

City of Roseville, Michigan

**Financial Report
with Supplemental Information
June 30, 2013**

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, 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, 2013 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, each major fund, and the aggregate remaining fund information of the City of Roseville, Michigan as of June 30, 2013 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.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension system and other postemployment benefit schedules of funding progress, and the major fund budgetary comparison schedules, 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.

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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013 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 City of Roseville, Michigan's internal control over financial reporting and compliance.

Plante & Morse, PLLC

December 11, 2013

City of Roseville, Michigan

Management's Discussion and Analysis

Using This Annual Report

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

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

The City has three kinds of funds:

- **Governmental Funds** - Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out and the balance left at year end that is available for future spending. The governmental fund statements provide a detailed short-term view that highlights whether there are more or fewer financial resources available in the near future to finance the City's programs. Because the focus of governmental funds is narrower, it is useful to compare this information with similar information presented for governmental activities in the government-wide financial statements. Both the balance sheet and the statement of revenue, expenditures, and changes in fund 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 - Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources held in those funds are not available to finance the City's programs.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

Notes to the Financial Statements

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

Required Supplemental Information

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

Other Supplemental Information

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

The City of Roseville, Michigan as a Whole

The City's combined total net position decreased .3 percent from a year ago, decreasing from \$128.4 million to \$128.0 million. A review of the governmental activities, separate from the business-type activities, shows a decrease of approximately \$1.2 million in total net position, or -1 percent, during fiscal 2013. The change in total net position is primarily attributed to the \$3.1 million decrease in current and long-term obligations and a \$1.6 million increase in capital assets, despite a \$4.4 million reduction in cash and investments. The overall increase is supported by increased revenue charges from service-type activities despite lower property tax revenue (due to decreased taxable values). In total, expenditures for fiscal 2013 were \$.8 million or -2 percent less than expenditures incurred during fiscal 2012, despite the financial burden to fund retiree healthcare benefits for current and future retirees which reduced the City's cash reserves by \$3.4 million. Like many communities, postemployment healthcare premiums were traditionally paid by the City's pension fund through its available "excess earnings." During 2005, as a result of increasing healthcare costs coupled with declining interest rates, the pension fund was no longer able to cover this obligation. During 2013, this obligation was paid entirely by the General Fund.

Business-type activities experienced a \$.8 million increase in total net position during fiscal 2013. This increase is attributed to the restructuring of the City's water and sewer billing rates, effective July 1, 2009, which generated increased unrestricted net assets from operations, coupled with disciplined expense control throughout fiscal 2013. The restructuring of the City's water and sewer billing structure was a requirement of the State Revolving Fund loan application process, the proceeds from which are necessary to finance critical improvements to the City's aging water and sewer infrastructure.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

Governmental unrestricted net position, the portion of net position available to finance day-to-day operations and future growth, decreased from \$27.9 million at June 30, 2012 to \$23.6 million at June 30, 2013. The City's unrestricted net position for business-type activities increased by \$.8 million at June 30, 2013.

Governmental Activities

In a condensed format, the table below shows the comparison of net position (in millions of dollars) as of June 30, 2013 to the prior year:

	Governmental Activities			Percent Change
	2012	2013	Change	
Assets				
Other assets	\$ 48,178,770	\$ 42,249,132	\$ (5,929,638)	-12%
Capital assets	<u>80,562,899</u>	<u>82,172,347</u>	<u>1,609,448</u>	2%
Total assets	128,741,669	124,421,479	(4,320,190)	-3%
Liabilities				
Current liabilities	5,694,813	4,023,957	(1,670,856)	-29%
Long-term liabilities	<u>16,511,133</u>	<u>15,071,985</u>	<u>(1,439,148)</u>	-9%
Total liabilities	<u>22,205,946</u>	<u>19,095,942</u>	<u>(3,110,004)</u>	-14%
Net Position				
Net investment in capital assets	67,248,493	70,024,016	2,775,523	4%
Restricted	11,398,821	11,741,614	342,793	3%
Unrestricted	<u>27,888,409</u>	<u>23,559,907</u>	<u>(4,328,502)</u>	-16%
Total net position	<u>\$ 106,535,723</u>	<u>\$ 105,325,537</u>	<u>\$ (1,210,186)</u>	-1%

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, 2013 from the prior year:

