

City of Roseville, Michigan

**Financial Report
with Supplemental Information
June 30, 2017**

City of Roseville, Michigan

Contents

Report Letter	1-3
Management's Discussion and Analysis	4-18
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	19
Statement of Activities	20-21
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	22
Reconciliation of the Balance Sheet to the Statement of Net Position	23
Statement of Revenue, Expenditures, and Changes in Fund Balances	24
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Proprietary Funds:	
Statement of Net Position	26
Statement of Revenue, Expenses, and Changes in Net Position	27
Statement of Cash Flows	28
Fiduciary Funds:	
Statement of Fiduciary Net Position	29
Statement of Changes in Fiduciary Net Position - Pension and Other Employee Benefit Trust Funds	30
Notes to Financial Statements	31-69

City of Roseville, Michigan

Contents (Continued)

Required Supplemental Information	70
Budgetary Comparison Schedule - General Fund	71-72
Budgetary Comparison Schedule - Major Special Revenue Funds	73-74
Note to Required Supplemental Information	75-76
Schedule of Changes in the City's Net Pension Liability and Related Ratios	77
Schedule of Pension Investment Returns	78
Schedule of City Pension Contributions	79
Schedule of Changes in the City's Net OPEB Liability and Related Ratios	80
Schedule of OPEB Investment Return	81
Schedule of City OPEB Contribution	82
Other Supplemental Information	83
Nonmajor Governmental Funds:	
Combining Balance Sheet	84
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit)	85
Internal Service Funds:	
Combining Statement of Net Position	86
Combining Statement of Revenue, Expenses, and Changes in Net Position	87
Combining Statement of Cash Flows	88
Fiduciary Funds:	
Statement of Assets and Liabilities	89
Combining Statement of Changes in Fiduciary Net Position	90

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2017 and the related notes to the financial statements, which collectively comprise the City of Roseville, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Roseville, Michigan as of June 30, 2017 and the respective changes in its financial position and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 15 to the financial statements, in 2017, the City adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This new accounting standard results in enhanced note disclosures and schedules of required supplementary information presented by OPEB plans that are administered through trusts which meet specific criteria. Our opinion is not modified with respect to this matter.

The financial statements include investments valued at approximately \$40,183,000 (28 percent of the net position of the fiduciary funds) at June 30, 2017, whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by investment advisors, general partners, and other means. Our opinion has not been modified in respect to this matter.

Other Matters

Required Supplemental Information

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

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

Other Information

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 other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017 on our consideration of the City of Roseville, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* in considering the City of Roseville, Michigan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

December 8, 2017

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, Michigan's (the "City") basic financial statements. The basic financial statements consist of three components: government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also contains other supplemental information.

The format of the annual report was modified in 2003 to comply with the reporting requirements of Governmental 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 position 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 position includes all of the City's assets and liabilities. Net position, the difference between the City's assets and liabilities, is 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 three categories:

- Governmental activities - Most of the City's basic services are included here, such as police, fire, public works, recreation, and general administration. Property taxes, state-shared revenue, charges for services, and grants provide the majority of the funding.
- Business-type activities - The City charges user fees to customers to cover costs of providing water and sewer services.
- Component unit - The City includes one other entity in its report, the Downtown Development Authority. Although legally separate, this "component unit" is important to the City's reporting because the City exercises control over it.

Fund Financial Statements

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

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

The City has three kinds of funds:

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

The City maintains 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenue, expenditures, and changes in fund balances for the General Fund, Major Streets Fund, Local Streets Fund, and Capital Projects Fund, all of which are considered to be major funds. Data for the other eight 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 programs and workers' compensation-related expenditures. Because these programs predominantly benefit governmental rather than business-type functions, they have been consolidated within the governmental activities in the government-wide financial statements.
- **Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources held in those funds are not available to finance the City's programs.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

Notes to the Financial Statements

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

Required Supplemental Information

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

Other Supplemental Information

Combining fund statements referred to earlier 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 position decreased from \$82.0 million to \$79.3 million during fiscal year 2017. A review of the governmental activities, separate from the business-type activities, shows a decrease of approximately \$2.6 million in total net position, or 4.5 percent, during fiscal year 2017. The decrease in total net position of governmental activities is primarily attributed to a \$13.1 million decrease in deferred outflows related to pension, a \$2.1 million decrease in deferred inflows related to pension, and an \$8.4 million decrease in current and long-term obligations. The decrease in net position is the result of the adverse impact on property tax revenue due to continued depressed property values imposed by Proposal A, the effects of funding retiree healthcare benefits for current and future retirees, and a reduction in other revenue in fiscal 2017. In total, expenditures for fiscal year 2017 were \$2.4 million or 5.4 percent less than expenditures incurred during fiscal year 2016. Like many communities, postemployment healthcare premiums were traditionally paid by the City's pension fund through its available "excess earnings." Beginning in 2005, as a result of increasing healthcare costs coupled with declining interest rates, the pension fund was no longer able to cover this obligation. In 2017, the governmental portion of the obligation of \$3.8 million was paid entirely by the General Fund.

Business-type activities experienced a \$0.1 million decrease in total net position during fiscal 2017. This decrease is primarily attributed to the City's match of state grant-related expenses incurred during the year to identify improvements needed to the City's storm water infrastructure. The City restructured its water and sewer billing structure effective July 1, 2017 to generate proceeds which are necessary to finance future critical improvements to the City's aging water and sewer infrastructure.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

In a condensed format, the table below shows the comparison of net position (in millions of dollars) as of June 30, 2017 to the prior year:

	Governmental Activities			Percent Change
	2016	2017	Change	
Other assets	\$ 33,993,379	\$ 33,473,628	\$ (519,751)	-2%
Capital assets	<u>86,754,198</u>	<u>87,380,867</u>	<u>626,669</u>	1%
Total assets	120,747,577	120,854,495	106,918	0%
Deferred outflows related to pension	<u>18,479,450</u>	<u>5,407,783</u>	<u>(13,071,667)</u>	-71%
Total assets and deferred outflows	139,227,027	126,262,278	(12,964,749)	-9%
Current liabilities	6,224,348	6,316,876	92,528	1%
Long-term liabilities	<u>71,069,295</u>	<u>62,638,451</u>	<u>(8,430,844)</u>	-12%
Total liabilities	77,293,643	68,955,327	(8,338,316)	-11%
Deferred inflows	<u>4,158,236</u>	<u>2,103,009</u>	<u>(2,055,227)</u>	-49%
Total liabilities and deferred inflows	<u>81,451,879</u>	<u>71,058,336</u>	<u>(10,393,543)</u>	-13%
Net position:				
Net investment in capital assets	77,613,667	79,254,311	1,640,644	2%
Restricted	10,580,076	12,157,241	1,577,165	15%
Unrestricted	<u>(30,418,595)</u>	<u>(36,207,610)</u>	<u>(5,789,015)</u>	19%
Total net position	<u>\$ 57,775,148</u>	<u>\$ 55,203,942</u>	<u>\$ (2,571,206)</u>	-4%

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net position (in millions of dollars) for the year ended June 30, 2017 from the prior year:

	Governmental Activities			Percent Change
	2016	2017	Change	
Revenue				
Program revenue:				
Charges for services	\$ 5,740,068	\$ 5,287,482	\$ (452,586)	-8%
Operating grants	5,182,456	5,328,976	146,520	3%
Capital grants	4,771	957,846	953,075	100%
General revenue:				
Property taxes	21,307,179	21,118,084	(189,095)	-1%
State-shared revenue	4,552,457	5,411,830	859,373	19%
Investment earnings	69,046	38,860	(30,186)	-44%
Other revenue	3,380,917	1,682,523	(1,698,394)	-50%
Total revenue	40,236,894	39,825,601	(411,293)	-1%
Program Expenses				
General government	14,293,548	10,955,557	(3,337,991)	-23%
Public safety	21,137,917	20,347,275	(790,642)	-4%
Public works	7,097,359	7,603,348	505,989	7%
Community and economic development	582,603	1,525,240	942,637	162%
Recreation and cultural	1,371,868	1,677,003	305,135	22%
Interest on long-term debt	335,786	288,384	(47,402)	-14%
Total expenses	44,819,081	42,396,807	(2,422,274)	-5%
Change in Net Position	\$ (4,582,187)	\$ (2,571,206)	\$ 2,010,981	-44%

The City's total governmental revenue decreased slightly from \$40.2 million in 2016 to \$39.8 million in 2017. Of this amount, property taxes, which account for approximately 53 percent of total revenue, decreased slightly from \$21.3 million in 2016 to \$21.1 million in 2017. Operating grants of \$5.3 million remained relatively consistent from the prior year and represent 13 percent of total revenue. State-shared revenue, which accounts for approximately 14 percent of total revenue, increased from \$4.6 million in 2016 to \$5.4 million in 2017. The increase of \$0.8 million is primarily due to a reimbursement from the State of Michigan for lost revenue as a result of a state imposed phase-out of certain personal property taxes. Charges for service-type activities which support program costs such as the district court, building and rental inspections, etc., decreased slightly to \$5.3 million during fiscal year 2017 and represents 13 percent of total revenue. Capital grants, investment earnings, and other revenue decreased from \$3.5 million in 2016 to \$2.7 million in 2017 and represent 7 percent of total revenue.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

Total expenditures decreased by approximately \$2.4 million or 5.4 percent over the previous fiscal year. This decrease is primarily attributed to a decrease in pension expense from \$5.1 million in 2016 to \$3.4 million in 2017. Despite an increase in healthcare costs from \$6.9 million in 2016 to \$7.0 million in 2017, the amount of healthcare benefits paid from governmental activities decreased from \$6.8 million in 2016 to \$5.5 million in 2017. Approximately \$1.4 million of 2017 healthcare costs was paid from the appropriation of the employee benefits internal service fund balance. The City continued strong expenditure control and continued to meet its required actuarial contribution for the defined benefit pension system during fiscal year 2017. In addition to paying all retiree healthcare benefits as they came due during fiscal year 2017, the City was able to contribute approximately \$0.3 million to the retiree healthcare plan. 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 efforts over the past several years to fund future retiree medical costs, the City, like most communities, remains severely underfunded with regard to GASB Statement No. 45. This pronouncement, effective June 30, 2009, requires the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. During the current year, the City adopted the provisions of GASB Statement No. 74. This accounting pronouncement requires entities to recognize their unfunded other postemployment benefit obligation (OPEB) on the full accrual level as a liability. As of June 30, 2017, the City's net OPEB liability was approximately \$84.9 million. In December 2017, the Protecting Local Government Retirement and Benefits Act was passed by both the State of Michigan House and Senate. This new legislation includes many new reporting requirements for local units of government with respect to pension and retiree healthcare plans as well as a formula that determines the funding status for these plans. According to the formula, the City of Roseville's retiree healthcare plan would fall into the underfunded status. As a result of this new legislation being passed and the underfunded status of the City's retiree healthcare plan, the City will be required to pre-fund retiree healthcare liabilities for any employee hired after July 1, 2018, submit an annual report summarizing the provisions and actuarial assumptions for its retiree healthcare plans, and submit a plan to address the underfunded status of its retiree healthcare plans.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

In a condensed format, the table below shows the comparison of net position (in millions of dollars) as of June 30, 2017 to the prior year:

	Business-type Activities			Percent Change
	2016	2017	Change	
Other assets	\$ 15,475,335	\$ 15,797,744	\$ 322,409	2%
Capital assets	18,205,298	18,679,106	473,808	3%
Total assets	33,680,633	34,476,850	796,217	2%
Deferred outflows related to pension	2,008,268	1,336,532	(671,736)	-33%
Total assets and deferred outflows	35,688,901	35,813,382	124,481	0%
Current liabilities	924,244	811,500	(112,744)	-12%
Long-term liabilities	10,064,069	9,885,679	(178,390)	-2%
Total liabilities	10,988,313	10,697,179	(291,134)	-3%
Deferred inflows related to pension	451,899	973,184	521,285	115%
Total liabilities and deferred inflows	11,440,212	11,670,363	230,151	2%
Net position:				
Net investment in capital assets	14,954,194	14,788,153	(166,041)	-1%
Unrestricted	9,294,495	9,354,866	60,371	1%
Total net position	<u>\$ 24,248,689</u>	<u>\$ 24,143,019</u>	<u>\$ (105,670)</u>	0%

The following table shows the changes in net position (in millions of dollars) for the year ended June 30, 2017 from the prior year:

	Business-type Activities			Percent Change
	2016	2017	Change	
Revenue - Program revenue -				
Charges for services	\$ 13,476,800	\$ 15,220,460	\$ 1,743,660	13%
Program Expenses				
Operating expenses, other than depreciation	13,439,555	14,863,199	1,423,644	11%
Depreciation and amortization	671,285	762,577	91,292	14%
Total program expense	14,110,840	15,625,776	1,514,936	11%
Operating Loss	(634,040)	(405,316)	228,724	-36%
Nonoperating (Expense) Revenue	(605,230)	299,646	904,876	-150%
Change in Net Position	<u>\$ (1,239,270)</u>	<u>\$ (105,670)</u>	<u>\$ 1,133,600</u>	-91%

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

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. Program revenue generated from the City's Water and Sewer Fund totaled \$15.2 million in 2017, nonoperating revenue totaled \$0.3 million, and expenses were \$15.6 million resulting in an overall decrease in net position of approximately \$0.1 million. For fiscal year 2017, only a 5.5 percent rate increase in the City's overall water and sewer rate was passed to customers, despite more significant increases in operation costs. The Great Lakes Water Authority (GLWA) was created in 2015, replacing the City of Detroit to manage water and sewer operations for Wayne, Oakland, and Macomb counties. The City is currently in its tenth year of a 30-year working agreement with the GLWA and formerly 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.

