

City of Roseville, Michigan



Financial Report with Supplemental Information June 30, 2010

City of Roseville, Michigan

**Financial Report
with Supplemental Information
June 30, 2010**

City of Roseville, Michigan

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Financial Section



For the period ending June 30, 2010

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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Roseville, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Roseville, Michigan as of June 30, 2010 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 17, 2010 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 explained in Note 1, the financial statements include investments valued at approximately \$33.1 million (representing approximately 29 percent of net assets), whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the investment managers, periodic appraisal, real estate advisors, general partners, or other means.

Plante & Moran, PLLC

December 17, 2010

City of Roseville, Michigan

Management's Discussion and Analysis

Using This Annual Report

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

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

The City has three kinds of funds:

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

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

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

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

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 to the financial statements. This section of the report highlights the City's progress in funding its obligations to provide pension and other postemployment benefits to its employees. Also included in this section are the budgetary comparison statements for the General Fund, Major Special Revenue Funds, and Capital Projects Fund.

Other Financial and Supplemental Information

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

The City of Roseville, Michigan as a Whole

The City's combined total net assets increased 4.8 percent from a year ago, increasing from \$118.1 million to \$123.7 million. A review of the governmental activities, separate from the business-type activities, shows an increase of approximately \$4.4 million in total net assets or 4.3 percent, during fiscal year 2010. The change in total net assets is primarily attributed to the inclusion of \$2.9 million in capital additions combined with the reduction of current year and long-term debt obligations, despite decreases in the City's restricted assets and equity interest in its joint venture investments. The net increase is supported by increased revenue from operating grants, capital grants, and charges from service-type activities, despite the effects of lower property tax revenue (due to decreased taxable values), and decreased investment income and state-shared revenue. Additionally, the effects of funding retiree healthcare benefits for current and future retirees reduced the City's cash reserves by \$4.5 million. Like many communities, postemployment healthcare premiums were traditionally paid by the City's pension fund through its available "excess earnings." During 2005, as a result of increasing healthcare costs coupled with declining interest rates, the pension fund was no longer able to cover this obligation. During 2010, this obligation was paid entirely by the General Fund.

Business-type activities experienced a \$1.3 million increase in total net assets during fiscal year 2010. This increase is attributed to the restructuring of the City's water and sewer billing rates, effective July 1, 2009, which generated increased customer receivables and unrestricted net assets from operations, coupled with disciplined expense control throughout fiscal year 2010. The restructuring of the City's water and sewer billing structure was a requirement of the State Revolving Fund loan application process, the proceeds from which are necessary to finance critical improvements to the City's aging water and sewer infrastructure.

Governmental unrestricted net assets, the portion of net assets available to finance day-to-day operations and future growth, decreased from \$28.3 million at June 30, 2009 to \$27.8 million at June 30, 2010. The City's unrestricted net assets for business-type activities increased by \$1.4 million at June 30, 2010.

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, 2010 to the prior year:

	June 30			
	2010	2009	Change	Percent
Assets				
Current assets	\$ 38.5	\$ 37.3	\$ 1.2	3.22%
Noncurrent assets:				
Investment in joint ventures	7.6	7.9	(0.3)	-3.80%
Restricted assets	-	0.2	(0.2)	-
Capital assets	<u>82.9</u>	<u>80.0</u>	<u>2.9</u>	3.63%
Total assets	129.00	125.4	3.6	2.87%
Liabilities				
Current liabilities	7.4	4.7	2.7	57.45%
Long-term liabilities	<u>16.2</u>	<u>19.6</u>	<u>(3.4)</u>	-17.35%
Total liabilities	<u>23.6</u>	<u>24.3</u>	<u>(0.7)</u>	-2.89%
Net Assets				
Invested in capital assets -				
Net of related debt	67.8	64.0	3.8	5.93%
Restricted	9.8	8.8	1.0	11.36%
Unrestricted	<u>27.8</u>	<u>28.3</u>	<u>(0.5)</u>	-1.77%
Total net assets	<u>\$ 105.4</u>	<u>\$ 101.1</u>	<u>\$ 4.3</u>	4.25%

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, 2010 from the prior year:

	Year Ended June 30		Change	Percent
	2010	2009		
Revenue				
Program revenue:				
Charges for services	\$ 9.4	\$ 7.1	\$ 2.3	32.39%
Operating grants and contributions	5.7	5.0	0.7	14.00%
Capital grants and contributions	2.0	1.2	0.8	66.67%
General revenue:				
Property taxes and related fees	29.2	30.0	(0.8)	-2.66%
State sources	4.3	4.9	(0.6)	-12.24%
Unrestricted investment earnings	0.2	0.6	(0.4)	-66.67%
Miscellaneous	0.1	0.3	(0.2)	-66.67%
Cable franchise fees	0.7	0.7	-	0.00%
Total revenue	51.6	49.8	1.8	3.61%
Program Expenses				
General government	13.0	12.5	0.5	4.01%
Public safety	20.2	19.1	1.1	5.75%
Public works - Highways and streets	8.8	8.2	0.6	7.32%
Recreation and culture	3.8	4.4	(0.6)	-13.64%
Interest expense	1.5	1.6	(0.1)	-6.25%
Total program expenses	47.3	45.8	1.5	3.28%
Change in Net Assets	\$ 4.3	\$ 4.0	\$ 0.3	7.50%

The City's total governmental revenue increased \$1.9 million from \$49.8 in 2009 to \$51.7 million in 2010. Of this amount, property taxes, which account for approximately 57 percent of total revenue, decreased by \$.7 million to \$29.3 million due to lower taxable values. State sources, which approximate 8.5 percent of total revenue or \$4.4 million, and investment earnings, which represent .4 percent or \$.2 million, decreased 10 percent and 54 percent, respectively. These reductions were offset by higher revenue generated from charges for service-type activities, which support program costs such as the district court, building inspections, recreation programs, etc., amounting to approximately 18.2 percent of total revenue or \$9.4 million. In addition, the City received \$7.7 million in operating grants, capital grants, and capital contributions from federal and state sources, which accounted for approximately 15 percent of total governmental revenue.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

Total expenditures increased by approximately \$1.5 million, or 3.3 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 \$4.9 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, strong expenditure control by City departments, and reductions in interest paid for long-term debt. The City continued to meet its actuarial required contribution for the defined benefit pension system during fiscal year 2010. This is important for the City because future taxpayers should not be required to fund benefit payments that were earned in the current period. Despite increased designations over the past five years to fund future retiree medical costs, the City, like most communities, remains severely under-funded with regard to GASB Statement No. 45. The new pronouncement, effective June 30, 2009, requires the government-wide financial 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 year 2010, the City was unable to satisfy its actuarial required contribution to the postemployment healthcare benefits trust. At June 30, 2010, the City's outstanding liability with regard to the current funding for postemployment healthcare benefits was approximately \$.2 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, 2010 to the prior year:

	June 30		Change	Percent
	2010	2009		
Assets				
Current assets	\$ 9.6	\$ 8.5	\$ 1.1	12.94%
Noncurrent assets - Capital assets	10.1	10.2	(0.1)	-0.98%
Total assets	19.7	18.7	1.0	5.35%
Liabilities				
Current liabilities	1.2	1.5	(0.3)	-20.45%
Long-term liabilities	0.2	0.2	-	0.00%
Total liabilities	1.4	1.7	(0.3)	-17.51%
Net Assets				
Invested in capital assets - Net of related debt	10.1	10.2	(0.1)	-0.98%
Unrestricted	8.2	6.8	1.4	20.64%
Total net assets	<u>\$ 18.3</u>	<u>\$ 17.0</u>	<u>\$ 1.3</u>	7.67%

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, 2010 from the prior year:

	Year Ended June 30		Change	Percent
	2010	2009		
Revenue - Program revenue -				
Charges for services	\$ 12.0	\$ 10.9	\$ 1.1	10.09%
Operating Expenses				
Operating expenses other than depreciation	(10.2)	(10.3)	0.1	-0.97%
Depreciation	(0.5)	(0.4)	(0.1)	25.00%
Total operating expenses	(10.7)	(10.7)	-	0.00%
Operating Income	1.3	0.2	1.1	5.50%
Interest Income	-	0.1	(0.1)	-100.00%
Change in Net Assets	<u>\$ 1.3</u>	<u>\$ 0.3</u>	<u>\$ 1.0</u>	333.33%

The City's business-type activities are recorded in the Water and Sewer Fund. Water and sewer operations are funded directly by user fees or charges for services. Revenue generated from the City's Water and Sewer Fund totaled \$12.0 million in 2010 and expenses were \$10.7 million. The City experienced an overall increase in net assets of \$1.3 million. For fiscal year 2010, the City Council approved an 8 percent rate increase, which was consistent with the rate increases charged by the City of Detroit and South Macomb Sanitary District. The City is currently in its third year of a 30-year working agreement with the City of Detroit to monitor maximum day "peaking" costs and usage to minimize future rate increases from its supplier. Effective July 1, 2009, City management revised the water and sewer billing structure to include a ready-to-serve base charge on all accounts, regardless of usage. The City's water and sewer rates continue to reflect only the estimated cost for water units purchased or sewer treatment costs incurred by the City. No other expenses are factored into these rates. The City's local operating maintenance rate (LOM), which primarily reflects the day-to-day operating costs and future capital outlay considerations of the Water and Sewer Fund, excluding the purchase of water and sewer treatment expense, was significantly lowered on a per unit basis, as a result of implementing the ready-to-serve base charge to customer accounts.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

