

# **City of Roseville, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2016**

# City of Roseville, Michigan

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# City of Roseville, Michigan

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## Independent Auditor's Report

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

### **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, 2016 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.

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

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

### ***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, 2016 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***

The financial statements include investments valued at approximately \$39,000,000 (29 percent of the net position of the fiduciary funds) at June 30, 2016, 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 12, 2016 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 12, 2016

# 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**

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

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

Notes to the financial statements provide additional information that is essential to 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 \$87.8 million to \$82.0 million during fiscal year 2016. A review of the governmental activities, separate from the business-type activities, shows a decrease of approximately \$4.6 million in total net position, or 7.3 percent, during fiscal year 2016. The decrease in total net position of governmental activities is primarily attributed to a \$3.3 million decrease in other assets and a \$9.5 million increase in current and long-term obligations offset by a \$2.1 million increase in capital assets, a \$5.1 million increase in deferred outflows and a \$1.0 million decrease in deferred inflows. The decrease in net position is the result of an increase to the pension liability in fiscal 2016 in accordance with GASB Statement No. 68, *Financial Reporting for Pension Plans*, the adverse impact on property tax revenue due to continued depressed property values, and the effects of funding retiree healthcare benefits for current and future retirees. In total, expenditures for fiscal year 2016 were \$3.5 million or 8.4 percent more than expenditures incurred during fiscal year 2015. 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 2016, the governmental portion of the obligation of \$4.1 million was paid entirely by the General Fund.

Business-type activities experienced a \$1.2 million decrease in total net position during fiscal 2016. This decrease is primarily attributed to a loss on the City's investment in the Southeast Macomb Sanitary District in the amount of \$0.9 million and an increase in pension expense during fiscal 2016. The restructuring of the City's water and sewer billing structure was a requirement of the State Revolving Fund loan application process. This restructuring generated proceeds which are necessary to finance critical improvements to the City's aging water and sewer infrastructure.

# City of Roseville, Michigan

## Management's Discussion and Analysis (Continued)

### Governmental Activities

In a condensed format, the table below shows the comparison of net position (in millions of dollars) as of June 30, 2016 to the prior year:

	Governmental Activities			Percent Change
	2015	2016	Change	
Other assets	\$ 37,285,636	\$ 33,993,376	\$ (3,292,260)	-9%
Capital assets	<u>84,690,744</u>	<u>86,754,198</u>	<u>2,063,454</u>	2%
Total assets	121,976,380	120,747,574	(1,228,806)	-1%
Deferred outflows related to pension	<u>13,386,699</u>	<u>18,479,450</u>	<u>5,092,751</u>	38%
Total assets and deferred outflows	135,363,079	139,227,024	3,863,945	3%
Current liabilities	7,372,249	6,224,349	(1,147,900)	-16%
Long-term liabilities	<u>60,461,874</u>	<u>71,069,295</u>	<u>10,607,421</u>	18%
Total liabilities	67,834,123	77,293,644	9,459,521	14%
Deferred inflows	<u>5,171,621</u>	<u>4,158,236</u>	<u>(1,013,385)</u>	-20%
Total liabilities and deferred inflows	<u>73,005,744</u>	<u>81,451,880</u>	<u>8,446,136</u>	12%
Net position:				
Net investment in capital assets	74,967,101	77,613,667	2,646,566	4%
Restricted	11,134,468	10,580,076	(554,392)	-5%
Unrestricted	<u>(23,744,234)</u>	<u>(30,418,595)</u>	<u>(6,674,361)</u>	28%
Total net position	<u>\$ 62,357,335</u>	<u>\$ 57,775,148</u>	<u>\$ (4,582,187)</u>	-7%

# 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, 2016 from the prior year:

	Governmental Activities			Percent
	2015	2016	Change	Change
<b>Revenue</b>				
Program revenue:				
Charges for services	\$ 5,708,141	\$ 5,740,068	\$ 31,927	1%
Operating grants	5,128,734	5,182,456	53,722	1%
Capital grants	-	4,771	4,771	100%
General revenue:				
Property taxes	20,755,514	21,307,179	551,665	3%
State-shared revenue	4,547,011	4,552,457	5,446	0%
Investment earnings	35,710	69,046	33,336	93%
Other revenue	4,169,042	3,380,917	(788,125)	-19%
Total revenue	40,344,152	40,236,894	(107,258)	0%
<b>Program Expenses</b>				
General government	13,200,850	14,276,182	1,075,332	8%
Public safety	17,385,043	21,137,029	3,751,986	22%
Public works	9,184,038	7,097,359	(2,086,679)	-23%
Community and economic development	589,803	582,603	(7,200)	-1%
Recreation and cultural	747,210	1,390,122	642,912	86%
Interest on long-term debt	247,545	335,786	88,241	36%
Total expenses	41,354,489	44,819,081	3,464,592	8%
<b>Change in Net Position</b>	<b>\$ (1,010,337)</b>	<b>\$ (4,582,187)</b>	<b>\$ (3,571,850)</b>	354%

The City's total governmental revenue decreased slightly from \$40.3 million in 2015 to \$40.2 million in 2016. Of this amount, property taxes, which account for approximately 53 percent of total revenue, increased from \$20.8 million in 2015 to \$21.3 million in 2016. Operating grants of \$5.1 million remained relatively consistent from the prior year and represent 13 percent of total revenue. State-shared revenue of \$4.6 million also remained relatively consistent from the prior year and represent 11 percent of total revenue in 2016. Charges for service-type activities which support program costs such as the District Court, building and rental inspections, etc., increased slightly to \$5.7 million during fiscal year 2016 and represents 14 percent of total revenue. Capital grants, investment earnings, and other revenue decreased from \$4.2 million in 2015 to \$3.5 million in 2016 and represent 20 percent of total revenue.

# City of Roseville, Michigan

## Management's Discussion and Analysis (Continued)

Total expenditures increased by approximately \$3.5 million or 8.4 percent over the previous fiscal year. This increase is primarily attributed to an increase in pension expense from \$2.1 million in 2015 to \$5.1 million in 2016. Other factors include costs related to filling vacancies from recent retirements and increases to healthcare costs for both active and retired employees. The City continued strong expenditure control and continued to meet its actuarial required contribution for the defined benefit pension system during fiscal year 2016. In addition, the City also satisfied the portion of its actuarial required contribution related to current period service costs for postemployment healthcare benefits. This is important for the City because future taxpayers should not be required to fund benefit payments that were earned in the current period. Despite increased designations over the past several years to fund future retiree medical costs, the City, like most communities, remains severely underfunded with regard to GASB Statement No. 45. 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. As of June 30, 2016, the City's unfunded liability with regard to postemployment healthcare benefits was approximately \$73.6 million.

### Business-type Activities

In a condensed format, the table below shows the comparison of net position (in millions of dollars) as of June 30, 2016 to the prior year:

	2015	2016	Change	Percent
Other assets	\$ 19,818,260	\$ 15,475,334	\$ (4,342,926)	-22%
Capital assets	<u>15,213,436</u>	<u>18,205,298</u>	<u>2,991,862</u>	20%
Total assets	35,031,696	33,680,632	(1,351,064)	-4%
Deferred outflow related to pension	<u>1,417,298</u>	<u>2,008,268</u>	<u>590,970</u>	42%
Total assets and deferred outflows	36,448,994	35,688,900	(760,094)	-2%
Current liabilities	1,732,349	924,243	(808,106)	-47%
Long-term liabilities	<u>8,681,148</u>	<u>10,064,069</u>	<u>1,382,921</u>	16%
Total liabilities	10,413,497	10,988,312	574,815	6%
Deferred inflows related to pension	<u>547,538</u>	<u>451,899</u>	<u>(95,639)</u>	-17%
Total liabilities and deferred inflows	<u>10,961,035</u>	<u>11,440,211</u>	<u>479,176</u>	4%
Net position:				
Net investment in capital assets	11,927,079	14,954,194	3,027,115	25%
Unrestricted	<u>13,560,880</u>	<u>9,294,495</u>	<u>(4,266,385)</u>	-31%
Total net position	<u>\$ 25,487,959</u>	<u>\$ 24,248,689</u>	<u>\$ (1,239,270)</u>	-5%

# 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, 2016 from the prior year:

	Business-type Activities			Percent Change
	2015	2016	Change	
<b>Revenue - Program revenue -</b>				
Charges for services	\$ 13,843,275	\$ 13,476,800	\$ (366,475)	-3%
<b>Program Expenses</b>				
Operating expenses, other than depreciation	12,265,303	13,439,555	1,174,252	10%
Depreciation and amortization	<u>561,585</u>	<u>671,285</u>	<u>109,700</u>	20%
Total program expense	<u>12,826,888</u>	<u>14,110,840</u>	<u>1,283,952</u>	10%
<b>Operating Income (Loss)</b>	1,016,387	(634,040)	(1,650,427)	-162%
<b>Nonoperating Revenue (Expense)</b>	<u>13,571</u>	<u>(605,230)</u>	<u>(618,801)</u>	-4560%
<b>Change in Net Position</b>	<u><b>\$ 1,029,958</b></u>	<u><b>\$(1,239,270)</b></u>	<u><b>\$ (2,269,228)</b></u>	-220%

The City's business-type activities are recorded in the Water and Sewer Fund. Water and sewer operations are funded directly by user fees or charges for services. Revenue generated from the City's Water and Sewer Fund totaled \$13.5 million in 2016 and expenses were \$14.1 million. The City experienced an overall decrease in net position of approximately \$1.2 million. For fiscal year 2016, as a result of internal efficiencies, a 3.6 percent rate increase in the City's overall water and sewer rate was passed to customers, despite more significant increases for services charged to the City by the Detroit Water Board and the South Macomb Sanitary District. The City is currently in its ninth year of a 30-year working agreement with the City of Detroit to monitor maximum day "peaking" costs and usage to minimize future rate increases from its supplier. Effective July 1, 2009, city management revised the water and sewer billing structure to include a ready-to-serve base charge on all accounts, regardless of usage. The City's water and sewer rates continue to reflect only the estimated cost for water units purchased or sewer treatment costs incurred by the City. No other expenses are factored into these rates.