	Governmental Activities			Percent Change
	2012	2013	Change	
Revenue				
Program revenue:				
Charges for services	\$ 7,046,875	\$ 8,737,474	\$ 1,690,599	24%
Operating grants	5,642,100	4,675,487	(966,613)	-17%
Capital grants	1,541,948	1,541,164	(784)	0%
General revenue:				
Property taxes	23,706,003	22,062,545	(1,643,458)	-7%
State-shared revenue	4,275,112	4,391,617	116,505	3%
Investment earnings	9,398	21,219	11,821	126%
Other revenue	1,315,884	1,597,033	281,149	21%
Total revenue	43,537,320	43,026,539	(510,781)	-1%
Program Expenses				
General government	15,789,556	12,416,471	(3,373,085)	-21%
Public safety	17,854,499	17,577,904	(276,595)	-2%
Public works	6,242,436	9,410,246	3,167,810	51%
Construction and development	1,454,142	1,205,409	(248,733)	-17%
Community and economic development	226,019	66,042	(159,977)	-71%
Recreation and cultural	3,040,005	3,118,596	78,591	3%
Interest on long-term debt	475,069	435,614	(39,455)	-8%
Transfers	4,729	6,443	1,714	36%
Total expenses	45,086,455	44,236,725	(849,730)	-2%
Change in Net Position	\$ (1,549,135)	\$ (1,210,186)	\$ 338,949	-22%

The City's total governmental revenues decreased \$.5 million from \$43.5 million in 2012 to \$43.0 million in 2013. Of this amount, property taxes, which account for approximately 51 percent of total revenue, decreased by \$1.6 million to \$22.1 million due to lower taxable values on real and personal properties. Operating grants decreased 17 percent from \$5.6 million to \$4.7 million attributed to prior year federal and state energy and infrastructure improvement grants that were only awarded during fiscal 2012. Revenue from capital grants remained constant from year to year. Fortunately, charges for service-type activities which support program costs such as the District Court, building and rental inspections, etc., increased \$1.7 million during fiscal 2013. In addition, state-source revenue which approximates 10.2 percent of total revenue, or \$4.4 million, and various incidental revenue sources, including investment earnings, which approximates 3.8 percent of total revenue, or \$1.6 million, recorded marginal increases during fiscal 2013.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

Total expenditures decreased by approximately \$.8 million or 2.0 percent over the previous fiscal year. This decrease is attributed to several factors, including the significant downsizing of the City's workforce due to retirements at June 30, 2012, healthcare plan restructuring for both active and retired employees, the completion of several street repairs projects coupled with overall strong expenditure control, and reductions in interest paid for long-term debt. In addition, approximately \$.7 million of insurance-related expenditures were reclassified to a prepaid asset at year end. The City continued to meet its actuarial required contribution for the defined benefit pension system during fiscal 2013. In addition, the City also satisfied its actuarial required contribution to the postemployment healthcare benefits trust. This is important for the City because future taxpayers should not be required to fund benefit payments that were earned in the current period. Despite increased designations over the past several years to fund future retiree medical costs, the City, like most communities, remains severely under-funded 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. At June 30, 2013, the City's unfunded liability with regard to postemployment healthcare benefits was \$72.3 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, 2013 to the prior year:

	Business-type Activities			Percent Change
	2012	2013	Change	
Assets				
Other assets	\$ 13,569,499	\$ 14,909,728	\$ 1,340,229	10%
Capital assets	9,590,511	11,528,224	1,937,713	20%
Total assets	23,160,010	26,437,952	3,277,942	14%
Liabilities				
Current liabilities	1,035,873	1,583,968	548,095	53%
Long-term liabilities	267,612	2,202,143	1,934,531	723%
Total liabilities	1,303,485	3,786,111	2,482,626	190%
Net Position				
Net investment in capital assets	9,590,511	9,616,752	26,241	0%
Restricted	-	-	-	0%
Unrestricted	12,266,014	13,035,089	769,075	6%
Total net position	\$ 21,856,525	\$ 22,651,841	\$ 795,316	4%

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net position (in millions of dollars) for the year ended June 30, 2013 from the prior year:

	Business-type Activities			Percent Change
	2012	2013	Change	
Revenue				
Program revenue:				
Charges for services	\$ 13,623,854	\$ 12,791,625	\$ (832,229)	-6%
Operating grants and contributions	-	95,686	95,686	0%
Total revenue	13,623,854	12,887,311	(736,543)	
Program Expenses				
Operating expenses, other than depreciation	10,968,221	11,654,452	686,231	6%
Depreciation and amortization	436,320	450,124	13,804	3%
Total program expense	11,404,541	12,104,576	700,035	
Operating Income	2,219,313	782,735	(1,436,578)	
Interest Income	2,499	6,138	3,639	146%
Transfers	4,729	6,443	1,714	36%
Change in Net Position	\$ 2,226,541	\$ 795,316	\$ (1,431,225)	-64%

The City's business-type activities are recorded in the Water and Sewer Fund. Water and sewer operations are funded directly by user fees or charges for services. Revenue generated from the City's Water and Sewer Fund totaled \$12.9 million in 2013 and expenses were \$12.1 million. The City experienced an overall increase in net position of \$.8 million. For fiscal 2013, as a result of internal efficiencies, a 4 percent rate increase in the City's overall water and sewer rate was passed to customers, despite significant increases for services charged by the Detroit Water Board and the South Macomb Sanitary District. The City is currently in its sixth year of a 30-year working agreement with the City of Detroit to monitor maximum day "peaking" costs and usage to minimize future rate increases from its supplier. Effective July 1, 2009, City management revised the water and sewer billing structure to include a ready-to-serve base charge on all accounts, regardless of usage. The City's water and sewer rates continue to reflect only the estimated cost for water units purchased or sewer treatment costs incurred by the City. No other expenses are factored into these rates. The City's local operating maintenance rate (LOM), which primarily reflects the day-to-day operating costs and future capital outlay considerations of the Water and Sewer Fund, excluding the purchase of water and sewer treatment expense, was significantly lowered on a per-unit basis as a result of implementing the ready-to-serve base charge to customer accounts.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