During fiscal year 2010, the City's water and sewer system incurred a 4.9 percent decrease in the volume of water and sewage units purchased in conjunction with a 4.1 percent decrease in the total volume of water units sold and sewage units treated. This relationship further supports the 28 percent reduction in the City's inferred water loss percentage, which improved from 6.7 percent in fiscal year 2009 to 4.8 percent in fiscal year 2010. 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 year 2009, the City completed the formal application process to request \$5.8 million in low interest State Revolving Fund loans to finance critical repairs to the City's water and sewer infrastructure. These critical improvements to the City's aging water and sewer infrastructure are slated to occur during fiscal year 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. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as State of Michigan Act 51 major and local roads revenue sharing. The City's major funds for 2010 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 \$18.8 million in 2010, before depreciation and other full accrual accounting adjustments. The general operating millage levied by the City supports these two services. Overall, the fund balance in the General Fund decreased by \$2.6 million during fiscal year 2010. This decrease was the cumulative effect of lower property tax revenue (due to decreased taxable values), decreased investment income combined with the \$4.5 million funding for current retiree healthcare benefits, \$.4 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. During fiscal year 2010, net assets in the Major and Local Street Funds increased by \$492,000 and \$496,000, 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 project being administered on behalf of the City by Macomb County. The City maintains certain intangible rights to a county drain asset equal to the City's share of the debt associated with the Clean Water Initiative project. Special assessment collections, capital grants, and operating transfers from other funds primarily support the activities within this fund. At June 30, 2009, construction on the Lake St. Clair Clean Water Initiative project was finally completed. During the current year, the County reallocated project costs and the related indebtedness among the participating municipalities, reducing the City's restricted assets by \$155,000 at June 30, 2010. In total, net assets in the Capital Projects Fund decreased by \$389,000 during fiscal year 2010.

General Fund Budgetary Highlights

City administration and the City Council monitor and amend the budget to take into account unanticipated events that occur during the year. The budget was formally amended once for fiscal year 2010. Total budgeted revenue in the General Fund increased by \$.1 million or .2 percent due to increased revenue from federal grants despite lower than anticipated property tax revenue (due to decreased taxable values), declines in interest earned on investments, and reductions in state-shared revenue. In total, General Fund budgeted expenditures decreased by approximately \$.6 million or 1.4 percent attributed to the overall savings realized from personnel vacancies and various operational efficiencies. At year end, actual General Fund revenue and expenditures were consistent with budgeted amounts. For fiscal year 2011 and beyond, management has developed a comprehensive five-year financial forecast that is updated annually and is reflected as part of the City's annual operating budget.

Capital Assets and Long-term Debt Administration

At year end, the City had approximately \$93.0 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 in since 1980), and water and sewer lines. Due to limited growth within the City, no water and sewer lines were contributed by developers in the current year. During fiscal year 2010, the total value of the City's infrastructure assets, net of depreciation, increased 8.7 percent from \$34.4 million in 2009 to \$37.4 million in 2010. Included in the City's infrastructure assets are certain intangible rights to a county drain asset equal to the City's share of the debt associated with the Clean Water Initiative project.

Debt reported in the financial statements typically relates to the purchase or construction of the above-mentioned capital assets and is reported as a liability on the statement of net assets. Debt service payments during fiscal year 2010 consisted of approximately \$1 million in principal payments and \$.6 million in interest on all outstanding bonds and debt obligations. See the notes to the financial statements section of the report for additional information.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

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

Unfortunately, for the past three years, property assessments have declined and continued decreases are anticipated for 2011. Property taxes account for 65 percent of the City's General Fund operating budget. Total property assessments decreased by 3 percent in 2009, decreased by 11 percent in 2010, and are estimated to decrease at least an additional 6 percent in 2011. For example, in 2011 the average homeowner is expected to pay approximately the same amount in taxes as they did prior to the City's 5 mill tax increase approved in 2006. Declining property tax revenue is projected to result in a cumulative loss of \$5 million to \$7 million over the next three years. The City is considered nearly developed and as such does not foresee a great deal of potential growth in the tax base from new construction. In addition, the City's revenue-raising capacity is limited as a result of levying at the Headlee limit. Due to limitations imposed by Proposal A, the gap between assessed value and taxable value has been almost eliminated and property owners' tax bills have begun to decrease by the full assessment decline. Even when future property values stabilize, Proposal A will limit future increases in property value to the rate of inflation. This suppression of future increases in property values will hamper the City's financial recovery if and when the real estate market begins to improve.

In addition, the City's second largest revenue source, state revenue sharing, has been continuously reduced by the State of Michigan for the last nine years. In 2000, the City received \$6.3 million in revenue-sharing payments from the State of Michigan. State-shared revenue payments in 2010 were \$4.1 million, which is \$.6 million less than the amount received for 2009. Revenue sharing represents approximately 10 percent of the General Fund operating budget. The true effects of declining state-shared revenue are further intensified once inflationary increases are factored into the equation. For example, if the City had received state-shared revenue payments, adjusted for the effects of inflation, the City would have received approximately \$20 million more in state funding since 2000. For fiscal year 2011, projected revenue sharing is consistent with the amount received during fiscal year 2010. Due to the State's budget deficit, the City anticipates additional reductions in revenue sharing to continue to occur.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

Expenses, on the other hand, continue to rise faster than inflation in many areas, many of which are contractual in nature and are beyond the immediate control of City management. Although City departments continue to make concerted efforts to keep departmental expenditures at a minimum, contractual obligations continue to adversely influence the City's bottom line. Contractual obligations such as negotiated wage increases, pension contributions, and healthcare benefits are increasing at rates in excess of inflation. While our pension system is fully funded, we continue to experience dramatic increases in pension fund contribution requirements due to volatile financial markets. For 2011 and beyond, the 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 is currently re-negotiating 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 year 2011 and beyond will be the required funding for current and future retiree healthcare benefits. GASB Statement No. 45, which became effective June 30, 2009, requires the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. Despite increased designations over the past five years to fund future retiree medical costs, the City, like most communities, remains severely under-funded with regard to this pronouncement.

Despite the many cost-saving measures implemented by City management, the City was forced, once again, to utilize its financial reserves to supplement day-to-day operations. In 2010, the City's General Fund balance declined from \$11.9 million to \$9.4 million. As originally reflected in the City's 2010-2011 operating budget, the City is projecting budgetary deficits of at least \$3 million for fiscal year 2011 and at least \$6 million for fiscal year 2012, at which time without additional savings and/or revenue, the City's financial reserves will be completely depleted. The City has recently begun the budgetary process for fiscal year 2011-2012, at which time the projected deficit for fiscal year 2011 will be re-evaluated. The City has not adopted a formal fund balance policy, but does target to maintain at least 10 percent of operating expenditures in the General Fund. It is imperative that the City maintain adequate financial levels to ensure positive cash flow and to preserve its favorable bond rating from 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)

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

City management continues to aggressively investigate new potential revenue opportunities, including service-sharing agreements with surrounding communities while it monitors and adjusts expenditures to ensure adequate fund balance reserves are maintained. In July 2010, the cities of Roseville, St. Clair Shores, and Eastpointe created a legal entity known as the "South East Regional Emergency Services Authority" (SERESA), which will be responsible for the dispatching of emergency police, fire, and ambulance services throughout the member communities. SERESA will be housed in a building wholly owned by the City of Roseville, which will receive rent for the use of this facility. The authority will also contract the City to provide certain fiscal year and technology assistance for an annual fee. The newly formed authority is expected to save the City approximately \$2.4 million over the next five years.

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.

Government-wide Financial Statements



For the period ending June 30, 2010

City of Roseville, Michigan

Statement of Net Assets June 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments (Note 3)	\$ 33,313,563	\$ 6,481,157	\$ 39,794,720
Receivables:			
Property taxes receivable - Net of allowance	453,376	-	453,376
Special assessment receivable	157,201	-	157,201
Receivables for sales to customers on account	-	2,632,312	2,632,312
Accrued interest receivable	39,723	23	39,746
Other receivables	1,675,345	391,917	2,067,262
Due from other governmental units	2,162,848	-	2,162,848
Internal balance	4,342	(4,342)	-
Inventory	564,015	143,019	707,034
Prepaid expenses and other assets	144,758	-	144,758
Restricted assets	17,079	-	17,079
Investments in joint ventures (Note 12)	7,597,589	-	7,597,589
Capital assets not being depreciated (Note 5)	32,030,978	-	32,030,978
Capital assets being depreciated - Net (Note 5)	50,938,918	10,096,352	61,035,270
Total assets	129,099,735	19,740,438	148,840,173
Liabilities			
Accounts payable	3,138,201	1,077,300	4,215,501
Due to other governmental units	-	69,095	69,095
Refundable deposits, bonds, etc.	126,803	16,825	143,628
Accrued liabilities and other	1,512,286	30,927	1,543,213
Net retirement healthcare obligation	216,306	37,743	254,049
Noncurrent liabilities:			
Due within one year:			
Compensated absences (Note 7)	1,393,510	96,683	1,490,193
Current portion of long-term debt (Note 7)	1,046,125	-	1,046,125
Due in more than one year:			
Compensated absences - Net of current portion (Note 7)	2,090,152	119,750	2,209,902
Long-term debt - Net of current portion (Note 7)	14,128,257	-	14,128,257
Total liabilities	23,651,640	1,448,323	25,099,963
Net Assets			
Invested in capital assets - Net of related debt	67,812,593	10,096,352	77,908,945
Restricted for:			
Sanitation	577,659	-	577,659
Streets and highways	4,933,671	-	4,933,671
Debt service	2,734,758	-	2,734,758
Law and drug enforcement	1,627,348	-	1,627,348
Unrestricted	27,762,066	8,195,763	35,957,829
Total net assets	\$ 105,448,095	\$ 18,292,115	\$ 123,740,210