During fiscal year 2017, the City's water and sewer system incurred a 4.9 percent decrease in the volume of water purchased and a 6.7 percent increase in sewage charges. During the same period, the City recognized a 0.3 percent decrease in the total volume of water units sold and a 6.9 percent increase in sewage units treated. This relationship is supported by the City's inferred water loss percentage which decreased significantly from 16.5 percent to 3.7 percent during fiscal year 2017, attributed to the full implementation of an automated water-meter reading system throughout the City. In August 2012, the City committed \$4.45 million in state revolving fund loan proceeds to finance critical enhancements to its infrastructure to reduce future water loss. Construction began shortly afterwards and is expected to be completed during 2018. For fiscal year 2018, the City Council has approved an 8.9 percent water and sewer rate increase as well as a 17.5 percent ready-to-serve charge increase to address the need for significant infrastructure and capital improvements.

In addition, the City continues to work with neighboring communities to develop a collaborative agreement to purchase quantities of water from the GLWA at off-peak times when water rates are lower, and to store the water in tanks to be utilized during peak operational hours as a supplement to the water supply, thus providing cost savings. It is anticipated that a reserve storage reservoir will be in place by the end of the 2020 fiscal year.

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. The City's major funds for 2016 and 2017 include the General Fund, the Major and Local Streets Funds, and the Capital Projects Fund.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

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 \$18.0 million in 2017, before depreciation and other full accrual accounting adjustments. The general operating millage levied by the City supports these two services. Fund balance in the General Fund increased by approximately \$0.1 million during fiscal year 2017, primarily attributed to slight increases in total revenue and continued cost control. Revenue from property taxes decreased approximately \$0.4 million due to the continued phase-out of certain personal property taxes. State-shared revenue and grants increased \$1.9 million, which is primarily due to a grant received in 2017 for street construction that was subsequently transferred to the Local Streets Fund and a reimbursement from the State of Michigan for lost revenue from the phase-out of certain personal property taxes. Other revenue decreased \$1.0 million during 2017 due to several factors, including decreases in insurance proceeds, franchise fees, and other miscellaneous fees. The decrease in revenue was offset by decreases in general government expenditures primarily related to a portion of healthcare benefit costs being paid by the employee benefits internal service fund during the year, lessening the cost incurred by the General Fund. Despite efforts to manage expenditures, funding for retiree healthcare benefits continues to impact the fund balance in the General Fund. City management will continue to evaluate options to further reduce retiree healthcare costs and will present alternative options to the City Council for consideration. These options may include new programs and plans and other innovative measures to provide reduction of legacy costs.

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 2017, fund balance in the Major Streets Fund increased by approximately \$1.1 million and fund balance in the Local Streets Fund increased by approximately \$0.6 million as the City had fewer road construction and maintenance projects scheduled during 2017. For 2017, the Local Streets Fund received approximately \$1.1 million in operating transfers from the Major Streets Fund to support local road construction projects. Historically, future road projects have been supported by funding from CDBG for streets in low to moderate income level areas and transfers from the General Fund. Due to lower property tax revenue, resources from the General Fund were not available to transfer in 2017. Due to the decline of low to moderate income level areas within the City, the amount of funding from CDBG is also anticipated to decline. While some capital improvements can be delayed for the short term, the long-term effects of reduced road maintenance and improvements to aging infrastructure ultimately compromise a city's ability to provide core services to its residents.

On November 10, 2015, the Michigan State Legislature passed and Governor Snyder signed into law, nine bills to provide for an additional \$1.2 billion annually for road improvements beginning in October 2017. These new funds will be distributed under established Act 51 guidelines and are expected to increase local road funding in the City of Roseville, Michigan in excess of \$5 million through 2021.

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. In March 2012, the City Council recommitted/reassigned approximately \$2.8 million of the fund's financial reserves for future road construction projects. Of this committed amount, approximately \$1.8 million has been expended for neighborhood road improvements through the end of fiscal year 2017. During fiscal year 2017, the City purchased \$0.2 million in tax-reverted properties from the county. These properties were remarketed to an investment group and sold for \$0.3 million in fiscal year 2017.

During fiscal year 2016, the City Council passed a resolution authorizing an additional 0.5 mills to be added to the existing 1 mill tax levy originally passed in 2012 dedicated to finance operations of the Roseville Public Library under Public Act 164. There is no expiration date related to this levy. Historically, activity related to the Roseville Public Library had been reflected as a department of the City's general operating budget. Subsequent to August 2011, activity related to the Roseville Public Library is presented as a separate fund and reflected in the City's government-wide financial statements.

General Fund Budgetary Highlights

City administration and City Council monitor and amend the budget to take into account unanticipated events that occur during the year. The budget was formally amended three times during fiscal year 2017. The amended budget included a \$1.0 million increase in revenue in the General Fund. This included increases of \$0.1 million for licenses and permits, \$0.2 million for federal grants, and \$1.4 million for state-shared revenue and grants. These increases were offset by decreases of \$0.4 million for property tax revenue, \$0.2 million for court fines and fees, and \$0.1 million in reimbursements. In total, the General Fund amended budget for expenditures increased by approximately \$0.4 million or 1.2 percent primarily attributed to increases in public safety and public works expenditures totaling \$0.7 million offset by a decrease in general government expenditures of \$0.3 million. For fiscal year 2017, the City's original operating budget was a balanced document and reflected no utilization of fund balance. At June 30, 2017, the City budgeted a slight utilization of fund balance in the amount of approximately \$37,000. For fiscal year 2017 and beyond, management has developed a comprehensive five-year financial forecast that is updated annually and is reflected as part of the City's annual operating budget.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

Capital Assets and Long-term Debt Administration

At year end, the City had approximately \$106.0 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 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 2017, the total value of the City's governmental infrastructure assets, net of depreciation, increased \$0.2 million or 0.4 percent from \$42.5 million in 2016 to \$42.7 million in 2017. Included in the City's infrastructure assets are certain intangible rights to a county drain asset equal to the City's share of the debt associated with the Clean Water Initiative project.

During 2012, the City transferred approximately \$1.6 million in net assets to the Recreation Authority of Roseville and Eastpointe. The Recreation Authority was created under Public Act 32 to provide recreation programs and senior activities to the citizenship of these communities. At inception, the City Councils of Roseville and Eastpointe committed to contribute real and personal property to the authority limited to the City of Roseville Recreation Center, 18185 Sycamore, Roseville, MI and the City of Eastpointe Community Center, 16435 Eight Mile Road, Eastpointe, MI. The articles permit any participating municipality, including the City of Roseville, Michigan, to withdraw upon giving one full year's budgetary notice. The articles also address dissolution of the authority, which requires council resolution from the governing board of the participating communities, at which time all outstanding debt of the authority is required to be paid in full. Any remaining assets of the authority would be evenly distributed to the member communities at the time of dissolution.

Debt reported in the financial statements typically relates to the purchase or construction of capital assets and is reported as a liability on the statement of net position. Debt service payments during fiscal year 2017 consisted of approximately \$1.5 million in principal payments and \$0.3 million in interest on all outstanding bonds and debt obligations. See the notes to the financial statements section of the report for additional information.

Economic Factors and Next Year's Budgets and Rates

In 2006, city management designed and implemented a comprehensive "multi-prong" turnaround plan to address the City's financial challenges. This plan cured the financial structural imbalance by implementing various expenditure controls including attrition of city personnel and wage and benefit concessions, as well as a voter-approved 5.0 mills tax increase in the City's operating levy. Prior to the adoption of the City's turnaround approach, the City was bracing for its third consecutive year of budget deficits. In 2010 and 2012, the plan was significantly revised and has subsequently become part of the annual budgeting process.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

Unfortunately, from 2008 to 2014, property assessments declined, but slightly rebounded in 2015. While property values increased in 2016 and 2017, property assessments declined during this period due to a phase-out of personal property taxes by the State of Michigan on property used for industrial processing and direct integrated support equipment for industrial processing. Personal property taxes continue to be phased out through 2023, raising concern for future tax stability. For fiscal year 2017-2018, the City's total taxable value increased from \$861 million to \$864 million. Although this approximates only a 0.3 percent increase in market value or less than \$0.1 million of additional tax revenue, the State of Michigan has appropriated funding to reimburse communities 100 percent of lost revenue from the personal property tax phase-out. The City's reimbursement for fiscal 2016-2017 was approximately \$0.7 million and the reimbursement for fiscal 2017-2018 was approximately \$0.9 million. The City's assessor projects a 2.5 percent increase in real property values annually beginning in fiscal year 2017. A decrease in personal property values is expected due to further personal property tax phase-outs for industrial related property, but reimbursement for lost revenue continues to be expected from the State of Michigan. Declining property tax revenue since 2008 has resulted in a significant cumulative loss of revenue for the City. If property tax revenue had increased each year since 2008 by an inflationary rate of 3 percent per year, the City would have collected approximately \$102 million of additional property tax revenue. For example, in 2018, the average homeowner will pay approximately the same amount in taxes as they did prior to the City's 5 mill tax increase approved in 2006, even with the inclusion of the Library Authority and Recreation Authority millages. In addition, the City's revenue-raising capacity is limited as a result of levying at the Headlee limit. Due to limitations imposed by Proposal A, the gap between assessed value and taxable value has been eliminated and property owners' tax bills have been reduced by the full assessment decline. Proposal A has limited any 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 as the real estate market begins to improve. To counter this trend, the City has begun to undertake a strategic neighborhood revitalization project. Through a partnership with other governmental agencies as well as Roseville Community Schools, the City hopes to redevelop current vacant and nontaxable properties for new home construction, thus placing them back onto the tax rolls. This strategy will not only revitalize neighborhoods but also add new families into the City, an effort that will benefit both the City and the School District. The City also plans to continue to sell nontaxed/nonbuildable parcels to adjacent property owners, again placing them back onto the active tax rolls and eliminating City-borne maintenance costs. During fiscal 2017, a group of municipal leaders, educators, and lawyers united to bring litigation against the State of Michigan for violating provisions of the Headlee Amendment and Proposal A. This challenge could potentially correct the on-going issue of property tax revenue deficiencies that many local government units within the State of Michigan face.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

Although the City's second largest revenue source, state revenue sharing, increased in 2017 by approximately \$0.2 million as compared to 2016, the City has received reductions in state revenue sharing in each year from 2002 to 2013. In 2000, the City received \$6.3 million in revenue-sharing payments from the State of Michigan. State-shared revenue payments in 2017 were \$4.7 million, even after stringent CVTRS compliance. Revenue sharing represents approximately 14 percent of the General Fund operating budget. The true effects of declining state-shared revenue are further intensified once inflationary increases are factored into the equation. For example, if the City had received state-shared revenue payments, adjusted for the effects of inflation, the City would have received over \$59 million more in state funding since 2000. Due to the State's financial restructuring, the City anticipates future revenue-sharing payments to remain constant in the short run.

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. In fiscal year 2017, city management eliminated some prior year contractual concessions to remain competitive when filling open positions. Many other contractual concessions continue in order for the City to contain costs related to contractual obligations. Unfortunately, expenses such as pension contributions and healthcare benefits for both active employees and retirees have increased at rates in excess of inflation. While the City continues to make its required annual contribution, the City's pension system remains 70.7 percent funded due to volatile financial markets and changes in actuarial assumptions. For 2018 and beyond, city management anticipates overall expenses to increase an average of 2 percent annually. The City remains self insured for medical and workers' compensation claims, which is the most cost-effective structure possible. Costs per medical claim are estimated to increase marginally per year, after extensive plan restructurings (due to the hard cap) and other related insurance changes. The City continues to negotiate labor contracts to maintain 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.

The most adverse impact to fiscal year 2017 and beyond continues to be the required funding for current and future retiree healthcare benefits. GASB Statement No. 45, which became effective June 30, 2009, requires the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. During the current year, the City adopted the provisions of GASB Statement No. 74. This accounting pronouncement requires entities to recognize their unfunded other postemployment benefit obligation (OPEB) on the full accrual level as a liability. Despite increased designations over the past eight years to fund future retiree medical costs, the City, like most communities, remains severely underfunded with regard to these pronouncements.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

As a result of many cost-saving measures implemented by city management, the City did not utilize its financial reserves to supplement day-to-day operations during fiscal year 2017. In 2017, the City's General Fund balance increased approximately \$0.1 million, from \$4.5 million to over \$4.6 million. In 2016, the City's General Fund balance increased approximately \$0.1 million as well, from \$4.4 million to \$4.5 million. For fiscal year 2018, the City's operating budget is a balanced document and continues to reflect no utilization of fund balance. The 2017-2018 operating budget was predicated on utilizing savings generated from comprehensive contract restructuring with city unions, especially the police and fire unions. Membership of these unions constitutes over half of the total full-time employees of the City. The City has recently begun the budgetary process for fiscal year 2018-2019, at which time the financial status of fiscal year 2018 will be re-evaluated. The City is currently projecting budgetary deficits of over \$0.5 million for fiscal year 2018-2019 attributed to the need to reinstitute wage increases to remain competitive in the workforce market. At that time, without additional savings and/or revenue sources, the City's financial reserves will be severely compromised. 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 A+ bond rating from Standard & Poor's.