During fiscal 2013, the City's water and sewer system incurred a 1.2 percent increase in the volume of water and sewage units purchased while incurring an 11.1 percent decrease in the total volume of water units sold and sewage units treated. This relationship is supported by the City's inferred water loss percentage which increased from 11.2 percent to 12.5 percent in fiscal 2013, attributed to major 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 spring of fiscal 2014. For fiscal 2014, City Council has approved a 3.6 percent total rate increase, which was consistent with the rate increases for services charged by its suppliers. In addition, the City Council is currently in the process of interviewing consultants to assist with implementation of an automated water-meter reading system that will further enhance operations and reduce system loss and increase collections.

The City's Funds

The analysis of the City's major funds follows the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as State of Michigan Act 51 major and local roads revenue sharing. The City's major funds for 2013 include the General Fund, the Major and Local Streets Funds, and the Capital Projects Fund. For fiscal 2012, the City's Library Fund was reflected as a major fund. For fiscal 2013, the Library Fund has been reclassified and is included as part of the City's nonmajor fund group.

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 \$15.4 million in 2013, 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 \$1 million during fiscal 2013, attributed to \$.7 million in insurance expenditures that were reclassified to a prepaid asset at year end. The remaining \$.3 million increase to fund balance is attributed to payroll savings from retirements and vacated positions at June 30, 2012, healthcare plan restructuring for both active and retired employees despite lower property tax revenue (due to decreased taxable values), the \$3.4 million funding for current retiree and post-retiree healthcare benefits and the \$0.3 million increase in the actuarial required payment to fund the City's pension system, which are the residual financial effects of long-term contractual obligations previously entered into by the City.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

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 2013, net assets in the Major Streets Fund and Local Streets Fund increased by approximately \$458,000 and \$385,000, respectively, as prior year road improvement projects near completion. For 2013, the Local Streets Fund received approximately \$528,000 in operating transfers from the Major Streets Fund and Capital Projects 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 2013. 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.

The Capital Project Fund includes the City's portion of the Lake St. Clair Clean Water Initiative project being administered on behalf of the City by Macomb County. The City maintains certain intangible rights to a county drain asset equal to the City's share of the debt associated with the Clean Water Initiative project. In March 2012, City Council recommitted/reassigned approximately \$2.8 million of the fund's financial reserves for future road construction projects. During fiscal 2012 and fiscal 2013, \$.4 million and an additional \$1 million have been expended for neighborhood road improvements, respectively. At June 30, 2013, the City purchased \$.4 million in tax-reverted properties from the county. These properties were remarketed to an investment group subsequent to year end. The City also invested \$.1 million to retrofit street lighting within the City to achieve future energy savings and lower utility costs. In total, net assets in the Capital Projects Fund decreased by \$1.5 million during fiscal 2013. Special assessment collections, capital grants, and operating transfers from other funds primarily support the activities within this fund.

During fiscal 2012, City Council passed a resolution authorizing a 1 mill tax levy dedicated to finance operations of the Roseville Public Library under Public Act 164. There is no expiration date related to this levy. 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 2012, the City Councils of Roseville and Eastpointe created the "Recreation Authority of Roseville & 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 once during fiscal 2013. Total budgeted revenue in the General Fund decreased by \$.2 million or .60 percent attributed to a state grant not received at year end. In total, General Fund budgeted expenditures decreased by approximately \$1.1 million or 3.4 percent primarily attributed to payroll savings from personnel vacancies and healthcare plan restructuring. For fiscal 2013, the City's operating budget was a balanced document and reflected no utilization of fund balance. At June 30, 2013, the City recorded a net surplus of approximately \$1 million due to \$.7 million of insurance expenditures that were reclassified to a prepaid asset at year end and various operational efficiencies. For fiscal 2014 and beyond, management has developed a comprehensive five-year financial forecast that is updated annually and is reflected as part of the City's annual operating budget.