City of Roseville, Michigan

	Program Revenue			
	Charges for	Operating	Capital Grants	
Expenses	Services	Grants and	and	
		Contributions	Contributions	
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 12,989,478	\$ 5,298,985	\$ 217,894	\$ -
Public safety	20,169,096	3,270,015	2,652,547	-
Public works	8,793,669	474,285	2,816,301	2,043,415
Recreation and culture	3,759,737	358,855	-	-
Interest expense	1,555,045	-	-	-
Total governmental activities	47,267,025	9,402,140	5,686,742	2,043,415
Business-type activities - Water and sewer	10,651,510	11,958,520	-	-
Total primary government	<u>\$ 57,918,535</u>	<u>\$ 21,360,660</u>	<u>\$ 5,686,742</u>	<u>\$ 2,043,415</u>

General revenue:
 Property taxes
 State-shared revenue
 Investment interest
 Gain on sale of capital assets and other assets
 Franchise fees
 Miscellaneous
 Transfers

Total general revenue and transfers

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

Statement of Activities
Year Ended June 30, 2010

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (7,472,599)	\$ -	\$ (7,472,599)
(14,246,534)	-	(14,246,534)
(3,459,668)	-	(3,459,668)
(3,400,882)	-	(3,400,882)
(1,555,045)	-	(1,555,045)
(30,134,728)	-	(30,134,728)
-	1,307,010	1,307,010
(30,134,728)	1,307,010	(28,827,718)
29,177,982	-	29,177,982
4,371,158	-	4,371,158
244,154	16,171	260,325
21,618	8,500	30,118
667,664	-	667,664
30,820	-	30,820
(4,572)	4,572	-
34,508,824	29,243	34,538,067
4,374,096	1,336,253	5,710,349
101,073,999	16,955,862	118,029,861
\$ 105,448,095	\$ 18,292,115	\$ 123,740,210

Fund Financial Statements



For the period ending June 30, 2010

City of Roseville, Michigan

Governmental Funds Balance Sheet June 30, 2010

	Major Special Revenue Funds			Major Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Major Streets Fund	Local Streets Fund	Capital Projects Fund		
Assets						
Cash and investments (Note 3)	\$ 10,239,121	\$ 2,903,027	\$ 1,688,008	\$ 4,877,293	\$ 4,228,361	\$ 23,935,810
Receivables (Note 4):						
Taxes	437,574	-	-	-	15,802	453,376
Special assessments	-	-	-	157,201	-	157,201
Accrued interest	39,723	-	-	-	-	39,723
Other	1,145,577	-	-	24,877	194,006	1,364,460
Due from other governmental units	1,378,497	360,404	108,859	-	315,088	2,162,848
Due from other funds (Note 6)	155,010	-	-	-	-	155,010
Due from Employees' Pension Trust Fund (Note 6)	114,227	-	-	-	-	114,227
Prepaid expenses and other assets	142,471	-	-	-	1,985	144,456
Restricted assets	-	-	-	17,079	-	17,079
Total assets	\$ 13,652,200	\$ 3,263,431	\$ 1,796,867	\$ 5,076,450	\$ 4,755,242	\$ 28,544,190
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 1,808,486	\$ 106,870	\$ 19,757	\$ 195,131	\$ 48,927	\$ 2,179,171
Due to other funds (Note 6)	1,102	-	-	-	150,668	151,770
Other liabilities	1,362,649	-	-	-	4,315	1,366,964
Cash bonds and deposits	126,803	-	-	-	-	126,803
Deferred revenue (Note 4)	989,850	-	-	83,294	197,884	1,271,028
Total liabilities	4,288,890	106,870	19,757	278,425	401,794	5,095,736
Fund Balances						
Reserved for:						
Sanitation	577,659	-	-	-	-	577,659
Prepaid expenses	142,471	-	-	-	-	142,471
Restricted assets	-	-	-	17,079	-	17,079
Unreserved, reported in:						
General Fund:						
Designated:						
Capital improvements	10,000	-	-	-	-	10,000
Subsequent year's expenditures	3,578,398	-	-	-	-	3,578,398
Compensated absences	1,393,510	-	-	-	-	1,393,510
Working capital	1,378,497	-	-	-	-	1,378,497
Undesignated	2,282,775	-	-	-	-	2,282,775
Debt Service Funds	-	-	-	-	2,733,158	2,733,158
Special Revenue Funds	-	3,156,561	1,777,110	-	1,620,290	6,553,961
Capital Projects Fund	-	-	-	4,780,946	-	4,780,946
Total fund balances	9,363,310	3,156,561	1,777,110	4,798,025	4,353,448	23,448,454
Total liabilities and fund balances	\$ 13,652,200	\$ 3,263,431	\$ 1,796,867	\$ 5,076,450	\$ 4,755,242	\$ 28,544,190

City of Roseville, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets June 30, 2010

Fund Balance Reported in Governmental Funds	\$ 23,448,454
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	82,969,896
Investments in joint ventures are not financial resources and are not reported in the funds	7,597,589
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(15,174,382)
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	(3,483,662)
Bond premium/discount is not due and payable in the current period and is not reported in the funds	302
Net retiree healthcare obligation is not due and payable in the current period and is not reported in the funds	(216,306)
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	564,015
Accrued interest is not due and payable in the current period and is not reported in the funds	(136,324)
Deferred revenue balances are expected to be collected over several years and are not available to pay for current year expenditures	1,271,028
Internal Service Funds are also included as governmental activities	<u>8,616,485</u>
Net Assets of Governmental Activities	<u>\$ 105,448,095</u>

City of Roseville, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2010

	Major Special Revenue Funds			Major Capital Projects Fund		Total Governmental Funds
	General Fund	Major Streets Fund	Local Streets Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	
Revenue						
Property taxes	\$ 27,452,806	\$ -	\$ -	\$ -	\$ 1,667,630	\$ 29,120,436
Fees and fines	2,734,483	-	-	-	-	2,734,483
Licenses and permits	676,685	-	-	-	-	676,685
Federal sources	600,369	-	-	198,600	1,295,438	2,094,407
State sources	4,261,865	2,286,012	664,647	-	-	7,212,524
Special assessments	-	-	-	14,824	-	14,824
Charges for services	390,927	-	-	-	-	390,927
Investment income	145,374	9,509	5,548	11,193	14,926	186,550
Other	2,732,162	-	-	317,410	572,560	3,622,132
Total revenue	38,994,671	2,295,521	670,195	542,027	3,550,554	46,052,968
Expenditures						
Current:						
General government	14,057,057	200,000	70,000	-	127,435	14,454,492
Public safety	18,831,033	-	-	-	600,011	19,431,044
Public works	3,412,359	760,114	1,135,823	72,156	691,582	6,072,034
Recreation and culture	2,429,499	-	-	-	479,852	2,909,351
Construction and development	180,857	1,196,947	289,216	844,450	-	2,511,470
Debt service:						
Principal	-	-	-	-	975,245	975,245
Interest and other charges	-	-	-	-	582,663	582,663
Other	-	-	-	-	310,866	310,866
Total expenditures	38,910,805	2,157,061	1,495,039	916,606	3,767,654	47,247,165
Excess of Revenue Over (Under)						
Expenditures	83,866	138,460	(824,844)	(374,579)	(217,100)	(1,194,197)
Other Financing Sources (Uses)						
Transfers in (Note 6)	-	839,764	1,320,816	-	984,020	3,144,600
Transfers out (Note 6)	(2,648,225)	(486,123)	-	(14,824)	-	(3,149,172)
Total other financing sources (uses)	(2,648,225)	353,641	1,320,816	(14,824)	984,020	(4,572)
Change in Fund Balances	(2,564,359)	492,101	495,972	(389,403)	766,920	(1,198,769)
Fund Balances - Beginning of year	11,927,669	2,664,460	1,281,138	5,187,428	3,586,528	24,647,223
Fund Balances - End of year	<u>\$ 9,363,310</u>	<u>\$ 3,156,561</u>	<u>\$ 1,777,110</u>	<u>\$ 4,798,025</u>	<u>\$ 4,353,448</u>	<u>\$ 23,448,454</u>

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, 2010

Net Change in Fund Balances - Total Governmental Funds \$ (1,198,769)

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	3,525,314
Value of contributed assets	1,745,014
Value of assets received on traded assets	(34,664)
Depreciation	(2,320,256)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 1,005,616

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 8,197

Purchase of inventory is an expense in the governmental funds, but not in the statement of activities, where it increases inventory asset balance 222,202

Joint venture loss (268,043)

Revenue is recorded in the statement of activities when the assessment is set; it is not reported in the funds until collected or collectible within 60 days of year end (19,040)