The City of Roseville, Michigan, 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, dependence on state revenue-sharing, and higher pension and OPEB contribution requirements, the City continues to face unprecedented and permanent structural financial challenges. City government is a service to city residents and therefore, its primary costs are personnel related. The City continues to negotiate immediate and long-term savings from all its collective bargaining units in order to eliminate the use of fund balance reserves, maintain core services, and avoid future layoffs. Even if the State's financial position improves and economic recovery continues, 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. The elimination of industrial related personal property taxes for businesses by the State of Michigan may eventually result in approximately \$2.2 million in General Fund lost revenue each year, due to the significant amount of industry within the City. Although the City has been assured replacement of such lost property tax revenue, structural changes being implemented at the city level must continue to be permanent in nature to offset this lost revenue.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

City management continues to aggressively investigate new potential revenue opportunities, including service-sharing agreements with surrounding communities, while it monitors and adjusts expenditures to ensure adequate fund balance reserves are maintained. In July 2010, the cities of Roseville, St. Clair Shores, and Eastpointe created a legal entity known as the South East Regional Emergency Services Authority (SERESA), which is responsible for the dispatching of emergency police, fire, and ambulance services throughout the member communities. The Articles of Incorporation allow funding to be from a dedicated millage or telephone operational surcharge. However, in the near term, dispatched calls for service are going to serve as the methodology for allocating SERESA's budget among the General Funds of the cities. The articles also permit any participating municipality, including the City of Roseville, Michigan, to withdraw upon giving one full year's budgetary notice, although as a disincentive, any withdrawing municipality forfeits the asset previously transferred. SERESA is housed in a building wholly owned by the City of Roseville, Michigan. The authority contracts with the City to provide certain fiscal and technology assistance for an annual fee. In late 2012, city administration also established an internal redevelopment team that was assigned the task to create a new redevelopment strategy for the community. The new strategy received certification on behalf of the City as a Michigan Redevelopment Ready Community in 2014. This designation has opened the door for new potential redevelopment opportunities as well as potential financial and technical assistance from the Michigan Economic Development Corporation. This action has been fully supported by the City Council. Additional economic development projects and programs have been implemented that address underutilized or vacant properties and encourage new development and redevelopment. Primary focus areas include Groesbeck Highway and the Little Mack Avenue corridor. Both the Planning Commission and the City Council have been fully supportive of this initiative and have already taken the initial steps to bring some of these projects to fruition.

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 Scott Adkins, the city manager, at the City of Roseville, 29777 Gratiot Avenue, Roseville, MI 48066.

City of Roseville, Michigan

Statement of Net Position June 30, 2017

	Primary Government			Component Unit - Downtown Development Authority
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 26,615,089	\$ 4,934,076	\$ 31,549,165	\$ -
Receivables:				
Property taxes receivable - Net of allowance	405,722	-	405,722	-
Receivables from sales to customers on account	-	4,298,202	4,298,202	-
Accrued interest receivable	65,214	-	65,214	-
Other receivables	2,842,995	15,440	2,858,435	-
Due from other governmental units	1,532,014	335,095	1,867,109	-
Investment in joint ventures (Note 9)	618,987	5,354,870	5,973,857	-
RARE loan (Note 9)	-	628,257	628,257	-
Special assessments receivable	20,797	-	20,797	-
Due from primary government	-	-	-	159
Internal balances	(485)	485	-	-
Inventory	403,261	170,069	573,330	-
Prepaid expenses	955,890	61,250	1,017,140	-
Restricted assets	14,144	-	14,144	-
Capital assets (Note 4):				
Assets not subject to depreciation	32,024,561	35,071	32,059,632	-
Assets subject to depreciation	55,356,306	18,644,035	74,000,341	-
Total assets	120,854,495	34,476,850	155,331,345	159
Deferred Outflows of Resources - Deferred outflows related to pensions (Note 13)	5,407,783	1,336,532	6,744,315	-
Liabilities				
Accounts payable	2,461,192	672,723	3,133,915	159
Due to other governmental units	-	52,816	52,816	-
Due to component units	159	-	159	-
Refundable deposits, bonds, etc.	163,930	65,255	229,185	-
Accrued liabilities and other current liabilities	474,220	20,706	494,926	-
Payable to joint ventures (Note 9)	3,217,375	-	3,217,375	-
Noncurrent liabilities (Note 6):				
Due within one year (Note 6):				
Compensated absences	1,319,334	78,534	1,397,868	-
Current portion of long-term debt	1,306,354	231,125	1,537,479	-
Due in more than one year:				
Compensated absences (Note 6)	1,631,379	216,134	1,847,513	-
Net OPEB obligation (Note 14)	266,661	98,005	364,666	-
Net pension liability (Note 13)	51,280,377	5,637,124	56,917,501	-
Long-term debt (Note 6)	6,834,346	3,624,757	10,459,103	-
Total liabilities	68,955,327	10,697,179	79,652,506	159
Deferred Inflows of Resources - Deferred inflows related to pensions (Note 13)	2,103,009	973,184	3,076,193	-
Net Position				
Net investment in capital assets	79,254,311	14,823,224	94,077,535	-
Restricted for:				
Streets and highways	8,722,460	-	8,722,460	-
Debt service	941,959	-	941,959	-
Drug law enforcement	1,867,383	-	1,867,383	-
Library authority	546,930	-	546,930	-
Grants	54,365	-	54,365	-
Capital improvements	24,144	-	24,144	-
Unrestricted	(36,207,610)	9,319,795	(26,887,815)	-
Total net position	\$ 55,203,942	\$ 24,143,019	\$ 79,346,961	\$ -

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

City of Roseville, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 10,955,557	\$ 2,778,394	\$ 1,246,531	\$ -
Public safety	20,347,275	2,171,007	649,439	-
Public works	7,603,348	270,108	3,354,186	637,046
Community and economic development	1,525,240	34,201	-	-
Recreation and culture	1,677,003	33,772	78,820	320,800
Interest on long-term debt	288,384	-	-	-
Total governmental activities	42,396,807	5,287,482	5,328,976	957,846
Business-type activities - Water and sewer	15,625,776	15,220,460	-	-
Total primary government	<u>\$ 58,022,583</u>	<u>\$ 20,507,942</u>	<u>\$ 5,328,976</u>	<u>\$ 957,846</u>
Component unit - Downtown Development Authority	<u>\$ 34,435</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue (unrestricted)				
Investment income (unrestricted)				
Cable franchise fees				
Other fees and miscellaneous income				
Gain on sale of properties and capital assets				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities
Year Ended June 30, 2017

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit - Downtown Development Authority
Governmental Activities	Business-type Activities	Total	
\$ (6,930,632)	\$ -	\$ (6,930,632)	\$ -
(17,526,829)	-	(17,526,829)	-
(3,342,008)	-	(3,342,008)	-
(1,491,039)	-	(1,491,039)	-
(1,243,611)	-	(1,243,611)	-
(288,384)	-	(288,384)	-
(30,822,503)	-	(30,822,503)	-
-	(405,316)	(405,316)	-
(30,822,503)	(405,316)	(31,227,819)	-
-	-	-	(34,435)
21,118,084	-	21,118,084	2,394
5,411,830	-	5,411,830	-
38,860	24,211	63,071	-
895,459	-	895,459	-
494,604	274,404	769,008	32,041
292,460	1,031	293,491	-
28,251,297	299,646	28,550,943	34,435
(2,571,206)	(105,670)	(2,676,876)	-
57,775,148	24,248,689	82,023,837	-
\$ 55,203,942	\$ 24,143,019	\$ 79,346,961	\$ -

City of Roseville, Michigan

Governmental Funds Balance Sheet June 30, 2017

	General Fund	Special Revenue Funds		Capital Projects Fund	Nonmajor Funds	Total
		Major Streets Fund	Local Streets Fund			
Assets						
Cash and investments (Note 3)	\$ 2,618,639	\$ 8,138,915	\$ -	\$ 2,136,726	\$ 3,015,784	\$ 15,910,064
Receivables:						
Property taxes receivable	395,156	-	-	3,262	16,304	414,722
Special assessments receivable	-	-	19,040	1,757	-	20,797
Accrued interest receivable	65,214	-	-	-	-	65,214
Other receivables	2,205,625	-	-	16,860	470,382	2,692,867
Due from other governmental units	809,604	547,161	175,249	-	-	1,532,014
Due from other funds (Note 5)	-	-	1,094,001	-	-	1,094,001
Prepaid expenses	817,522	-	-	-	26,476	843,998
Restricted assets	-	-	-	14,144	-	14,144
Total assets	\$ 6,911,760	\$ 8,686,076	\$ 1,288,290	\$ 2,172,749	\$ 3,528,946	\$ 22,587,821
Liabilities						
Accounts payable	\$ 729,749	\$ 2,794	\$ 155,111	\$ 202,626	\$ 47,487	\$ 1,137,767
Due to component units	159	-	-	-	-	159
Due to other funds (Note 5)	18,601	1,094,001	-	-	-	1,112,602
Refundable deposits, bonds, etc.	163,930	-	-	-	-	163,930
Accrued liabilities and other	344,631	-	-	-	58,155	402,786
Compensated absences	3,054	-	-	-	-	3,054
Total liabilities	1,260,124	1,096,795	155,111	202,626	105,642	2,820,298
Deferred Inflows of Resources -						
Unavailable revenue	1,024,511	-	17,540	20,551	374,191	1,436,793
Fund Balances						
Nonspendable	817,522	-	-	-	26,476	843,998
Restricted:						
Streets and highways	-	7,589,281	1,115,639	-	-	8,704,920
Debt service	-	-	-	-	938,013	938,013
Grants	-	-	-	-	52,729	52,729
Capital improvements	10,000	-	-	14,144	-	24,144
Library authority	-	-	-	-	510,025	510,025
Drug law enforcement	-	-	-	-	1,509,203	1,509,203
Committed - Road construction projects	-	-	-	1,062,821	-	1,062,821
Assigned:						
Compensated absences	1,316,280	-	-	-	-	1,316,280
Capital projects	1,419,230	-	-	872,607	-	2,291,837
Debt service	-	-	-	-	12,667	12,667
Unassigned	1,064,093	-	-	-	-	1,064,093
Total fund balances	4,627,125	7,589,281	1,115,639	1,949,572	3,049,113	18,330,730
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,911,760	\$ 8,686,076	\$ 1,288,290	\$ 2,172,749	\$ 3,528,946	\$ 22,587,821

City of Roseville, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2017

Fund Balance Reported in Governmental Funds	\$ 18,330,730
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	87,380,867
Equity interests in joint ventures are not reported in the funds	(2,598,388)
Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	1,427,793
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(8,140,700)
Accrued interest is not due and payable in the current period and is not reported in the funds	(71,434)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(2,947,659)
Other long-term liabilities do not present a claim on current financial resources and are not reported as fund liabilities	(444,374)
Net pension liability is not due and payable in the current period and is not reported in the funds	(51,280,377)
Net OPEB obligation is not due and payable in the current period and is not reported in the funds	(266,661)
Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources and deferred inflows of resources in the statement of net position, but are reported as expenditures in the governmental funds	3,304,774
Inventory is not available to pay for current period expenditures	403,261
Internal service funds are included as part of governmental activities	<u>10,106,110</u>
Net Position of Governmental Activities	<u>\$ 55,203,942</u>

City of Roseville, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2017

	Major Special Revenue Funds					Total
	General Fund	Major Streets Fund	Local Streets Fund	Capital Projects Fund	Nonmajor Funds	
Revenue						
Property taxes	\$ 18,986,936	\$ -	\$ -	\$ -	\$ 2,124,689	\$ 21,111,625
Licenses and permits	1,232,449	-	-	-	-	1,232,449
Federal grants	399,463	-	-	-	941,547	1,341,010
State-shared revenue and grants	6,478,671	3,006,185	905,962	-	149,181	10,539,999
Charges for services	1,937,167	-	-	-	-	1,937,167
Fines and forfeitures	2,765,658	-	-	-	12,158	2,777,816
Investment income	8,064	5,501	387	1,426	3,415	18,793
Rental income	-	-	-	1,385	-	1,385
Other revenue:						
Special assessments	-	-	52,037	-	-	52,037
Local donations	-	-	-	-	7,474	7,474
Cable franchise fees	895,459	-	-	-	-	895,459
Other fees and miscellaneous income	1,720,090	-	-	5,068	119,723	1,844,881
Total revenue	<u>34,423,957</u>	<u>3,011,686</u>	<u>958,386</u>	<u>7,879</u>	<u>3,358,187</u>	<u>41,760,095</u>
Expenditures						
Current:						
General government	10,489,918	-	-	185,801	-	10,675,719
Public safety	17,959,968	-	-	-	363,315	18,323,283
Public works	3,487,692	819,986	2,054,523	554,546	-	6,916,747
Community and economic development	694,671	-	-	-	830,569	1,525,240
Recreation and culture	236,390	-	-	-	1,149,414	1,385,804
Other charges	-	-	-	-	25,000	25,000
Debt service:						
Principal	121,240	-	-	-	1,049,784	1,171,024
Interest on long-term debt	14,518	-	-	-	270,746	285,264
Total expenditures	<u>33,004,397</u>	<u>819,986</u>	<u>2,054,523</u>	<u>740,347</u>	<u>3,688,828</u>	<u>40,308,081</u>
Excess of Revenue Over (Under) Expenditures	1,419,560	2,191,700	(1,096,137)	(732,468)	(330,641)	1,452,014
Other Financing Sources (Uses)						
Proceeds from sale of properties	-	-	-	319,159	-	319,159
Transfers in	72,873	-	1,731,047	268,079	517,314	2,589,313
Transfers out	(1,422,439)	(1,094,001)	-	-	(72,873)	(2,589,313)
Total other financing (uses) sources	<u>(1,349,566)</u>	<u>(1,094,001)</u>	<u>1,731,047</u>	<u>587,238</u>	<u>444,441</u>	<u>319,159</u>
Net Change in Fund Balances	69,994	1,097,699	634,910	(145,230)	113,800	1,771,173
Fund Balances - Beginning of year	4,557,131	6,491,582	480,729	2,094,802	2,935,313	16,559,557
Fund Balances - End of year	<u>\$ 4,627,125</u>	<u>\$ 7,589,281</u>	<u>\$ 1,115,639</u>	<u>\$ 1,949,572</u>	<u>\$ 3,049,113</u>	<u>\$ 18,330,730</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, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 1,771,173