# City of Roseville, Michigan

## Management's Discussion and Analysis (Continued)

During fiscal year 2016, the City's water and sewer system incurred a 6.6 percent increase in the volume of water purchased and a 4.0 percent increase in sewage units purchased as well as incurring a 5.7 percent increase in the total volume of water units sold and a 1.5 percent increase in sewage units treated. This relationship is supported by the City's inferred water loss percentage which decreased from 17.3 percent to 16.5 percent in fiscal year 2016, attributed to normal repairs and/or capital improvements being made to the City's water and sewer lines. 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 2017. For fiscal year 2016, the City Council has approved a 5.5 percent total rate increase, which is less than the rate increases for services charged by its suppliers. In addition, the City Council implemented an automated water-meter reading system that will further enhance operations, reduce system loss, and increase collections.

During fiscal year 2015, an agreement was reached between the Mayor of the City of Detroit, the Chief Executives of Wayne, Oakland, and Macomb Counties, and the Governor of the State of Michigan to create the Great Lakes Water Authority (the "GLWA") to manage water and sewer operations in the tri-county area. The purpose of the agreement is to provide a more financially stable system with improved transparency and an opportunity to create efficiencies to better control water and sewer rates for members. The agreement results in the City of Detroit maintaining ownership of the assets while providing member suburban communities, including the City of Roseville, Michigan, a greater voice in the operation of the regional system. The agreement also guarantees that rate increases charged by the GLWA are expected not to exceed 4 percent per year over the next 10 years.

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.

### 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 2015 and 2016 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 \$18.2 million in 2016, 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 2016, primarily attributed to slight increases in total revenue and continued cost control. Revenue from property taxes, licenses and permits, federal grants, state-shared revenue, charges for services, fines and forfeitures, and investment income increased approximately \$1.9 million during 2016, while other revenue decreased \$0.7 million during 2016. The increase in revenue was offset by increases in public safety, general government, and public works expenditures primarily related to capital improvements. Despite efforts to manage expenditures, funding for current retiree and postretiree healthcare benefits continue 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 2016, fund balance in the Major Streets Fund increased by approximately \$1.0 million and fund balance in the Local Streets Fund decreased by approximately \$1.2 million as the City focused on road construction and maintenance of local roads during 2016. For 2016, the Local Streets Fund received approximately \$2.0 million in operating transfers from the Major Streets Fund to support local road construction projects. Historically, the General Fund would have recorded a year-end transfer to the Local Streets Fund to support future road projects. Due to lower property tax revenue, these resources were not available to transfer in 2016. 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 \$1.7 million has been expended for neighborhood road improvements through the end of fiscal year 2016. During fiscal year 2016, 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 2016.

As a result of an energy audit of the City's existing facilities, it was determined that significant annual savings could be achieved by replacing old infrastructure, including boilers, rooftop air conditioners, and windows located at various city facilities. The City Council approved the \$3.4 million project, which began in June 2014 and was completed in Spring 2015. During fiscal year 2015, the City expended \$3.3 million for this project. In total, the fund balance in the Capital Projects Fund decreased by \$1.5 million during fiscal year 2015 as a result of this project. Special assessment collections, capital grants, and operating transfers from other funds primarily support the activities within this fund.

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.

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



# City of Roseville, Michigan

## Management's Discussion and Analysis (Continued)

### 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 2016. The amended budget included a \$0.7 million increase in revenue in the General Fund. This included increases of \$0.1 million for property tax revenue, \$0.1 million for licenses and permits, \$0.2 million for state-shared revenue and grants, \$0.3 million for charges for services, and \$0.2 million for other fees and miscellaneous income. These increases were offset by decreases of \$0.1 million for fines and forfeitures and \$0.1 million for federal grants. In total, the General Fund amended budget for expenditures increased by approximately \$0.7 million or 2.1 percent primarily attributed to increases in general government expenditures in the amount of \$0.5 million and public safety expenditures in the amount of \$0.3 million offset by a decrease in community and economic development and recreation and culture expenditures of approximately \$0.1 million. For fiscal year 2016, the City's original operating budget was a balanced document and reflected no utilization of fund balance. At June 30, 2016, the City recorded a net surplus of approximately \$0.1 million. 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.

### Capital Assets and Long-term Debt Administration

At year end, the City had approximately \$105.0 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 2016, the total value of the City's governmental infrastructure assets, net of depreciation, increased \$1.7 million or 4.2 percent from \$40.8 million in 2015 to \$42.5 million in 2016. 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.

# **City of Roseville, Michigan**

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

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 2016 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.

# 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 are anticipated to continue to increase in 2017, property assessments declined in 2016 and are anticipated to continue to decline in 2017 due to a phase-out of personal property taxes by the State of Michigan. Property taxes account for approximately 56 percent of the City's General Fund operating budget. Total property assessments decreased by approximately 3 percent in 2009 and by approximately 11 percent annually for fiscal years 2010 to 2013, and remained flat in 2014. Total property assessments increased by approximately 2 percent in 2015 but decreased by approximately 1.5 percent in 2016 as a result of the personal property tax phase-out. For fiscal year 2016-2017, the City's total assessed value decreased from \$.874 billion to \$.861 billion. Although this results in approximately \$0.3 million less 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 is approximately \$0.7 million. The City's assessor projects a 7 percent increase in real property values annually beginning in fiscal year 2016. A decrease in personal property values is expected due to further personal property tax phase-outs, but reimbursement for lost revenue continues to be expected from the State of Michigan. Unfortunately, the City is considered nearly developed and as such does not foresee a great deal of potential growth in the tax base from new construction. Declining property tax revenue since 2008 has resulted in a cumulative loss of nearly \$35 million. For example, in 2017, 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 begun to decrease by the full assessment decline. Even when future property values stabilize, Proposal A will limit future increases in property value to the rate of inflation. This suppression of future increases in property values will hamper the City's financial recovery 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 non-taxable 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 non-taxed/non-buildable parcels to adjacent property owners, again placing them back onto the active tax rolls and eliminating City-borne maintenance costs.

# City of Roseville, Michigan

## Management's Discussion and Analysis (Continued)

Although the City's second largest revenue source, state revenue sharing, remained consistent in 2016 compared to 2015, 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 2016 were \$4.5 million, even after stringent CVTRS compliance. Revenue sharing represents approximately 12 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 \$41 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. For fiscal year 2016, city management was able to negotiate the continuation of many prior year concessions to negate some of its 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 66.1 percent funded due to volatile financial markets and changes in actuarial assumptions. For 2017 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 wages and other fringe benefits for both current employees and future retirees. Staff restructuring and utilizing alternative methods to provide essential city services, where economically feasible, are avenues under consideration by city management to control costs and improve efficiency.

The most adverse impact to fiscal year 2016 and beyond continues to be the required funding for current and future retiree healthcare benefits. GASB Statement No. 45, which became effective June 30, 2009, requires the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. Despite increased designations over the past eight years to fund future retiree medical costs, the City, like most communities, remains severely underfunded with regard to this pronouncement.

# 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 2016. In 2016, the City's General Fund balance increased approximately \$0.1 million, from \$4.4 million to over \$4.5 million. In 2015, the City's General Fund fund increased approximately \$0.2 million, from \$4.2 million to \$4.4 million. For fiscal year 2017, the City's operating budget is a balanced document and continues to reflect no utilization of fund balance. The 2016-2017 operating budget was predicated on utilizing savings generated from comprehensive contract wage and benefit 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 2017-2018, at which time the financial status of fiscal year 2017 will be re-evaluated. The City is currently projecting budgetary deficits of nearly \$0.3 million for fiscal year 2017-2018 attributed to the need for capital replacement and other economic factors. 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 bond rating from Standard & Poor's. The recent upgrade from A stable to A plus has saved the City thousands of dollars in annual interest costs.

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, deepening state revenue-sharing cuts, and higher pension and OPEB contribution requirements, supported by shrinking workforces and volatile market values, the City continues to face unprecedented and permanent structural financial challenges. City government is a service to city residents and therefore, its primary costs are personnel related. 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 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. Although the City has been assured replacement revenue from the elimination of personal property taxes impacting essential services, structural changes being implemented at the city level must continue to be permanent in nature to offset this lost revenue.

# **City of Roseville, Michigan**

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## **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 will open the doors 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 are planned to be implemented in 2017 that will 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, 2016

	Primary Government			Component Unit - Downtown Development Authority
	Governmental	Business-type	Total	
	Activities	Activities		
<b>Assets</b>				
Cash and investments (Note 3)	\$ 27,069,599	\$ 5,103,633	\$ 32,173,232	\$ -
Receivables:				
Property taxes receivable - Net of allowance	401,769	-	401,769	-
Receivables from sales to customers on account	-	4,257,953	4,257,953	-
Accrued interest receivable	75,716	-	75,716	-
Due from Employees' Benefit Trust Fund	115,884	-	115,884	-
Other receivables	2,567,304	39,025	2,606,329	-
Due from other governmental units	1,875,888	-	1,875,888	-
Investment in joint ventures (Note 9)	463,548	5,080,466	5,544,014	-
RARE loan (Note 9)	-	787,021	787,021	-
Special assessments receivable	14,382	-	14,382	-
Due from primary government	-	-	-	222
Internal balances (Note 5)	49,043	(49,043)	-	-
Inventory	475,124	167,461	642,585	-
Prepaid expenses	871,015	88,819	959,834	-
Restricted assets	14,107	-	14,107	-
Capital assets (Note 4):				
Assets not subject to depreciation	32,100,121	-	32,100,121	-
Assets subject to depreciation	54,654,077	18,205,298	72,859,375	-
Total assets	120,747,577	33,680,633	154,428,210	222
<b>Deferred Outflows of Resources</b> - Deferred outflows related to pensions	18,479,450	2,008,268	20,487,718	-
<b>Liabilities</b>				
Accounts payable	3,051,840	784,393	3,836,233	222
Due to other governmental units	-	73,639	73,639	-
Due to component units	222	-	222	-
Refundable deposits, bonds, etc.	245,890	46,155	292,045	-
Accrued liabilities and other current liabilities	441,583	20,057	461,640	-
Payable to joint ventures (Note 9)	2,484,813	-	2,484,813	-
Noncurrent liabilities (Note 6):				
Due within one year (Note 6):				
Compensated absences	1,091,621	110,909	1,202,530	-
Current portion of long-term debt	1,204,390	231,125	1,435,515	-
Due in more than one year:				
Compensated absences (Note 6)	1,845,860	230,483	2,076,343	-
Net OPEB obligation (Note 14)	63,366	69,071	132,437	-
Net pension liability (Note 13)	58,913,810	6,402,502	65,316,312	-
Long-term debt (Note 6)	7,950,248	3,019,979	10,970,227	-
Total liabilities	77,293,643	10,988,313	88,281,956	222
<b>Deferred Inflows of Resources</b> - Deferred inflows related to pensions	4,158,236	451,899	4,610,135	-
<b>Net Position</b>				
Net investment in capital assets	77,613,667	14,954,194	92,567,861	-
Restricted for:				
Streets and highways	7,232,248	-	7,232,248	-
Debt service	918,238	-	918,238	-
Drug law enforcement	1,858,879	-	1,858,879	-
Library authority	263,149	-	263,149	-
Grants	283,455	-	283,455	-
Capital improvements	24,107	-	24,107	-
Unrestricted	(30,418,595)	9,294,495	(21,124,100)	-
Total net position	\$ 57,775,148	\$ 24,248,689	\$ 82,023,837	\$ -