Decreases in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities (112,874)

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 (5,335)

Other postemployment benefit obligation expenses are recognized in the statement of activities, but not in the governmental funds, where they increase liabilities (112,575)

Internal Service Funds are also included as governmental activities 1,939,309

Change in Net Assets of Governmental Activities **\$ 4,374,096**

City of Roseville, Michigan

Proprietary Funds Statement of Net Assets June 30, 2010

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Funds - Self Insurance
Assets		
Current assets:		
Cash and investments (Note 3)	\$ 6,481,157	\$ 9,377,724
Receivables:		
Receivables from sales to customers on account	2,632,312	-
Accrued interest receivable	23	-
Other receivables	391,917	196,688
Due from other funds (Note 6)	-	1,102
Inventory	143,019	-
Total current assets	9,648,428	9,575,514
Noncurrent assets - Capital assets - Net (Note 5)	10,096,352	-
Total assets	19,744,780	9,575,514
Liabilities		
Current liabilities:		
Accounts payable	1,077,300	-
Due to other governmental units	69,095	-
Due to other funds (Note 6)	4,342	-
Cash bonds and deposits	16,825	-
Accrued and other liabilities	68,670	-
Provision for current portion of compensated absences (Note 7)	96,683	-
Provision for claims (Note 8)	-	959,029
Total current liabilities	1,332,915	959,029
Noncurrent liabilities - Provision for compensated absences - Net of current portion (Note 7)	119,750	-
Total liabilities	1,452,665	959,029
Net Assets		
Invested in capital assets	10,096,352	-
Unrestricted	8,195,763	8,616,485
Total net assets	\$ 18,292,115	\$ 8,616,485

City of Roseville, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2010

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self Insurance
Operating Revenue		
Sale of water	\$ 1,751,989	\$ -
Sewage disposal charges	4,898,462	-
Maintenance charges	4,673,369	-
Interest and penalty charges	531,215	-
Charges to other funds	-	9,657,635
Other miscellaneous revenue	111,985	-
Total operating revenue	11,967,020	9,657,635
Operating Expenses		
Cost of water	1,665,881	-
Cost of sewage treatment	5,211,139	-
Billing and administrative costs	2,448,906	-
Benefit payments and other costs	845,048	7,742,315
Depreciation	480,536	-
Total operating expenses	10,651,510	7,742,315
Operating Income	1,315,510	1,915,320
Nonoperating Revenue - Interest income	16,171	23,989
Income - Before transfers	1,331,681	1,939,309
Transfers In	4,572	-
Change in Net Assets	1,336,253	1,939,309
Net Assets - Beginning of year	16,955,862	6,677,176
Net Assets - End of year	\$ 18,292,115	\$ 8,616,485

City of Roseville, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2010

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Funds
Cash Flows from Operating Activities		
Receipts from customers	\$ 11,510,235	\$ 9,695,028
Payments to employees for services	(2,450,860)	-
Payments to suppliers for goods and services	(8,017,854)	-
Payment connected with interfund service	(2,296)	(15,996)
Receipts connected with interfund service	10,576	41,296
Claims paid	-	(7,847,885)
	1,049,801	1,872,443
Cash Flows from Capital and Related Financing Activities - Purchase of capital assets	(404,321)	-
Cash Flows from Investing Activities - Interest received on investments	17,608	23,988
Net Increase in Cash and Cash Equivalents	663,088	1,896,431
Cash and Cash Equivalents - Beginning of year	5,818,069	7,481,293
Cash and Cash Equivalents - End of year	\$ 6,481,157	\$ 9,377,724
Balance Sheet Classification of Cash and Cash Equivalents - Cash and investments	\$ 6,481,157	\$ 9,377,724
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 1,315,510	\$ 1,915,320
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization	480,536	-
Operating transfers in	4,572	-
Changes in assets and liabilities:		
Receivables	(449,690)	37,395
Other assets	(46,464)	33,298
Due from other funds	6,004	(105,572)
Inventory	13,108	(7,998)
Accounts payable	(268,106)	-
Accrued and other liabilities	(1,954)	-
Due to other governmental units	5,678	-
Due to other funds	(2,296)	-
Cash bond and deposits	(7,097)	-
	\$ 1,049,801	\$ 1,872,443

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2010 there were no noncash activities.

City of Roseville, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2010

	Pension and Other Employee Benefit Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ 4,740,746	\$ 277,965
Mutual funds	39,560,615	-
Corporate bonds	9,271,002	-
U.S. government securities	15,029,531	-
Common stock	47,683,393	-
Securities lending:		
U.S. equities	6,184,602	-
U.S. government and agencies	537,344	-
Accrued interest	680,481	-
Total assets	123,687,714	\$ 277,965
Liabilities		
Accounts payable	6,434	\$ 42,965
Due to primary government	114,227	-
Accrued and other liabilities	-	235,000
Obligations under securities lending agreements	6,821,473	-
Total liabilities	6,942,134	\$ 277,965
Net Assets - Held in trust for employee benefits	\$ 116,745,580	

City of Roseville, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2010

	Pension and Other Employee Benefit Trust Fund
Additions	
Investment income:	
Interest and dividends	\$ 2,124,853
Net increase in fair value of investments	13,247,062
Less investment expenses	<u>(623,561)</u>
Net investment income	14,748,354
Contributions:	
Employer	4,535,914
Employee	<u>1,273,155</u>
Total contributions	5,809,069
Other additions	<u>56,507</u>
Total additions - Net	20,613,930
Deductions	
Benefit payments	9,195,812
Refunds of contributions	613,563
Administrative expenses	<u>180,670</u>
Total deductions	<u>9,990,045</u>
Net Increase in Net Assets Held in Trust	10,623,885
Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>106,121,695</u>
Net Assets Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 116,745,580</u></u>

Notes to Financial Statements



For the period ending June 30, 2010

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 revenue, 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 revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and 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 revenue to be available if it is 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.

Revenue is recognized in the accounting period in which it becomes susceptible to accrual - that is, when it becomes 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 revenue that is restricted for use on major streets.

Local Streets Fund - The Local Streets Fund accounts for the resources of state gas and weight tax revenue that 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 revenue 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 1 - 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 general operating, 1.219 refuse collection, which is recorded in the General Fund, 0.16 debt service, and 1.00 Chapter 20 Drain Fund. The General Fund, General Debt Fund, and Chapter 20 Drain Fund received approximately \$27,453,000, \$212,000, and \$1,313,000, 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, 2010, approximately \$61,000 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.

Methods Used to Value Investments - Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments. The fair value of real estate investments is based on periodic appraisals as well as the judgment of independent real estate advisors and management. Investments that do not have an established market value are reported at estimated fair value as determined by the plan's management. Approximately 29 percent of the Employee Pension Trust Fund's assets are not publicly traded and therefore do not have a readily determinable market value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market for these securities existed. The difference could be material.

Fund Equity - In the fund financial statements, governmental funds report 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.

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. The City will implement GASB Statement No. 54 beginning with the fiscal year ending June 30, 2011.

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, 2009		\$	(4,176,472)
Current year permit revenue			526,904
Related expenses:			
Direct costs	\$	1,046,411	
Estimated indirect costs		<u>104,641</u>	<u>1,151,052</u>
Current year shortfall			<u>(624,148)</u>
Cumulative shortfall at June 30, 2010		\$	<u><u>(4,800,620)</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 approximately \$1,462,300 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	\$ 2,893,944	0.77 years
U.S. government or agency bond or note	1,499,890	0.30 years
City of Roseville Employees' Retirement System:		
Corporate bonds	7,428,843	8.40 years
Foreign bonds	1,039,281	6.75 years
Municipal bonds	572,880	16.68 years
U.S. government or agency bond or note	14,657,167	18.55 years
Securities lending - Commercial paper	1,081,579	Not available
Securities lending - Money market funds	5,640,367	Not available
City of Roseville - Retiree Health Care Benefits Trust:		
Corporate bonds	229,998	2.08 years
U.S. government or agency bond or note	372,364	5.25 years

City of Roseville, Michigan

Notes to Financial Statements June 30, 2010

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:

Investments	Fair Value	Rating	Rating Organization
<u>Government-wide</u>			
Municipal bonds	\$ 161,078	AAA	S&P
Municipal bonds	926,175	AA-	S&P
Municipal bonds	700,136	SP-I +	S&P
Municipal bonds	805,991	SP-I	S&P
Municipal bonds	300,564	Not rated	-
Pooled funds	33,428,039	AI	Moody's
<u>City of Roseville Employees' Retirement System</u>			
Corporate bonds	1,242,597	AAA	S&P
Corporate bonds	714,393	AA+ to AA-	S&P
Corporate bonds	2,533,626	A+ to A-	S&P
Corporate bonds	2,244,472	BBB+ to BBB-	S&P
Corporate bonds	366,865	Not rated	-
Foreign bonds	651,161	A+ to A-	S&P
Foreign bonds	388,120	BBB+ to BBB-	S&P
Municipal bonds	471,746	AA+ to AA-	S&P
Municipal bonds	101,134	A+ to A-	S&P
Collateralized mortgage obligations - Corporate	326,890	AAA	S&P
Securities lending - Commercial paper	1,081,579	Not rated	-
Securities lending - Money market funds	5,640,367	Not rated	-
<u>City of Roseville - Retiree Health Care Benefits Trust</u>			
Corporate bonds	40,382	AA+ to AA-	S&P
Corporate bonds	134,423	A+ to A-	S&P
Corporate bonds	55,194	BBB+ to BBB-	S&P
Pooled funds	90,519	Not rated	-

Note 3 - Deposits and Investments (Continued)

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, 2010, 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.