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	3,168,495
Depreciation expense	(2,515,126)
Net book value of assets disposed of	(26,700)

Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end (516,799)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 1,268,518

Proceeds from debt issuance provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position (258,157)

Change in accrued interest payable and other (6,697)

Change in investment in joint ventures (577,123)

Increase in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment (97,052)

Pension expense is recognized in the statement of activities when incurred, but in the governmental funds when paid (3,383,008)

The underpayment of other postemployment benefit obligations is an expenditure in the governmental funds, but not in the statement of activities (where it reduces the asset) (203,295)

Usage of inventory is an expense in the governmental funds, but not in the statement of activities, where it decreases inventory asset balance (66,363)

Bond premiums are not recorded in the governmental funds 3,578

Changes in liabilities that do not present a claim on current financial resources 346,131

Internal service funds are included as part of the governmental activities (1,478,781)

Change in Net Position of Governmental Activities **\$ (2,571,206)**

City of Roseville, Michigan

Proprietary Funds Statement of Net Position June 30, 2017

	Enterprise Fund	Governmental Activities
	Water and Sewer Fund	Proprietary Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 4,934,076	\$ 10,828,556
Receivables:		
Receivables from sales to customers on account	4,298,202	-
Other receivables	15,440	10,598
Due from other governmental units	335,095	-
Investment in SEMSD (Note 9)	5,354,870	-
Loan receivable - RARE	628,257	-
Due from other funds (Note 5)	485	18,116
Inventory	170,069	-
Prepaid expenses	61,250	127,892
Total current assets	15,797,744	10,985,162
Noncurrent assets - Capital assets (Note 4)	18,679,106	-
Total assets	34,476,850	10,985,162
Deferred Outflows of Resources - Deferred outflows related to pensions	1,336,532	-
Liabilities		
Current liabilities:		
Accounts payable	672,723	-
Due to other governmental units	52,816	-
Refundable deposits, bonds, etc.	65,255	-
Accrued liabilities and other	20,706	-
Compensated absences (Note 6)	78,534	-
Provision for claims	-	879,052
Current portion of long-term debt (Note 6)	231,125	-
Total current liabilities	1,121,159	879,052
Noncurrent liabilities:		
Compensated absences (Note 6)	216,134	-
Net OPEB obligation (Note 14)	98,005	-
Net pension liability (Note 13)	5,637,124	-
Long-term debt (Note 6)	3,624,757	-
Total noncurrent liabilities	9,576,020	-
Total liabilities	10,697,179	879,052
Deferred Inflows of Resources - Deferred inflows related to pensions	973,184	-
Net Position		
Net investment in capital assets	14,823,224	-
Unrestricted	9,319,795	10,106,110
Total net position	\$ 24,143,019	\$ 10,106,110

City of Roseville, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2017

	Enterprise Fund	Governmental Activities
	Water and Sewer Fund	Proprietary Internal Service Funds
Operating Revenue		
Sale of water	\$ 2,484,335	\$ -
Sewage disposal charges	7,403,400	-
Maintenance charges	3,888,623	-
Interest and penalty charges	386,888	-
Operating grant revenue	915,678	-
Other miscellaneous revenue	141,536	-
Charges to other funds	-	5,810,921
	15,220,460	5,810,921
Total operating revenue		
Operating Expenses		
Cost of water	2,520,463	-
Cost of sewage treatment	7,893,922	-
Other operating and maintenance costs	1,401,214	-
Billing and administrative costs	1,552,095	197,824
Benefit payments and other costs	1,495,505	7,101,239
Depreciation	762,577	-
	15,625,776	7,299,063
Total operating expenses		
Operating Loss	(405,316)	(1,488,142)
Nonoperating Revenue		
Investment income	24,211	9,361
Gain on sale of assets	1,031	-
Income from joint venture	274,404	-
	299,646	9,361
Total nonoperating revenue		
Change in Net Position	(105,670)	(1,478,781)
Net Position - Beginning of year	24,248,689	11,584,891
Net Position - End of year	\$ 24,143,019	\$ 10,106,110

City of Roseville, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2017

	Enterprise Fund	Governmental Activities
	Water and Sewer Fund	Proprietary Internal Service Funds
Cash Flows from Operating Activities		
Receipts from customers	\$ 15,027,465	\$ -
Receipts from interfund services and reimbursements	-	6,023,936
Payments to suppliers	(12,724,445)	-
Payments to employees	(1,816,684)	-
Internal activity - Payments to other funds	(49,528)	-
Claims paid	-	(7,299,843)
Net cash provided by (used in) operating activities	436,808	(1,275,907)
Cash Flows from Capital and Related Financing Activities		
Proceeds from sales of capital assets	1,031	-
Purchase of capital assets	(441,597)	-
Principal paid on capital debt	(190,010)	-
Net cash used in capital and related financing activities	(630,576)	-
Cash Flows from Investing Activities - Interest received on investments	24,211	9,361
Net Decrease in Cash and Cash Equivalents	(169,557)	(1,266,546)
Cash and Cash Equivalents - Beginning of year	5,103,633	12,095,102
Cash and Cash Equivalents - End of year	\$ 4,934,076	\$ 10,828,556
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (405,316)	\$ (1,488,142)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	762,577	-
Changes in assets and liabilities:		
Receivables	(192,995)	31,762
Due from others	(485)	181,253
Inventories	(2,608)	-
Prepaid and other assets	27,569	8,885
Accounts payable	(113,393)	-
Due to others	(49,043)	-
Estimated claims liability	-	(9,665)
Accrued and other liabilities	410,502	-
Cash bond and deposits	-	-
Net cash provided by (used in) operating activities	\$ 436,808	\$ (1,275,907)
Noncash Transactions		
Increase on investment in joint venture	\$ 274,404	\$ -
Debt issued for county capital projects	794,778	-

City of Roseville, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2017

	Pension and Other Employee Benefit Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 141,212	\$ 314,280
Investments:		
U.S. and foreign corporate bonds	4,773,829	-
U.S. government securities	1,055,772	-
Municipal bonds	820,703	-
Limited partnerships	29,963,782	-
Mutual funds	28,569,991	-
U.S. and foreign stocks	53,349,740	-
Governmental mortgage securities	5,631,053	-
Asset-backed securities	719,989	-
Common collective trusts	20,272,517	-
Receivables:		
Accrued interest receivable	149,110	-
Other receivables	136,164	4,310
Total assets	145,583,862	\$ 318,590
Liabilities		
Accounts payable	44,439	\$ 74,039
Due to primary government	123,530	-
Refundable deposits, bonds, etc.	-	99,651
Accrued liabilities and other	79,291	144,900
Total liabilities	247,260	\$ 318,590
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 145,336,602	

City of Roseville, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Position - Pension and Other Employee Benefit Trust Funds Year Ended June 30, 2017

	Pension and Other Employee Benefit Trust Funds
Additions	
Investment income:	
Interest and dividends	\$ 3,182,382
Net increase in fair value of investments	16,254,194
Investment-related expenses	(900,978)
Net investment income	18,535,598
Contributions:	
Employer	9,137,769
Employee	1,390,333
Total contributions	10,528,102
Other additions	820,888
Total additions	29,884,588
Deductions	
Pension benefit payments	14,745,915
Health benefits	3,781,190
Administrative expenses	184,515
Total deductions	18,711,620
Net Increase in Net Position Held in Trust	11,172,968
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	134,163,634
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	\$ 145,336,602

Note I - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the City of Roseville, Michigan (the "City"):

Reporting Entity

The City of Roseville, Michigan is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Blended Component Units

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

The City of Roseville Employees' Retirement System has been blended into the City's financial statements. The system is governed by a five-member appointed board that includes three members of 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 of Roseville 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.

Discretely Presented Component Units

The Downtown Development Authority (the "Authority") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of five individuals, is selected by the City Council. In addition, the Authority's budget is subject to approval by the City Council. Complete financial reports can be obtained at their administrative offices at 29777 Gratiot, Roseville, MI.

Note I - Summary of Significant Accounting Policies (Continued)

Accounting and Reporting Principles

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. 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. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

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 for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenue are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures for which specific revenue was used. The various funds are aggregated into four broad fund types as follows:

Note I - Summary of Significant Accounting Policies (Continued)

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds.

The City reports the following funds as “major” governmental funds:

- **The General Fund** - The General Fund is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.
- **Major Streets Fund** - The Major Streets Fund accounts for the resources of state gas and weight tax revenue that is restricted for use on major streets.
- **Local Streets Fund** - The Local Streets Fund accounts for the resources of state gas and weight tax revenue that is restricted for use on local streets.
- **Capital Projects Fund** - The Capital Projects Fund accounts for the proceeds of bond issuances and all other resources used for the purpose of constructing all major capital improvement projects of the City.

Proprietary Funds - The City's proprietary funds include enterprise funds, which provide goods or services to users in exchange for charges or fees. The City reports the following fund as a “major” enterprise fund:

- **Water and Sewer Fund** - The Water and Sewer Fund provides water to customers and disposes of sanitary sewage in exchange for quarterly user charges.

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 Employee Benefits Fund, Flexible Savings Fund, and the Self-insurance Workers' Compensation Fund. The Self-insurance Employee Benefits 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.

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include the following:

- The Employees' Pension Trust Fund accumulates resources for pension benefit payments to retirees and is accounted for in the same manner as proprietary funds. The Retiree Healthcare Benefits Trust Fund accumulates resources for healthcare payments to retirees and is accounted for in the same manner as proprietary funds.

Note I - Summary of Significant Accounting Policies (Continued)

- The Miscellaneous Agency Fund, the P.A.I.R. Fund, the Tax Collection Fund, and the District Court Fund are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Interfund Activity: During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Note I - Summary of Significant Accounting Policies (Continued)

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a deferred inflow of resources.

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash, Cash Equivalents, 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. Pooled investment income is generally allocated to each fund using a weighted average.

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

Restricted Assets - Unspent bond proceeds of the Capital Projects Fund are required to be set aside for construction. These amounts have been classified as restricted assets.

Capital Assets - Capital assets, which include property, plant, equipment, intangible assets, 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 acquisition value at the date of donation.

Note I - Summary of Significant Accounting Policies (Continued)

Infrastructure, intangibles, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Capital Asset Class	Lives (in Years)
Infrastructure - Roads and sidewalks	30-50
Water and sewer distribution systems	50-70
Buildings and building improvements	20-50
Machinery and equipment	3-15

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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The General Fund and debt service funds are generally used to liquidate governmental long-term debt. The Employee Pension Trust Fund will generally be used to liquidate pension liabilities. The Retiree Healthcare Benefits Trust Fund will generally be used to liquidate retiree healthcare obligations.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources related to the defined benefit pension plan. The deferred outflows of resources related to the defined benefit pension plan are reported in the government-wide financial statements and the Water and Sewer Fund. The deferred outflows of resources result from the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings as well as the impact of assumption changes.

Note I - Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category: (1) a deferred inflow related to pensions reported in the government-wide statement of net position related to differences between expected and actual experience and (2) unavailable revenue in the governmental funds balance sheet. The governmental funds report unavailable revenue from two main sources: grants and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Note I - Summary of Significant Accounting Policies (Continued)

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the controller to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax

Properties are assessed as of December 31 of each year. If unpaid, the related taxes become a lien on December 1 of the following year. Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are due by September 1, with the final collection date of February 28. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The City's 2017 tax is levied and collectible on July 1, 2016 and December 31, 2016 and is recognized as revenue in the year ended June 30, 2017, when the proceeds of the levy are budgeted and available for the financing of operations.

The current year taxable valuation of the City totaled \$861 million, on which taxes levied consisted of 19.0492 mills for operating purposes, 2.5591 mills for refuse collections, 1.0000 mills for the Chapter 20 Drain Fund, and 1.5000 mills for the library. This resulted in \$18,410,000 for operating and refuse collections, \$851,000 for the Chapter 20 Drain Fund, and \$1,273,000 for the library. These amounts are recognized in the respective General, Debt Service, and Special Revenue Funds financial statements as tax revenue.

Note I - Summary of Significant Accounting Policies (Continued)

Pension - The City of Roseville, Michigan offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan, and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for these amounts is reported in governmental funds only as it comes due for payment. The government-wide and proprietary statements accrue vacation and personal pay as it is earned and sick pay is accrued as it is used or vested (whichever is earlier). A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment - generally when an individual's employment has terminated as of year end. Compensated absences will be liquidated primarily by the General and Water and Sewer Funds.

Proprietary Funds Operating Classification - 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 Water and Sewer Fund and internal service funds are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

City of Roseville, Michigan

Notes to Financial Statements June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Note 2 - Construction Code Fees

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

Shortfall at July 1, 2016		\$ (7,324,475)
Current year permit revenue		1,008,492
Related expenses:		
Direct costs	\$ 1,311,588	
Estimated indirect costs	<u>131,159</u>	<u>1,442,747</u>
Current year shortfall		<u>(434,255)</u>
Cumulative shortfall at June 30, 2017		<u>\$ (7,758,730)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Note 3 - Deposits and Investments (Continued)

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

The City has designated six banks 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 City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$7,171,470 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, none of the City's investments were subject to custodial credit risk due to one of the following:

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

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity.

