and fund balances	\$ 16,767,346	\$ 3,250,637	\$ 2,247,605	\$ 5,469,070	\$ 4,601,226	\$ 32,335,884

City of Roseville, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets June 30, 2009

Fund Balance Reported in Governmental Funds	\$ 24,647,223
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	80,054,488
Investments in joint ventures are not financial resources and are not reported in the funds	7,865,632
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(16,179,996)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(3,370,788)
Bond premium/discount is not due and payable in the current period and is not reported in the funds	5,636
Net retiree healthcare obligation is not due and payable in the current period and is not reported in the funds	(103,731)
Allowance for doubtful accounts is not reported in the funds for taxes receivable to be collected over several years	(9,000)
Inventory is not available to pay for current period expenditures	341,810
Accrued interest is not due and payable in the current period and is not reported in the funds	(144,521)
Deferred revenue balances are expected to be collected over several years and are not available to pay for current year expenditures	1,290,068
Internal Service Funds are also included as governmental activities	6,677,176
Net Assets of Governmental Activities	<u>\$ 101,073,998</u>

City of Roseville, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2009

	General Fund	Major Streets Fund	Local Streets Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 28,341,529	\$ -	\$ -	\$ -	\$ 1,572,314	\$ 29,913,843
Fees and fines	2,584,461	-	-	-	-	2,584,461
Licenses and permits	542,984	-	-	-	-	542,984
Federal sources	270,415	-	-	-	887,083	1,157,498
State sources	4,770,344	2,343,867	676,334	-	-	7,790,545
Special assessments	-	-	-	22,054	-	22,054
Charges for services	294,233	-	-	-	-	294,233
Investment income	383,294	23,023	5,127	41,217	47,915	500,576
Other	2,265,696	-	98	372,075	811,021	3,448,890
Total revenues	39,452,956	2,366,890	681,559	435,346	3,318,333	46,255,084
Expenditures						
Current:						
General government	13,091,073	200,000	70,000	-	148,520	13,509,593
Public safety	18,040,663	-	-	-	752,232	18,792,895
Public works	3,189,901	971,202	1,449,082	80,323	502,738	6,193,246
Recreation and culture	2,447,572	-	-	-	154,694	2,602,266
Construction and development	57,566	1,231,603	128,515	854,270	-	2,271,954
Debt service:						
Principal	-	-	-	-	937,323	937,323
Interest and other charges	-	-	-	-	619,143	619,143
Other	-	-	-	-	685,979	685,979
Total expenditures	36,826,775	2,402,805	1,647,597	934,593	3,800,629	45,612,399
Excess of Revenues Over (Under) Expenditures	2,626,181	(35,915)	(966,038)	(499,247)	(482,296)	642,685
Other Financing Sources (Uses)						
Transfers in (Note 6)	-	1,059,148	1,501,072	700,000	1,257,108	4,517,328
Transfers out (Note 6)	(4,006,125)	(494,799)	-	(22,054)	-	(4,522,978)
Total other financing sources (uses)	(4,006,125)	564,349	1,501,072	677,946	1,257,108	(5,650)
Change in Fund Balances	(1,379,944)	528,434	535,034	178,699	774,812	637,035
Fund Balances - Beginning of year	13,307,613	2,136,026	746,104	5,008,729	2,811,716	24,010,188
Fund Balances - End of year	\$ 11,927,669	\$ 2,664,460	\$ 1,281,138	\$ 5,187,428	\$ 3,586,528	\$ 24,647,223

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, 2009

Net Change in Fund Balances - Total Governmental Funds	\$ 637,035
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	2,091,932
Value of contributed assets	1,163,840
Value of assets received on traded assets	16,000
Depreciation	(2,218,690)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,029,357
In the statement of activities, accrued interest on debt is recorded as it accrues, but not in the governmental funds, where it is recorded when payable	34,075
Sale of inventory is a revenue in the governmental funds, but not in the statement of activities, where it decreases inventory asset balance	(9,100)
Joint venture revenue	176,003
Revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	178,352
Decreases in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities	(175,251)
In the statement of activities, bond premium/discount on debt is recorded as it accrues, but not in the governmental funds, where it is recorded when payable	(30,663)
Other postemployment benefit obligation expenses are recognized in the statement of activities, but not in the governmental funds, where it increases liabilities	(103,731)
Internal Service Funds are also included as governmental activities	<u>1,239,238</u>
Change in Net Assets of Governmental Activities	<u>\$ 4,028,397</u>

City of Roseville, Michigan

Proprietary Funds Statement of Net Assets June 30, 2009

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Funds - Self Insurance
Assets		
Current assets:		
Cash and investments (Note 3)	\$ 5,818,069	\$ 7,481,293
Receivables:		
Receivables from sales to customers on account	2,173,634	-
Accrued interest receivable	1,462	-
Other receivables	354,441	234,080
Due from other funds (Note 6)	6,004	26,402
Inventory	156,127	-
Total current assets	8,509,737	7,741,775
Noncurrent assets - Capital assets - Net (Note 5)	10,172,567	-
Total assets	18,682,304	7,741,775
Liabilities		
Current liabilities:		
Accounts payable	1,345,406	-
Due to other governmental units	63,418	-
Due to other funds (Note 6)	6,639	-
Cash bonds and deposits	23,922	-
Accrued and other liabilities	40,952	-
Provision for current portion of compensated absences (Note 7)	136,521	-
Provision for claims (Note 8)	-	1,064,599
Total current liabilities	1,616,858	1,064,599
Noncurrent liabilities - Provision for compensated absences - Net of current portion (Note 7)	109,584	-
Total liabilities	1,726,442	1,064,599
Net Assets		
Invested in capital assets	10,172,567	-
Unrestricted	6,783,295	6,677,176
Total net assets	\$ 16,955,862	\$ 6,677,176

City of Roseville, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2009

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self Insurance
Operating Revenue		
Sale of water	\$ 1,788,867	\$ -
Sewage disposal charges	4,417,884	-
Maintenance charges	4,262,291	-
Interest and penalty charges	276,313	-
Grant revenue	2,973	-
Charges to other funds	-	9,579,021
Other miscellaneous revenues	122,334	-
Total operating revenue	10,870,662	9,579,021
Operating Expenses		
Cost of water	1,600,670	-
Cost of sewage treatment	4,819,973	-
Billing and administrative costs	2,432,394	-
Benefit payments and other costs	1,383,106	8,392,980
Depreciation	445,066	-
Total operating expenses	10,681,209	8,392,980
Operating Income	189,453	1,186,041
Nonoperating Revenue - Interest income	79,442	53,197
Income - Before transfers	268,895	1,239,238
Transfers in	5,650	-
Change in Net Assets	274,545	1,239,238
Net Assets - Beginning of year	16,681,317	5,437,938
Net Assets - End of year	\$ 16,955,862	\$ 6,677,176

City of Roseville, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2009

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Funds
Cash Flows from Operating Activities		
Receipts from customers	\$ 11,582,535	\$ 9,630,748
Payments to employees for services	(2,456,992)	-
Payments to suppliers for goods and services	(7,744,783)	-
Payment connected with interfund service	(14,725)	(100,388)
Receipts connected with interfund service	12,684	64,240
Claims paid	-	(8,278,474)
	1,378,719	1,316,126
Cash Flows from Capital and Related Financing Activities - Purchase of capital assets	(1,870,039)	-
Cash Flows from Investing Activities - Interest received on investments	82,328	53,197
Net (Decrease) Increase in Cash and Cash Equivalents	(408,992)	1,369,323
Cash and Cash Equivalents - Beginning of year	6,227,061	6,111,970
Cash and Cash Equivalents - End of year	\$ 5,818,069	\$ 7,481,293
Balance Sheet Classification of Cash and Cash Equivalents - Cash and investments	\$ 5,818,069	\$ 7,481,293
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 189,453	\$ 1,186,041
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization	445,066	-
Operating transfers in	5,650	-
Changes in assets and liabilities:		
Receivables	718,580	51,726
Other assets	(45,209)	64,240
Due from other funds	7,034	114,507
Inventory	(22,007)	(100,388)
Accounts payable	96,904	-
Accrued and other liabilities	(24,598)	-
Due to other governmental units	29,277	-
Due to other funds	(14,725)	-
Cash bond and deposits	(6,706)	-
	1,378,719	1,316,126
Net cash provided by operating activities	\$ 1,378,719	\$ 1,316,126

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2009, the Enterprise Fund had no capital contributions in the form of capital assets related to water and sewer lines donated by developers.