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, 2010 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, 2010 were \$6,821,473 and \$6,532,988, 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	23.701%
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City of Roseville, Michigan

Notes to Financial Statements June 30, 2010

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.

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

	Unavailable
Delinquent property taxes	\$ 420,061
Special assessments	77,926
Grant and categorical aid payments not yet available for use	446,892
Other	<u>326,149</u>
Total	<u>\$ 1,271,028</u>

Note 5 - Capital Assets

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

	Balance July 1, 2009	Additions	Disposals	Reclassifications	Balance June 30, 2010
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 31,451,678	\$ 140,950	\$ -	\$ -	\$ 31,592,628
Construction in progress	<u>484,618</u>	<u>438,350</u>	<u>-</u>	<u>(484,618)</u>	<u>438,350</u>
Subtotal	31,936,296	579,300	-	(484,618)	32,030,978
Capital assets being depreciated:					
Roads and sidewalks	69,142,509	3,556,750	1,567	484,618	73,182,310
Buildings and improvements	17,366,929	177,078	-	-	17,544,007
Other tools and equipment	<u>14,006,779</u>	<u>957,200</u>	<u>401,247</u>	<u>-</u>	<u>14,562,732</u>
Subtotal	100,516,217	4,691,028	402,814	484,618	105,289,049
Accumulated depreciation:					
Roads and sidewalks	34,751,727	1,043,112	1,567	-	35,793,272
Buildings and improvements	7,302,542	450,572	-	-	7,753,114
Other tools and equipment	<u>10,343,756</u>	<u>826,572</u>	<u>366,583</u>	<u>-</u>	<u>10,803,745</u>
Subtotal	<u>52,398,025</u>	<u>2,320,256</u>	<u>368,150</u>	<u>-</u>	<u>54,350,131</u>
Net capital assets being depreciated	<u>48,118,192</u>	<u>2,370,772</u>	<u>34,664</u>	<u>484,618</u>	<u>50,938,918</u>
Net governmental capital assets	<u>\$ 80,054,488</u>	<u>\$ 2,950,072</u>	<u>\$ 34,664</u>	<u>\$ -</u>	<u>\$ 82,969,896</u>

City of Roseville, Michigan

Notes to Financial Statements June 30, 2010

Note 5 - Capital Assets (Continued)

	Balance July 1, 2009	Additions	Disposals and Adjustments	Balance June 30, 2010
Business-type Activities				
Capital assets being depreciated:				
Water and sewer distribution systems	\$ 21,760,737	\$ 392,321	\$ -	\$ 22,153,058
Buildings and improvements	126,654	-	-	126,654
Other tools and equipment	<u>3,624,892</u>	<u>12,000</u>	<u>62,265</u>	<u>3,574,627</u>
Subtotal	25,512,283	404,321	62,265	25,854,339
Accumulated depreciation:				
Water and sewer distribution systems	12,431,765	330,432	-	12,762,197
Buildings and improvements	117,957	1,087	-	119,044
Other tools and equipment	<u>2,789,994</u>	<u>149,017</u>	<u>62,265</u>	<u>2,876,746</u>
Subtotal	<u>15,339,716</u>	<u>480,536</u>	<u>62,265</u>	<u>15,757,987</u>
Net business-type capital assets	<u>\$ 10,172,567</u>	<u>\$ (76,215)</u>	<u>\$ -</u>	<u>\$ 10,096,352</u>

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

Governmental activities:	
General government	\$ 204,160
Public safety	616,393
Public works	1,167,323
Recreation and culture	<u>332,380</u>
Total governmental activities	<u>\$ 2,320,256</u>
Business-type activities	<u>\$ 480,536</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 \$504,142 and \$83,830, respectively.

City of Roseville, Michigan

Notes to Financial Statements June 30, 2010

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	Other governmental funds	\$ 150,668
	Enterprise Fund - Water and sewer	4,342
	Total General Fund	155,010
Internal Service Fund - Workers' Compensation	General Fund	1,102
	Total due to/from all funds	<u>\$ 156,112</u>

The General Fund has an interfund receivable of \$114,227 from the Employees' Pension Trust Fund as of the end of the year.

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

Interfund Transfers

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	\$ 835,000	\$ -	\$ 4,764	\$ 839,764
Local Streets Fund	830,000	486,123	4,693	1,320,816
Other governmental funds:				
Neighborhood Stabilization Program Fund	250,000	-	-	250,000
Building Authority Debt Fund	508,225	-	-	508,225
Chapter 20 Drain Fund	225,000	-	795	225,795
Enterprise Fund - Water and sewer	-	-	4,572	4,572
Total	<u>\$ 2,648,225</u>	<u>\$ 486,123</u>	<u>\$ 14,824</u>	<u>\$ 3,149,172</u>

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

The transfer from the General Fund to the Major Streets Fund is to help support major road projects. 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 Building Authority Debt Fund and the Chapter 20 Drain Fund are for loan/debt current year obligations. The transfers from the General Fund to the Neighborhood Stabilization Program Fund are to finance capital repairs to City-owned properties. The transfers from the Capital Projects Fund to the Major Streets, Local Streets, Debt Service, and Water and Sewer Funds represent special assessment allocations.

Note 7 - Long-term Debt

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

The City has the following long-term debt outstanding at June 30, 2010:

Governmental Activities *

General obligations:

Unlimited Tax General Obligation Library Bonds	\$ 1,110,000
Building Authority Limited Tax General Obligation Refunding Bonds - Series 2006	4,210,000
Lake St. Clair Water Initiative Drainage District - 2001 Series A	2,015,778
Lake St. Clair Water Initiative Drainage District - 2002 Series A	427,148
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-01	3,101,167
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-02	2,187,588
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-03	422,965
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-05	257,033
Lake St. Clair Water Initiative Drainage District - 2004 Series A	1,381,959
BS&A Software Agreement	<u>60,744</u>
Subtotal	15,174,382
Additional obligations - Compensated absences	<u>3,483,662</u>
Total governmental activity debt	<u>\$ 18,658,044</u>
Business-type Activities - Other obligations - Compensated absences	<u>\$ 216,433</u>

* 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.

City of Roseville, Michigan

Notes to Financial Statements June 30, 2010

Note 7 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligations	\$ 16,179,998	\$ -	\$ (1,005,616)	\$ 15,174,382	\$ 1,046,125
Compensated absences	<u>3,370,788</u>	<u>1,632,900</u>	<u>(1,520,026)</u>	<u>3,483,662</u>	<u>1,393,510</u>
Total governmental activities	<u>\$ 19,550,786</u>	<u>\$ 1,632,900</u>	<u>\$ (2,525,642)</u>	<u>\$ 18,658,044</u>	<u>\$ 2,439,635</u>
Business-type Activities -					
Compensated absences	<u>\$ 246,105</u>	<u>\$ 106,849</u>	<u>\$ (136,521)</u>	<u>\$ 216,433</u>	<u>\$ 96,683</u>

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

	Governmental Activities		
	Principal	Interest	Total
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	1,181,783	380,941	1,562,724
2016-2020	5,657,383	1,290,411	6,947,794
2021-2025	2,604,056	538,997	3,143,053
2026-2030	<u>1,346,161</u>	<u>178,497</u>	<u>1,524,658</u>
Total	<u>\$ 15,174,382</u>	<u>\$ 4,328,974</u>	<u>\$ 19,503,356</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, 2010, \$4,025,000 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.

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

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:

	<u>2010</u>	<u>2009</u>
Estimated liability - Beginning of year	\$ 1,064,600	\$ 950,093
Incurred claims, including claims incurred but not reported	7,742,315	8,392,980
Claim payments	<u>(7,847,886)</u>	<u>(8,278,473)</u>
Unpaid claims - End of year	<u>\$ 959,029</u>	<u>\$ 1,064,600</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.

Note 9 - Defined Benefit Pension Plan (Continued)

At June 30, 2009, the date of the most recent actuarial valuation, membership consisted of 313 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 296 current active employees. The plan does not issue a separate financial report.

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

Funding Policy - The obligation to contribute to and maintain the system for 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, 2010, the City's annual pension cost of \$4,160,914 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, 2008 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 26 years.

Reserves - As of June 30, 2010, the plan's legally required reserves are as follows:

Reserve for employees' contributions	\$ 25,829,820
Reserve for retired benefit payments	83,793,603

City of Roseville, Michigan

Notes to Financial Statements June 30, 2010

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		
	2008	2009	2010
Annual pension costs (APC)	\$ 3,863,676	\$ 3,892,855	\$ 4,160,914
Percentage of APC contributed	100%	100%	100%
Net pension obligation	0%	0%	0%

	Year Ended June 30		
	2007	2008	2009
	(dollar amounts in thousands)		
Actuarial value of assets	\$ 128,047	\$ 133,644	\$ 131,095
Actuarial accrued liability (AAL)	\$ 150,926	\$ 158,417	\$ 160,689
Underfunded AAL (UAAL)	\$ 22,879	\$ 24,773	\$ 29,594
Funded ratio (percentage)	84.8%	84.4%	81.6%
Covered payroll	\$ 18,165	\$ 18,683	\$ 18,619
UAAL as a percentage of covered payroll	126.0%	132.6%	158.9%

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 \$2,539,522 as of June 30, 2010.