City of Roseville, Michigan

Notes to Financial Statements June 30, 2017

Note 3 - Deposits and Investments (Continued)

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

Investment	Fair Value	Weighted Average Maturity (Years)
Primary government:		
U.S. government agency securities	\$ 8,424,058	1.17
Municipal bonds	9,451,251	1.13
Total	\$ 17,875,309	
Employees' Retirement System:		
U.S. government agency securities	\$ 6,148,840	20.05
Corporate bonds	4,827,523	9.12
Foreign bonds	205,196	11.92
Municipal bonds	808,481	10.08
Total	\$ 11,990,040	
Retiree Health Care Benefits Trust:		
U.S. government agency securities	\$ 539,438	8.17
Municipal bonds	12,268	8.12
Corporate bonds	466,164	9.68
Total	\$ 1,017,870	

City of Roseville, Michigan

Notes to Financial Statements June 30, 2017

Note 3 - Deposits and Investments (Continued)

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

Investment	Fair Value	Rating	Rating Organization
Primary government:			
Municipal bonds	\$ 661,439	AAA	S&P
Municipal bonds	4,954,486	AA+ to AA-	S&P
Municipal bonds	210,349	A+ to A	S&P
Municipal bonds	1,261,101	AA+ to AA-	Moody's
Certificates of deposit	2,363,876	Not Rated	
U.S. government or agency bond or note	1,496,370	AAA	Moody's
U.S. government or agency bond or note	2,728,746	AA+ to AA-	S&P
U.S. government or agency bond or note	4,198,942	Not Rated	
Total	<u>\$ 17,875,309</u>		
Employees' Retirement System:			
Corporate bonds	\$ 604,731	AAA	S&P
Corporate bonds	727,422	AA+ to AA-	S&P
Corporate bonds	1,670,085	A+ to A-	S&P
Corporate bonds	1,710,029	BBB+ to BBB-	S&P
Corporate bonds	115,256	Not Rated	-
Foreign bonds	68,768	AA+ to AA-	S&P
Foreign bonds	84,711	A+ to A-	S&P
Foreign bonds	51,717	BBB+ to BBB-	S&P
Municipal bond	673,487	AA+ to AA-	S&P
Municipal bond	76,259	A+ to A-	S&P
Municipal bond	58,735	Not rated	-
U.S. government agency securities	886,593	AA+ to AA-	S&P
U.S. government agency securities	5,262,247	Not Rated	-
Total	<u>\$ 11,990,040</u>		
Retiree Health Care Benefits Trust:			
Municipal bonds	\$ 12,268	BBB+	S&P
Corporate bonds	13,437	AAA	S&P
Corporate bonds	43,666	AA+ to AA-	S&P
Corporate bonds	160,546	A+ to A-	S&P
Corporate bonds	238,207	BBB+ to BBB-	S&P
Corporate bonds	10,308	BB+ to BB-	S&P
U.S. government agency securities	100,817	AA+ to AA-	S&P
U.S. government agency securities	438,621	Not Rated	S&P
Total	<u>\$ 1,017,870</u>		

Note 3 - Deposits and Investments (Continued)

Retirement Investments Securities Lending Transactions - As permitted by some state statutes, and under the provisions of a securities lending authorization agreement, the retirement system lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The system's custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned securities. During the year ended June 30, 2017, only United States currency was received as collateral. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank. The retirement system had limited credit risk exposure to the borrowers because the amounts the pension system owes the borrowers were less than the amounts the borrowers owe the pension system.

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

The retirement system and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of June 30, 2017 was one day. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2017, the retirement system had no credit risk exposure to borrowers. The collateral held and the fair market value of the underlying securities on loan for the retirement system as of June 30, 2017 were \$708,408 and \$765,587, respectively.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

City of Roseville, Michigan

Notes to Financial Statements June 30, 2017

Note 3 - Deposits and Investments (Continued)

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The City has the following recurring fair value measurements as of June 30, 2017:

Assets Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2017	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. and foreign stocks	\$ 53,349,740	\$ 53,349,740	\$ -	\$ -
Mutual funds	28,569,991	28,569,991	-	-
U.S. and foreign corporate bonds	4,773,829	-	4,773,829	-
U.S. government securities	2,552,142	1,496,370	1,055,772	-
Governmental mortgage securities	12,558,742	-	12,558,742	-
Municipal bonds	7,908,077	-	7,908,077	-
Asset-backed securities	719,989	-	719,989	-
Negotiable certificates of deposits	2,363,877	-	2,363,877	-
Limited partnerships	6,733,654	672,997	-	6,060,657
Total investments by fair value level	119,530,041	\$ 84,089,098	\$ 29,380,286	\$ 6,060,657
Investments measured at net asset value (NAV):				
Common collective trusts	20,272,517			
Limited partnerships	23,230,128			
Total investments measured at NAV	43,502,645			
Total investments measured at fair value	\$ 163,032,686			

U.S. and foreign stocks, mutual funds, and governmental securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of certain bonds, governmental, asset-backed securities, and certificates of deposits at June 30, 2017 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

City of Roseville, Michigan

Notes to Financial Statements June 30, 2017

Note 3 - Deposits and Investments (Continued)

The fair value of limited partnerships at June 30, 2017 was determined primarily based on Level 3 inputs. The City estimates the fair value of these investments using its own estimates including pricing models, discounted cash flow methodologies, comparisons to audited financial statements, or similar techniques taking into account the characteristics of the asset.

The valuation method for common collective trust investments measured at the net asset value (NAV) per share (or its equivalent) is calculated by taking assets less liabilities. The City uses investment statements and the investment's audited financial statements to determine fair value. At June 30, 2017, there were no unfunded commitments or redemption rules for investments measured at the net asset value.

Investments in Entities that Calculate Net Asset Value per Share

The City holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At the year ended June 30, 2017, the fair value, unfunded commitments, and redemption rules of those investments is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
HGK Trinity Street International Equity, LP	\$ 13,184,693	\$ -	Monthly	30 days
Loomis Core Plus Full Discretion Fund	11,892,019	-	Daily	3 days
Short-term common collective trust funds	8,380,498	-	Daily	N/A
Entrust Capital Diversified Fund, LP	5,098,899	-	Quarterly	90 days
Alidade Capital Fund III, LP	2,156,340	-	N/A	N/A
Entrust Special Opportunities Fund III LTD	2,032,123	754,235	N/A	N/A
KBS Real Estate Investment Trust	505,102	-	N/A	N/A
Alidade Capital Fund II, LP	252,971	-	N/A	N/A
Total investments measured at NAV	<u>\$ 43,502,645</u>	<u>\$ 754,235</u>		

HGK Trinity Street International Equity, LP is a limited partnership that invests in companies that are undergoing significant strategic transformation or in companies whose operational capabilities are undervalued by the market. The fair value has been estimated using the net asset value of the City's ownership interest in partner's capital.

Note 3 - Deposits and Investments (Continued)

Loomis Core Plus Full Discretion Fund is a common collective trust that invests in emerging market debt, convertibles, securitized debt, and bank loans with an average maturity of 6.15 years.

Short-term common collective trust funds are investments in fixed-income securities with short-term maturities.

Entrust Capital Diversified Fund, LP is a limited partnership that invests in a diversified portfolio of private investment entities that seek above-average rates of return on long term capital growth.

Alidade Capital Fund III, LP is a limited partnership that invests primarily in U.S. commercial real estate. The fair value has been estimated using the net asset value of the City's ownership interest in partners' capital.

Entrust Special Opportunities Fund III, LTD is a limited partnership that invests in global distressed corporate securities, activist equities, post-reorganization equities, municipal bonds, high-yield bonds, leveraged loans, unsecured debt, collateralized debt obligations, mortgage-backed securities, commercial mortgage-backed securities, direct lending, and sovereign debt.

KBS Real Estate Investment Trust is a nonpublicly traced real estate investment trust that invests primarily in U.S. commercial real estate.

Alidade Capital Fund II, LP is a limited partnership that invests in U.S. commercial real estate. The fair value has been estimated using the net asset value of the City's ownership interest in partners' capital.

Note 4 - Capital Assets

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

	Balance July 1, 2016	Additions	Disposals	Transfers	Balance June 30, 2017
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 31,303,610	\$ 21,461	\$ -	\$ -	\$ 31,325,071
Construction in progress	796,511	699,490	-	(796,511)	699,490
Subtotal	32,100,121	720,951	-	(796,511)	32,024,561
Capital assets being depreciated:					
Infrastructure	85,531,671	1,535,984	-	-	87,067,655
Buildings and improvements	19,746,164	168,360	-	-	19,914,524
Machinery and equipment	14,220,287	743,200	(125,200)	796,511	15,634,798
Subtotal	119,498,122	2,447,544	(125,200)	796,511	122,616,977
Accumulated depreciation:					
Infrastructure	43,002,446	1,345,705	-	-	44,348,151
Buildings and improvements	9,467,793	614,931	-	-	10,082,724
Machinery and equipment	12,373,806	554,490	(98,500)	-	12,829,796
Subtotal	64,844,045	2,515,126	(98,500)	-	67,260,671
Net capital assets being depreciated	54,654,077	(67,582)	(26,700)	796,511	55,356,306
Net capital assets	\$ 86,754,198	\$ 653,369	\$ (26,700)	\$ -	\$ 87,380,867
Business-type Activities					
Capital assets not being depreciated -					
Construction in progress	\$ -	\$ 35,071	\$ -	\$ -	\$ 35,071
Capital assets being depreciated:					
Water and sewer lines	26,774,019	989,551	-	-	27,763,570
Buildings and improvements	626,654	-	-	-	626,654
Machinery and equipment	9,619,611	211,763	-	-	9,831,374
Subtotal	37,020,284	1,201,314	-	-	38,221,598
Accumulated depreciation:					
Water and sewer lines	14,951,492	381,530	-	-	15,333,022
Buildings and improvements	163,066	26,087	-	-	189,153
Machinery and equipment	3,700,428	354,960	-	-	4,055,388
Subtotal	18,814,986	762,577	-	-	19,577,563
Net capital assets being depreciated	18,205,298	438,737	-	-	18,644,035
Net capital assets	\$ 18,205,298	\$ 473,808	\$ -	\$ -	\$ 18,679,106

City of Roseville, Michigan

Notes to Financial Statements June 30, 2017

Note 4 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 289,692
Public safety	507,805
Public works	1,417,368
Recreation and culture	300,261

Total governmental activities	<u>\$ 2,515,126</u>
-------------------------------	---------------------

Business-type activities - Water and sewer	<u>\$ 762,577</u>
--	-------------------

Construction Commitments - The City has active construction projects at year end. The projects include various major and local street projects administered by the Michigan Department of Transportation and the Macomb County Department of Roads. Total project costs to date for these projects have been \$2,133,193. The remaining commitments for these projects are \$256,650 and \$83,832, respectively.

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From		Total
	General Fund	Major Streets Fund	
Local Streets Fund	\$ -	\$ 1,094,001	\$ -
Internal Service Fund - Workers' Compensation Fund	18,116	-	18,116
Component unit	159	-	159
Water and Sewer Fund	485	-	485
Total	<u>\$ 18,760</u>	<u>\$ 1,094,001</u>	<u>\$ 1,112,761</u>

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

Transfers In	Transfers Out			Total
	General Fund	Major Streets Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ -	\$ 72,873	\$ 72,873
Local Streets Fund	637,046	1,094,001	-	1,731,047
Nonmajor governmental funds	517,314	-	-	517,314
Capital Projects Fund	268,079	-	-	268,079
Total	<u>\$ 1,422,439</u>	<u>\$ 1,094,001</u>	<u>\$ 72,873</u>	<u>\$ 2,589,313</u>

City of Roseville, Michigan

Notes to Financial Statements June 30, 2017

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

The transfers from the General Fund to the Major and Local Streets Funds represent the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations; the transfer from the Major Streets Fund to the Local Streets Fund represents the sharing of gas and weight tax revenue in accordance with Act 51; the transfer from the nonmajor governmental funds to the General Fund represents the closing of the Neighborhood Stabilization Program Fund.