City of Roseville, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2009

	Pension and Other Employee Benefit Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ -	\$ 300,036
Mutual funds	3,810,405	-
Corporate bonds	9,442,424	-
U.S. government securities	12,597,989	-
Common stock	80,147,589	-
Cash and investments held as collateral for securities lending	9,335,766	-
Accrued interest	239,283	-
Total assets	115,573,456	\$ 300,036
Liabilities		
Accounts payable	115,995	\$ 61,997
Due to other governmental units	-	16,250
Accrued and other liabilities	-	221,789
Obligations under securities lending agreements	9,335,766	-
Total liabilities	9,451,761	\$ 300,036
Net Assets - Held in trust for employee benefits	\$ 106,121,695	

City of Roseville, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2009

	Pension and Other Employee Benefit Trust Fund
Additions	
Investment income (loss):	
Interest and dividends	\$ 2,349,163
Net decrease in fair value of investments	(20,883,216)
Less investment expenses	<u>(603,535)</u>
Net investment loss	(19,137,588)
Contributions:	
Employer	4,390,536
Employee	<u>1,293,891</u>
Total contributions	5,684,427
Other additions	<u>189,894</u>
Total additions - Net	(13,263,267)
Deductions	
Benefit payments	8,601,076
Refunds of contributions	222,676
Administrative expenses	<u>219,587</u>
Total deductions	<u>9,043,339</u>
Net Decrease in Net Assets Held in Trust	(22,306,606)
Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>128,428,301</u>
Net Assets Held in Trust for Pension and Other Employee Benefits - End of year	<u>\$ 106,121,695</u>

Note I - Summary of 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.

Reporting Entity

The City of Roseville, Michigan is governed by an elected seven-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Roseville, Michigan and its component units. The individual component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Blended Component Units

The City of Roseville Building Authority is governed by a board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to 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 Organizations - Jointly governed organizations are discussed in Note 12.

Note I - Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general 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 the major Enterprise Fund 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 full accrual basis of accounting, as are the proprietary fund and fiduciary fund 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 I - Summary of 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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the current fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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 revenues that are restricted for use on major streets.

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

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

The City reports the following major proprietary fund:

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

Note I - Summary of Significant Accounting Policies (Continued)

Additionally, the City reports the following fund types:

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 Enterprise Fund

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 revenues reported for the various functions concerned.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to first apply restricted resources.

Note I - Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary fund relates to charges to customers for water and sewer sales. The Enterprise 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 the proprietary fund 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.

Private sector standards of accounting issued before 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 apply private sector standards issued after November 30, 1989 for its Enterprise Fund.

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." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property Taxes - All trade and property tax receivables are shown net of allowance for uncollectible amounts. Properties are assessed as of December 31 of each year. The related property taxes are levied on each July 1 on the taxable valuation of the 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 City tax millage rate is 21.38, which is comprised of 19.00 general operating, 1.23 refuse collection, which is recorded in the General Fund, .15 debt service, and 1.00 Chapter 20 Drain Fund. The General Fund, General Debt Fund, and Chapter 20 Drain Fund received \$28,341,529, \$209,383, and \$1,362,931, respectively, in property tax revenue in the current year.

Note I - Summary of Significant Accounting Policies (Continued)

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. 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, buildings, 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) - The City allows 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, 2009, \$52,338 represents the portion reported in the governmental funds.

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 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 contributions, adjusted for interest and the "adjustment to the ARC" on the beginning of year underpaid amount, if any.

Note I - Summary of 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 bond using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the debt. On the fund financial statements, governmental fund types recognize bond premium 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.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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.

New Accounting Standard - In the current year, the City implemented the Governmental Accounting Standard Board's Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new pronouncement causes the government-wide statements and the proprietary funds to recognize the cost of providing retiree healthcare expenses over the working life of the employee, rather than at the time the healthcare expenses are paid. Implementing this statement caused an additional expense to be reported in the governmental and business-type activities of \$103,731 and \$6,621, respectively.

Note 1 - Summary of Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncement - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the uses of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned. The City is currently evaluating the impact this standard will have on the financial statements when adopted.

Additionally, in March 2009, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, for the City's 2010 fiscal year end. This statement requires capitalization of identifiable intangible assets in the statement of net assets and provides guidance for amortization of intangible assets unless they are considered to have an indefinite useful life. This statement also establishes specified conditions upon which internally generated intangible assets should be recognized and amortized, including internally generated computer software. The City is currently evaluating the impact this standard will have on the financial statements when adopted.

Note 2 - Stewardship, Compliance, and Accountability

State Construction Code Act - 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. Beginning January 1, 2000, 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 shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at July 1, 2008		\$	(3,519,502)
Current year permit revenue			402,185
Related expenses:			
Direct costs	\$	962,868	
Estimated indirect costs		96,287	1,059,155
		<u> </u>	<u> </u>
Current year shortfall			<u>(656,970)</u>
Cumulative shortfall at June 30, 2009		\$	<u><u>(4,176,472)</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which 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 Employee Pension Trust Fund and the Retiree Healthcare Benefits Trust Fund are authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse purchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated one bank for the deposit of its funds. The investment policy adopted by the City Council 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 government's deposits may not be returned to it. The City's investment policy does not directly address a deposit policy for custodial credit risk. At year end, the City had \$8,866,692 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.

Note 3 - Deposits and Investments (Continued)

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does 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. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
City of Roseville:		
Municipal bonds	\$ 1,001,815	.80 years
U.S. government or agency bond or note	2,514,198	3.3 years
City of Roseville Employees' Retirement System:		
Corporate bonds	8,296,917	10.99 years
Foreign bonds	850,784	6.24 years
Municipal bonds	92,453	23.30 years
U.S. government or agency bond or note	12,112,825	17.12 years
City of Roseville - Retiree Health Care Benefits Trust:		
Corporate bonds	202,271	1.59 years
U.S. government or agency bond or note	485,165	5.88 years

City of Roseville, Michigan

Notes to Financial Statements June 30, 2009

Note 3 - Deposits and Investments (Continued)

Credit Risk - In compliance with State law, the City's investment policy limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. 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
Government-wide:			
Municipal bonds	\$ 499,490	SP1+	S&P
Municipal bonds	502,325	A1+	S&P
Pooled funds	30,945,527	A1	Moody's
City of Roseville Employees' Retirement System:			
Corporate bonds	1,094,303	AAA	S&P
Corporate bonds	515,909	AA+ to AA-	S&P
Corporate bonds	3,349,812	A+ to A-	S&P
Corporate bonds	1,958,468	BBB+ to BBB-	S&P
Corporate bonds	220,627	Not Rated	-
Foreign bonds	265,093	A+ to A-	S&P
Foreign bonds	585,691	BBB+ to BBB-	S&P
Municipal bonds	92,453	AA+ to AA	S&P
Collateralized mortgage obligations - Corporate	1,016,718	AAA	S&P
Collateralized mortgage obligations - Corporate	141,080	Not Rated	-
Pooled funds - Security lending	3,743,019	Not Rated	-
City of Roseville Retiree Healthcare Benefits Trust:			
Corporate bonds	12,316	AA+	S&P
Corporate bonds	133,670	A+ to A-	S&P
Corporate bonds	56,285	BBB+ to BBB-	S&P
Pooled funds - Security lending	67,437	Not Rated	-

Retirement Investments Securities Lending Transactions - The pension system has entered into securities lending transactions whereby loans of securities are made to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. State statutes permit participation in securities lending transactions and the pension system has authorized the custodians of their securities to lend securities to broker-dealers and banks pursuant to a formal loan agreement. At June 30, 2009, the pension 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.