Capital Assets and Long-term Debt Administration

At year end, the City had approximately \$93.7 million invested in a wide range of net capital assets, including land, buildings, police and fire equipment, computer equipment, infrastructure assets (roads, bridges, sidewalks, and storm drains in which it has invested since 1980), and water and sewer lines. Due to limited growth within the City, no water and sewer lines were contributed by developers in the current year. During fiscal 2013, the total value of the City's governmental infrastructure assets, net of depreciation, increased \$1.9 million or 5 percent from \$38 million in 2012 to \$39.9 million in 2013. 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, 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

Management's Discussion and Analysis (Continued)

Debt reported in the financial statements typically relates to the purchase or construction of the above-mentioned capital assets and is reported as a liability on the statement of net position. In September 2012, the City issued \$4,455,000 in limited tax general obligation bonds for State Revolving Funds Project No. 5373-01. The 2012 Capital Improvement Bonds mature through October 2033 with a 2.50 percent interest rate. Interest on the bonds are payable semiannually on April 1 and October 1 of each year beginning October 1, 2013. Principal payments will begin April 1, 2014. At June 30, 2013, \$14,076 in interest expense has been accrued in the City's Water and Sewer Fund related to the bonds. Governmental debt service payments during fiscal 2013 consisted of approximately \$1.2 million in principal payments and \$0.4 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.

Unfortunately, for the past six years, property assessments have declined and continued decreases are anticipated for 2014. Property taxes account for 60 percent of the City's General Fund operating budget. Total property assessments decreased by 3 percent in 2009 and by approximately 11 percent annually thereafter for 2010, 2011, 2012, and 2013, respectively. For fiscal year 2013-2014, the City's total assessed value decreased from \$.910 billion to \$.852 billion. This approximates an additional 6.4 percent reduction in market value or nearly \$1.3 million in additional lost tax revenue. The City's Assessor expects the market to stabilize during 2014 and is projecting a 2 percent increase in property values to occur for 2015. 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 revenues have resulted in a cumulative loss of nearly \$35 million over the past five years. For example, in 2014 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.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

In addition, the City's second largest revenue source, state revenue sharing, has been continuously reduced by the State of Michigan for the last 10 years. In 2000, the City received \$6.3 million in revenue-sharing payments from the State of Michigan. State-shared revenue payments in 2013 were \$4.3 million, even after stringent EVIP compliance. Revenue sharing represents approximately 13 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 \$38 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 2013, City management was able to negotiate concessions to negate many of its contractual obligations. Unfortunately, expenses such as pension contributions and healthcare benefits have increased at rates in excess of inflation. While the City continues to make its required annual contribution, the City's pension system remains 69 percent funded due to volatile financial markets. For 2014 and beyond, City management anticipates overall expenses to increase, on average, 2 percent annually. The City remains self-insured for medical and workers' compensation claims, which is the most cost-effective structure possible. Medical claims are estimated to increase marginally per year, after extensive plan restructurings (due to the hard cap) and other related insurance changes. The City continues to negotiate labor contracts to reduce wages and other fringe benefits for both current employees and future retirees. Staff restructuring and utilizing alternative methods to provide essential City services, where economically feasible, are avenues under consideration by City management to control costs and improve efficiency. Despite declining property tax revenue, the most adverse impact to fiscal 2013 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 under-funded with regard to this pronouncement.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

As a result of the many cost-saving measures implemented by City management, the City did not utilize its financial reserves to supplement day-to-day operations during fiscal 2013. In 2012, the City's General Fund balance declined from \$7.4 million to \$4.4 million. In 2013, the City's General Fund increased approximately \$1 million, although \$.7 million is attributed to expenditures that were reclassified to a prepaid asset at year end. For fiscal 2014, the City's operating budget is a balanced document and continues to reflect no utilization of fund balance. The 2013-2014 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 2014-2015, at which time the financial status of fiscal 2014 will be re-evaluated. The City is currently projecting budgetary deficits of over \$.4 million for fiscal 2014-2015 attributed to previous declines in property values and other economic factors. At that time, without additional savings and/or revenue sources, the City's financial reserves will be severely comprised. The City has not adopted a formal fund balance policy, but does target to maintain at least 10 percent of operating expenditures in the General Fund. It is imperative that the City maintain adequate financial levels to ensure positive cash flow and to preserve its favorable bond rating from Standard & Poor's, this year upgraded from A negative to A stable, which has saved the City thousands of dollars in annual interest costs.

Roseville, like most communities, is faced with the financial challenge of reinventing the way it operates and provides essential core services to its residents. Due to further property tax reductions, deepening state revenue-sharing cuts, and higher pension and OPEB contribution requirements, supported by shrinking workforces and volatile market values, the City continues to face unprecedented and permanent structural financial challenges. City government is a service to City residents and therefore, its primary costs are personnel related. 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 declining financial position improves and economic recovery becomes achievable, limitations under Proposal A will hamper the City's economic recovery even under the most optimistic assumption, which is, at best, that the City's revenue stream will increase proportionally with expenditures. To complicate matters further, the State of Michigan still anticipates to eliminate personal property taxes for business during the next fiscal year, which approximates \$2.2 million in General Fund revenue. Although the City has been assured of some form of replacement revenue from the elimination of personal property taxes, how much will be replaced and the source of the funding is still undetermined at this time. Therefore, the structural changes being implemented at the city level must continue to be permanent in nature.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