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
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 14,293,548	\$ 3,182,730	\$ 81,057	\$ -
Public safety	21,137,917	2,181,643	724,711	-
Public works	7,097,359	257,857	4,287,146	4,771
Community and economic development	582,603	104,941	-	-
Recreation and culture	1,371,868	12,897	89,542	-
Interest on long-term debt	335,786	-	-	-
Total governmental activities	44,819,081	5,740,068	5,182,456	4,771
Business-type activities - Water and sewer	15,060,061	13,476,800	220,912	-
Total primary government	<u>\$ 59,879,142</u>	<u>\$ 19,216,868</u>	<u>\$ 5,403,368</u>	<u>\$ 4,771</u>
Component unit - Downtown Development Authority	<u>\$ 1,275</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				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				



**Statement of Activities**  
**Year Ended June 30, 2016**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit - Downtown Development Authority
Governmental Activities	Business-type Activities	Total	
\$ (11,029,761)	\$ -	\$ (11,029,761)	\$ -
(18,231,563)	-	(18,231,563)	-
(2,547,585)	-	(2,547,585)	-
(477,662)	-	(477,662)	-
(1,269,429)	-	(1,269,429)	1,275
(335,786)	-	(335,786)	-
(33,891,786)	-	(33,891,786)	(1,275)
-	(1,362,349)	(1,362,349)	-
(33,891,786)	(1,362,349)	(35,254,135)	(1,275)
-	-	-	(1,275)
21,307,179	-	21,307,179	-
4,552,457	-	4,552,457	-
69,046	43,354	112,400	-
914,553	-	914,553	-
2,217,732	-	2,217,732	1,275
248,632	79,725	328,357	-
29,309,599	123,079	29,432,678	1,275
(4,582,187)	(1,239,270)	(5,821,457)	-
62,357,335	25,487,959	87,845,294	-
<b>\$ 57,775,148</b>	<b>\$ 24,248,689</b>	<b>\$ 82,023,837</b>	<b>\$ -</b>

# City of Roseville, Michigan

## Governmental Funds Balance Sheet June 30, 2016

	General Fund	Special Revenue Funds		Capital Projects Fund	Nonmajor Funds	Total
		Major Streets Fund	Local Streets Fund			
<b>Assets</b>						
Cash and investments (Note 3)	\$ 3,614,034	\$ 5,294,887	\$ 771,246	\$ 1,828,355	\$ 3,581,934	\$ 15,090,456
Receivables:						
Property taxes receivable	382,903	-	-	9,323	18,543	410,769
Special assessments receivable	-	-	-	14,382	-	14,382
Accrued interest receivable	75,716	-	-	-	-	75,716
Due from Employees' Pension Trust Fund	115,884	-	-	-	-	115,884
Other receivables	1,949,650	-	-	15,038	428,297	2,392,985
Due from other governmental units	767,284	577,950	506,004	-	24,650	1,875,888
Due from other funds (Note 5)	10,563	635,379	15,863	239,522	49,031	950,358
Inventory	-	-	-	-	5,500	5,500
Prepaid expenses	728,070	-	-	-	22,169	750,239
Restricted assets	-	-	-	14,107	-	14,107
<b>Total assets</b>	<b>\$ 7,644,104</b>	<b>\$ 6,508,216</b>	<b>\$ 1,293,113</b>	<b>\$ 2,120,727</b>	<b>\$ 4,130,124</b>	<b>\$ 21,696,284</b>
<b>Liabilities</b>						
Accounts payable	\$ 705,423	\$ 16,634	\$ 552,447	\$ 665	\$ 97,450	\$ 1,372,619
Due to component units	222	-	-	-	-	222
Due to other funds (Note 5)	438,879	-	-	-	661,805	1,100,684
Refundable deposits, bonds, etc.	245,890	-	-	-	-	245,890
Accrued liabilities and other	329,698	-	-	-	47,148	376,846
Compensated absences	86,874	-	-	-	-	86,874
<b>Total liabilities</b>	<b>1,806,986</b>	<b>16,634</b>	<b>552,447</b>	<b>665</b>	<b>806,403</b>	<b>3,183,135</b>
<b>Deferred Inflows of Resources</b>						
- Unavailable revenue	1,279,987	-	259,937	25,260	388,408	1,953,592
<b>Fund Balances</b>						
Nonspendable	728,070	-	-	-	22,169	750,239
Restricted:						
Streets and highways	-	6,491,582	480,729	-	-	6,972,311
Debt service	-	-	-	-	905,935	905,935
Grants	-	-	-	-	264,397	264,397
Capital improvements	10,000	-	-	14,107	-	24,107
Library authority	-	-	-	-	231,996	231,996
Drug law enforcement	-	-	-	-	1,522,039	1,522,039
Committed - Road construction projects	-	-	-	1,171,438	-	1,171,438
Assigned:						
Compensated absences	1,004,747	-	-	-	-	1,004,747
Capital projects	1,122,878	-	-	909,257	-	2,032,135
Unassigned	1,691,436	-	-	-	(11,223)	1,680,213
<b>Total fund balances</b>	<b>4,557,131</b>	<b>6,491,582</b>	<b>480,729</b>	<b>2,094,802</b>	<b>2,935,313</b>	<b>16,559,557</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 7,644,104</b>	<b>\$ 6,508,216</b>	<b>\$ 1,293,113</b>	<b>\$ 2,120,727</b>	<b>\$ 4,130,124</b>	<b>\$ 21,696,284</b>

# City of Roseville, Michigan

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2016

<b>Fund Balance Reported in Governmental Funds</b>	\$ 16,559,557
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	86,754,198
Equity interests in joint ventures are not reported in the funds	(2,021,265)
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	1,953,592
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(9,154,637)
Accrued interest is not due and payable in the current period and is not reported in the funds	(64,737)
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	(2,850,608)
Allowance for doubtful account is not reported in the funds for taxes receivable to be collected over several years	(9,000)
Other long-term liabilities do not present a claim on current financial resources and are not reported as fund liabilities	(790,505)
Net pension liability is not due and payable in the current period and is not reported in the funds	(58,913,810)
Net OPEB obligation is not due and payable in the current period and is not reported in the funds	(63,366)
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	14,321,214
Inventory is not available to pay for current period expenditures	469,624
Internal service funds are included as part of governmental activities	<u>11,584,891</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 57,775,148</u></b>

# City of Roseville, Michigan

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2016

	Major Special Revenue Funds					Total
	General Fund	Major Streets Fund	Local Streets Fund	Capital Projects Fund	Nonmajor Funds	
<b>Revenue</b>						
Property taxes	\$ 19,371,200	\$ -	\$ -	\$ -	\$ 1,954,397	\$ 21,325,597
Licenses and permits	1,260,449	-	-	-	-	1,260,449
Federal grants	666,970	-	-	-	572,938	1,239,908
State-shared revenue and grants	4,590,804	2,644,231	787,685	-	315,374	8,338,094
Charges for services	1,638,618	-	-	-	-	1,638,618
Fines and forfeitures	3,262,818	-	-	-	12,897	3,275,715
Investment income	31,537	20,842	2,240	5,896	8,531	69,046
Rental income	-	-	-	8,250	-	8,250
Other revenue:						
Local donations	-	-	-	-	11,727	11,727
Cable franchise fees	914,553	-	-	-	-	914,553
Other fees and miscellaneous income	2,655,111	-	466,115	84,686	348,129	3,554,041
Total revenue	<u>34,392,060</u>	<u>2,665,073</u>	<u>1,256,040</u>	<u>98,832</u>	<u>3,223,993</u>	<u>41,635,998</u>
<b>Expenditures</b>						
Current:						
General government	13,709,937	-	-	190,865	-	13,900,802
Public safety	17,779,773	-	-	-	491,001	18,270,774
Public works	2,217,906	599,966	4,464,218	310,653	-	7,592,743
Community and economic development:						
Redevelopment and housing	-	-	-	-	485,788	485,788
Planning, zoning, and related	-	-	-	-	37,697	37,697
Other community and economic development	59,118	-	-	-	-	59,118
Recreation and culture	119,695	-	-	-	1,003,466	1,123,161
Other charges	-	-	-	-	532,048	532,048
Debt service:						
Principal	-	-	-	-	1,231,550	1,231,550
Interest on long-term debt	-	-	-	-	310,239	310,239
Total expenditures	<u>33,886,429</u>	<u>599,966</u>	<u>4,464,218</u>	<u>501,518</u>	<u>4,091,789</u>	<u>43,543,920</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	505,631	2,065,107	(3,208,178)	(402,686)	(867,796)	(1,907,922)
<b>Other Financing Sources (Uses)</b>						
Face value of debt issue	634,650	-	-	-	-	634,650
Proceeds from sale of properties	-	-	-	300,596	-	300,596
Transfers in (Note 5)	-	879,918	1,968,966	264,760	508,700	3,622,344
Transfers out (Note 5)	(1,005,499)	(1,953,103)	-	-	(663,742)	(3,622,344)
Total other financing (uses) sources	<u>(370,849)</u>	<u>(1,073,185)</u>	<u>1,968,966</u>	<u>565,356</u>	<u>(155,042)</u>	<u>935,246</u>
<b>Net Change in Fund Balances</b>	134,782	991,922	(1,239,212)	162,670	(1,022,838)	(972,676)
<b>Fund Balances - Beginning of year</b>	4,422,349	5,499,660	1,719,941	1,932,132	3,958,151	17,532,233
<b>Fund Balances - End of year</b>	<u>\$ 4,557,131</u>	<u>\$ 6,491,582</u>	<u>\$ 480,729</u>	<u>\$ 2,094,802</u>	<u>\$ 2,935,313</u>	<u>\$ 16,559,557</u>