Note 3 - Deposits and Investments (Continued)

During the year, security loans were made at the discretion of the pension system's custodial bank and United States currency was received as collateral. Borrowers were required to deliver collateral for each loan equal to but not less than 100 percent of the market value of the loaned securities. The pension system did not impose any restrictions during the past year on the amount of loans that the lending agents could make on their behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon. In addition, there were no losses during the past year resulting from default of the borrowers. 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.

All securities loans can be terminated on demand by either the pension system or the borrower. The cash collateral received on each loan was invested, together with the cash collateral of the other lenders in a pool. The average duration of such investment pools as of June 30, 2009 was 14 days. Their duration did not generally match the duration of the loans because the loans could be terminated on demand. The total amount of collateral held and the fair values of the underlying securities for the pension system as of June 30, 2009 were \$9,236,240 and \$8,955,618, respectively.

Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has more than 5 percent of its investments in the following:

- Employees' Retirement Systems - Loomis Core Trust NHIT CLA 23.2541%

Note 4 - 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.

City of Roseville, Michigan

Notes to Financial Statements June 30, 2009

Note 4 - Deferred Revenue (Continued)

At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Delinquent property taxes	\$ 366,080
Special assessments	92,311
Grant and categorical aid payments not yet available for use	357,793
Other	<u>473,884</u>
Total	<u><u>\$ 1,290,068</u></u>

Note 5 - Capital Assets

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

	Balance <u>July 1, 2008</u>	Additions	Disposals	Balance <u>June 30, 2009</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 31,339,447	\$ 112,231	\$ -	\$ 31,451,678
Construction in progress	-	484,618	-	484,618
Subtotal	31,339,447	596,849	-	31,936,296
Capital assets being depreciated:				
Roads and sidewalks	67,360,443	1,782,066	-	69,142,509
Buildings and improvements	17,226,226	140,703	-	17,366,929
Other tools and equipment	13,274,295	752,154	19,670	14,006,779
Subtotal	97,860,964	2,674,923	19,670	100,516,217
Accumulated depreciation:				
Roads and sidewalks	33,751,882	999,845	-	34,751,727
Buildings and improvements	6,856,629	445,913	-	7,302,542
Other tools and equipment	9,590,494	772,932	19,670	10,343,756
Subtotal	50,199,005	2,218,690	19,670	52,398,025
Net capital assets being depreciated	<u>47,661,959</u>	<u>456,233</u>	-	<u>48,118,192</u>
Net governmental capital assets	<u><u>\$ 79,001,406</u></u>	<u><u>\$ 1,053,082</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 80,054,488</u></u>

City of Roseville, Michigan

Notes to Financial Statements June 30, 2009

Note 5 - Capital Assets (Continued)

	Balance July 1, 2008	Additions	Disposals and Adjustments	Balance June 30, 2009
Business-type Activities				
Capital assets being depreciated:				
Water and sewer distribution systems	\$ 20,488,033	\$ 1,272,704	\$ -	\$ 21,760,737
Buildings and improvements	126,654	-	-	126,654
Other tools and equipment	<u>3,039,580</u>	<u>597,335</u>	<u>12,023</u>	<u>3,624,892</u>
Subtotal	23,654,267	1,870,039	12,023	25,512,283
Accumulated depreciation:				
Water and sewer distribution systems	12,115,389	316,376	-	12,431,765
Buildings and improvements	116,870	1,087	-	117,957
Other tools and equipment	<u>2,674,414</u>	<u>127,603</u>	<u>12,023</u>	<u>2,789,994</u>
Subtotal	<u>14,906,673</u>	<u>445,066</u>	<u>12,023</u>	<u>15,339,716</u>
Net business-type capital assets	<u>\$ 8,747,594</u>	<u>\$ 1,424,973</u>	<u>\$ -</u>	<u>\$ 10,172,567</u>

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

Governmental activities:	
General government	\$ 198,384
Public safety	545,711
Public works	1,124,448
Recreation and culture	<u>350,147</u>
Total governmental activities	<u>\$ 2,218,690</u>
Business-type activities	<u>\$ 445,066</u>

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 the Macomb County Road Commission. The remaining commitments on these projects total \$101,514 and \$512,233, respectively.

City of Roseville, Michigan

Notes to Financial Statements June 30, 2009

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Local Streets Fund	\$ 949,082
	Major Streets Fund	40,014
	Other governmental funds	245,830
	Enterprise Fund - Water and sewer	<u>6,441</u>
	Total General Fund	1,241,367
Major Streets Fund	Capital Projects Fund	9,148
Local Streets Fund	Major Streets Fund	494,799
	Capital Projects Fund	<u>6,273</u>
	Total Local Streets Fund	501,072
Capital Projects Funds	General Fund	700,000
Other governmental funds	General Fund	514,441
	Capital Projects Fund	<u>983</u>
	Total other governmental funds	<u>515,424</u>
	Total governmental funds	<u>\$ 2,967,011</u>
Enterprise Fund - Water and Sewer	Capital Projects Fund	\$ 5,651
	Other governmental funds	<u>353</u>
	Total Water and Sewer Fund	6,004
Internal Service - Workers' Compensation Fund	General Fund	26,203
	Enterprise Fund - Water and sewer	<u>199</u>
		<u>26,402</u>
	Total Enterprise Funds	<u>\$ 32,406</u>

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.

City of Roseville, Michigan

Notes to Financial Statements June 30, 2009

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

Interfund Transfers

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

	Transfers Out			Total
	General Fund	Major Streets Fund	Capital Projects Fund	
Transfers in:				
Major Streets Fund	\$ 1,050,000	\$ -	\$ 9,148	\$ 1,059,148
Local Streets Fund	1,000,000	494,799	6,273	1,501,072
Capital Projects Fund	700,000	-	-	700,000
Other governmental funds:				
Building Authority Debt Fund	506,125	-	-	506,125
Chapter 20 Drain Fund	750,000	-	983	750,983
Enterprise Fund - Water and sewer	-	-	5,650	5,650
Total	<u>\$ 4,006,125</u>	<u>\$ 494,799</u>	<u>\$ 22,054</u>	<u>\$ 4,522,978</u>

The transfers from the General Fund to the Local Streets Fund and from the Major Streets Fund to the Local Streets Fund are to help support local road projects. The transfers from the General Fund to the Capital Projects Fund are to help support capital repairs to City-owned buildings and properties. The transfers from the General Fund to the Building Authority Debt Fund and the Chapter 20 Drain Fund are for loan/debt current year obligations. The transfers from the Capital Projects Fund to the Major Streets, Local Streets, and Debt Service 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, 2009

Note 7 - Long-term Debt (Continued)

The City has the following long-term debt outstanding at June 30, 2009:

Governmental Activities *

General obligations:

Unlimited Tax General Obligation Library Bonds	\$ 1,260,000
Building Authority Limited Tax General Obligation Refunding Bonds - Series 2006	4,540,000
Lake St. Clair Water Initiative Drainage District - 2001 Series A	2,073,786
Lake St. Clair Water Initiative Drainage District - 2002 Series A	439,785
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-01	3,300,041
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-02	2,327,438
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-03	450,251
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-05	272,880
Lake St. Clair Water Initiative Drainage District - 2004 Series A	1,424,700
BS&A Software Agreement	<u>91,116</u>

Subtotal 16,179,997

Additional obligations - Compensated absences 3,370,788

Total governmental activity debt \$ 19,550,785

Business-type Activities - Other obligations - Compensated absences \$ 246,105

* 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	\$ 17,209,354	\$ -	\$ (1,029,357)	\$ 16,179,998	\$ 1,005,617
Compensated absences	<u>3,195,537</u>	<u>1,578,925</u>	<u>(1,403,674)</u>	<u>3,370,788</u>	<u>1,520,026</u>
Total governmental activities	<u>\$ 20,404,891</u>	<u>\$ 1,578,925</u>	<u>\$ (2,433,031)</u>	<u>\$ 19,550,786</u>	<u>\$ 2,525,643</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities -					
Compensated absences	<u>\$ 279,412</u>	<u>\$ 61,876</u>	<u>\$ (95,183)</u>	<u>\$ 246,105</u>	<u>\$ 136,521</u>

City of Roseville, Michigan

Notes to Financial Statements June 30, 2009

Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for all debt, except for compensated absences, are as follows:

	Governmental Activities		
	Principal	Interest	Total
2010	\$ 1,005,617	\$ 581,872	\$ 1,587,489
2011	1,046,125	545,230	1,591,355
2012	1,084,359	505,996	1,590,355
2013	1,120,072	465,183	1,585,255
2014	1,134,443	423,719	1,558,162
2015-2019	5,671,377	1,491,315	7,162,692
2020-2024	3,542,194	644,645	4,186,839
2025-2029	1,278,577	245,316	1,523,893
2030	297,233	7,571	304,804
Total	<u>\$ 16,179,997</u>	<u>\$ 4,910,847</u>	<u>\$ 21,090,844</u>

Defeased Debt

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, 2009, \$4,540,000 of bonds outstanding are considered defeased.

Note 8 - Risk Management

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

City of Roseville, Michigan

Notes to Financial Statements June 30, 2009

Note 8 - Risk Management (Continued)

Under the employee medical benefit plan, the City is liable for claims up to a maximum amount of \$175,000 on an individual level annually. Under the workers' compensation plan, the City is liable for claims up to a maximum amount of \$400,000 on an individual level and \$673,238 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' compensations 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:

	2009	2008
Estimated liability - Beginning of year	\$ 950,093	\$ 969,291
Incurred claims, including claims incurred but not reported	8,392,980	7,653,349
Claim payments	<u>(8,278,473)</u>	<u>(7,672,547)</u>
Unpaid claims - End of year	<u>\$ 1,064,600</u>	<u>\$ 950,093</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 substantially all full-time employees of the City. The system provides retirement, disability, death, and health benefits to plan members and their beneficiaries.

At June 30, 2008, the date of the most recent actuarial valuation, membership consisted of 308 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 298 current active employees. The plan does not issue a separate financial report.

Note 9 - Defined Benefit Pension Plan (Continued)

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

Funding Policy - The obligation to contribute to and maintain the system for 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 Costs - For the year ended June 30, 2009, the City's annual pension cost of \$3,892,855 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at June 30, 2007 using the individual entry age 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 percent. The actuarial value of the 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 percent of payroll on a closed basis. The remaining amortization period is 27 years.

Reserves - As of June 30, 2009, the plan's legally required reserves are as follows:

Reserve for employees' contributions	\$26,247,015
Reserve for retired benefit payments	79,064,980

The plan's legally required reserves have exceeded plan net assets as of June 30, 2009 as a result of the market decline that occurred.

City of Roseville, Michigan

Notes to Financial Statements June 30, 2009

Note 9 - Defined Benefit Pension Plan (Continued)

The following trend information includes only pension-related activity (assets, liabilities, and contributions related to health care have been excluded):

	Year Ended June 30		
	2007	2008	2009
Annual pension costs (APC)	\$ 3,938,255	\$ 3,863,676	\$ 3,892,855
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

	Year Ended June 30		
	2006	2007	2008
	(Dollar Amounts in Thousands)		
Actuarial value of assets	\$ 119,145	\$ 128,047	\$ 133,644
Actuarial accrued liability (AAL)	\$ 143,792	\$ 150,926	\$ 158,417
Underfunded AAL (UAAL)	\$ 24,647	\$ 22,879	\$ 24,773
Funded ratio (percentage)	82.9%	84.8%	84.4%
Covered payroll	\$ 17,976	\$ 18,165	\$ 18,683
UAAL as a percentage of covered payroll	137.1%	126.0%	132.6%

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 264 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.

Note 10 - Other Postemployment Benefits (Continued)

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. 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 \$1,923,955 as of June 30, 2009.

Funding Progress - For the year ended June 30, 2009, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2008. 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 cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation’s computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 4,429,760
Amounts contributed:	
Payments of current premiums	(3,821,727)
Advance funding	<u>(497,681)</u>
Increase in net OPEB obligation	110,352
OPEB obligation - Beginning of year	<u>-</u>
OPEB obligation - End of year	<u>\$ 110,352</u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current year were as follows:

	Fiscal Year Ended <u>June 30, 2009</u>
Annual OPEB costs	\$ 4,429,760
Percentage contributed	97.50%
Net OPEB obligation	\$ 110,352

Note 10 - Other Postemployment Benefits (Continued)

The funding progress of the plan as of the most recent valuation date is as follows:

Valuation as of June 30, 2008:

Actuarial value of assets	\$	1,742,055
Actuarial accrued liability (AAL)		65,990,073
Unfunded AAL (UAAL)		64,248,018
Funded ratio		2.6%
Annual covered payroll		18,683,089
UAAL as a percentage of covered payroll		343.88%

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 as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued 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, 2008 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 the market value of investments. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2008 was 30 years.

City of Roseville, Michigan

Notes to Financial Statements June 30, 2009

Note 11 - Pension and Other Employee Benefit 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
Statement of Net Assets			
Cash and investments	\$ 113,410,219	\$ 1,923,954	\$ 115,334,173
Receivables	239,283	-	239,283
Liabilities	(9,451,761)	-	(9,451,761)
Net assets	<u>\$ 104,197,741</u>	<u>\$ 1,923,954</u>	<u>\$ 106,121,695</u>
Statement of Changes in Net Assets			
Investment loss	\$ (18,825,333)	\$ (312,255)	\$ (19,137,588)
Contributions	5,186,746	497,681	5,684,427
Other increases	187,927	1,967	189,894
Benefit payments	(8,601,076)	-	(8,601,076)
Other decreases	(436,769)	(5,494)	(442,263)
Change in Net Assets	<u>\$ (22,488,505)</u>	<u>\$ 181,899</u>	<u>\$ (22,306,606)</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, 2009 in the Southeast Macomb Sanitary District of \$7,651,531 is recorded within the governmental activities column of the statement of net assets. Complete financial statements for the Southeast Macomb Sanitary District can be obtained from 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 Macomb Disposal Authority (the "Authority"), which provides refuse disposal services to participating municipalities in Macomb County, Michigan. Other members include the cities of Centerline, Roseville, 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's operating reserve of \$214,101 is recorded within the governmental activities column of the statement of net assets. As of June 30, 2009, the Authority has reserves totaling \$5,372,176 that have been designated for self-insurance activities.

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.