City management continues to aggressively investigate new potential revenue opportunities, including service-sharing agreements with surrounding communities, while it monitors and adjusts expenditures to ensure adequate fund balance reserves are maintained. In July 2010, the City of Roseville, St. Clair Shores, and Eastpointe created a legal entity known as the South East Regional Emergency Services Authority (SERESA), which is responsible for the dispatching of emergency police, fire, and ambulance services throughout the member communities. The Articles of Incorporation allow funding to be from a dedicated millage or telephone operational surcharge. However, in the near term, dispatched calls for service are going to serve as the methodology for allocating SERESA's budget among the general funds of the cities. The articles also permit any participating municipality, including Roseville, to withdraw upon giving one full year's budgetary notice, although as a disincentive, any withdrawing municipality forfeits the asset previously transferred. SERESA is housed in a building wholly owned by the City of Roseville. 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 has been assigned the task to create a new redevelopment strategy for the community. It is expected that this new strategy will receive certification on behalf of the City as a Michigan Redevelopment Ready Community in early 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.

Contacting the City's Financial Management

This financial report is intended to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, we invite you to contact the city manager at the City of Roseville, 29777 Gratiot Avenue, Roseville, MI 48066.

City of Roseville, Michigan

Statement of Net Position June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 31,420,834	\$ 10,348,842	\$ 41,769,676
Receivables:			
Property taxes receivable - Net of allowance	431,242	-	431,242
Receivables from sales to customers on account	2,032	4,084,221	4,086,253
Accrued interest receivable	36,931	-	36,931
Other receivables	2,329,379	15,578	2,344,957
Due from other governmental units	1,980,619	-	1,980,619
Special assessments receivable	32,734	-	32,734
Internal balances (Note 6)	3,840	(3,840)	-
Inventory	499,462	125,113	624,575
Prepaid expenses and other assets	795,358	339,814	1,135,172
Restricted assets	14,015	-	14,015
Investment in joint ventures (Note 12)	4,553,588	-	4,553,588
Net OPEB asset	149,098	-	149,098
Capital assets (Note 5):			
Assets not subject to depreciation	31,041,263	-	31,041,263
Assets subject to depreciation	51,131,084	11,528,224	62,659,308
Total assets	<u>124,421,479</u>	<u>26,437,952</u>	<u>150,859,431</u>
Liabilities			
Accounts payable	2,628,434	1,408,585	4,037,019
Due to other governmental units	-	122,643	122,643
Refundable deposits, bonds, etc.	136,570	16,635	153,205
Accrued liabilities and other	1,258,953	36,105	1,295,058
Noncurrent liabilities (Note 7):			
Due within one year:			
Compensated absences	1,241,829	69,142	1,310,971
Net OPEB obligation	-	7,637	7,637
Current portion of long-term debt	1,178,691	175,000	1,353,691
Due in more than one year:			
Compensated absences - Net of current portion	1,667,810	213,892	1,881,702
Long-term debt	10,983,655	1,736,472	12,720,127
Total liabilities	<u>19,095,942</u>	<u>3,786,111</u>	<u>22,882,053</u>
Net Position			
Net investment in capital assets	70,024,016	9,616,752	79,640,768
Restricted for:			
Streets and highways	6,571,949	-	6,571,949
Debt service	2,444,018	-	2,444,018
Drug law enforcement	2,153,167	-	2,153,167
Library authority	257,391	-	257,391
Grants	291,074	-	291,074
Capital improvements	24,015	-	24,015
Unrestricted	23,559,907	13,035,089	36,594,996
Total net position	<u>\$ 105,325,537</u>	<u>\$ 22,651,841</u>	<u>\$ 127,977,378</u>

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

City of Roseville, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 12,416,471	\$ 5,260,520	\$ 475,501	\$ -
Public safety	17,577,904	2,609,710	1,107,504	-
Public works	9,410,246	330,088	3,028,122	1,541,164
Construction and development	1,205,409	-	-	-
Community and economic development	66,042	-	-	-
Recreation and culture	3,118,596	537,156	64,360	-
Interest on long-term debt	435,614	-	-	-
Total governmental activities	44,230,282	8,737,474	4,675,487	1,541,164
Business-type activities - Water and sewer	12,104,576	12,791,625	95,686	-
Total primary government	<u>\$ 56,334,858</u>	<u>\$ 21,529,099</u>	<u>\$ 4,771,173</u>	<u>\$ 1,541,164</u>
General revenue:				
Property taxes				
State-shared revenue (unrestricted)				
Investment income (unrestricted)				
Cable franchise fees				
Other miscellaneous income				
Total general revenue				
Transfers				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