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

# City of Roseville, Michigan

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2016

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ (972,676)
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	4,591,412
Depreciation expense	(2,475,992)
Net book value of assets disposed of	(51,966)
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	(100,381)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,268,385
Proceeds from debt issuance provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position	(634,650)
Change in accrued interest payable and other	21,536
Change in investment in joint ventures	(666,200)
Decrease in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	26,581
Pension expense is recognized in the statement of activities when incurred, but in the governmental funds when paid	(5,065,832)
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)	(347,083)
Usage of inventory is an expense in the governmental funds but not in the statement of activities, where it decreases inventory asset balance	79,074
Bond premiums are not recorded in the governmental funds	3,574
Change in liabilities that do not present a claim on current financial resources	(258,486)
Internal service funds are included as part of the governmental activities	517
<b>Change in Net Position of Governmental Activities</b>	<b>\$ (4,582,187)</b>

# City of Roseville, Michigan

## Proprietary Funds Statement of Net Position June 30, 2016

	Enterprise Fund	Governmental Activities
	Water and Sewer Fund	Proprietary Internal Service Funds
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 5,103,633	\$ 12,095,102
Receivables:		
Receivables from sales to customers on account	4,257,953	-
Other receivables	39,025	42,360
Investment in SEMSD (Note 9)	5,080,466	-
Loan receivable - RARE	787,021	-
Due from other funds	-	199,369
Inventory	167,461	-
Prepaid expenses	88,819	136,777
Total current assets	15,524,378	12,473,608
Noncurrent assets - Capital assets (Note 4)	18,205,298	-
Total assets	33,729,676	12,473,608
<b>Deferred Outflows of Resources</b> - Deferred outflows related to pensions	2,008,268	-
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	784,393	-
Due to other governmental units	73,639	-
Due to other funds	49,043	-
Refundable deposits, bonds, etc.	46,155	-
Accrued liabilities and other	20,057	-
Compensated absences (Note 6)	110,909	-
Provision for claims	-	888,717
Current portion of long-term debt (Note 6)	231,125	-
Total current liabilities	1,315,321	888,717
Noncurrent liabilities:		
Compensated absences (Note 6)	230,483	-
Net OPEB obligation (Note 14)	69,071	-
Net pension liability (Note 13)	6,402,502	-
Long-term debt (Note 6)	3,019,979	-
Total noncurrent liabilities	9,722,035	-
Total liabilities	11,037,356	888,717
<b>Deferred Inflows of Resources</b> - Deferred inflows related to pensions	451,899	-
<b>Net Position</b>		
Net investment in capital assets	14,954,194	-
Unrestricted	9,294,495	11,584,891
Total net position	\$ 24,248,689	\$ 11,584,891

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

# City of Roseville, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2016

	Enterprise Fund	Governmental Activities
	Water and Sewer Fund	Proprietary Internal Service Funds
<b>Operating Revenue</b>		
Sale of water	\$ 2,340,953	\$ -
Sewage disposal charges	6,924,084	-
Maintenance charges	3,729,226	-
Interest and penalty charges	328,648	-
Other miscellaneous revenue	153,889	-
Charges to other funds	-	7,158,338
	13,476,800	7,158,338
Total operating revenue		
<b>Operating Expenses</b>		
Cost of water	2,413,492	-
Cost of sewage treatment	7,433,875	-
Billing and administrative costs	1,622,462	127,041
Benefit payments and other costs	1,969,726	7,063,921
Depreciation	671,285	-
	14,110,840	7,190,962
Total operating expenses		
<b>Operating Loss</b>	(634,040)	(32,624)
<b>Nonoperating Revenue</b>		
Investment income	43,354	33,141
Loss from joint venture	(949,221)	-
Gain on sale of assets	79,725	-
Grants	220,912	-
	(605,230)	33,141
Total nonoperating (expenses) revenue		
<b>Change in Net Position</b>	(1,239,270)	517
<b>Net Position - Beginning of year</b>	25,487,959	11,584,374
<b>Net Position - End of year</b>	\$ 24,248,689	\$ 11,584,891

# City of Roseville, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2016

	Enterprise Fund	Governmental Activities
	Water and Sewer Fund	Proprietary Internal Service Funds
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 13,426,788	\$ -
Receipts from interfund services and reimbursements	4,531	9,490,144
Payments to suppliers	(12,392,637)	(4,757)
Payments to employees	(1,225,841)	-
Internal activity - Payments from (to) other funds	49,043	(19,495)
Claims paid	-	(7,425,702)
	(138,116)	2,040,190
<b>Net cash (used in) provided by operating activities</b>		
<b>Cash Flows from Capital and Related Financing Activities</b>		
Issuance of bonds	149,747	-
Capital grants and subsidies	220,912	-
Proceeds from sales of capital assets	79,725	-
Purchase of capital assets	(3,580,131)	-
Principal and interest paid on capital debt	(268,016)	-
	(3,397,763)	-
<b>Net cash used in capital and related financing activities</b>		
<b>Cash Flows from Investing Activities - Interest received on investments</b>	43,354	33,141
	(3,492,525)	2,073,331
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>		
<b>Cash and Cash Equivalents - Beginning of year</b>	8,596,158	10,021,771
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 5,103,633</b>	<b>\$ 12,095,102</b>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
Operating loss	\$ (634,040)	\$ (32,624)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	671,285	-
Changes in assets and liabilities:		
Receivables	(50,012)	(17,864)
Due from others	4,531	2,331,806
Inventories	(48,262)	-
Prepaid and other assets	(54,121)	(4,757)
Accounts payable	(848,455)	-
Due to others	49,043	(19,495)
Estimated claims liability	-	(216,876)
Accrued and other liabilities	1,362,885	-
Due to other governmental units	(590,970)	-
Cash bond and deposits	-	-
	(138,116)	2,040,190
<b>Net cash (used in) provided by operating activities</b>	<b>\$ (138,116)</b>	<b>\$ 2,040,190</b>

**Noncash Investing, Capital, and Financing Activities** - During the year ended June 30, 2016, there were no noncash activities.



# City of Roseville, Michigan

## Fiduciary Funds Statement of Fiduciary Net Position June 30, 2016

	Pension and Other Employee Benefit Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 167,075	\$ 471,926
Investments:		
U.S. government securities	8,627,646	-
Municipal bonds	826,628	-
Stocks	57,354,561	-
Bonds	6,777,585	-
Common collective trusts	20,343,069	-
Mutual funds	15,371,025	-
Limited partnerships	24,712,400	-
Receivables:		
Accrued interest receivable	144,126	-
Other receivables	392,615	3,720
Total assets	134,716,730	\$ 475,646
<b>Liabilities</b>		
Accounts payable	357,921	\$ 73,257
Due to other governmental units	-	186,424
Due to primary government	115,884	-
Refundable deposits, bonds, etc.	-	101,994
Accrued liabilities and other	79,291	113,971
Total liabilities	553,096	\$ 475,646
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<b>\$ 134,163,634</b>	

# City of Roseville, Michigan

## Fiduciary Funds Statement of Changes in Fiduciary Net Position - Pension and Other Employee Benefit Trust Funds Year Ended June 30, 2016

	Pension and Other Employee Benefit Trust Funds
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 3,240,179
Net decrease in fair value of investments	(5,160,967)
Investment-related expenses	(922,827)
Net investment loss	(2,843,615)
Contributions:	
Employer	9,217,640
Employee	1,397,309
Total contributions	10,614,949
Other additions	151,695
Total additions	7,923,029
<b>Deductions</b>	
Pension benefit payments	13,600,968
Health benefits	4,095,517
Administrative expenses	171,591
Total deductions	17,868,076
<b>Net Decrease in Net Position Held in Trust</b>	(9,945,047)
<b>Net Position Held in Trust for Pension and Other Employee Benefits -</b> Beginning of year	144,108,681
<b>Net Position Held in Trust for Pension and Other Employee Benefits - End</b> of year	<b>\$134,163,634</b>

### **Note I - Summary of Significant Accounting Policies**

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

#### **Reporting Entity**

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

Further, 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:

<u>Capital Asset Class</u>	<u>Lives (in Years)</u>
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. Further, 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 2016 tax is levied and collectible on July 1, 2015 and December 31, 2015 and is recognized as revenue in the year ended June 30, 2016, when the proceeds of the levy are budgeted and available for the financing of operations.

The current year taxable valuation of the City totaled \$874 million, on which taxes levied consisted of 19.0391 mills for operating purposes, 2.5548 mills for refuse collections, 0.2555 mills for debt service, 1.0000 mills for the Chapter 20 Drain Fund, and 1.0000 mills for the library. This resulted in \$18,822,000 for operating and refuse collections, \$223,000 for debt service, \$877,000 for the Chapter 20 Drain Fund, and \$860,000 for the library. These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as tax revenue.

### **Note I - Summary of Significant Accounting Policies (Continued)**

**Pension** - The City 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, 2016

### 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, 2015		\$ (6,941,459)
Current year permit revenue		961,743
Related expenses:		
Direct costs	\$ 1,222,508	
Estimated indirect costs	<u>122,251</u>	1,344,759
Current year shortfall		<u>(383,016)</u>
Cumulative shortfall at June 30, 2016		<u>\$ (7,324,475)</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 \$3,251,722 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, 2016

### 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	\$ 8,129,085	1.19
Municipal bonds	7,004,778	.79
Total	\$ 15,133,863	
Employees' Retirement System:		
U.S. government agency securities	\$ 7,881,892	19.61
Corporate bonds	6,044,562	9.39
Foreign bonds	255,349	12.37
Municipal bonds	813,686	10.90
Total	\$ 14,995,489	
Retiree Health Care Benefits Trust:		
U.S. government agency securities	\$ 745,754	4.52
Municipal bonds	12,942	0.09
Corporate bonds	477,674	2.45
Total	\$ 1,236,370	

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2016

### 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	\$ 200,758	AAA	S&P
Municipal bonds	2,547,605	AA+ to AA-	S&P
Municipal bonds	307,502	A+ to A	S&P
Municipal bonds	110,061	AAA	Moody's
Municipal bonds	834,651	AA+ to AA-	Moody's
Municipal bonds	3,004,201	Not Rated	
U.S. government or agency bond or note	2,612,402	AAA	Moody
U.S. government or agency bond or note	<u>5,516,683</u>	AA+ to AA-	S&P
Total	<u>\$ 15,133,863</u>		
Employees' Retirement System:			
Corporate bonds	\$ 981,123	AAA	S&P
Corporate bonds	634,086	AA+ to AA-	S&P
Corporate bonds	2,281,122	A+ to A-	S&P
Corporate bonds	1,964,707	BBB+ to BBB-	S&P
Corporate bonds	183,524	Not rated	-
Foreign bonds	203,257	A+ to A-	S&P
Foreign bonds	52,092	BBB+ to BBB-	S&P
Municipal bond	673,810	AA+ to AA-	S&P
Municipal bond	79,055	A+ to A-	S&P
Municipal bond	60,821	Not rated	-
U.S. government agency securities	1,240,027	AA+ to AA-	S&P
U.S. government agency securities	<u>6,641,865</u>	Not Rated	-
Total	<u>\$ 14,995,489</u>		
Retiree Health Care Benefits Trust:			
Municipal bonds	\$ 12,942	BBB+	S&P
Corporate bonds	13,532	AAA	S&P
Corporate bonds	68,217	AA+ to AA-	S&P
Corporate bonds	198,910	A+ to A-	S&P
Corporate bonds	197,015	BBB+ to BBB-	S&P
U.S. government agency securities	600,359	AAA	S&P
U.S. government agency securities	<u>145,395</u>	AA+ to AA-	S&P
Total	<u>\$ 1,236,370</u>		

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

**Concentration of Credit Risk** - The City places no limit on the amount it may invest in any one issuer. More than 5 percent of the Employees' Retirement System's investments are in Loomis Core Plus Full Distribution, iShares, and HGK Trinity Street International; these investments are 11.42 percent, 8.14 percent, and 8.13 percent of the Employees' Retirement System's total investments, respectively.