Required Supplemental Information

City of Roseville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 28,297,536	\$ 28,341,529	\$ 28,341,529	\$ -
Licenses and permits	551,850	542,984	542,984	-
Federal grants	25,000	270,415	270,415	-
State-shared revenue and grants	4,985,000	4,796,480	4,770,344	(26,136)
Other charges for services	712,656	293,486	294,233	747
Other fines and forfeitures	2,543,750	2,584,461	2,584,461	-
Investment income	750,000	383,294	383,294	-
Other revenue	2,428,187	2,265,696	2,265,696	-
Total revenue	40,293,979	39,478,345	39,452,956	(25,389)
Expenditures - Current				
General government:				
Governing body	9,000,576	7,348,556	7,348,556	-
Finance/Accounting/Budget department	302,321	336,346	336,346	-
Purchasing	275,647	245,359	238,668	(6,691)
Information technology/Data processing	567,281	478,649	478,649	-
Treasurer	446,819	235,958	234,952	(1,006)
Assessing	547,783	537,304	537,304	-
Clerk	575,838	546,136	546,136	-
Building and grounds	1,150,108	1,123,151	1,123,162	11
Attorney	-	302,400	302,400	-
Personnel	263,255	126,094	126,094	-
Other	1,966,011	1,836,985	1,818,806	(18,179)
Public safety:				
Police/Sheriff (County)	12,083,112	12,190,189	12,184,666	(5,523)
Fire	6,114,769	5,843,497	5,855,997	12,500
Building inspections and related	1,059,621	962,227	961,160	(1,067)
Public works:				
Street construction	1,987,314	1,986,114	1,986,114	-
Rubbish disposal	2,379,376	2,202,340	2,202,340	-
Street lighting	800,000	730,572	730,572	-
Other public works activities	-	(3,800)	(3,800)	-
Allocated to other operations	(2,384,000)	(2,690,285)	(2,690,285)	-
Recreation and culture:				
Library	1,230,556	1,225,064	1,225,064	-
Parks and recreation	1,298,920	1,226,503	1,226,308	(195)
Other recreation and culture	438,000	57,566	57,566	-
Total expenditures	40,103,307	36,846,925	36,826,775	(20,150)
Excess of Revenue Over Expenditures	190,672	2,631,420	2,626,181	(5,239)
Other Financing Uses - Transfers out	(1,506,000)	(4,006,125)	(4,006,125)	-
Net Change in Fund Balance	(1,315,328)	(1,374,705)	(1,379,944)	(5,239)
Fund Balance - Beginning of year	13,307,613	13,307,613	13,307,613	-
Fund Balance - End of year	\$ 11,992,285	\$ 11,932,908	\$ 11,927,669	\$ (5,239)

City of Roseville, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Major Streets Fund Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 2,240,000	\$ 2,343,867	\$ 2,343,867	\$ -
Investment income	20,000	23,023	23,023	-
Total revenue	2,260,000	2,366,890	2,366,890	-
Expenditures - Current				
General government	200,000	200,000	200,000	-
Public works	2,332,250	2,202,805	2,202,805	-
Total expenditures	2,532,250	2,402,805	2,402,805	-
Excess of Expenditures Over Revenue	(272,250)	(35,915)	(35,915)	-
Other Financing Sources (Uses)				
Transfers in	257,000	1,059,148	1,059,148	-
Transfers out	-	(494,799)	(494,799)	-
Total other financing sources	257,000	564,349	564,349	-
Net Change in Fund Balance	(15,250)	528,434	528,434	-
Fund Balance - Beginning of year	2,136,026	2,136,026	2,136,026	-
Fund Balance - End of year	<u>\$ 2,120,776</u>	<u>\$ 2,664,460</u>	<u>\$ 2,664,460</u>	<u>\$ -</u>

City of Roseville, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Local Streets Fund Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 675,000	\$ 676,334	\$ 676,334	\$ -
Investment income	6,500	5,127	5,127	-
Other revenue	-	98	98	-
Total revenue	681,500	681,559	681,559	-
Expenditures - Current				
General government	70,000	70,000	70,000	-
Public works	1,542,000	1,577,597	1,577,597	-
Total expenditures	1,612,000	1,647,597	1,647,597	-
Excess of Expenditures Over Revenue	(930,500)	(966,038)	(966,038)	-
Other Financing Sources - Transfers in	1,011,250	1,501,072	1,501,072	-
Net Change in Fund Balance	80,750	535,034	535,034	-
Fund Balance - Beginning of year	746,104	746,104	746,104	-
Fund Balance - End of year	<u>\$ 826,854</u>	<u>\$ 1,281,138</u>	<u>\$ 1,281,138</u>	<u>\$ -</u>

City of Roseville, Michigan

Pension System Schedule of Funding Progress Year Ended June 30, 2009 (dollar amounts in thousands)

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
6/30/99	\$ 106,123	\$ 103,097	\$ (3,026)	102.9	\$ 14,481	(20.9)
6/30/00	111,153	108,780	(2,373)	102.2	14,977	(15.8)
6/30/01	115,009	114,218	(791)	100.7	15,372	(5.1)
6/30/02	112,427	117,182	4,755	95.9	16,005	29.7
6/30/03	109,779	122,849	13,070	89.4	16,818	77.7
6/30/04	111,328	131,171	19,843	84.9	18,193	109.1
6/30/05	114,059	135,778	21,719	84.0	18,217	119.2
6/30/06	119,145	143,792	24,647	82.9	17,976	137.1
6/30/07	128,047	150,926	22,879	84.8	18,165	126.0
6/30/08	133,644	158,417	24,773	84.4	18,683	132.6

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
6/30/04	6/30/02	\$ 2,813,719	100.0
6/30/05	6/30/03	3,295,300	100.0
6/30/06	6/30/04	3,885,093	100.0
6/30/07	6/30/05	3,938,255	100.0
6/30/08	6/30/06	3,863,676	100.0
6/30/09	6/30/07	3,892,855	100.0

* 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, 2008, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Amortization period (perpetual)	26 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases*	5.0%
*Includes inflation at	5.0%
Cost of living adjustments	0% to 3.8%

City of Roseville, Michigan

Other Postemployment Benefits Schedule of Funding Progress Year Ended June 30, 2009

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

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Actual Contribution	Percentage Contributed
6/30/09	6/30/08	\$ 4,429,760	\$ 4,319,408	0.98

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2008, 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	7.50%
Projected salary increases*	5.0%
*Includes inflation at	5.0%
Cost of living adjustments	0% to 3.8%

City of Roseville, Michigan

Note to Required Supplemental Information June 30, 2009

Note - Budgetary Information

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

- a. Budgets must be adopted for the General Fund and Special Revenue Funds.
- b. Budgeted expenditures cannot exceed budgeted revenues 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.

City of Roseville, Michigan

Note to Required Supplemental Information June 30, 2009

Note - Budgetary Information (Continued)

- 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.

Budgeted amounts of the revenues and expenditures are presented for the General 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, 2009. The impact on total budgeted revenues and expenditures is as follows:

Fund	Revenues (Including Other Financing Sources) Increase (Decrease)	Expenditures (Including Transfers Out) Increase (Decrease)
General Fund	\$ (815,634)	\$ (756,257)
Major Streets Fund	909,038	365,354
Local Streets Fund	489,881	35,597

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City of Roseville incurred expenditures that were in excess of the amounts budgeted, as follows:

	Original Budget	Amended Budget	Actual
General Fund:			
General government - Building and grounds	\$ 1,150,108	\$ 1,123,151	\$ 1,123,162
Public Safety - Fire	6,114,769	5,843,497	5,855,997

All of the above expenditure categories were insignificantly over budget due to unforeseen expenses that were not included in the budget.