Note 6 - 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. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

The City has the following long-term debt outstanding at June 30, 2017:

Description	Amount
Governmental Activities	
<u>General Obligations:</u>	
Building Authority Limited Tax General Obligation Refunding Bonds - Series 2006	\$ 1,440,000
Michigan Business Connection Fire Truck Loan	513,305
TCF Bank - Sweeper Truck	258,158
Southeast Michigan Regional Energy Office - Exterior Lighting Agreement	42,203
Subtotal	2,253,666
<u>County Contractual Obligations:</u>	
Lake St. Clair Water Initiative Drainage District - 2001 Series A	1,488,871
Lake St. Clair Water Initiative Drainage District - 2002 Series A	326,048
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-01	1,558,027
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-02	1,098,342
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-03	212,620
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-05	140,839
Lake St. Clair Water Initiative Drainage District - 2004 Series A Refunded Bond premium	79,244
Subtotal	5,887,034
<u>Other Obligations</u> - Compensated absences	2,950,713
Total governmental activity debt	\$ 11,091,413

City of Roseville, Michigan

Notes to Financial Statements June 30, 2017

Note 6 - Long-term Debt (Continued)

Description	Amount
Business-type Activities	
Limited Tax General Obligation Bonds:	
Clean Water Program 5373-01	\$ 3,019,213
Clean Water Program 5605-01	836,669
Subtotal	3,855,882
<u>Other Obligations - Compensated absences</u>	<u>294,668</u>
Total business-type activity debt	<u>\$ 4,150,550</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligations	\$ 2,654,242	\$ 258,158	\$ (658,734)	\$ 2,253,666	\$ 675,447
County contractual obligations	6,500,395	-	(613,361)	5,887,034	630,907
Accumulated compensated absences	2,850,608	1,282,055	(1,181,950)	2,950,713	1,319,334
Total governmental activities	<u>\$ 12,005,245</u>	<u>\$ 1,540,213</u>	<u>\$ (2,454,045)</u>	<u>\$ 11,091,413</u>	<u>\$ 2,625,688</u>
Business-type Activities					
Limited tax general obligation bonds	\$ 3,251,104	\$ 794,778	\$ (190,000)	\$ 3,855,882	\$ 231,125
Accumulated compensated absences	341,392	73,349	(120,073)	294,668	78,534
Total business-type activities	<u>\$ 3,592,496</u>	<u>\$ 868,127</u>	<u>\$ (310,073)</u>	<u>\$ 4,150,550</u>	<u>\$ 309,659</u>

Total interest expense for the year was approximately \$288,000. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 1,306,354	\$ 254,364	\$ 1,560,718	\$ 231,125	\$ 95,312	\$ 326,437
2019	1,305,858	213,802	1,519,660	236,125	90,105	326,230
2020	1,351,646	170,328	1,521,974	242,770	84,181	326,951
2021	875,959	135,661	1,011,620	247,770	78,112	325,882
2022	762,464	107,842	870,306	254,415	71,897	326,312
2023-2027	1,688,357	298,281	1,986,638	1,386,815	259,759	1,646,574
2028-2032	850,062	50,648	900,710	1,147,283	81,440	1,228,723
2033-2034	-	-	-	109,579	2,629	112,208
Total	<u>\$ 8,140,700</u>	<u>\$ 1,230,926</u>	<u>\$ 9,371,626</u>	<u>\$ 3,855,882</u>	<u>\$ 763,435</u>	<u>\$ 4,619,317</u>

Note 6 - Long-term Debt (Continued)

Advance and Current Refundings - In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2017, \$1,400,000 of bonds outstanding is considered defeased.

County Contractual Obligations - The above contractual obligations to Macomb County (the "County") are the result of the county issuance of bonds on the City's behalf and other communities involved in the Lake St. Clair Clean Water Initiative project. The City has pledged to raise property taxes, to the extent permitted by law, if necessary to fund the obligation to repay the County. Proceeds from the county bonds provided financing for the construction of the Lake St. Clair Clean Water Initiative Drainage Districts. The remaining principal and interest to be paid on the bonds total \$6,899,888. During the current year, net revenue of the system was \$858,875 compared to the annual debt requirements of \$813,904.

Note 7 - 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 insured for employee medical benefit claims and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Under the employee medical benefit plan, the City is liable for claims up to a maximum amount of \$200,000 on an individual level annually. Under the workers' compensation plan, the City is liable for claims up to a maximum amount of \$550,000 on an individual level and \$5,000,000 in the aggregate. All claims incurred prior to June 30, 2006 are covered under the City's previous workers' compensation insurance provider.

City of Roseville, Michigan

Notes to Financial Statements June 30, 2017

Note 7 - Risk Management (Continued)

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

	2017	2016
Unpaid claims - Beginning of year	\$ 888,717	\$ 1,105,593
Incurred claims - Including claims incurred but not reported	7,091,574	6,306,157
Claim payments	<u>(7,101,239)</u>	<u>(6,523,033)</u>
Unpaid claims - End of year	<u>\$ 879,052</u>	<u>\$ 888,717</u>

Note 8 - Pension and Other Employee Benefits Trust Funds

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

	Employees' Pension Trust Fund	Retiree Healthcare Benefits Trust Fund
Statement of Net Position		
Cash and investments	\$ 137,262,014	\$ 8,036,574
Receivables	278,710	6,564
Liabilities	<u>222,147</u>	<u>25,113</u>
Net position	<u>\$ 137,318,577</u>	<u>\$ 8,018,025</u>
Statement of Changes in Net Position		
Investment income	\$ 17,697,358	\$ 838,240
Contributions	6,496,912	4,031,190
Other additions	754,841	66,047
Benefit payments	(14,745,915)	(3,781,190)
Administrative expenses	<u>(183,721)</u>	<u>(794)</u>
Net change in net position	<u>\$ 10,019,475</u>	<u>\$ 1,153,493</u>

Note 9 - Joint Ventures

The City is a member of the Southeast Macomb Sanitary District (SEMSD), 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, 2017 in the Southeast Macomb Sanitary District of \$5,354,870 is recorded within the Water and Sewer Fund and the business-type activities column of the statement of net position based on the Southeast Macomb Sanitary District's June 30, 2017 financial statements. Complete financial statements for the Southeast Macomb Sanitary District can be obtained from its administrative offices at 20001 Pleasant Avenue, St. Clair Shores, Michigan 48080. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

The City is a member of the South Macomb Disposal Authority (the "Authority"), which provides refuse disposal services to participating municipalities in Macomb County, Michigan. Other members include the cities of Centerline, Eastpointe, and Warren, Michigan. The City appoints one member to the joint venture's governing board, which then approves the annual budgets. The City's equity loss at June 30, 2017 in the Authority of \$(3,217,375) is recorded within the governmental activities column of the statement of net position based on the South Macomb Disposal Authority's June 30, 2017 financial statements.

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 9 - Joint Ventures (Continued)

The City is a member of the South East Regional Emergency Services Authority (SERESA), which is responsible for the dispatch of emergency police, fire, and ambulance services throughout the geographical area subject to the political control of the participating municipalities effective December 29, 2010. Other members include the cities of St. Clair Shores and Eastpointe, Michigan. Each participating municipality is entitled to one board member appointment and then a fire chief and police chief are selected by the board. Each appointee is given a three-year term, except for the police and fire chiefs, who receive a one-year term. The Articles of Incorporation allow funding to be from a dedicated millage or telephone operational surcharge. However, in the near term, dispatched calls for service are going to serve as the methodology for allocating SERESA's budget among the General Funds of the cities. The articles also permit any participating municipality, including the City of Roseville, Michigan, to withdraw upon giving one full year's budgetary notice, although as a disincentive, any withdrawing municipality forfeits the asset previously transferred. SERESA's dispatch center is housed in a building wholly owned by the City of Roseville, Michigan. The authority contracts with the City of Roseville, Michigan to provide certain fiscal and information technology assistance for an annual fee. The City's equity interest at June 30, 2017 in SERESA of \$618,987 is recorded within the governmental activities column of the statement of net position. Complete financial statements for the South East Regional Emergency Services Authority can be obtained from its administrative offices at 18961 Common Road, Roseville, Michigan 48066. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Note 9 - Joint Ventures (Continued)

The City is a member of the Recreation Authority of Roseville and Eastpointe (RARE or the "Authority"), which is responsible for administrating recreation programs and senior activities in its respective communities. The other member is the City of Eastpointe, Michigan. The Authority is governed by an administrative policy board. Each participating municipality is entitled to two board member appointments. In addition, the board selects one additional representative from either the community of Roseville or Eastpointe for a two-year term position. The Authority will contract with the City of Roseville, Michigan to provide certain administrative assistance for an annual fee. The Articles of Incorporation allow funding for the Authority to be from a dedicated millage. In November 2011, voters of each community authorized a 1 mill tax levy to finance operations of the Authority, which expires in 2031. The Authority is authorized to borrow and issue debt, not to exceed two mills of the total taxable property within the Authority's geographical area. During fiscal year 2015, both the City of Roseville, Michigan and the City of Eastpointe, Michigan made a loan of \$800,000 to RARE in order to fund building remodeling. At June 30, 2017, the remaining outstanding balance is \$628,257. Each participating municipality has committed to contribute real and personal property to the Authority limited to the City of Roseville Recreation Center, 18185 Sycamore, Roseville, Michigan and the City of Eastpointe Community Center, 16435 Eight Mile Road, Eastpointe, Michigan. The articles permit any participating municipality, including the City of Roseville, Michigan, to withdraw upon giving one full year's budgetary notice. The articles also address dissolution of the Authority, which requires council resolution from the governing board of the participating communities, at which time all outstanding debt of the Authority is required to be paid in full. Any remaining assets of the Authority would be evenly distributed to the member communities at the time of dissolution. However, if either member withdraws from the Authority, the member is not entitled to the return of any credit for property or money that was transferred to or paid to the Authority. As a result, the City has not recorded an equity interest. Complete financial statements for RARE can be obtained from its administrative offices at 18185 Sycamore, Roseville, Michigan 48066. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Note 10 - Pension Plan Description

Plan Description - The pension board administers the City of Roseville, Michigan Pension Plan - a single-employer defined benefit pension plan that provides pensions for all permanent full-time general and public safety employees of the City. Benefit terms have been established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process.

Note 10 - Pension Plan Description (Continued)

Management of the plan is vested in the pension board, which consists of three members: the mayor, one council person, and a citizen of the City appointed by the mayor.

Employees Covered by Benefit Terms - At the June 30, 2017 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	356
Inactive plan members entitled to but not yet receiving benefits	12
Active plan members	<u>229</u>
Total employees covered by the plan	<u><u>597</u></u>

Benefits Provided - The pension plan provides retirement, disability, and death benefits. Retirement benefits for general plan members are established by the City's contracts with the City's collective bargaining units and may be amended through negotiation with the City's collective bargaining units. A plan member who leaves the City's service may withdraw his or her contributions, plus any accumulated interest.

Contributions - Article 9, Section 24 of the State of Michigan Constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the pension board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the pension board in accordance with the City Charter, union contracts, and plan provisions. For the year ended June 30, 2017, the active member average contribution rate was 9.43 percent of annual pay and the City's average contribution rate was 34.65 percent of annual payroll.

Note 11 - Pension Plan Reserves

In accordance with plan documents, the following reserves are required to be set aside within the pension plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

Note 11 - Pension Plan Reserves (Continued)

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee, and credits interest annually at a rate determined by the pension board. For the fiscal year ended June 30, 2017, the rate used was 7.50 percent. For any employee who terminates before vesting in the pension plan, their balance is returned to them; for those who stay until retirement, the balance is transferred into the retiree reserve.

The employer reserve account is used to account for the residual net position balance in the pension plan after funding the above two reserves.

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 100,533,025	\$ 100,533,025
Employee reserve	23,460,038	23,460,038
Employer reserve	70,243,015	13,325,514

Note 12 - Pension Plan Investments - Policy and Rate of Return

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the board's adopted asset allocation policy as of June 30, 2017:

Asset class:	<u>Target Allocation</u>
Domestic equity	36.0 %
International equity	14.0
Global equity	6.0
Fixed income	25.0
Real assets	4.0
Hedge funds	5.0
Private equity	5.0
Real estate	5.0

Rate of Return - For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.92 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

City of Roseville, Michigan

Notes to Financial Statements June 30, 2017

Note 13 - Net Pension Liability

The components of the net pension liability of the City at June 30, 2017 were as follows:

Total pension liability	\$ 194,236,076
Plan fiduciary net position	<u>(137,318,575)</u>
City's net pension liability	<u>\$ 56,917,501</u>
Plan fiduciary net position as a percentage of the total pension liability	70.7 %

The City has chosen to use June 30, 2017 as its measurement date for the net pension liability. The June 30, 2017 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of June 30, 2017. The June 30, 2017 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2016	\$ 192,615,414	\$ 127,299,102	\$ 65,316,312
Service cost	3,204,212	-	3,204,212
Interest	14,013,342	-	14,013,342
Differences between expected and actual experience	(850,977)	-	(850,977)
Contributions - Employer	-	5,106,579	(5,106,579)
Contributions - Employee	-	1,390,333	(1,390,333)
Net investment income	-	17,697,356	(17,697,356)
Benefit payments, including refunds	(14,745,915)	(14,745,915)	-
Administrative expenses	-	(183,721)	183,721
Miscellaneous other charges	-	754,841	(754,841)
Net changes	<u>1,620,662</u>	<u>10,019,473</u>	<u>(8,398,811)</u>
Balance at June 30, 2017	<u>\$ 194,236,076</u>	<u>\$ 137,318,575</u>	<u>\$ 56,917,501</u>

City of Roseville, Michigan

Notes to Financial Statements June 30, 2017

Note 13 - Net Pension Liability (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the City recognized pension expense of \$8,917,228. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (3,076,193)
Changes in assumptions	3,027,032	-
Net difference between projected and actual earnings on pension plan investments	<u>3,717,283</u>	<u>-</u>
Total	<u>\$ 6,744,315</u>	<u>\$ (3,076,193)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2018	\$ 2,920,639
2019	1,799,994
2020	635,057
2021	(1,687,568)

Actuarial Assumptions - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	5.0 %
Salary increases	5.0-8.8 % Average, including inflation
Investment rate of return	7.5 % Net of pension plan investment expense, including inflation

Mortality rates were based on the RP 2014 Healthy Annuitant Mortality Table.

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Note 13 - Net Pension Liability (Continued)

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2017 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment note, are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	7.1 %
International equity	6.9
Global equity	7.0
Fixed income	2.8
Real assets	4.4
Hedge funds	3.5
Private equity	9.6
Real estate	4.5

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.50 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Net pension liability of the City	\$ 77,189,490	\$ 56,917,501	\$ 39,690,241

Note 14 - 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 504 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits) as of June 30, 2016 (the date of the most recent valuation). This is a single-employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions.

Funding Policy - Retiree healthcare costs are recognized when paid for by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2017, the City made payments for postemployment health benefit premiums of \$3,781,189. 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 net position of \$8,018,025 as of June 30, 2017.