**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, 2016, 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, 2016 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, 2016, 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, 2016 were \$13,783,313 and \$13,542,044, respectively.



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

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.

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.

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2016

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

The City has the following recurring fair value measurements as of June 30, 2016:

#### Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2016	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)
<b>Investments by fair value level:</b>				
Debt securities:				
Bond funds	\$ 5,511,335	\$ -	\$ 5,511,335	\$ -
Mortgage-backed securities	4,321,407	-	4,321,407	-
Total debt securities	9,832,742	-	9,832,742	-
Equity securities:				
Money market funds	5,850,571	-	5,850,571	-
Equity funds	62,575,998	62,575,998	-	-
Total equity securities	68,426,569	62,575,998	5,850,571	-
Governmental securities:				
U.S. Treasury securities	2,796,822	2,796,822	-	-
U.S. governmental bonds	2,021,183	2,021,183	-	-
Governmental mortgage securities	7,630,262	-	7,630,262	-
Municipal bonds	5,723,721	-	5,723,721	-
Total governmental securities	18,171,988	-	13,353,983	-
Asset-backed securities	1,116,209	-	1,116,209	-
Certificates of deposit	2,055,950	-	2,055,950	-
Private equity funds	29,568,900	-	-	29,568,900
Total investments by fair value level	129,172,358	\$ 58,152,125	\$ 32,209,455	\$ 29,568,900
<b>Investments measured at net asset value (NAV) - Common collective trusts</b>				
	20,343,069			
Total investments measured at fair value	\$ 149,515,427			

Equity and governmental securities classified in Level 1 are valued using prices quoted in active markets for those securities.

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

The fair value of certain debt, governmental, asset-backed securities, and certificates of deposits at June 30, 2016 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.

The fair value of private equity funds at June 30, 2016 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, or similar techniques taking into account the characteristics of the asset.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is calculated by taking assets less liabilities. At June 30, 2016, there were no unfunded commitments or redemption rules for investments measured at the net asset value.

### Note 4 - Capital Assets

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

	Balance July 1, 2015	Additions	Disposals/ Transfers	Balance June 30, 2016
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 31,210,455	\$ 93,155	\$ -	\$ 31,303,610
Construction in progress	-	796,511	-	796,511
Subtotal	31,210,455	889,666	-	32,100,121
Capital assets being depreciated:				
Infrastructure	82,525,478	3,006,193	-	85,531,671
Buildings and improvements	19,550,624	195,540	-	19,746,164
Machinery and equipment	14,106,398	500,013	(386,124)	14,220,287
Subtotal	116,182,500	3,701,746	(386,124)	119,498,122
Accumulated depreciation:				
Infrastructure	41,697,352	1,305,094	-	43,002,446
Buildings and improvements	8,866,649	601,144	-	9,467,793
Machinery and equipment	12,138,210	569,754	(334,158)	12,373,806
Subtotal	62,702,211	2,475,992	(334,158)	64,844,045
Net capital assets being depreciated	53,480,289	1,225,754	(51,966)	54,654,077
Net capital assets	<u>\$ 84,690,744</u>	<u>\$ 2,115,420</u>	<u>\$ (51,966)</u>	<u>\$ 86,754,198</u>

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2016

### Note 4 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2015	Additions	Disposals/ Transfers	Balance June 30, 2016
Capital assets being depreciated:				
Water and sewer lines	\$ 26,424,881	\$ 349,138	\$ -	\$ 26,774,019
Buildings and improvements	626,654	-	-	626,654
Machinery and equipment	6,322,114	3,314,011	(16,514)	9,619,611
Subtotal	33,373,649	3,663,149	(16,514)	37,020,284
Accumulated depreciation:				
Water and sewer lines	14,571,636	379,856	-	14,951,492
Buildings and improvements	136,979	26,087	-	163,066
Machinery and equipment	3,451,598	265,344	(16,514)	3,700,428
Subtotal	18,160,213	671,287	(16,514)	18,814,986
Net capital assets being depreciated	15,213,436	2,991,862	-	18,205,298
Net capital assets	\$ 15,213,436	\$ 2,991,862	\$ -	\$ 18,205,298

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

Governmental activities:

General government	\$ 292,021
Public safety	528,724
Public works	1,364,402
Recreation and culture	290,845
Total governmental activities	<u>\$ 2,475,992</u>

Business-type activities - Water and sewer \$ 671,287

**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 \$2,238,750. The remaining commitments for these projects are \$362,023 and \$83,832, respectively.

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2016

### Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From			Total	Component Unit
	General Fund	Water and Sewer Fund	Nonmajor Governmental Funds		
General fund	\$ -	\$ -	\$ 10,563	\$ 10,563	\$ 222
Local roads	-	-	15,863	15,863	-
Major roads	-	-	635,379	635,379	-
Internal service fund - Workers' compensation fund	55,430	12	-	55,442	-
Internal service fund - Employee benefits fund	143,927	-	-	143,927	-
Capital projects fund	239,522	-	-	239,522	-
Nonmajor governmental funds	-	49,031	-	49,031	-
<b>Total</b>	<b>\$ 438,879</b>	<b>\$ 49,043</b>	<b>\$ 661,805</b>	<b>\$ 1,149,727</b>	<b>\$ 222</b>

The General Fund has an interfund receivable of \$115,884 from the Employees' Pension Trust Fund as of year end related to administrative costs paid by the General Fund.

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

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

Transfers In	Transfers Out			Total
	General Fund	Major Streets Fund	Nonmajor Governmental Funds	
Local streets fund	\$ -	\$ 1,953,103	\$ 15,863	\$ 1,968,966
Major streets fund	244,539	-	635,379	879,918
Capital projects fund	252,260	-	12,500	264,760
Nonmajor funds	508,700	-	-	508,700
<b>Total</b>	<b>\$ 1,005,499</b>	<b>\$ 1,953,103</b>	<b>\$ 663,742</b>	<b>\$ 3,622,344</b>

The transfer from the Major Streets Fund to the Local Streets Fund is to help support local road projects. The transfers from the Nonmajor Funds to the Major and Local Streets Funds are to return initial funding of the Debt Service Fund. The transfers from the General Fund to the Capital Projects Fund are for various capital projects. The transfer from the General Fund to the Major Streets Fund are for road work projects. The transfers from the General Fund to the nonmajor funds are for loan/debt current year obligations. The transfer from the General fund to the Component Unit was for current year expenses.

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2016

### 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, 2016:

Description	Amount
<b>Governmental Activities</b>	
<u>General Obligations:</u>	
Building Authority Limited Tax General Obligation Refunding Bonds - Series 2006	\$ 1,880,000
Michigan Business Connection Fire Truck Loan	634,650
Southeast Michigan Regional Energy Office - Interior Lighting Agreement	26,281
Southeast Michigan Regional Energy Office - Exterior Lighting Agreement	113,311
Subtotal	2,654,242
<u>County Contractual Obligations:</u>	
Lake St. Clair Water Initiative Drainage District - 2001 Series A	1,573,466
Lake St. Clair Water Initiative Drainage District - 2002 Series A	345,257
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-01	1,795,188
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-02	1,265,481
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-03	244,456
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-05	158,444
Lake St. Clair Water Initiative Drainage District - 2004 Series A Refunded Bond Premium	1,035,282
Subtotal	6,500,395
<u>Other Obligations - Compensated absences</u>	2,850,608
Total governmental activity debt	\$ 12,005,245

Description	Amount
<b>Business-type Activities</b>	
<u>Limited Tax General Obligation Bonds:</u>	
Clean Water Program 5373-01	\$ 3,168,598
Clean Water Program 5605-01	82,506
Subtotal	3,251,104
<u>Other Obligations:</u>	
Compensated absences	341,392
Total business-type activity debt	\$ 3,592,496

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2016

### Note 6 - Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
General obligations	\$ 9,737,720	\$ 685,302	\$ (1,268,385)	\$ 9,154,637	\$ 1,204,390
Accumulated compensated absences	2,982,312	880,006	(1,011,710)	2,850,608	1,091,621
Total governmental activities	\$ 12,720,032	\$ 1,565,308	\$ (2,280,095)	\$ 12,005,245	\$ 2,296,011
<b>Business-type Activities</b>					
Bonds	\$ 3,286,357	\$ 149,747	\$ (185,000)	\$ 3,251,104	\$ 231,125
Accumulated compensated absences	340,192	85,433	(84,233)	341,392	110,909
Total business-type activities	\$ 3,626,549	\$ 235,180	\$ (269,233)	\$ 3,592,496	\$ 342,034

Total interest expense for the year was approximately \$336,000. 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
2017	\$ 1,204,390	\$ 284,933	\$ 1,489,323	\$ 231,125	\$ 81,445	\$ 312,570
2018	1,232,225	247,357	1,479,582	231,125	76,524	307,649
2019	1,266,179	207,606	1,473,785	195,256	70,746	266,002
2020	1,310,485	165,614	1,476,099	200,000	65,099	265,099
2021	833,272	132,473	965,745	205,000	59,840	264,840
2022-2026	2,204,667	368,059	2,572,726	1,115,000	219,450	1,334,450
2027-2031	1,103,419	88,712	1,192,131	1,073,598	72,825	1,146,423
Total	\$ 9,154,637	\$ 1,494,754	\$ 10,649,391	\$ 3,251,104	\$ 645,929	\$ 3,897,033

**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, 2016, \$1,800,000 of bonds outstanding are considered defeased.

### Note 6 - Long-term Debt (Continued)

**County Contractual Obligations** - The above contractual obligations to Macomb 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 \$7,713,792. During the current year, net revenue of the system was \$870,034 compared to the annual debt requirements of \$817,033.