Other Supplemental Information

City of Roseville, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2009

	Special Revenue Funds		Debt Service Funds			Total Nonmajor Governmental Funds
	Community Development Block Grant	Drug Law Enforcement	Building Authority	General Debt	Chapter 20 Drain	
Assets						
Cash and investments	\$ 152,097	\$ 1,487,354	\$ 14,737	\$ 846,755	\$ 1,188,823	\$ 3,689,766
Receivables:						
Taxes	-	-	-	3,289	10,160	13,449
Other	-	283,448	-	-	-	283,448
Due from other funds	-	-	-	-	515,424	515,424
Due from other governmental units	94,455	-	-	-	-	94,455
Prepaid expenses and other assets	1,255	3,429	-	-	-	4,684
Total assets	\$ 247,807	\$ 1,774,231	\$ 14,737	\$ 850,044	\$ 1,714,407	\$ 4,601,226
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 24,733	\$ 77,059	\$ -	\$ -	\$ 375,014	\$ 476,806
Due to other funds	219,724	26,459	-	-	-	246,183
Other liabilities	3,350	-	-	-	-	3,350
Deferred revenue	-	276,909	-	2,987	8,463	288,359
Total liabilities	247,807	380,427	-	2,987	383,477	1,014,698
Fund Balances						
Reserved	-	1,393,804	-	-	-	1,393,804
Unreserved	-	-	14,737	847,057	1,330,930	2,192,724
Total fund balances	-	1,393,804	14,737	847,057	1,330,930	3,586,528
Total liabilities and fund balances	\$ 247,807	\$ 1,774,231	\$ 14,737	\$ 850,044	\$ 1,714,407	\$ 4,601,226

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended June 30, 2009

	Special Revenue Funds		Debt Service Funds			Total Nonmajor Governmental Funds
	Community Development Block Grant	Drug Law Enforcement	Building Authority	General Debt	Chapter 20 Drain	
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ 209,383	\$ 1,362,931	\$ 1,572,314
Federal sources	739,090	147,993	-	-	-	887,083
Investment income	-	28,435	325	8,336	10,819	47,915
Other	66,862	744,159	-	-	-	811,021
Total revenue	<u>805,952</u>	<u>920,587</u>	<u>325</u>	<u>217,719</u>	<u>1,373,750</u>	<u>3,318,333</u>
Expenditures - Current						
General government	148,520	-	-	-	-	148,520
Public safety	-	752,232	-	-	-	752,232
Public works	502,738	-	-	-	-	502,738
Community services	154,694	-	-	-	-	154,694
Principal	-	-	315,000	140,000	482,323	937,323
Interest	-	-	191,125	68,235	359,783	619,143
Other charges	-	-	-	19,322	666,657	685,979
Total expenditures	<u>805,952</u>	<u>752,232</u>	<u>506,125</u>	<u>227,557</u>	<u>1,508,763</u>	<u>3,800,629</u>
Excess of Revenue Over (Under) Expenditures	-	168,355	(505,800)	(9,838)	(135,013)	(482,296)
Other Financing Sources - Transfers in	-	-	506,125	-	750,983	1,257,108
Change in Fund Balances	-	168,355	325	(9,838)	615,970	774,812
Fund Balances - Beginning of year	-	1,225,449	14,412	856,895	714,960	2,811,716
Fund Balances - End of year	<u>\$ -</u>	<u>\$ 1,393,804</u>	<u>\$ 14,737</u>	<u>\$ 847,057</u>	<u>\$ 1,330,930</u>	<u>\$ 3,586,528</u>

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2009

	Employee Benefit Fund	Flexible Savings Fund	Workers' Compensation Fund	Total
Assets				
Cash and cash equivalents	\$ 7,372,279	\$ 14,380	\$ 94,634	\$ 7,481,293
Receivables - Other	224,081	-	-	224,081
Due from (to) other funds	14,380	(14,380)	26,402	26,402
Prepaid expenses and other assets	-	-	9,999	9,999
Total assets	7,610,740	-	131,035	7,741,775
Liabilities - Provision for claims	967,995	-	96,605	1,064,600
Net Assets - Unrestricted	<u>\$ 6,642,745</u>	<u>\$ -</u>	<u>\$ 34,430</u>	<u>\$ 6,677,175</u>

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2009

	Employee Benefit Fund	Flexible Savings Fund	Workers' Compensation Fund	Total
Operating Revenues - Charges to other funds	\$ 9,341,437	\$ 51,019	\$ 186,565	\$ 9,579,021
Operating Expenses - Benefit payments and other costs	8,132,863	56,818	203,299	8,392,980
Operating Income (Loss)	1,208,574	(5,799)	(16,734)	1,186,041
Nonoperating Revenue - Investment income	52,899	179	119	53,197
Excess of Revenues Over (Under) Expenditures	1,261,473	(5,620)	(16,615)	1,239,238
Other Financing Sources				
Transfers in	14,380	20,000	-	34,380
Transfers out	(20,000)	(14,380)	-	(34,380)
Total Other Financing Sources (Uses)	(5,620)	5,620	-	-
Change in Net Assets	1,255,853	-	(16,615)	1,239,238
Net Assets - Beginning of year	5,386,892	-	51,045	5,437,937
Net Assets - End of year	<u>\$ 6,642,745</u>	<u>\$ -</u>	<u>\$ 34,430</u>	<u>\$ 6,677,175</u>

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2009

	Employee Benefit Fund	Flexible Savings Fund	Workers' Compensation Fund	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 9,393,163	\$ 51,019	\$ 186,566	\$ 9,630,748
Payments connected with interfund service	(105,022)	14,380	(9,746)	(100,388)
Receipts connected with interfund service	(20,000)	5,620	78,620	64,240
Claims paid	(8,043,230)	(56,818)	(178,426)	(8,278,474)
Net cash provided by operating activities	1,224,911	14,201	77,014	1,316,126
Cash Flows from Investing Activities - Interest received on investments				
	52,899	179	119	53,197
Net Increase in Cash and Cash Equivalents	1,277,810	14,380	77,133	1,369,323
Cash and Cash Equivalents - Beginning of year	6,094,469	-	17,501	6,111,970
Cash and Cash Equivalents - End of year	<u>\$ 7,372,279</u>	<u>\$ 14,380</u>	<u>\$ 94,634</u>	<u>\$ 7,481,293</u>
Balance Sheet Classification of Cash and Cash Equivalents - Cash and investments				
	<u>\$ 7,372,279</u>	<u>\$ 14,380</u>	<u>\$ 94,634</u>	<u>\$ 7,481,293</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 1,208,574	\$ (5,799)	\$ (16,734)	\$ 1,186,041
Changes in assets and liabilities:				
Operating transfers (out) in	(5,620)	5,620	-	-
Receivables	51,726	-	-	51,726
Due from other funds	(14,380)	-	78,620	64,240
Accounts payable	89,633	-	24,874	114,507
Due to other funds	(105,022)	14,380	(9,746)	(100,388)
Net cash provided by operating activities	<u>\$ 1,224,911</u>	<u>\$ 14,201</u>	<u>\$ 77,014</u>	<u>\$ 1,316,126</u>

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Net Assets Pension Trust and Agency Funds June 30, 2009