Funding Progress - For the year ended June 30, 2010, 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
Interest on the prior year's net OPEB obligation	8,277
Amounts contributed:	
Payments of current premiums	(3,919,340)
Advance funding	<u>(375,000)</u>
Increase in net OPEB obligation	143,697
OPEB obligation - Beginning of year	<u>110,352</u>
OPEB obligation - End of year	<u>\$ 254,049</u>

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

	<u>2010</u>	<u>2009</u>
Annual OPEB costs	\$ 4,438,037	\$ 4,429,760
Percentage contributed	96.8%	97.5%
Net OPEB obligation	\$ 254,048	\$ 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, 2010

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	\$ 120,842,711	\$ 2,164,522	\$ 123,007,233
Receivables	305,481	375,000	680,481
Liabilities	(6,942,134)	-	(6,942,134)
Net assets	<u>\$ 114,206,058</u>	<u>\$ 2,539,522</u>	<u>\$ 116,745,580</u>
Statement of Changes in Net Assets			
Investment loss	\$ 14,507,662	\$ 240,692	\$ 14,748,354
Contributions	5,434,069	375,000	5,809,069
Other increases	56,439	68	56,507
Benefit payments	(9,195,812)	-	(9,195,812)
Other decreases	(794,041)	(192)	(794,233)
Change in Net Assets	<u>\$ 10,008,317</u>	<u>\$ 615,568</u>	<u>\$ 10,623,885</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, 2010 in the Southeast Macomb Sanitary District of \$7,415,595 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 \$181,994 is recorded within the governmental activities column of the statement of net assets. As of June 30, 2010, the Authority has reserves totaling \$5,802,117 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.

Note 13 - Subsequent Event

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

Required Supplemental Information



For the period ending June 30, 2010

Required Supplemental Information

City of Roseville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenue				
Property taxes	\$ 27,340,959	\$ 27,452,806	\$ 27,452,806	\$ -
Licenses and permits	463,350	676,685	676,685	-
Federal grants	25,000	600,369	600,369	-
State-shared revenue and grants	4,935,000	4,261,865	4,261,865	-
Other charges for services	700,156	390,927	390,927	-
Other fines and forfeitures	2,550,500	2,734,483	2,734,483	-
Investment income	500,000	139,267	145,374	6,107
Other revenue	2,401,394	2,731,922	2,732,162	240
Total revenue	38,916,359	38,988,324	38,994,671	6,347
Expenditures - Current				
General government:				
Governing body	9,351,509	7,590,032	7,590,033	(1)
Finance/Accounting/Budget department	314,869	344,541	344,541	-
Purchasing	283,540	240,836	239,785	1,051
Information technology/Data processing	589,255	511,549	511,549	-
Treasurer	460,339	446,532	446,532	-
Assessing	564,674	548,963	548,963	-
Clerk	561,594	480,676	480,676	-
Building and grounds	1,179,133	1,114,400	1,114,400	-
Attorney	311,472	311,472	311,472	-
Personnel	263,757	126,307	126,307	-
Other	1,631,131	2,346,528	2,342,799	3,729
Public safety:				
Police/Sheriff (County)	12,309,055	12,624,648	12,624,648	-
Fire	6,203,253	6,206,385	6,206,385	-
Building inspections and related	1,092,545	1,046,719	1,046,719	-
Public works:				
Street construction	1,982,014	1,490,522	1,490,522	-
Rubbish disposal	2,421,078	2,213,771	2,213,771	-
Street lighting	800,000	827,284	827,284	-
Other public works activities	-	(400)	(400)	-
Allocated to other operations	(2,384,000)	(2,165,937)	(2,165,937)	-
Recreation and culture:				
Library	1,258,630	1,307,155	1,307,155	-
Parks and recreation	1,341,138	1,122,744	1,122,744	-
Other recreation and culture	125,480	180,857	180,857	-
Total expenditures	40,660,466	38,915,584	38,910,805	4,779
Excess of Revenue (Under) Over Expenditures	(1,744,107)	72,740	83,866	11,126
Other Financing Uses - Transfers out	(1,508,000)	(2,648,225)	(2,648,225)	-
Net Change in Fund Balance	(3,252,107)	(2,575,485)	(2,564,359)	11,126
Fund Balance - Beginning of year	11,927,669	11,927,669	11,927,669	-
Fund Balance - End of year	\$ 8,675,562	\$ 9,352,184	\$ 9,363,310	\$ 11,126

City of Roseville, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Major Streets Fund Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenue				
State-shared revenue and grants	\$ 2,190,000	\$ 2,286,012	\$ 2,286,012	\$ -
Investment income	<u>20,000</u>	<u>9,509</u>	<u>9,509</u>	<u>-</u>
Total revenue	2,210,000	2,295,521	2,295,521	-
Expenditures - Current				
General government	200,000	200,000	200,000	-
Public works	<u>2,432,000</u>	<u>1,957,061</u>	<u>1,957,061</u>	<u>-</u>
Total expenditures	<u>2,632,000</u>	<u>2,157,061</u>	<u>2,157,061</u>	<u>-</u>
Excess of Revenue (Under) Over Expenditures	(422,000)	138,460	138,460	-
Other Financing Sources (Uses)				
Transfers in	256,000	839,764	839,764	-
Transfers out	<u>(492,500)</u>	<u>(486,123)</u>	<u>(486,123)</u>	<u>-</u>
Total other financing sources (uses)	<u>(236,500)</u>	<u>353,641</u>	<u>353,641</u>	<u>-</u>
Net Change in Fund Balance	(658,500)	492,101	492,101	-
Fund Balance - Beginning of year	<u>2,664,460</u>	<u>2,664,460</u>	<u>2,664,460</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 2,005,960</u>	<u>\$ 3,156,561</u>	<u>\$ 3,156,561</u>	<u>\$ -</u>

City of Roseville, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Local Streets Fund Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenue				
State-shared revenue and grants	\$ 660,000	\$ 664,647	\$ 664,647	\$ -
Investment income	6,500	5,548	5,548	-
Other revenue	-	-	-	-
Total revenue	666,500	670,195	670,195	-
Expenditures - Current				
General government	70,000	70,000	70,000	-
Public works	1,542,000	1,425,039	1,425,039	-
Total expenditures	1,612,000	1,495,039	1,495,039	-
Excess of Expenditures Over Revenue	(945,500)	(824,844)	(824,844)	-
Other Financing Sources - Transfers in	1,000,000	1,320,816	1,320,816	-
Net Change in Fund Balance	54,500	495,972	495,972	-
Fund Balance - Beginning of year	1,281,138	1,281,138	1,281,138	-
Fund Balance - End of year	<u>\$ 1,335,638</u>	<u>\$ 1,777,110</u>	<u>\$ 1,777,110</u>	<u>\$ -</u>

City of Roseville, Michigan

Pension System Schedule of Funding Progress Year Ended June 30, 2010 (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
6/30/04	\$ 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
6/30/09	131,095	160,689	29,594	81.6	18,619	158.9

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
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
6/30/10	6/30/08	4,160,914	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, 2009, the latest actuarial valuation, is as 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, 2010

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	97.5%
6/30/10	6/30/08	4,429,760	4,294,339	96.9%

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, is as follows:

Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll, closed
Amortization period (perpetual)	30 years
Asset valuation method	Four-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases*	5.0%
*Includes inflation at	5.0%

City of Roseville, Michigan

Note to Required Supplemental Information June 30, 2010

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 revenue and fund balance.
- c. The budgets must be amended when necessary.
- d. Public hearings must be held before budget adoptions.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget before being incurred.

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

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

- Prior to February 1, all departments and entities within the City submit to the City manager their proposed operating budget for the fiscal year commencing the following July 1.
- On the second Tuesday in April, the City manager submits to the City Council a proposed balanced operating budget for the next fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to the first Monday in May, the budget is legally adopted by the City Council through adoption of the appropriation ordinance.