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

Under the employee medical benefit plan, the City is liable for claims up to a maximum amount of \$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 \$1,664,981 in the aggregate. All claims incurred prior to June 30, 2006 are covered under the City's previous workers' compensation insurance provider.

The City estimates the liability for employee medical benefit claims and workers' compensation claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. The estimates are recorded in the 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:

	2016	2015
Unpaid claims - Beginning of year	\$ 1,105,593	\$ 1,022,544
Incurred claims - Including claims incurred but not reported	6,306,157	6,591,580
Claim payments	(6,523,033)	(6,508,531)
Unpaid claims - End of year	<u>\$ 888,717</u>	<u>\$ 1,105,593</u>



# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2016

### 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
<b><u>Statement of Net Position</u></b>		
Cash and investments	\$ 127,298,159	\$ 6,881,830
Receivables	529,657	7,084
Liabilities	528,714	24,382
Net position	<u>\$ 127,299,102</u>	<u>\$ 6,864,532</u>
<b><u>Statement of Changes in Net Position</u></b>		
Investment loss	\$ (2,745,485)	\$ (98,130)
Contributions	6,269,432	4,345,517
Other additions	96,114	55,581
Benefit payments	(13,600,968)	(4,095,517)
Administrative expenses	(170,929)	(662)
Net change in net position	<u>\$ (10,151,836)</u>	<u>\$ 206,789</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, 2016 in the Southeast Macomb Sanitary District of \$5,080,466 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, 2016 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 in the Authority of (\$2,484,813) is recorded within the governmental activities column of the statement of net position based on the South Macomb Disposal Authority's June 30, 2016 financial statements.

### Note 9 - Joint Ventures (Continued)

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

The City is a member of the South East Regional Emergency Services Authority (SERESA), which is responsible for the dispatch of emergency police, fire, and ambulance services throughout the geographical area subject to the political control of the participating municipalities effective December 29, 2010. Other members include the cities of St. Clair Shores and Eastpointe. Each participating municipality is entitled to one board member appointment and then a fire chief and police chief are selected by the board. Each appointee is given a three-year term, except for the police and fire chiefs, who receive a one-year term. The Articles of Incorporation allow funding to be from a dedicated millage or telephone operational surcharge. However, in the near term, dispatched calls for service are going to serve as the methodology for allocating SERESA's budget among the General Funds of the cities. The articles also permit any participating municipality, including 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 in SERESA of \$463,548 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 administering recreation programs and senior activities in its respective communities. The other member is the City of Eastpointe. The Authority is governed by an administrative policy board. Each participating municipality is entitled to two board member appointments. In addition, the board selects one additional representative from either the community of Roseville or Eastpointe for a two-year term position. The Authority will contract with the City of Roseville, 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 FY 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, 2016, the remaining outstanding balance is \$787,021. 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.

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.

### Note 10 - Pension Plan Description (Continued)

**Employees Covered by Benefit Terms** - At the June 30, 2016 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	350
Inactive plan members entitled to but not yet receiving benefits	18
Active plan members	<u>233</u>
Total employees covered by the plan	<u>601</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, 2016, the active member average contribution rate was 9.43 percent of annual pay and the City's average contribution rate was 32.89 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.

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, 2016, 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.

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2016

### Note 11 - Pension Plan Reserves (Continued)

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	\$ 101,190,408	\$ 101,190,408
Employee reserve	23,047,629	23,047,629
Employer reserve	3,061,065	3,061,065

### 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, 2016:

	<u>Target Allocation</u>
Asset class:	
Domestic equity	36.0%
Fixed income	25.0%
International equity	20.0%
Alternatives and real estate	19.0%

**Rate of Return** - For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was negative 2.34 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Note 13 - Net Pension Liability

The components of the net pension liability of the City at June 30, 2016 were as follows:

Total pension liability	\$ 192,615,414
Plan fiduciary net position	<u>(127,299,102)</u>
City's net pension liability	<u>\$ 65,316,312</u>
Plan fiduciary net position as a percentage of the total pension liability	66.1 %

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2016

### Note 13 - Net Pension Liability (Continued)

The City has chosen to use June 30, 2016 as its measurement date for the net pension liability. The June 30, 2016 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of June 30, 2016. The June 30, 2016 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
<b>Balance at June 30, 2015</b>	\$ 190,247,379	\$ 137,450,938	\$ 52,796,441
Service cost	3,155,314	-	3,155,314
Interest	13,876,840	-	13,876,840
Differences between expected and actual experience	(1,063,151)	-	(1,063,151)
Contributions - Employer	-	4,872,123	(4,872,123)
Contributions - Employee	-	1,397,309	(1,397,309)
Net investment income	-	(2,649,371)	2,649,371
Benefit payments, including refunds	(13,600,968)	(13,600,968)	-
Administrative expenses	-	(170,929)	170,929
Net changes	2,368,035	(10,151,836)	12,519,871
<b>Balance at June 30, 2016</b>	<b>\$ 192,615,414</b>	<b>\$ 127,299,102</b>	<b>\$ 65,316,312</b>

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

For the year ended June 30, 2016, the City recognized pension expense of \$10,599,250. At June 30, 2016, 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	\$ -	\$ 4,610,135
Changes in assumptions	6,054,065	-
Net difference between projected and actual earnings on pension plan investments	14,433,653	-
Total	<b>\$ 20,487,718</b>	<b>\$ 4,610,135</b>

### Note 13 - Net Pension Liability (Continued)

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

<u>Years Ending June 30</u>	<u>Amount</u>
2017	\$ 4,820,952
2018	4,820,952
2019	3,700,307
2020	2,535,372

**Actuarial Assumptions** - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.0 %
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.

### 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.

### Note 13 - Net Pension Liability (Continued)

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, 2016 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	8.0 %
International equity	8.1 %
Fixed income	2.9 %
Alternatives	4.0 %
Real estate	8.0 %
Cash or cash equivalents	1.0 %

**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	\$ 85,715,676	\$ 65,316,312	\$ 47,989,077



### 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 545 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits) as of June 30, 2014 (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, 2016, the City made payments for postemployment health benefit premiums of \$4,095,517. The costs of administering the plan are borne by the City's General Fund. The activity is reported in this financial statement as a pension and other employee benefit trust fund type. The trust has a fund balance of \$6,864,532 as of June 30, 2016.

**Funding Progress** - For the year ended June 30, 2016, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2014. 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)	\$ 4,730,710
Interest on the prior year's net OPEB obligation	-
Less adjustment to the annual required contribution	-
	<hr/>
Annual OPEB cost	4,730,710
Amounts contributed:	
Payments of current premiums	(4,095,516)
Advance funding	(250,000)
	<hr/>
Increase in net OPEB obligation	385,194
OPEB obligation (asset) - Beginning of year	(252,757)
	<hr/>
OPEB obligation - End of year *	\$ 132,437
	<hr/>

\* The total end of year liability was made up of a liability of \$63,366 reported in the governmental activities and a liability of \$69,071 reported in the business-type activities.

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2016

### 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)
6/30/14	6/30/12	\$ 4,669,103	108.0	\$ (515,338)
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

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
6/30/10	\$ 2,539,522	\$70,335,321	\$67,795,799	3.6	\$16,755,219	404.6
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

**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, 2014 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 7.5 percent initially, graded down to 5 percent in 0.5 percent increments over five 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, 2014 was 30 years.

### **Note 15 - Upcoming Accounting Pronouncements**

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statement more extensive footnote disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the City will, after adoption of GASB Statement No. 75, recognize on the face of the financial statements its net OPEB liability. The City is currently evaluating the impact these standards will have on the financial statements when adopted. GASB Statement No. 74 is effective for fiscal years beginning after June 15, 2016, whereas GASB Statement No. 75 is effective one year later.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement will require governments to disclose in their financial statements information related to tax abatement agreements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

## **Required Supplemental Information**

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# City of Roseville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 19,115,156	\$ 19,245,882	\$ 19,371,200	\$ 125,318
Licenses and permits	1,032,500	1,110,140	1,260,449	150,309
Federal grants	583,942	471,392	666,970	195,578
State-shared revenue and grants	4,914,564	5,168,183	4,590,804	(577,379)
Charges for services	1,304,176	1,580,761	1,638,618	57,857
Fines and forfeitures	3,339,250	3,214,068	3,262,818	48,750
Investment income	25,000	25,000	31,537	6,537
Other fees and miscellaneous income	3,250,689	3,499,649	3,569,664	70,015
Total revenue	33,565,277	34,315,075	34,392,060	76,985
<b>Expenditures - Current</b>				
General government:				
Governing body	6,713,979	7,436,786	8,265,870	(829,084)
Finance/Accounting/Budget department	99,282	79,456	82,074	(2,618)
Purchasing	167,403	156,928	146,801	10,127
Information technology/Data processing	513,805	419,852	423,302	(3,450)
Treasurer	354,858	332,587	332,038	549
Assessing	409,803	396,716	408,535	(11,819)
Clerk	488,283	447,022	448,979	(1,957)
Buildings and grounds	756,913	711,957	699,630	12,327
Attorney	311,472	383,607	319,766	63,841
Human resources/Personnel	160,215	153,835	157,582	(3,747)
Pension board	111,294	119,105	116,142	2,963
Other	2,835,525	2,767,373	2,309,218	458,155
Total general government	12,922,832	13,405,224	13,709,937	(304,713)
Public safety:				
Police/Sheriff (county)	10,121,046	10,047,205	10,129,302	(82,097)
Fire and EMS	5,889,133	6,340,760	6,428,083	(87,323)
Building inspections and related	1,352,420	1,274,293	1,222,388	51,905
Total public safety	17,362,599	17,662,258	17,779,773	(117,515)
Public works:				
Street construction	1,279,972	1,434,251	1,430,683	3,568
Rubbish disposal	1,720,860	1,733,823	1,738,232	(4,409)
Street lighting	875,000	819,874	773,103	46,771
Allocated to other operations	(1,633,760)	(1,722,647)	(1,724,112)	1,465
Total public works	2,242,072	2,265,301	2,217,906	47,395