	Pension Trust Funds			Agency Funds					
	Employees' Pension Trust Fund	Retiree		Tax Collections	Misc. Agency	P.A.I.R.	Court	County and School Tax	Total Agency Funds
		Healthcare Benefits Trust Fund	Total Pension Trust Funds						
Assets									
Cash and investments	\$ -	\$ -	\$ -	\$ 16,250	\$ 37,841	\$ 24,156	\$ 221,789	\$ -	\$ 300,036
Investments:									
U.S. government securities	12,112,825	485,164	12,597,989	-	-	-	-	-	-
Stocks	78,978,455	1,169,134	80,147,589	-	-	-	-	-	-
Bonds	9,240,154	202,270	9,442,424	-	-	-	-	-	-
Mutual funds	3,743,019	67,386	3,810,405	-	-	-	-	-	-
Securities lending	9,335,766	-	9,335,766	-	-	-	-	-	-
Receivables	239,283	-	239,283	-	-	-	-	-	-
Total assets	<u>113,649,502</u>	<u>1,923,954</u>	<u>115,573,456</u>	<u>\$ 16,250</u>	<u>\$ 37,841</u>	<u>\$ 24,156</u>	<u>\$ 221,789</u>	<u>\$ -</u>	<u>\$ 300,036</u>
Liabilities									
Accounts payable	115,995	-	115,995	\$ -	\$ 37,841	\$ 24,156	\$ -	\$ -	\$ 61,997
Due to other governmental units	-	-	-	16,250	-	-	-	-	16,250
Accrued liabilities and other	-	-	-	-	-	-	221,789	-	221,789
Obligations under securities lending arrangements	<u>9,335,766</u>	<u>-</u>	<u>9,335,766</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>9,451,761</u>	<u>-</u>	<u>9,451,761</u>	<u>\$ 16,250</u>	<u>\$ 37,841</u>	<u>\$ 24,156</u>	<u>\$ 221,789</u>	<u>\$ -</u>	<u>\$ 300,036</u>
Net Assets - Held in trust for employee benefits	<u>\$ 104,197,741</u>	<u>\$ 1,923,954</u>	<u>\$ 106,121,695</u>						

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Assets Fiduciary Funds Year Ended June 30, 2009

	Employees' Pension Trust Fund	Retiree Healthcare Benefits Trust Fund	Total
Additions			
Investment income (loss):			
Interest and dividends	\$ 2,297,404	\$ 51,759	\$ 2,349,163
Net decrease in fair value of investments	(20,543,880)	(339,336)	(20,883,216)
Less investment expenses	(578,857)	(24,678)	(603,535)
Net investment loss	(18,825,333)	(312,255)	(19,137,588)
Contributions:			
Employer	3,892,855	497,681	4,390,536
Employee	1,293,891	-	1,293,891
Total contributions	5,186,746	497,681	5,684,427
Other additions	187,927	1,967	189,894
Total additions - Net	(13,450,660)	187,393	(13,263,267)
Deductions			
Benefit payments	8,601,076	-	8,601,076
Refunds of contributions	222,676	-	222,676
Administrative expenses	214,093	5,494	219,587
Total deductions	9,037,845	5,494	9,043,339
Net (Decrease) Increase in Net Assets Held in Trust	(22,488,505)	181,899	(22,306,606)
Net Assets Held in Trust for Pension and Other			
Employee Benefits - Beginning of year	<u>126,686,246</u>	<u>1,742,055</u>	<u>128,428,301</u>
Net Assets Held in Trust for Pension and Other			
Employee Benefits - End of year	<u>\$ 104,197,741</u>	<u>\$ 1,923,954</u>	<u>\$ 106,121,695</u>

City of Roseville, Michigan

Schedule of Indebtedness June 30, 2009

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2009	2008
General Obligation Bonds					
Unlimited Tax General Obligation Library Bonds					
Date of issue - November 1, 1995					
Amount of issue - \$2,715,000					
	5.000	11/01/08	\$ 140,000	\$ -	\$ 140,000
	5.050	11/01/09	150,000	150,000	150,000
	5.100	11/01/10	160,000	160,000	160,000
	5.100	11/01/11	170,000	170,000	170,000
	5.100	11/01/12	180,000	180,000	180,000
	5.125	11/01/13	190,000	190,000	190,000
	5.125	11/01/14	200,000	200,000	200,000
	5.125	11/01/15	210,000	210,000	210,000
Total General Obligation bonds				<u>\$ 1,260,000</u>	<u>\$ 1,400,000</u>

City of Roseville, Michigan

Schedule of Indebtedness (Continued) June 30, 2009

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2009	2008
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					
	5.00	10/01/08	\$ 315,000	\$ -	\$ 315,000
	5.00	10/01/09	330,000	330,000	330,000
	5.00	10/01/10	345,000	345,000	345,000
	5.10	10/01/11	360,000	360,000	360,000
	5.10	10/01/12	400,000	400,000	400,000
	5.20	10/01/13	390,000	390,000	390,000
	5.20	10/01/14	410,000	410,000	410,000
	5.38	10/01/15	425,000	425,000	425,000
	5.38	10/01/16	440,000	440,000	440,000
	5.38	10/01/17	460,000	460,000	460,000
	5.50	10/01/18	480,000	480,000	480,000
	5.55	10/01/19	500,000	500,000	500,000
Total Building Authority bonds				<u>\$ 4,540,000</u>	<u>\$ 4,855,000</u>

City of Roseville, Michigan

Schedule of Indebtedness (Continued) June 30, 2009

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2009	2008
County Drain Contract Obligations					
Lake St. Clair Water Initiative Drainage District - Series A					
Date of issue - January 1, 2001					
Amount of issue - \$2,152,845					
	4.30	10/01/08	\$ 49,565	\$ -	\$ 49,565
	4.30	10/01/09	51,720	58,008	51,720
	4.30	10/01/10	53,875	60,425	53,875
	4.30	10/01/11	56,030	62,842	56,030
	4.30	10/01/12	59,263	66,468	59,263
	4.30	10/01/13	61,418	68,885	61,418
	4.30	10/01/14	64,650	72,510	64,650
	4.30	10/01/15	67,883	76,136	67,883
	4.30	10/01/16	71,115	79,761	71,115
	4.30	10/01/17	75,425	84,595	75,425
	4.30	10/01/18	79,735	89,429	79,735
	4.30	10/01/19	82,967	93,055	82,967
	4.30	10/01/20	87,277	97,888	87,277
	4.30	10/01/21	92,665	103,931	92,665
	4.30	10/01/22	96,975	108,765	96,975
	4.30	10/01/23	102,363	114,807	102,363
	4.30	10/01/24	108,827	122,058	108,827
	4.30	10/01/25	114,215	128,101	114,215
	4.30	10/01/26	120,680	135,352	120,680
	4.30	10/01/27	127,145	142,603	127,145
	4.30	10/01/28	133,610	149,854	133,610
	4.30	10/01/29	141,152	158,313	141,152
				2,073,786	1,898,555

City of Roseville, Michigan

Schedule of Indebtedness (Continued) June 30, 2009

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2009	2008
County Drain Contract Obligations					
Lake St. Clair Water Initiative Drainage District - Series 2002A					
Date of issue - May 1, 2002					
Amount of issue - \$505,500					
	4.500	10/01/09	\$ 12,638	\$ 12,638	\$ -
	4.500	10/01/10	13,143	13,143	-
	4.500	10/01/11	13,649	13,649	-
	4.500	10/01/12	14,660	14,660	-
	4.500	10/01/13	15,165	15,165	-
	4.550	10/01/14	15,671	15,671	-
	4.700	10/01/15	16,682	16,682	-
	4.850	10/01/16	17,187	17,187	-
	4.950	10/01/17	18,198	18,198	-
	5.000	10/01/18	18,704	18,704	-
	5.050	10/01/19	19,714	19,714	-
	5.100	10/01/20	20,725	20,725	-
	5.100	10/01/21	21,736	21,736	-
	5.125	10/01/22	23,253	23,253	-
	5.125	10/01/23	24,264	24,264	-
	5.200	10/01/24	25,275	25,275	-
	5.200	10/01/25	26,791	26,791	-
	5.200	10/01/26	28,308	28,308	-
	5.250	10/01/27	29,824	29,824	-
	5.250	10/01/28	31,341	31,341	-
	5.250	10/01/29	32,857	32,857	-
				439,785	-