**Statement of Activities
Year Ended June 30, 2013**

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (6,680,450)	\$ -	\$ (6,680,450)
(13,860,690)	-	(13,860,690)
(4,510,872)	-	(4,510,872)
(1,205,409)	-	(1,205,409)
(66,042)	-	(66,042)
(2,517,080)	-	(2,517,080)
(435,614)	-	(435,614)
(29,276,157)	-	(29,276,157)
-	782,735	782,735
(29,276,157)	782,735	(28,493,422)
22,062,545	-	22,062,545
4,391,617	-	4,391,617
21,219	6,138	27,357
756,361	-	756,361
840,672	-	840,672
28,072,414	6,138	28,078,552
(6,443)	6,443	-
(1,210,186)	795,316	(414,870)
106,535,723	21,856,525	128,392,248
<u>\$ 105,325,537</u>	<u>\$ 22,651,841</u>	<u>\$ 127,977,378</u>

City of Roseville, Michigan

Governmental Funds Balance Sheet June 30, 2013

	Major Special Revenue Funds					Total
	General Fund	Major Streets	Local Streets	Capital	Nonmajor	
		Fund	Fund	Projects Fund	Funds	
Assets						
Cash and investments (Note 3)	\$ 5,043,766	\$ 4,288,379	\$ 1,794,319	\$ 3,001,212	\$ 5,116,966	\$ 19,244,642
Receivables:						
Property taxes receivable	419,806	-	-	-	20,436	440,242
Special assessments receivable	-	-	-	32,734	-	32,734
Accrued interest receivable	36,931	-	-	-	-	36,931
Other receivables	1,905,741	-	-	2,752	255,672	2,164,165
Due from other governmental units	1,407,506	389,941	117,652	-	65,520	1,980,619
Due from other funds (Note 6)	288,888	-	81,865	-	6,120	376,873
Due from Employees' Pension Trust Fund (Note 6)	155,029	-	-	-	-	155,029
Inventory	-	-	-	-	42,000	42,000
Prepaid expenses	657,998	-	-	-	8,062	666,060
Restricted assets	-	-	-	14,015	-	14,015
Total assets	\$ 9,915,665	\$ 4,678,320	\$ 1,993,836	\$ 3,050,713	\$ 5,514,776	\$ 25,153,310
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 1,508,848	\$ 100,207	\$ -	\$ 133,103	\$ 18,628	\$ 1,760,786
Due to other funds (Note 6)	269,660	-	-	89,428	283,605	642,693
Refundable deposits, bonds, etc.	136,570	-	-	-	-	136,570
Accrued liabilities and other	1,091,831	-	-	-	66,893	1,158,724
Deferred revenue (Note 4)	1,535,445	44,315	-	32,559	189,739	1,802,058
Compensated absences	74,481	-	-	-	-	74,481
Total liabilities	4,616,835	144,522	-	255,090	558,865	5,575,312
Fund Balances						
Nonspendable - Prepays	657,998	-	-	-	8,062	666,060
Inventory/Assets held for resale	-	-	-	-	42,000	42,000
Restricted:						
Streets and highways	-	4,533,798	1,993,836	-	-	6,527,634
Debt service	-	-	-	-	2,433,618	2,433,618
Grants	-	-	-	-	3,295	3,295
Capital improvements	10,000	-	-	14,015	-	24,015
Library authority	-	-	-	-	246,549	246,549
Drug law enforcement	-	-	-	-	1,981,316	1,981,316
Committed - Road construction projects	-	-	-	1,610,001	-	1,610,001
Assigned:						
Compensated absences	1,167,348	-	-	-	-	1,167,348
Grants	-	-	-	-	244,301	244,301
Capital projects	-	-	-	1,171,607	-	1,171,607
Unassigned	3,463,484	-	-	-	(3,230)	3,460,254
Total fund balances	5,298,830	4,533,798	1,993,836	2,795,623	4,955,911	19,577,998
Total liabilities and fund balances	\$ 9,915,665	\$ 4,678,320	\$ 1,993,836	\$ 3,050,713	\$ 5,514,776	\$ 25,153,310

City of Roseville, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position Year Ended June 30, 2013

Fund Balance Reported in Governmental Funds	\$ 19,577,998
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	82,172,347
Investments in joint ventures are not financial resources and are not reported in the funds	4,553,588
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	1,802,058
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(12,162,346)
Bond premium/discount is not due and payable in the current period and is not reported in the funds	10,513
Accrued interest is not due and payable in the current period and is not reported in the funds	(102,182)
Allowance for doubtful accounts is not reported in the funds for taxes receivable to be collected over several years	(9,000)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(2,835,158)
Other long-term liabilities, such as retiree health obligations, do not present a claim on current financial resources and are not reported as fund liabilities	149,098
Inventory is not available to pay for current period expenditures	457,462
Internal service funds are included as part of governmental activities	<u>11,711,159</u>
Net Position of Governmental Activities	<u>\$ 105,325,537</u>