# City of Roseville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Expenditures - Current (Continued)</b>				
Community and economic development	\$ 104,988	\$ 47,442	\$ 59,118	\$ (11,676)
Recreation and culture:				
Parks and recreation	<u>160,336</u>	<u>119,062</u>	<u>119,695</u>	<u>(633)</u>
Total recreation and culture	160,336	119,062	119,695	(633)
Debt service	<u>26,250</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>32,819,077</u>	<u>33,499,287</u>	<u>33,886,429</u>	<u>(387,142)</u>
<b>Excess of Revenue Over Expenditures</b>	746,200	815,788	505,631	(310,157)
<b>Other Financing Sources (Uses)</b>				
Face value of debt issue	-	634,650	634,650	-
Proceeds from sale of capital assets	37,500	-	-	-
Transfers out	<u>(783,700)</u>	<u>(1,450,438)</u>	<u>(1,005,499)</u>	<u>444,939</u>
Total other financing uses	<u>(746,200)</u>	<u>(815,788)</u>	<u>(370,849)</u>	<u>444,939</u>
<b>Net Change in Fund Balance</b>	-	-	134,782	134,782
<b>Fund Balance - Beginning of year</b>	<u>4,422,349</u>	<u>4,422,349</u>	<u>4,422,349</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 4,422,349</u></u>	<u><u>\$ 4,422,349</u></u>	<u><u>\$ 4,557,131</u></u>	<u><u>\$ 134,782</u></u>

# City of Roseville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Fund Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 2,567,600	\$ 2,711,035	\$ 2,644,231	\$ (66,804)
Investment income	2,500	1,500	20,842	19,342
Total revenue	2,570,100	2,712,535	2,665,073	(47,462)
<b>Expenditures - Current -</b>				
Public works	1,579,760	1,339,969	599,966	740,003
<b>Excess of Revenue Over Expenditures</b>	990,340	1,372,566	2,065,107	692,541
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	615,643	879,918	264,275
Transfers out	(1,103,800)	(1,953,103)	(1,953,103)	-
<b>Net Change in Fund Balance</b>	(113,460)	35,106	991,922	956,816
<b>Fund Balance - Beginning of year</b>	5,499,660	5,499,660	5,499,660	-
<b>Fund Balance - End of year</b>	<b>\$ 5,386,200</b>	<b>\$ 5,534,766</b>	<b>\$ 6,491,582</b>	<b>\$ 956,816</b>

# City of Roseville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Local Streets Fund Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 723,638	\$ 857,665	\$ 787,685	\$ (69,980)
Investment income	1,000	500	2,240	1,740
Other fees and miscellaneous income	-	271,099	466,115	195,016
Total revenue	724,638	1,129,264	1,256,040	126,776
<b>Expenditures - Current -</b>				
Public works	3,038,870	3,529,458	4,464,218	(934,760)
<b>Excess of Expenditures Over Revenue</b>	(2,314,232)	(2,400,194)	(3,208,178)	(807,984)
<b>Other Financing Sources - Transfers in</b>	1,105,300	2,647,473	1,968,966	(678,507)
<b>Net Change in Fund Balance</b>	(1,208,932)	247,279	(1,239,212)	(1,486,491)
<b>Fund Balance - Beginning of year</b>	1,719,941	1,719,941	1,719,941	-
<b>Fund Balance - End of year</b>	<b>\$ 511,009</b>	<b>\$ 1,967,220</b>	<b>\$ 480,729</b>	<b>\$ (1,486,491)</b>



# City of Roseville, Michigan

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## Note to Required Supplemental Information Year Ended June 30, 2016

### 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, 2016

### Budgetary Information (Continued)

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Governing body	\$ 7,436,786	\$ 8,265,870	\$ (829,084)
Finance/Accounting/Budget department	79,456	82,074	(2,618)
Information technology/Data processing	419,852	423,302	(3,450)
Assessing	396,716	408,535	(11,819)
Clerk	447,022	448,979	(1,957)
Human resources/Personnel	153,835	157,582	(3,747)
Police/Sherrif (County)	10,047,205	10,129,302	(82,097)
Fire and EMS	6,340,760	6,428,083	(87,323)
Rubbish disposal	1,733,823	1,738,232	(4,409)
Community and economic development	47,442	59,118	(11,676)
Parks and recreation	119,062	119,695	(633)
Local Streets Fund - Public works	3,529,458	4,464,218	(934,760)

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.

# City of Roseville, Michigan

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

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

# City of Roseville, Michigan

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

	2016	2015	2014
<b>Total Pension Liability</b>			
Service cost	\$ 3,155,314	\$ 2,937,256	\$ 2,882,338
Interest	13,876,840	13,310,464	13,222,309
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(1,063,151)	(7,625,546)	(2,107,552)
Changes in assumptions	-	12,476,997	12,476,997
Benefit payments, including refunds	(13,600,968)	(12,974,292)	(12,724,030)
Net change in total pension liability	2,368,035	8,124,879	13,750,062
Total pension liability - Beginning of year	190,247,379	182,122,500	181,218,303
Total pension liability - End of year	<u>\$ 192,615,414</u>	<u>\$ 190,247,379</u>	<u>\$ 182,491,368</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 4,872,123	\$ 5,094,075	\$ 6,206,039
Contributions - Member	1,397,309	1,286,672	165,725
Net investment income	(2,649,371)	3,540,510	20,892,292
Administrative expenses	(170,929)	(188,356)	(171,857)
Benefit payments, including refunds	(13,600,968)	(12,974,293)	(12,724,030)
Other	-	-	58,733
Net change in plan fiduciary net position	(10,151,836)	(3,241,392)	14,426,902
Plan fiduciary net position - Beginning of year	137,450,938	140,692,330	126,265,428
Plan fiduciary net position - End of year	<u>\$ 127,299,102</u>	<u>\$ 137,450,938</u>	<u>\$ 140,692,330</u>
<b>City's Net Pension Liability - Ending</b>	<u>\$ 65,316,312</u>	<u>\$ 52,796,441</u>	<u>\$ 41,799,038</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	66.09 %	72.25 %	77.10 %
<b>Covered Employee Payroll</b>	\$ 14,814,074	\$ 13,868,957	\$ 13,421,085
<b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	440.9 %	380.7 %	311.4 %



# City of Roseville, Michigan

## Required Supplemental Information Other Postemployment Benefits Schedule of Funding Progress Year Ended June 30, 2016

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/10	\$ 2,539,522	\$ 70,335,321	\$ 67,795,799	3.6	\$ 16,755,219	404.6
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

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
6/30/12	6/30/10	\$ 4,502,127	106.9
6/30/13	6/30/12	4,446,765	103.6
6/30/14	6/30/12	4,669,103	102.6
6/30/15	6/30/14	4,505,438	94.2
6/30/16	6/30/14	4,730,710	91.9

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

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2014, the latest actuarial valuation, is as follows:

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

## **Other Supplemental Information**

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# City of Roseville, Michigan

	Special Revenue Funds				
	Community Development Block Grant	Neighborhood Stabilization Grant	HOME	Drug Law Enforcement	Library Fund
<b>Assets</b>					
Cash and investments	\$ 31,502	\$ 244,305	\$ -	\$ 1,533,026	\$ 195,846
Receivables:					
Property taxes receivable	-	-	-	-	11,132
Other receivables	-	-	11,223	359,554	57,520
Due from other governmental units	16,910	-	-	-	-
Due from other funds	-	-	-	-	-
Inventory	-	5,500	-	-	-
Prepaid expenses	2,148	-	-	-	20,021
<b>Total assets</b>	<b>\$ 50,560</b>	<b>\$ 249,805</b>	<b>\$ 11,223</b>	<b>\$ 1,892,580</b>	<b>\$ 284,519</b>
<b>Liabilities</b>					
Accounts payable	\$ 15,487	\$ -	\$ -	\$ 2,501	\$ 9,958
Due to other funds	-	-	10,563	-	-
Accrued liabilities and other	1,423	-	660	31,200	11,412
<b>Total liabilities</b>	<b>16,910</b>	<b>-</b>	<b>11,223</b>	<b>33,701</b>	<b>21,370</b>
<b>Deferred Inflows of Resources -</b>					
Unavailable revenue	16,910	-	11,223	336,840	11,132
<b>Fund Balances (Deficit)</b>					
Nonspendable	2,148	-	-	-	20,021
Restricted:					
Debt service	-	-	-	-	-
Grants	14,592	249,805	-	-	-
Library authority	-	-	-	-	231,996
Drug law enforcement	-	-	-	1,522,039	-
Unassigned	-	-	(11,223)	-	-
<b>Total fund balances (deficit)</b>	<b>16,740</b>	<b>249,805</b>	<b>(11,223)</b>	<b>1,522,039</b>	<b>252,017</b>
<b>Total liabilities, deferred inflows of resources, and fund balances (deficit)</b>	<b>\$ 50,560</b>	<b>\$ 249,805</b>	<b>\$ 11,223</b>	<b>\$ 1,892,580</b>	<b>\$ 284,519</b>



**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2016**

Debt Service Funds			Total Nonmajor Governmental Funds
Building Authority	General Debt	Chapter 20 Drain	
\$ 12,892	\$ 651,739	\$ 912,624	\$ 3,581,934
-	3,668	3,743	18,543
-	-	-	428,297
-	-	7,740	24,650
-	-	49,031	49,031
-	-	-	5,500
-	-	-	22,169
<b>\$ 12,892</b>	<b>\$ 655,407</b>	<b>\$ 973,138</b>	<b>\$ 4,130,124</b>
\$ -	\$ -	\$ 69,504	\$ 97,450
-	651,242	-	661,805
-	497	1,956	47,148
-	651,739	71,460	806,403
-	3,668	8,635	388,408
-	-	-	22,169
12,892	-	893,043	905,935
-	-	-	264,397
-	-	-	231,996
-	-	-	1,522,039
-	-	-	(11,223)
12,892	-	893,043	2,935,313
<b>\$ 12,892</b>	<b>\$ 655,407</b>	<b>\$ 973,138</b>	<b>\$ 4,130,124</b>