City of Roseville, Michigan

Schedule of Indebtedness (Continued) June 30, 2009

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2009	2008
County Drain Contract Obligations (Continued)					
Lake St. Clair Water Initiative Drain Drainage District - SRF Project 5186-01					
Date of issue - December 20, 2000					
City's portion of issuance - \$4,417,179					
	2.50	10/01/08	\$ 195,536	\$ -	\$ 195,536
	2.50	10/01/09	199,809	198,875	199,809
	2.50	10/01/10	205,152	204,192	205,152
	2.50	10/01/11	210,495	209,510	210,495
	2.50	10/01/12	215,837	214,827	215,837
	2.50	10/01/13	221,179	220,145	221,179
	2.50	10/01/14	226,522	225,462	226,522
	2.50	10/01/15	232,933	231,843	232,933
	2.50	10/01/16	238,275	237,161	238,275
	2.50	10/01/17	244,686	243,541	244,686
	2.50	10/01/18	251,098	249,922	251,098
	2.50	10/01/19	257,509	256,303	257,509
	2.50	10/01/20	263,919	262,684	263,919
	2.50	10/01/21	270,331	269,065	270,331
	2.50	10/01/22	277,810	276,511	277,810
				<u>3,300,041</u>	<u>3,511,091</u>

City of Roseville, Michigan

Schedule of Indebtedness (Continued) June 30, 2009

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2009	2008
County Drain Contract Obligations (Continued)					
Lake St. Clair Water Initiative Drain Drainage District - SRF Project 5186-02					
Date of issue - December 20, 2001					
City's portion of issuance - \$3,051,757					
	2.50	10/01/08	\$ 134,340	\$ -	\$ 134,340
	2.50	10/01/09	137,699	139,851	137,699
	2.50	10/01/10	142,177	144,399	142,177
	2.50	10/01/11	145,535	147,810	145,535
	2.50	10/01/12	148,894	151,221	148,894
	2.50	10/01/13	153,372	155,769	153,372
	2.50	10/01/14	156,730	159,180	156,730
	2.50	10/01/15	161,208	163,728	161,208
	2.50	10/01/16	164,567	167,139	164,567
	2.50	10/01/17	169,045	171,687	169,045
	2.50	10/01/18	173,522	176,235	173,522
	2.50	10/01/19	178,000	180,783	178,000
	2.50	10/01/20	182,477	185,331	182,477
	2.50	10/01/21	186,956	189,879	186,956
	2.50	10/01/22	191,434	194,426	191,434
				2,327,438	2,425,956

City of Roseville, Michigan

Schedule of Indebtedness (Continued) June 30, 2009

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2009	2008
County Drain Contract Obligations (Continued)					
Lake St. Clair Water Initiative Drain Drainage District - SRF Project 5186-03					
Date of issue - December 20, 2001					
City's portion of issuance - \$591,096					
	2.50	10/01/08	\$ 25,748	\$ -	\$ 25,748
	2.50	10/01/09	26,868	27,288	26,868
	2.50	10/01/10	27,987	28,425	27,987
	2.50	10/01/11	27,987	28,425	27,987
	2.50	10/01/12	29,107	29,562	29,107
	2.50	10/01/13	29,107	29,562	29,107
	2.50	10/01/14	30,227	30,699	30,227
	2.50	10/01/15	31,346	31,836	31,346
	2.50	10/01/16	31,346	31,836	31,346
	2.50	10/01/17	32,466	32,973	32,466
	2.50	10/01/18	33,585	34,110	33,585
	2.50	10/01/19	34,705	35,247	34,705
	2.50	10/01/20	35,824	36,384	35,824
	2.50	10/01/21	35,824	36,384	35,824
	2.50	10/01/22	36,944	37,520	36,945
				450,251	469,072

City of Roseville, Michigan

Schedule of Indebtedness (Continued) June 30, 2009

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2009	2008
County Drain Contract Obligations (Continued)					
Lake St. Clair Water Initiative Drain Drainage District - SRF Project 5186-05					
Date of issue - June 26, 2003					
City's portion of issuance - \$343,298					
	2.50	10/01/08	\$ 14,084	\$ -	\$ 14,084
	2.50	10/01/09	15,845	15,845	15,845
	2.50	10/01/10	15,845	15,845	15,845
	2.50	10/01/11	15,845	15,845	15,845
	2.50	10/01/12	15,845	15,845	15,845
	2.50	10/01/13	15,845	15,845	15,845
	2.50	10/01/14	17,605	17,605	17,605
	2.50	10/01/15	17,605	17,605	17,605
	2.50	10/01/16	17,605	17,605	17,605
	2.50	10/01/17	19,365	19,365	19,365
	2.50	10/01/18	19,365	19,365	19,365
	2.50	10/01/19	19,365	19,365	19,365
	2.50	10/01/20	19,365	19,365	19,365
	2.50	10/01/21	21,126	21,126	21,126
	2.50	10/01/22	21,126	21,126	21,126
	2.50	10/01/23	21,126	21,128	21,126
				272,880	286,962

City of Roseville, Michigan

Schedule of Indebtedness (Continued) June 30, 2009

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2009	2008
County Drain Contract Obligations (Continued)					
Lake St. Clair Water Initiative Drainage District - Series A					
Date of issue - June 1, 2004					
Amount of issue - \$2,425,000					
	4.375	10/01/08	\$ 63,050	\$ -	\$ 63,050
	4.375	10/01/09	65,475	42,741	65,475
	4.375	10/01/10	67,900	44,324	67,900
	4.375	10/01/11	70,325	45,907	70,325
	4.375	10/01/12	72,750	47,490	72,750
	4.375	10/01/13	75,175	49,073	75,175
	4.375	10/01/14	77,600	50,656	77,600
	4.375	10/01/15	82,450	53,822	82,450
	4.375	10/01/16	84,875	55,405	84,875
	4.375	10/01/17	89,725	58,571	89,725
	4.500	10/01/18	92,150	60,154	92,150
	4.625	10/01/19	97,000	63,320	97,000
	4.625	10/01/20	101,850	66,486	101,850
	4.750	10/01/21	106,700	69,652	106,700
	4.750	10/01/22	113,975	74,401	113,975
	4.875	10/01/23	118,825	77,567	118,825
	5.000	10/01/24	126,100	82,316	126,100
	5.000	10/01/25	133,375	87,065	133,375
	5.000	10/01/26	140,650	91,814	140,650
	5.000	10/01/27	145,500	94,980	145,500
	5.000	10/01/28	157,625	102,895	157,625
	5.000	10/01/29	218,400	106,061	218,400
Subtotal				1,424,700	2,301,475
Less amounts not drawn down				-	(55,925)
Total				1,424,700	2,245,550
Total County Drain Contract obligations				<u>\$ 10,288,881</u>	<u>\$ 10,837,186</u>

City of Roseville, Michigan

Schedule of Indebtedness (Continued) June 30, 2009

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2009	2008
Installment Loan Obligation					
Installment loan - Computer software					
Date of issue - May 2008					
Amount of issue - \$151,860					
	-	5/01/09	\$ 31,542	\$ -	\$ 29,292
	-	5/01/10	30,372	30,372	29,292
	-	5/01/11	30,372	30,372	29,292
	-	5/01/12	30,372	30,372	29,292
				<u>\$ 91,116</u>	<u>\$ 117,168</u>
Total installment loan obligation					