City of Roseville, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2013

	Major Special Revenue Funds					Total
	General Fund	Major Streets	Local Streets	Capital	Nonmajor	
		Fund	Fund	Projects Fund	Funds	
Revenue						
Property taxes	\$ 20,050,830	\$ -	\$ -	\$ -	\$ 2,007,703	\$ 22,058,533
Licenses and permits	1,083,972	-	-	-	-	1,083,972
Federal grants	674,605	-	-	-	714,447	1,389,052
State-shared revenue and grants	4,288,159	2,453,494	710,575	-	57,223	7,509,451
Charges for services	799,389	-	-	-	-	799,389
Fines and forfeitures	3,088,714	-	-	-	17,081	3,105,795
Investment income	19,568	2,447	997	2,078	5,255	30,345
Rental income	-	-	-	23,957	-	23,957
Other revenue:						
Special assessments	-	-	-	13,062	-	13,062
Local donations	-	-	-	-	7,137	7,137
Cable franchise fees	756,361	-	-	-	-	756,361
Other fees and miscellaneous income	2,285,988	-	224	28,646	477,947	2,792,805
Total revenue	33,047,586	2,455,941	711,796	67,743	3,286,793	39,569,859
Expenditures						
Current:						
General government	12,142,732	208,745	71,057	386,247	283,457	13,092,238
Public safety	16,480,015	-	-	-	1,105,495	17,585,510
Public works	2,643,324	314,653	718,054	1,136,988	733,001	5,546,020
Construction and development	175,022	952,301	65,904	12,182	-	1,205,409
Community and economic development	-	-	-	-	66,042	66,042
Recreation and culture	135,299	-	-	-	1,186,099	1,321,398
Other charges	-	-	-	-	280,537	280,537
Debt service - Interest on long-term debt	-	-	-	-	439,528	439,528
Total expenditures	31,576,392	1,475,699	855,015	1,535,417	4,094,159	39,536,682
Excess of Revenue Over (Under) Expenditures	1,471,194	980,242	(143,219)	(1,467,674)	(807,366)	33,177
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	37,659	-	-	10,951	8,609	57,219
Transfers in (Note 6)	-	-	528,305	-	538,320	1,066,625
Transfers out (Note 6)	(532,200)	(521,862)	-	(14,006)	(5,000)	(1,073,068)
Total other financing (uses) sources	(494,541)	(521,862)	528,305	(3,055)	541,929	50,776
Net Change in Fund Balances	976,653	458,380	385,086	(1,470,729)	(265,437)	83,953
Fund Balances - Beginning of year	4,322,177	4,075,418	1,608,750	4,266,352	5,221,348	19,494,045
Fund Balances - End of year	<u>\$ 5,298,830</u>	<u>\$ 4,533,798</u>	<u>\$ 1,993,836</u>	<u>\$ 2,795,623</u>	<u>\$ 4,955,911</u>	<u>\$ 19,577,998</u>

City of Roseville, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ 83,953
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	2,619,064
Depreciation expense	(2,315,945)
Net book value of assets disposed of	(78,525)
Contributed assets not reported in the funds	1,384,854
Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	(274,613)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,166,035
Change in accrued interest payable and other	3,913
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	(123,408)
Purchase of inventory is an expense in the governmental funds, but not in the statement of activities, where it increases inventory asset balance	(17,252)
Investment in joint ventures	(3,805,370)
Other retirement healthcare obligation expenses are recognized in the statement of activities, but not in the governmental funds, where they increase liabilities	149,098
Internal service funds are included as part of governmental activities	<u>(1,990)</u>
Change in Net Position of Governmental Activities	<u>\$ (1,210,186)</u>

City of Roseville, Michigan

Proprietary Funds Statement of Net Position June 30, 2013

	Enterprise Fund	Governmental Activities
	Water and Sewer Fund	Proprietary Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 10,348,842	\$ 12,146,155
Receivables:		
Receivables from sales to customers on account	4,084,221	-
Other receivables	15,578	32,174
Due from other funds	6,443	269,660
Inventory	125,113	-
Prepaid expenses and other assets	339,814	130,817
Total current assets	14,920,011	12,578,806
Noncurrent assets - Capital assets (Note 5)	11,528,224	-
Total assets	26,448,235	12,578,806
Liabilities		
Current liabilities:		
Accounts payable	1,408,585	-
Due to other governmental units	122,643	-
Due to other funds (Note 6)	10,283	-
Refundable deposits, bonds, etc.	16,635	-
Accrued liabilities and other	36,105	-
Compensated absences (Note 7)	69,142	-
Provision for claims	-	867,647
Current portion of long-term debt (Note 7)	175,000	-
Total current liabilities	1,838,393	867,647
Noncurrent liabilities:		
Compensated absences - Net of current portion (Note 7)	213,892	-
Net retirement healthcare obligation	7,637	-
Long-term debt (Note 7)	1,736,472	-
Total noncurrent liabilities	1,958,001	-
Total liabilities	3,796,394	867,647
Net Position		
Net investment in capital assets	9,616,752	-
Unrestricted	13,035,089	11,711,159
Total net position	\$ 22,651,841	\$ 11,711,159