City of Roseville, Michigan

Note to Required Supplemental Information June 30, 2010

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 revenue 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, 2010. The impact on total budgeted revenue and expenditures is as follows:

Fund	Revenue (Including Other Financing Sources) (Decrease) Increase	Expenditures (Including Transfers Out) (Decrease)
General Fund	\$ (680,887)	\$ (1,357,524)
Major Streets Fund	669,286	(481,316)
Local Streets Fund	324,510	(116,961)

Other Financial and Supplemental Information



For the period ending June 30, 2010

Other Supplemental Information

City of Roseville, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2010

	Special Revenue Funds			Debt Service Funds			Total Nonmajor Governmental Funds
	Community Development Block Grant	Drug Law Enforcement	Neighborhood Stabalization Grant	Building Authority	General Debt	Chapter 20 Drain	
Assets							
Cash and investments	\$ 810	\$ 1,460,268	\$ 20,929	\$ 14,780	\$ 832,494	\$ 1,899,080	\$ 4,228,361
Receivables:							
Taxes	-	-	-	-	3,446	12,356	15,802
Other	-	194,006	-	-	-	-	194,006
Due from other governmental units	150,539	-	164,549	-	-	-	315,088
Prepaid expenses and other assets	1,523	462	-	-	-	-	1,985
Total assets	<u>\$ 152,872</u>	<u>\$ 1,654,736</u>	<u>\$ 185,478</u>	<u>\$ 14,780</u>	<u>\$ 835,940</u>	<u>\$ 1,911,436</u>	<u>\$ 4,755,242</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 25,185	\$ 2,377	\$ 5,903	\$ -	\$ 1,600	\$ 13,862	\$ 48,927
Due to other funds	125,657	25,011	-	-	-	-	150,668
Other liabilities	2,030	-	2,285	-	-	-	4,315
Deferred revenue	-	135,431	48,917	-	3,135	10,401	197,884
Total liabilities	152,872	162,819	57,105	-	4,735	24,263	401,794
Fund Balances - Unreserved	-	1,491,917	128,373	14,780	831,205	1,887,173	4,353,448
Total liabilities and fund balances	<u>\$ 152,872</u>	<u>\$ 1,654,736</u>	<u>\$ 185,478</u>	<u>\$ 14,780</u>	<u>\$ 835,940</u>	<u>\$ 1,911,436</u>	<u>\$ 4,755,242</u>

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended June 30, 2010

	Special Revenue Funds			Debt Service Funds			Total Nonmajor Governmental Funds
	Community Development Block Grant	Drug Law Enforcement	Neighborhood Stabalization Grant	Building Authority	General Debt	Chapter 20 Drain	
Revenue							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 211,820	\$ 1,455,810	\$ 1,667,630
Federal sources	691,819	212,908	390,711	-	-	-	1,295,438
Investment income	-	7,368	-	43	2,597	4,918	14,926
Other	94,012	477,848	700	-	-	-	572,560
Total revenue	785,831	698,124	391,411	43	214,417	1,460,728	3,550,554
Expenditures - Current							
General government	73,937	-	53,498	-	-	-	127,435
Public safety	-	600,011	-	-	-	-	600,011
Public works	232,042	-	459,540	-	-	-	691,582
Community services	479,852	-	-	-	-	-	479,852
Principal	-	-	-	330,000	150,000	495,245	975,245
Interest	-	-	-	178,225	60,948	343,490	582,663
Other charges	-	-	-	-	19,321	291,545	310,866
Total expenditures	785,831	600,011	513,038	508,225	230,269	1,130,280	3,767,654
Excess of Revenue Over (Under) Expenditures	-	98,113	(121,627)	(508,182)	(15,852)	330,448	(217,100)
Other Financing Sources - Transfers in	-	-	250,000	508,225	-	225,795	984,020
Change in Fund Balances	-	98,113	128,373	43	(15,852)	556,243	766,920
Fund Balances - Beginning of year	-	1,393,804	-	14,737	847,057	1,330,930	3,586,528
Fund Balances - End of year	\$ -	\$ 1,491,917	\$ 128,373	\$ 14,780	\$ 831,205	\$ 1,887,173	\$ 4,353,448

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2010

	Employee Benefit Fund	Flexible Savings Fund	Workers' Compensation Fund	Total
Assets				
Cash and cash equivalents	\$ 9,244,998	\$ 6,382	\$ 126,344	\$ 9,377,724
Receivables - Other	185,666	-	-	185,666
Due from (to) other funds	6,382	(6,382)	1,102	1,102
Prepaid expenses and other assets	-	-	11,021	11,021
Total assets	9,437,046	-	138,467	9,575,513
Liabilities - Provision for claims	876,616	-	82,413	959,029
Net Assets - Unrestricted	<u>\$ 8,560,430</u>	<u>\$ -</u>	<u>\$ 56,054</u>	<u>\$ 8,616,484</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, 2010

	Employee Benefit Fund	Flexible Savings Fund	Workers' Compensation Fund	Total
Operating Revenue - Charges to other funds	\$ 9,439,100	\$ 77,663	\$ 140,872	\$ 9,657,635
Operating Expenses - Benefit payments and other costs	<u>7,537,082</u>	<u>85,721</u>	<u>119,512</u>	<u>7,742,315</u>
Operating Income (Loss)	1,902,018	(8,058)	21,360	1,915,320
Nonoperating Revenue - Investment income	<u>23,665</u>	<u>60</u>	<u>264</u>	<u>23,989</u>
Excess of Revenue Over (Under) Expenditures	1,925,683	(7,998)	21,624	1,939,309
Other Financing Sources (Uses)				
Transfers in	-	7,998	-	7,998
Transfers out	<u>(7,998)</u>	<u>-</u>	<u>-</u>	<u>(7,998)</u>
Total other financing sources (uses)	<u>(7,998)</u>	<u>7,998</u>	<u>-</u>	<u>-</u>
Change in Net Assets	1,917,685	-	21,624	1,939,309
Net Assets - Beginning of year	<u>6,642,745</u>	<u>-</u>	<u>34,430</u>	<u>6,677,175</u>
Net Assets - End of year	<u>\$ 8,560,430</u>	<u>\$ -</u>	<u>\$ 56,054</u>	<u>\$ 8,616,484</u>

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2010

	Employee Benefit Fund	Flexible Savings Fund	Workers' Compensation Fund	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 9,477,515	\$ 77,663	\$ 139,850	\$ 9,695,028
Payments connected with interfund service	(7,998)	(7,998)	-	(15,996)
Receipts connected with interfund service	7,998	7,998	25,300	41,296
Claims paid	(7,628,461)	(85,721)	(133,703)	(7,847,885)
Net cash provided by (used in) operating activities	1,849,054	(8,058)	31,447	1,872,443
Cash Flows from Investing Activities -				
Interest received on investments	23,665	60	263	23,988
Net Increase (Decrease) in Cash and Cash Equivalents	1,872,719	(7,998)	31,710	1,896,431
Cash and Cash Equivalents - Beginning of year	7,372,279	14,380	94,634	7,481,293
Cash and Cash Equivalents - End of year	<u>\$ 9,244,998</u>	<u>\$ 6,382</u>	<u>\$ 126,344</u>	<u>\$ 9,377,724</u>
Balance Sheet Classification of Cash and Cash Equivalents - Cash and investments				
	<u>\$ 9,244,998</u>	<u>\$ 6,382</u>	<u>\$ 126,344</u>	<u>\$ 9,377,724</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 1,902,018	\$ (8,058)	\$ 21,360	\$ 1,915,320
Changes in assets and liabilities:				
Operating transfers (out) in	(7,998)	7,998	-	-
Receivables	38,416	-	(1,021)	37,395
Due from other funds	7,998	-	25,300	33,298
Accounts payable	(91,380)	-	(14,192)	(105,572)
Due to other funds	-	(7,998)	-	(7,998)
Net cash provided by (used in) operating activities	<u>\$ 1,849,054</u>	<u>\$ (8,058)</u>	<u>\$ 31,447</u>	<u>\$ 1,872,443</u>

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Net Assets Pension Trust and Agency Funds June 30, 2010

	Employees' Pension Trust Fund	Retiree Healthcare Benefits Trust Fund	Total Pension Trust Funds	Tax Collections	Misc. Agency	P.A.I.R.	Court	Total Agency Funds
Assets								
Cash and investments	\$ 4,650,227	\$ 90,519	\$ 4,740,746	\$ 425	\$ 31,895	\$ 10,619	\$ 235,026	\$ 277,965
Investments:								
U.S. government securities	14,657,167	372,364	15,029,531	-	-	-	-	-
Stocks	46,211,752	1,471,641	47,683,393	-	-	-	-	-
Bonds	9,041,004	229,998	9,271,002	-	-	-	-	-
Mutual funds	39,560,615	-	39,560,615	-	-	-	-	-
Securities lending:								
U.S equities	6,184,602	-	6,184,602	-	-	-	-	-
U.S. government and agencies	537,344	-	537,344	-	-	-	-	-
Receivables	305,481	375,000	680,481	-	-	-	-	-
Total assets	<u>121,148,192</u>	<u>2,539,522</u>	<u>123,687,714</u>	<u>\$ 425</u>	<u>\$ 31,895</u>	<u>\$ 10,619</u>	<u>\$ 235,026</u>	<u>\$ 277,965</u>
Liabilities								
Accounts payable	6,434	-	6,434	425	\$ 31,895	\$ 10,619	\$ 26	\$ 42,965
Due to primary government	114,227	-	114,227	-	-	-	-	-
Accrued liabilities and other	-	-	-	-	-	-	235,000	235,000
Obligations under securities lending arrangements	<u>6,821,473</u>	<u>-</u>	<u>6,821,473</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>6,942,134</u>	<u>-</u>	<u>6,942,134</u>	<u>\$ 425</u>	<u>\$ 31,895</u>	<u>\$ 10,619</u>	<u>\$ 235,026</u>	<u>\$ 277,965</u>
Net Assets - Held in trust for employee benefits	<u>\$ 114,206,058</u>	<u>\$ 2,539,522</u>	<u>\$ 116,745,580</u>					

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Assets Fiduciary Funds Year Ended June 30, 2010