# 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, 2016

	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	General Debt	Chapter 20 Drain	
<b>Revenue</b>									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 860,082	\$ -	\$ 223,028	\$ 871,287	\$ 1,954,397
Federal grants	485,288	-	29,909	57,741	-	-	-	-	572,938
State-shared revenue and grants	-	-	-	-	77,815	-	-	237,559	315,374
Fines and forfeitures	-	-	-	-	12,897	-	-	-	12,897
Investment income	-	-	-	1,810	921	-	2,261	3,539	8,531
Other fees and miscellaneous revenue:									
Local donations	-	-	-	-	11,727	-	-	-	11,727
Other miscellaneous income	-	1	-	325,623	22,505	-	-	-	348,129
<b>Total revenue</b>	<b>485,288</b>	<b>1</b>	<b>29,909</b>	<b>385,174</b>	<b>985,947</b>	<b>-</b>	<b>225,289</b>	<b>1,112,385</b>	<b>3,223,993</b>
<b>Expenditures</b>									
Current:									
Public safety	-	-	-	491,001	-	-	-	-	491,001
Community and economic development	485,788	-	37,697	-	-	-	-	-	523,485
Recreation and culture	-	-	-	-	1,003,466	-	-	-	1,003,466
Special purpose government	-	-	-	-	-	-	24,887	507,161	532,048
Debt service:									
Principal	-	-	-	-	-	425,000	210,000	596,550	1,231,550
Interest on long-term debt	-	-	-	-	-	84,375	5,381	220,483	310,239
<b>Total expenditures</b>	<b>485,788</b>	<b>-</b>	<b>37,697</b>	<b>491,001</b>	<b>1,003,466</b>	<b>509,375</b>	<b>240,268</b>	<b>1,324,194</b>	<b>4,091,789</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(500)</b>	<b>1</b>	<b>(7,788)</b>	<b>(105,827)</b>	<b>(17,519)</b>	<b>(509,375)</b>	<b>(14,979)</b>	<b>(211,809)</b>	<b>(867,796)</b>
<b>Other Financing Sources (Uses)</b>									
Transfers in	-	-	-	-	-	508,700	-	-	508,700
Transfers out	-	-	-	-	(12,500)	-	(651,242)	-	(663,742)
<b>Total other financing (uses) sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,500)</b>	<b>508,700</b>	<b>(651,242)</b>	<b>-</b>	<b>(155,042)</b>
<b>Net Change in Fund Balances</b>	<b>(500)</b>	<b>1</b>	<b>(7,788)</b>	<b>(105,827)</b>	<b>(30,019)</b>	<b>(675)</b>	<b>(666,221)</b>	<b>(211,809)</b>	<b>(1,022,838)</b>
<b>Fund Balances (Deficit) - Beginning of year</b>	<b>17,240</b>	<b>249,804</b>	<b>(3,435)</b>	<b>1,627,866</b>	<b>282,036</b>	<b>13,567</b>	<b>666,221</b>	<b>1,104,852</b>	<b>3,958,151</b>
<b>Fund Balances (Deficit) - End of year</b>	<b>\$ 16,740</b>	<b>\$ 249,805</b>	<b>\$ (11,223)</b>	<b>\$ 1,522,039</b>	<b>\$ 252,017</b>	<b>\$ 12,892</b>	<b>\$ -</b>	<b>\$ 893,043</b>	<b>\$ 2,935,313</b>

# City of Roseville, Michigan

## Other Supplemental Information Combining Statement of Net Position Internal Service Funds June 30, 2016

	Employee Benefits Fund	Workers' Compensation Fund	Flexible Savings Fund	Total
<b>Assets - Current assets</b>				
Cash and cash equivalents	\$ 11,956,715	\$ 129,142	\$ 9,245	\$ 12,095,102
Receivables	42,360	-	-	42,360
Due from other funds	143,926	55,443	-	199,369
Prepaid expenses	119,868	16,909	-	136,777
Total assets	12,262,869	201,494	9,245	12,473,608
<b>Liabilities - Current - Provision for claims</b>				
	735,541	153,176	-	888,717
<b>Net Position - Unrestricted</b>	<b>\$ 11,527,328</b>	<b>\$ 48,318</b>	<b>\$ 9,245</b>	<b>\$ 11,584,891</b>

# City of Roseville, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended June 30, 2016

	Employee Benefits Fund	Workers' Compensation Fund	Flexible Savings Fund	Total
<b>Operating Revenue -</b>				
Charges to other funds	\$ 6,885,260	\$ 269,961	\$ 3,117	\$ 7,158,338
<b>Operating Expenses</b>				
Billing and administrative costs	127,041	-	-	127,041
Benefit payments and other costs	6,790,845	270,444	2,632	7,063,921
Total operating expenses	6,917,886	270,444	2,632	7,190,962
<b>Operating (Loss) Income</b>	(32,626)	(483)	485	(32,624)
<b>Nonoperating Revenue -</b>				
Investment income	32,626	483	32	33,141
<b>Change in Net Position</b>	-	-	517	517
<b>Net Position - Beginning of year</b>	11,527,328	48,318	8,728	11,584,374
<b>Net Position - End of year</b>	<b>\$ 11,527,328</b>	<b>\$ 48,318</b>	<b>\$ 9,245</b>	<b>\$ 11,584,891</b>

# City of Roseville, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2016

	Employee Benefits Fund	Workers' Compensation Fund	Flexible Savings Fund	Total
<b>Cash Flows from Operating Activities</b>				
Receipts from interfund services and reimbursements	\$ 9,272,158	\$ 214,869	\$ 3,117	\$ 9,490,144
Payments to suppliers	(4,730)	(27)	-	(4,757)
Internal activity - Payments to other funds	-	(17,242)	(2,253)	(19,495)
Claims paid	(7,204,510)	(218,560)	(2,632)	(7,425,702)
Net cash provided by (used in) operating activities	2,062,918	(20,960)	(1,768)	2,040,190
<b>Cash Flows from Investing Activities -</b>				
Interest received on investments	32,626	483	32	33,141
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	2,095,544	(20,477)	(1,736)	2,073,331
<b>Cash and Cash Equivalents - Beginning of year</b>	9,861,171	149,619	10,981	10,021,771
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 11,956,715</u>	<u>\$ 129,142</u>	<u>\$ 9,245</u>	<u>\$ 12,095,102</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents - Cash and investments</b>	<u>\$ 11,956,715</u>	<u>\$ 129,142</u>	<u>\$ 9,245</u>	<u>\$ 12,095,102</u>
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>				
Operating (loss) income	\$ (32,626)	\$ (483)	\$ 485	\$ (32,624)
Changes in assets and liabilities:				
Receivables	(17,864)	-	-	(17,864)
Due from others	2,386,898	(55,092)	-	2,331,806
Prepaid and other assets	(4,730)	(27)	-	(4,757)
Due to others	-	(17,242)	(2,253)	(19,495)
Estimated claims liability	(268,760)	51,884	-	(216,876)
Net cash provided by (used in) operating activities	<u>\$ 2,062,918</u>	<u>\$ (20,960)</u>	<u>\$ (1,768)</u>	<u>\$ 2,040,190</u>

# City of Roseville, Michigan

## Other Supplemental Information Statement of Assets and Liabilities Fiduciary Funds June 30, 2016

	Trust Funds			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	Total Agency Funds
<b>Assets</b>								
Cash and investments	\$ -	\$ 167,075	\$ 167,075	\$ 186,424	\$ 67,695	\$ 1,842	\$ 215,965	\$ 471,926
Investments:								
U.S. government securities	7,881,892	745,754	8,627,646	-	-	-	-	-
Municipal bonds	813,686	12,942	826,628	-	-	-	-	-
Stocks	56,705,218	649,343	57,354,561	-	-	-	-	-
Bonds	6,299,911	477,674	6,777,585	-	-	-	-	-
Common collective trusts	20,343,069	-	20,343,069	-	-	-	-	-
Mutual funds	10,541,983	4,829,042	15,371,025	-	-	-	-	-
Limited partnerships	24,712,400	-	24,712,400	-	-	-	-	-
Receivables:								
Accrued interest receivable	137,042	7,084	144,126	-	-	-	-	-
Other receivables	392,615	-	392,615	-	3,720	-	-	3,720
<b>Total assets</b>	<b>127,827,816</b>	<b>6,888,914</b>	<b>134,716,730</b>	<b>\$ 186,424</b>	<b>\$ 71,415</b>	<b>\$ 1,842</b>	<b>\$ 215,965</b>	<b>\$ 475,646</b>
<b>Liabilities</b>								
Accounts payable	333,539	24,382	357,921	\$ -	\$ 71,415	\$ 1,842	\$ -	\$ 73,257
Due to other governmental units	-	-	-	186,424	-	-	-	186,424
Due to primary government	115,884	-	115,884	-	-	-	-	-
Refundable deposits, bonds, etc.	-	-	-	-	-	-	101,994	101,994
Securities lending	79,291	-	79,291	-	-	-	113,971	113,971
<b>Total liabilities</b>	<b>528,714</b>	<b>24,382</b>	<b>553,096</b>	<b>\$ 186,424</b>	<b>\$ 71,415</b>	<b>\$ 1,842</b>	<b>\$ 215,965</b>	<b>\$ 475,646</b>
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<b>\$ 127,299,102</b>	<b>\$ 6,864,532</b>	<b>\$ 134,163,634</b>					

# City of Roseville, Michigan

## Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended June 30, 2016

	Employees' Pension Trust Fund	Retiree Healthcare Benefits Trust Fund	Total
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 2,829,850	\$ 410,329	\$ 3,240,179
Net decrease in fair value of investments	(4,749,987)	(410,980)	(5,160,967)
Investment-related expenses	(825,348)	(97,479)	(922,827)
Contributions:			
Employer	4,872,123	4,345,517	9,217,640
Employee	1,397,309	-	1,397,309
Total contributions	6,269,432	4,345,517	10,614,949
Other additions	96,114	55,581	151,695
Total additions	3,620,061	4,302,968	7,923,029
<b>Deductions</b>			
Pension benefit payments	13,600,968	-	13,600,968
Health benefits	-	4,095,517	4,095,517
Administrative expenses	170,929	662	171,591
Total deductions	13,771,897	4,096,179	17,868,076
<b>Net (Decrease) Increase in Net Position Held in Trust</b>	(10,151,836)	206,789	(9,945,047)
<b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	137,450,938	6,657,743	144,108,681
<b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>	<b>\$ 127,299,102</b>	<b>\$ 6,864,532</b>	<b>\$ 134,163,634</b>