Funding Progress - For the year ended June 30, 2017, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2016. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 4,263,419
Interest on the prior year's net OPEB obligation	-
Less adjustment to the annual required contribution	-
	<hr/>
Annual OPEB cost	4,263,419
Amounts contributed:	
Payments of current premiums	(3,781,190)
Advance funding	(250,000)
	<hr/>
Increase in net OPEB obligation	232,229
OPEB obligation - Beginning of year	<hr/> 132,437
OPEB obligation - End of year *	<hr/> <u>\$ 364,666</u>

* The total end-of-year liability was made up of a liability of \$266,661 reported in the governmental activities and a liability of \$98,005 reported in the business-type activities.

Note 14 - Other Postemployment Benefits (Continued)

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

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage OPEB Costs Contributed	Net OPEB Obligation (Asset)
6/30/15	6/30/14	\$ 4,505,438	94.2 %	\$ (252,757)
6/30/16	6/30/14	4,730,710	91.9	132,437
6/30/17	6/30/16	4,263,419	94.6	364,666

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/12	\$ 2,681,375	\$74,942,862	\$72,261,487	3.6 %	\$13,462,808	536.7 %
6/30/14	6,411,056	80,036,200	73,625,144	8.0	11,928,616	617.2
6/30/16	6,864,532	75,830,417	68,965,885	9.1	11,039,408	624.7

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Note 14 - Other Postemployment Benefits (Continued)

In the June 30, 2016 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 rate of 6.0 percent initially, graded down to 5 percent in 0.1 percent decrements over 10 years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016 was 30 years.

Note 15 - OPEB Plan

Plan Administration - The City of Roseville, Michigan administers the City of Roseville Retiree Health Care Benefits Plan (the "Plan") a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible public safety and general employees of the City and their spouses. The benefits provided are agreed to under collective bargaining agreements.

Management of the Plan is vested with the Roseville Retiree Health Care Benefits Trust Board (the "Board"), which consists of five members: the mayor, one council person, two members with interest in the Plan appointed by the mayor, and a citizen of the City appointed by the mayor.

Plan Membership - At June 30, 2016, the date of the most recent valuation, plan membership consisted of the following:

Retirees	350
Active plan members	<u>154</u>
Total	<u>504</u>

Benefits Provided - The Plan provides healthcare benefits for retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan.

Contributions - The contribution rates are based on an actuarially determined rate per a funding valuation. For the year ended June 30, 2017, the City's calculated contribution was \$4,263,419. The City contributes to the plan on a pay-as-you-go basis. Current year pay-as-you-go contributions were \$3,781,190. In addition, the City contributed \$250,000 to the OPEB trust. Plan members are not required to contribute to the Plan.

Note 15 - OPEB Plan (Continued)

OPEB Plan Investments

Investment Policy - The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2017:

<u>Asset Class</u>	<u>Target Allocation (%)</u>
Domestic equity	50.00 %
International equity	10.00
Global equity	10.00
Fixed income	30.00

Rate of Return - For the year ended June 30, 2017, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 13.4 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

The City reports OPEB expense based on funding requirements, as directed by GASB Statement No. 45. Beginning next year, the City will adopt GASB Statement No. 75, which will require the measurement of OPEB expense as it is earned, rather than as it is funded. The net OPEB liability of the City was determined based on the annual actuarial valuation as of June 30, 2016 and was rolled forward to June 30, 2017.

The components of the net OPEB liability at June 30, 2017 were as follows:

Total OPEB liability	\$ 92,901,568
Plan fiduciary net position	<u>(8,018,025)</u>
Net OPEB liability	<u>\$ 84,883,543</u>
Plan fiduciary net position as a percentage of the total OPEB liability	8.6 %

Note 15 - OPEB Plan (Continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016. The valuation used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Healthcare cost trend rate	6.00 %	Graded down to 5 percent in 0.1 percent decrements on a yearly basis
Salary increases	5.00 %	Average, including inflation
Investment rate of return	7.50 %	Net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP 2014 Healthy Annuitant Mortality Table.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2017 for each major asset class included in the target asset allocation are summarized in the following table.

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	7.10 %
International equity	6.90
Global equity	7.00
Fixed income	2.80

Projected Cash Flows

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Note 15 - OPEB Plan (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability, calculated using the discount rate of 7.5 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1 Percent Decrease (6.5%)	Current Discount Rate (7.5%)	1 Percent Increase (8.5%)
Net OPEB liability	\$ 96,041,837	\$ 84,883,543	\$ 75,611,608

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the net OPEB liability, calculated using the healthcare cost trend rate of 6.0 percent, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (5.0 percent, decreasing to 4.0 percent) or 1 percentage point higher (7.0 percent, decreasing to 6.0 percent) than the current rate:

	1 Percent Decrease (5.0% decreasing to 4.0%)	Current Healthcare Cost Trend Rate (6.0% decreasing to 5.0%)	1 Percent Increase (7.0% decreasing to 6.0%)
Net OPEB liability	\$ 75,161,596	\$ 84,883,543	\$ 96,628,043

Note 16 - Tax Abatements

The City uses the Industrial Facilities Tax exemption (PA 198 of 1974) to enter into agreements with local businesses to construct new industrial facilities or rehabilitate historical facilities. Under the program, the City grants reductions of up to 50 percent of the property tax bill for up to 14 years.

For the fiscal year ended June 30, 2017, the City abated \$228,000 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

There are no significant abatements made by other governments that reduce the City's tax revenue.

Note 17 - Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the City to recognize on the face of the financial statements its net OPEB liability related to its participation in the City of Roseville Retiree Health Care Benefits Plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2018.

In November 2016, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2018-2019 fiscal year.

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2019-2020 fiscal year.

In March 2017, the Governmental Accounting Standards Board issued GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB statements. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits (OPEB)). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2017-2018 fiscal year.

Note 17 - Upcoming Accounting Pronouncements (Continued)

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2017-2018 fiscal year.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2020-2021 fiscal year.

Required Supplemental Information

City of Roseville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 19,397,931	\$ 18,989,027	\$ 18,986,936	\$ (2,091)
Licenses and permits	1,112,034	1,232,804	1,232,449	(355)
Federal grants	231,656	461,521	399,463	(62,058)
State-shared revenue and grants	4,713,806	6,075,370	6,478,671	403,301
Charges for services	1,978,761	1,988,761	1,937,167	(51,594)
Fines and forfeitures	3,030,100	2,811,732	2,765,658	(46,074)
Investment income	25,000	-	8,064	8,064
Reimbursements	3,170,299	3,034,510	2,959,516	(74,994)
Other fees and miscellaneous income	2,657,970	2,675,615	2,615,549	(60,066)
Total revenue	36,317,557	37,269,340	37,383,473	114,133
Expenditures - Current				
General government:				
Governing body	3,573,356	3,130,100	3,326,536	(196,436)
City manager	285,421	287,853	287,239	614
Finance/Accounting/Budget department	396,828	452,293	460,050	(7,757)
Purchasing	188,820	160,037	148,591	11,446
District Court	2,754,004	2,767,607	2,801,609	(34,002)
Information technology/Data processing	506,969	451,524	452,743	(1,219)
Treasurer	356,003	339,299	339,282	17
Assessing	317,850	342,169	331,531	10,638
Clerk	495,365	446,946	443,814	3,132
Buildings and grounds	725,072	727,299	742,941	(15,642)
Attorney	316,210	364,620	304,609	60,011
Human resources/Personnel	93,081	49,615	50,430	(815)
Retirement	121,987	124,261	123,224	1,037
Other	1,985,130	2,035,177	2,048,822	(13,645)
Total general government	12,116,096	11,678,800	11,861,421	(182,621)
Public safety:				
Police/Sheriff (county)	10,403,970	10,494,499	10,370,542	123,957
Fire and EMS	5,864,332	6,445,345	6,422,758	22,587
Building inspections and related	1,324,428	1,170,384	1,166,668	3,716
Total public safety	17,592,730	18,110,228	17,959,968	150,260
Public works:				
Highway department	1,410,103	1,459,831	1,454,544	5,287
Mechanics division	332,377	376,928	347,996	28,932
Traffic services	96,006	147,393	144,920	2,473
Rubbish disposal	2,259,334	2,317,817	2,317,068	749
Street lighting	790,000	815,100	811,177	3,923
Total public works	4,887,820	5,117,069	5,075,705	41,364

City of Roseville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with <u>Amended Budget</u>
Expenditures - Current (Continued)				
Community and economic development	\$ 697,690	\$ 693,987	\$ 694,671	\$ (684)
Recreation and culture:	266,821	241,595	236,390	5,205
Debt service	-	135,758	135,758	-
Total expenditures	<u>35,561,157</u>	<u>35,977,437</u>	<u>35,963,913</u>	<u>13,524</u>
Excess of Revenue Over Expenditures	756,400	1,291,903	1,419,560	127,657
Other Financing Sources (Uses)				
Transfers in	-	74,809	72,873	(1,936)
Transfers out	<u>(756,400)</u>	<u>(1,404,009)</u>	<u>(1,422,439)</u>	<u>(18,430)</u>
Total other financing uses	<u>(756,400)</u>	<u>(1,329,200)</u>	<u>(1,349,566)</u>	<u>(20,366)</u>
Net Change in Fund Balance	-	(37,297)	69,994	107,291
Fund Balance - Beginning of year	<u>4,557,131</u>	<u>4,557,131</u>	<u>4,557,131</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 4,557,131</u></u>	<u><u>\$ 4,519,834</u></u>	<u><u>\$ 4,627,125</u></u>	<u><u>\$ 107,291</u></u>

City of Roseville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Fund Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 2,722,991	\$ 2,984,734	\$ 3,006,185	\$ 21,451
Investment income	1,500	1,500	5,501	4,001
Total revenue	2,724,491	2,986,234	3,011,686	25,452
Expenditures - Current -				
Public works	1,382,799	1,191,578	819,986	371,592
Excess of Revenue Over Expenditures	1,341,692	1,794,656	2,191,700	397,044
Other Financing Uses -				
Transfers out	(1,181,496)	(1,300,000)	(1,094,001)	205,999
Net Change in Fund Balance	160,196	494,656	1,097,699	603,043
Fund Balance - Beginning of year	6,491,582	6,491,582	6,491,582	-
Fund Balance - End of year	\$ 6,651,778	\$ 6,986,238	\$ 7,589,281	\$ 603,043

City of Roseville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Local Streets Fund Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 825,298	\$ 890,713	\$ 905,962	\$ 15,249
Investment income	500	500	387	(113)
Special assessments	18,955	69,578	52,037	(17,541)
Other fees and miscellaneous income	284,653	-	-	-
Total revenue	1,129,406	960,791	958,386	(2,405)
Expenditures - Current -				
Public works	3,423,851	2,303,908	2,054,523	249,385
Excess of Expenditures Over Revenue	(2,294,445)	(1,343,117)	(1,096,137)	246,980
Other Financing Sources - Transfers in	1,181,496	1,937,046	1,731,047	(205,999)
Net Change in Fund Balance	(1,112,949)	593,929	634,910	40,981
Fund Balance - Beginning of year	480,729	480,729	480,729	-
Fund Balance - End of year	<u>\$ (632,220)</u>	<u>\$ 1,074,658</u>	<u>\$ 1,115,639</u>	<u>\$ 40,981</u>

City of Roseville, Michigan

Note to Required Supplemental Information Year Ended June 30, 2017

Budgetary Information

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

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

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

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

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

Budgeted amounts of the revenue and expenditures are presented for the General Fund and Special Revenue Funds. Individual amendments were not material in relation to the original appropriations that were adopted. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

City of Roseville, Michigan

Note to Required Supplemental Information (Continued) Year Ended June 30, 2017

Budgetary Information (Continued)

The following table reconciles the amounts reported in the General Fund to the budgets that are approved by the City Council.

The following table summarized the budget variances during the current year:

	<u>Total Revenue</u>	<u>Total Expenditures</u>
General Fund		
Amounts per operating statement	\$ 34,423,957	\$ 33,004,397
Reimbursements budgeted as revenue/expenditures in General Fund	<u>2,959,516</u>	<u>2,959,516</u>
Amounts per budget statement	<u>\$ 37,383,473</u>	<u>\$ 35,963,913</u>

The City incurred expenditures which were in excess of the amounts budgeted during the year. These unfavorable variances were caused by unanticipated expenditures that became necessary during the year.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Governing body	\$ 3,742,223	\$ 3,938,629	\$ (196,406)
Finance/Accounting/Budget department	452,293	460,050	(7,757)
District Court	2,767,607	2,801,609	(34,002)
Information technology/Data processing	451,524	452,743	(1,219)
Buildings and grounds	727,299	742,941	(15,642)
Human resources/Personnel	49,615	50,430	(815)
Other	2,035,177	2,048,822	(13,645)
Community and economic development	693,987	694,671	(684)

City of Roseville, Michigan

Required Supplemental Information Schedule of Changes in the City's Net Pension Liability and Related Ratios Last Ten Fiscal Years