	Employees' Pension Trust Fund	Retiree Healthcare Benefits Trust Fund	Total
Additions			
Investment income:			
Interest and dividends	\$ 2,072,163	\$ 52,690	\$ 2,124,853
Net increase in fair value of investments	13,029,490	217,572	13,247,062
Less investment expenses	<u>(593,991)</u>	<u>(29,570)</u>	<u>(623,561)</u>
Net investment income	14,507,662	240,692	14,748,354
Contributions:			
Employer	4,160,914	375,000	4,535,914
Employee	<u>1,273,155</u>	<u>-</u>	<u>1,273,155</u>
Total contributions	5,434,069	375,000	5,809,069
Other additions	<u>56,439</u>	<u>68</u>	<u>56,507</u>
Total additions - Net	19,998,170	615,760	20,613,930
Deductions			
Benefit payments	9,195,812	-	9,195,812
Refunds of contributions	613,563	-	613,563
Administrative expenses	<u>180,478</u>	<u>192</u>	<u>180,670</u>
Total deductions	<u>9,989,853</u>	<u>192</u>	<u>9,990,045</u>
Net Increase in Net Assets Held in Trust	10,008,317	615,568	10,623,885
Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>104,197,741</u>	<u>1,923,954</u>	<u>106,121,695</u>
Net Assets Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 114,206,058</u></u>	<u><u>\$ 2,539,522</u></u>	<u><u>\$ 116,745,580</u></u>

City of Roseville, Michigan

Schedule of Indebtedness June 30, 2010

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2010	2009
General Obligation Bonds					
Unlimited Tax General Obligation Library Bonds					
Date of issue - November 1, 1995					
Amount of issue - \$2,715,000					
	5.050	11/01/09	\$ 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				\$ 1,110,000	\$ 1,260,000

City of Roseville, Michigan

Schedule of Indebtedness (Continued) June 30, 2010

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2010	2009
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	10/01/09	\$ 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				\$ 4,210,000	\$ 4,540,000

City of Roseville, Michigan

Schedule of Indebtedness (Continued) June 30, 2010

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2010	2009
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	10/01/09	\$ 58,008	\$ -	\$ 58,008
	4.30	10/01/10	60,425	60,425	60,425
	4.30	10/01/11	62,842	62,842	62,842
	4.30	10/01/12	66,468	66,468	66,468
	4.30	10/01/13	68,885	68,885	68,885
	4.30	10/01/14	72,510	72,510	72,510
	4.30	10/01/15	76,136	76,136	76,136
	4.30	10/01/16	79,761	79,761	79,761
	4.30	10/01/17	84,595	84,595	84,595
	4.30	10/01/18	89,429	89,429	89,429
	4.30	10/01/19	93,055	93,055	93,055
	4.30	10/01/20	97,888	97,888	97,888
	4.30	10/01/21	103,931	103,931	103,931
	4.30	10/01/22	108,765	108,765	108,765
	4.30	10/01/23	114,807	114,807	114,807
	4.30	10/01/24	122,058	122,058	122,058
	4.30	10/01/25	128,101	128,101	128,101
	4.30	10/01/26	135,352	135,352	135,352
	4.30	10/01/27	142,603	142,603	142,603
	4.30	10/01/28	149,854	149,854	149,854
	4.30	10/01/29	158,313	158,313	158,313
				2,015,778	2,073,786

City of Roseville, Michigan

Schedule of Indebtedness (Continued) June 30, 2010

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2010	2009
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	13,143
	4.500	10/01/11	13,649	13,649	13,649
	4.500	10/01/12	14,660	14,660	14,660
	4.500	10/01/13	15,165	15,165	15,165
	4.550	10/01/14	15,671	15,671	15,671
	4.700	10/01/15	16,682	16,682	16,682
	4.850	10/01/16	17,187	17,187	17,187
	4.950	10/01/17	18,198	18,198	18,198
	5.000	10/01/18	18,704	18,704	18,704
	5.050	10/01/19	19,714	19,714	19,714
	5.100	10/01/20	20,725	20,725	20,725
	5.100	10/01/21	21,736	21,736	21,736
	5.125	10/01/22	23,253	23,253	23,253
	5.125	10/01/23	24,264	24,264	24,264
	5.200	10/01/24	25,275	25,275	25,275
	5.200	10/01/25	26,791	26,791	26,791
	5.200	10/01/26	28,308	28,308	28,308
	5.250	10/01/27	29,824	29,824	29,824
	5.250	10/01/28	31,341	31,341	31,341
	5.250	10/01/29	32,857	32,857	32,857
				427,147	439,785

City of Roseville, Michigan

Schedule of Indebtedness (Continued) June 30, 2010

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2010	2009
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	10/01/09	\$ 198,875	\$ -	\$ 198,875
	2.50	10/01/10	204,192	204,192	204,192
	2.50	10/01/11	209,510	209,510	209,510
	2.50	10/01/12	214,827	214,827	214,827
	2.50	10/01/13	220,145	220,145	220,145
	2.50	10/01/14	225,462	225,462	225,462
	2.50	10/01/15	231,843	231,843	231,843
	2.50	10/01/16	237,161	237,161	237,161
	2.50	10/01/17	243,541	243,541	243,541
	2.50	10/01/18	249,922	249,922	249,922
	2.50	10/01/19	256,303	256,303	256,303
	2.50	10/01/20	262,684	262,684	262,684
	2.50	10/01/21	269,065	269,065	269,065
	2.50	10/01/22	276,511	276,512	276,511
				3,101,167	3,300,041

City of Roseville, Michigan

Schedule of Indebtedness (Continued) June 30, 2010

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2010	2009
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	10/01/09	\$ 139,851	\$ -	\$ 139,851
	2.50	10/01/10	144,399	144,399	144,399
	2.50	10/01/11	147,810	147,810	147,810
	2.50	10/01/12	151,221	151,221	151,221
	2.50	10/01/13	155,769	155,769	155,769
	2.50	10/01/14	159,180	159,180	159,180
	2.50	10/01/15	163,728	163,728	163,728
	2.50	10/01/16	167,139	167,139	167,139
	2.50	10/01/17	171,687	171,687	171,687
	2.50	10/01/18	176,235	176,235	176,235
	2.50	10/01/19	180,783	180,783	180,783
	2.50	10/01/20	185,331	185,331	185,331
	2.50	10/01/21	189,879	189,879	189,879
	2.50	10/01/22	194,426	194,427	194,426
				2,187,588	2,327,438

City of Roseville, Michigan

Schedule of Indebtedness (Continued) June 30, 2010

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2010	2009
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	10/01/09	\$ 27,288	\$ -	\$ 27,288
	2.50	10/01/10	28,425	28,425	28,425
	2.50	10/01/11	28,425	28,425	28,425
	2.50	10/01/12	29,562	29,562	29,562
	2.50	10/01/13	29,562	29,562	29,562
	2.50	10/01/14	30,699	30,699	30,699
	2.50	10/01/15	31,836	31,836	31,836
	2.50	10/01/16	31,836	31,836	31,836
	2.50	10/01/17	32,973	32,973	32,973
	2.50	10/01/18	34,110	34,110	34,110
	2.50	10/01/19	35,247	35,247	35,247
	2.50	10/01/20	36,384	36,384	36,384
	2.50	10/01/21	36,384	36,384	36,384
	2.50	10/01/22	37,520	37,522	37,520
				422,965	450,251

City of Roseville, Michigan

Schedule of Indebtedness (Continued) June 30, 2010

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2010	2009
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	10/01/09	\$ 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	21,126	21,128
				257,033	272,880

City of Roseville, Michigan

Schedule of Indebtedness (Continued) June 30, 2010

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2010	2009
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	10/01/09	\$ 42,741	\$ -	\$ 42,741
	4.375	10/01/10	44,324	44,324	44,324
	4.375	10/01/11	45,907	45,907	45,907
	4.375	10/01/12	47,490	47,490	47,490
	4.375	10/01/13	49,073	49,073	49,073
	4.375	10/01/14	50,656	50,656	50,656
	4.375	10/01/15	53,822	53,822	53,822
	4.375	10/01/16	55,405	55,405	55,405
	4.375	10/01/17	58,571	58,571	58,571
	4.500	10/01/18	60,154	60,154	60,154
	4.625	10/01/19	63,320	63,320	63,320
	4.625	10/01/20	66,486	66,486	66,486
	4.750	10/01/21	69,652	69,652	69,652
	4.750	10/01/22	74,401	74,401	74,401
	4.875	10/01/23	77,567	77,567	77,567
	5.000	10/01/24	82,316	82,316	82,316
	5.000	10/01/25	87,065	87,065	87,065
	5.000	10/01/26	91,814	91,814	91,814
	5.000	10/01/27	94,980	94,980	94,980
	5.000	10/01/28	102,895	102,895	102,895
	5.000	10/01/29	106,061	106,061	106,061
				<u>1,381,959</u>	<u>1,424,700</u>
Total County Drain Contract obligations				<u>\$ 9,793,637</u>	<u>\$ 10,288,881</u>

City of Roseville, Michigan

Schedule of Indebtedness (Continued) June 30, 2010

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2010	2009
Installment Loan Obligation					
Installment loan - Computer software					
Date of issue - May 2008					
Amount of issue - \$151,860					
	-	5/01/10	\$ 30,372	\$ -	\$ 30,372
	-	5/01/11	30,372	30,372	30,372
	-	5/01/12	30,372	30,372	30,372
Total installment loan obligation				<u>\$ 60,744</u>	<u>\$ 91,116</u>