	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 3,204,212	\$ 3,155,314	\$ 2,568,388	\$ 2,882,338
Interest	14,013,342	13,876,840	13,310,464	13,222,309
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(850,977)	(1,063,151)	(7,625,546)	(2,107,552)
Changes in assumptions	-	-	12,476,997	-
Benefit payments, including refunds	(14,745,915)	(13,600,968)	(12,974,292)	(12,724,030)
Net Change in Total Pension Liability	1,620,662	2,368,035	7,756,011	1,273,065
Total Pension Liability - Beginning of year	192,615,414	190,247,379	182,491,368	181,218,303
Total Pension Liability - End of year	\$ 194,236,076	\$ 192,615,414	\$ 190,247,379	\$ 182,491,368
Plan Fiduciary Net Position				
Contributions - Employer	\$ 5,106,579	\$ 4,872,123	\$ 5,094,075	\$ 6,206,039
Contributions - Member	1,390,333	1,397,309	1,286,672	165,725
Net investment income (loss)	17,697,356	(2,649,371)	3,540,510	20,892,292
Administrative expenses	(183,721)	(170,929)	(188,356)	(171,857)
Benefit payments, including refunds	(14,745,915)	(13,600,968)	(12,974,293)	(12,724,030)
Other	754,841	-	-	58,733
Net Change in Plan Fiduciary Net Position	10,019,473	(10,151,836)	(3,241,392)	14,426,902
Plan Fiduciary Net Position - Beginning of year	127,299,102	137,450,938	140,692,330	126,265,428
Plan Fiduciary Net Position - End of year	\$ 137,318,575	\$ 127,299,102	\$ 137,450,938	\$ 140,692,330
City's Net Pension Liability - Ending	\$ 56,917,501	\$ 65,316,312	\$ 52,796,441	\$ 41,799,038
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	70.70 %	66.09 %	77.10 %	77.10 %
Covered Employee Payroll	\$ 14,736,321	\$ 14,814,074	\$ 13,868,957	\$ 13,451,085
City's Net Pension Liability as a Percentage of Covered Employee Payroll	386.2 %	440.9 %	380.7 %	311.4 %

City of Roseville, Michigan

Required Supplemental Information Schedule of Pension Investment Returns Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	14.9 %	(2.3)%	2.6 %	17.6 %

City of Roseville, Michigan

Required Supplemental Information Schedule of Changes in the City Net OPEB Liability and Related Ratios Last Ten Fiscal Years

(Schedule is built prospectively upon implementation of GASB Statement No. 74)

	2017
Total OPEB Liability	
Service cost	\$ 1,120,107
Interest	5,587,493
Changes in benefit terms	-
Differences between expected and actual experience	9,049,487
Changes in assumptions	5,095,254
Benefit payments, including refunds	(3,781,190)
Net Change in Total OPEB Liability	17,071,151
Total OPEB Liability - Beginning of year	75,830,417
Total OPEB Liability - End of year	\$ 92,901,568
Plan Fiduciary Net Position	
Contributions - Employer	\$ 4,031,190
Contributions - Active and inactive plan members not yet receiving benefits	-
Net investment income	838,240
Administrative expenses	(794)
Benefit payments, including refunds	(3,781,190)
Other	66,047
Net Change in Plan Fiduciary Net Position	1,153,493
Plan Fiduciary Net Position - Beginning of year	6,864,532
Plan Fiduciary Net Position - End of year	\$ 8,018,025
Net OPEB Liability - Ending	\$ 84,883,543
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	8.63 %
Covered Employee Payroll	\$ 11,491,840
Net OPEB Liability as a Percentage of Covered Employee Payroll	738.6 %

City of Roseville, Michigan

Required Supplemental Information Schedule of OPEB Investment Returns Last Ten Fiscal Years

	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	13.4 %

Other Supplemental Information

City of Roseville, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2017

	Special Revenue Funds					Debt Service Funds		Total Nonmajor Governmental Funds
	Community Development Block Grant	Neighborhood Stabilization Grant	HOME	Drug Law Enforcement	Library Fund	Building Authority	Chapter 20 Drain	
Assets								
Cash and investments	\$ 75,851	\$ -	\$ -	\$ 1,496,222	\$ 491,952	\$ 12,780	\$ 938,979	\$ 3,015,784
Receivables:								
Property taxes receivable	-	-	-	-	12,205	-	4,099	16,304
Other receivables	-	-	-	416,753	53,629	-	-	470,382
Prepaid expenses	1,636	-	-	-	24,840	-	-	26,476
Total assets	\$ 77,487	\$ -	\$ -	\$ 1,912,975	\$ 582,626	\$ 12,780	\$ 943,078	\$ 3,528,946
Liabilities								
Accounts payable	\$ 23,122	\$ -	\$ -	\$ 6,004	\$ 18,248	\$ 113	\$ -	\$ 47,487
Accrued liabilities and other	-	-	-	39,588	17,448	-	1,119	58,155
Total liabilities	23,122	-	-	45,592	35,696	113	1,119	105,642
Deferred Inflows of Resources -								
Unavailable revenue	-	-	-	358,180	12,065	-	3,946	374,191
Fund Balances								
Nonspendable	1,636	-	-	-	24,840	-	-	26,476
Restricted:								
Debt service	-	-	-	-	-	-	938,013	938,013
Grants	52,729	-	-	-	-	-	-	52,729
Library authority	-	-	-	-	510,025	-	-	510,025
Drug law enforcement	-	-	-	1,509,203	-	-	-	1,509,203
Assigned - Debt service	-	-	-	-	-	12,667	-	12,667
Total fund balances	54,365	-	-	1,509,203	534,865	12,667	938,013	3,049,113
Total liabilities, deferred inflows of resources, and fund balances	\$ 77,487	\$ -	\$ -	\$ 1,912,975	\$ 582,626	\$ 12,780	\$ 943,078	\$ 3,528,946

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Nonmajor Governmental Funds Year Ended June 30, 2017

	Special Revenue Funds					Debt Service Funds		Total Nonmajor Governmental Funds
	Community Development Block Grant	Neighborhood Stabilization Grant	HOME	Drug Law Enforcement	Library Fund	Building Authority	Chapter 20 Drain	
Revenue								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,272,592	\$ -	\$ 852,097	\$ 2,124,689
Federal grants	688,289	-	3,282	249,976	-	-	-	941,547
State-shared revenue and grants	-	-	-	-	118,047	-	31,134	149,181
Fines and forfeitures	-	-	-	-	12,158	-	-	12,158
Investment income	-	-	-	2,394	377	-	644	3,415
Other fees and miscellaneous revenue:								
Local donations	-	-	-	-	7,474	-	-	7,474
Other miscellaneous income	-	-	-	98,109	21,614	-	-	119,723
Total revenue	688,289	-	3,282	350,479	1,432,262	-	883,875	3,358,187
Expenditures								
Current:								
Public safety	-	-	-	363,315	-	-	-	363,315
Community and economic development	650,664	176,932	2,973	-	-	-	-	830,569
Recreation and culture	-	-	-	-	1,149,414	-	-	1,149,414
Special purpose government	-	-	-	-	-	-	25,000	25,000
Debt service:								
Principal	-	-	-	-	-	440,000	609,784	1,049,784
Interest on long-term debt	-	-	-	-	-	66,625	204,121	270,746
Total expenditures	650,664	176,932	2,973	363,315	1,149,414	506,625	838,905	3,688,828
Excess of Revenue Over (Under) Expenditures	37,625	(176,932)	309	(12,836)	282,848	(506,625)	44,970	(330,641)
Other Financing Sources (Uses)								
Transfers in	-	-	10,914	-	-	506,400	-	517,314
Transfers out	-	(72,873)	-	-	-	-	-	(72,873)
Total other financing (uses) sources	-	(72,873)	10,914	-	-	506,400	-	444,441
Net Change in Fund Balances	37,625	(249,805)	11,223	(12,836)	282,848	(225)	44,970	113,800
Fund Balances (Deficit) - Beginning of year	16,740	249,805	(11,223)	1,522,039	252,017	12,892	893,043	2,935,313
Fund Balances - End of year	\$ 54,365	\$ -	\$ -	\$ 1,509,203	\$ 534,865	\$ 12,667	\$ 938,013	\$ 3,049,113

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Net Position Internal Service Funds June 30, 2017

	Employee Benefits Fund	Workers' Compensation Fund	Flexible Savings Fund	Total
Assets - Current assets				
Cash and cash equivalents	\$ 10,639,452	\$ 179,585	\$ 9,519	\$ 10,828,556
Receivables	10,598	-	-	10,598
Due from other funds	-	18,116	-	18,116
Prepaid expenses	110,704	17,188	-	127,892
Total assets	10,760,754	214,889	9,519	10,985,162
Liabilities - Current - Provision for claims	730,898	148,154	-	879,052
Net Position - Unrestricted	\$ 10,029,856	\$ 66,735	\$ 9,519	\$ 10,106,110

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended June 30, 2017

	Employee Benefits Fund	Workers' Compensation Fund	Flexible Savings Fund	Total
Operating Revenue -				
Charges to other funds	\$ 5,531,018	\$ 278,383	\$ 1,520	\$ 5,810,921
Operating Expenses				
Billing and administrative costs	197,824	-	-	197,824
Benefit payments and other costs	6,839,912	260,074	1,253	7,101,239
Total operating expenses	7,037,736	260,074	1,253	7,299,063
Operating (Loss) Income	(1,506,718)	18,309	267	(1,488,142)
Nonoperating Revenue -				
Investment income	9,246	108	7	9,361
Change in Net Position	(1,497,472)	18,417	274	(1,478,781)
Net Position - Beginning of year	11,527,328	48,318	9,245	11,584,891
Net Position - End of year	\$ 10,029,856	\$ 66,735	\$ 9,519	\$ 10,106,110

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2017

	Employee Benefits Fund	Workers' Compensation Fund	Flexible Savings Fund	Total
Cash Flows from Operating Activities				
Receipts from interfund services and reimbursements	\$ 5,706,706	\$ 315,710	\$ 1,520	\$ 6,023,936
Claims paid	(7,033,215)	(265,375)	(1,253)	(7,299,843)
Net cash (used in) provided by operating activities	(1,326,509)	50,335	267	(1,275,907)
Cash Flows from Investing Activities -				
Interest received on investments	9,246	108	7	9,361
Net (Decrease) Increase in Cash and Cash Equivalents	(1,317,263)	50,443	274	(1,266,546)
Cash and Cash Equivalents - Beginning of year	11,956,715	129,142	9,245	12,095,102
Cash and Cash Equivalents - End of year	\$ 10,639,452	\$ 179,585	\$ 9,519	\$ 10,828,556
Balance Sheet Classification of Cash and Cash Equivalents - Cash and investments	\$ 10,639,452	\$ 179,585	\$ 9,519	\$ 10,828,556
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (1,506,718)	\$ 18,309	\$ 267	\$ (1,488,142)
Changes in assets and liabilities:				
Receivables	31,762	-	-	31,762
Due from others	143,926	37,327	-	181,253
Prepaid and other assets	9,164	(279)	-	8,885
Estimated claims liability	(4,643)	(5,022)	-	(9,665)
Net cash (used in) provided by operating activities	\$ (1,326,509)	\$ 50,335	\$ 267	\$ (1,275,907)

City of Roseville, Michigan

Other Supplemental Information Statement of Assets and Liabilities Fiduciary Funds June 30, 2017

	Trust Funds			Agency Funds				Total Agency Funds
	Employees' Pension Trust Fund	Retiree Healthcare Benefits Trust Fund	Total Trust Funds	County and School Tax	Misc. Agency	P.A.I.R.	Court	
Assets								
Cash and cash equivalents	\$ -	\$ 141,212	\$ 141,212	\$ -	\$ 68,365	\$ 1,364	\$ 244,551	\$ 314,280
Investments:								
U.S. and foreign corporate bonds	4,312,730	461,099	4,773,829	-	-	-	-	-
U.S. government securities	911,772	144,000	1,055,772	-	-	-	-	-
Municipal bonds	808,481	12,222	820,703	-	-	-	-	-
Limited partnerships	29,963,782	-	29,963,782	-	-	-	-	-
Mutual funds	22,471,782	6,098,209	28,569,991	-	-	-	-	-
U.S. and foreign stocks	52,563,892	785,848	53,349,740	-	-	-	-	-
Governmental mortgage securities	5,237,069	393,984	5,631,053	-	-	-	-	-
Asset-backed securities	719,989	-	719,989	-	-	-	-	-
Common collective trusts	20,272,517	-	20,272,517	-	-	-	-	-
Receivables:								
Accrued interest receivable	142,546	6,564	149,110	-	-	-	-	-
Other receivables	136,164	-	136,164	-	4,310	-	-	4,310
Total assets	137,540,724	8,043,138	145,583,862	\$ -	\$ 72,675	\$ 1,364	\$ 244,551	\$ 318,590
Liabilities								
Accounts payable	19,326	25,113	44,439	\$ -	\$ 72,675	\$ 1,364	\$ -	\$ 74,039
Due to primary government	123,530	-	123,530	-	-	-	-	-
Refundable deposits, bonds, etc.	-	-	-	-	-	-	99,651	99,651
Accrued liabilities and other	79,291	-	79,291	-	-	-	144,900	144,900
Total liabilities	222,147	25,113	247,260	\$ -	\$ 72,675	\$ 1,364	\$ 244,551	\$ 318,590
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 137,318,577	\$ 8,018,025	\$ 145,336,602					

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended June 30, 2017

	Employees' Pension Trust Fund	Retiree Healthcare Benefits Trust Fund	Total
Additions			
Investment income:			
Interest and dividends	\$ 2,963,526	\$ 218,856	\$ 3,182,382
Net increase in fair value of investments	15,532,948	721,246	16,254,194
Investment-related expenses	(799,116)	(101,862)	(900,978)
Net investment income	17,697,358	838,240	18,535,598
Contributions:			
Employer	5,106,579	4,031,190	9,137,769
Employee	1,390,333	-	1,390,333
Total contributions	6,496,912	4,031,190	10,528,102
Other additions	754,841	66,047	820,888
Total additions	24,949,111	4,935,477	29,884,588
Deductions			
Pension benefit payments	14,745,915	-	14,745,915
Health benefits	-	3,781,190	3,781,190
Administrative expenses	183,721	794	184,515
Total deductions	14,929,636	3,781,984	18,711,620
Net Increase in Net Position Held in Trust	10,019,475	1,153,493	11,172,968
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	127,299,102	6,864,532	134,163,634
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	\$ 137,318,577	\$ 8,018,025	\$ 145,336,602