City of Roseville, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2013

	Enterprise Fund	Governmental Activities
	Water and Sewer Fund	Proprietary Internal Service Funds
Operating Revenue		
Sale of water	\$ 2,026,250	\$ -
Sewage disposal charges	6,317,244	-
Maintenance charges	3,988,733	-
Interest and penalty charges	320,996	-
Other miscellaneous revenue	138,402	-
Charges to other funds	-	6,950,311
Total operating revenue	12,791,625	6,950,311
Operating Expenses		
Cost of water	1,985,287	-
Cost of sewage treatment	7,088,949	-
Billing and administrative costs	1,740,854	-
Benefit payments and other costs	839,362	6,959,687
Depreciation	450,124	-
Total operating expenses	12,104,576	6,959,687
Operating Income (Loss)	687,049	(9,376)
Nonoperating Revenue		
Investment income	6,138	7,386
Grants	95,686	-
Total nonoperating revenue	101,824	7,386
Income (Loss) - Before contributions	788,873	(1,990)
Transfers In	6,443	-
Change in Net Position	795,316	(1,990)
Net Position - Beginning of year	21,856,525	11,713,149
Net Position - End of year	\$ 22,651,841	\$ 11,711,159

City of Roseville, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2013

	Enterprise Fund	Governmental Activities
	Water and Sewer Fund	Proprietary Internal Service Funds
Cash Flows from Operating Activities		
Receipts from customers	\$ 12,924,262	\$ 6,938,016
Receipts (payments) from interfund services and reimbursements	206,751	(267,975)
Payments to suppliers	(9,346,263)	-
Payments to employees	(1,772,974)	-
Internal activity - Payments to other funds	(12,423)	(2,155,476)
Claims paid	-	(7,081,466)
	1,999,353	(2,566,901)
Net cash provided by (used in) operating activities		
Cash Flows from Noncapital Financing Activities		
Transfers from other funds	6,443	-
Operating grants	95,686	-
	102,129	-
Net cash provided by noncapital financing activities		
Cash Flows from Capital and Related Financing Activities -		
Issuance of bonds	1,911,472	-
Cash Flows from Capital and Related Financing Activities - Purchase		
of capital assets	(2,387,837)	-
Cash Flows from Investing Activities - Interest received on investments	6,161	7,386
Net Increase (Decrease) in Cash and Cash Equivalents	1,631,278	(2,559,515)
Cash and Cash Equivalents - Beginning of year	8,717,564	14,705,670
Cash and Cash Equivalents - End of year	\$ 10,348,842	\$ 12,146,155
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 687,049	\$ (9,376)
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization	450,124	-
Changes in assets and liabilities:		
Receivables	128,796	(12,295)
Due from others	206,751	(267,975)
Inventories	(6,679)	-
Prepaid and other assets	(25,374)	-
Accounts payable	575,544	-
Due to others	(12,423)	(2,155,476)
Estimated claims liability	-	(121,779)
Accrued and other liabilities	(31,515)	-
Due to other governmental units	23,239	-
Cash bond and deposits	3,841	-
	\$ 1,999,353	\$ (2,566,901)
Net cash provided by (used in) operating activities		

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2013, there were no noncash activities.

City of Roseville, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2013

	Pension and Other Employee Benefit Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ 4,518,530	\$ 331,408
Investments:		
U.S. government securities	11,724,070	-
Stocks	95,308,797	-
Bonds	9,457,699	-
Mutual funds	10,286,007	-
Receivables:		
Accrued interest receivable	385,222	-
Other receivables	68,477	-
Due from primary government	-	1,953
Prepaid expenses and other assets	-	22,808
	131,748,802	\$ 356,169
Liabilities		
Accounts payable	8,559	\$ 161,592
Due to primary government	155,029	-
Refundable deposits, bonds, etc.	-	114,932
Accrued liabilities and other	94,452	79,645
	258,040	\$ 356,169
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 131,490,762	

City of Roseville, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Position - Pension and Other Employee Benefit Trust Fund Year Ended June 30, 2013

	Pension and Other Employee Benefit Trust Fund
Additions	
Investment income:	
Interest and dividends	\$ 2,403,216
Net increase in fair value of investments	11,393,522
Investment-related expenses	(691,941)
Net investment income	13,104,797
Contributions:	
Employer contributions	10,038,554
Employee contributions	1,222,185
Total contributions	11,260,739
Other additions	67,936
Total additions	24,433,472
Deductions	
Benefit payments	16,128,337
Health benefits	3,203,660
Administrative expenses	227,940
Total deductions	19,559,937
Net Increase in Net Position Held in Trust	4,873,535
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	126,617,227
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	\$ 131,490,762

Note I - Nature of Business and Significant Accounting Policies

The accounting policies of the City of Roseville, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Roseville, Michigan.

Reporting Entity

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

Blended Component Units

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

The City of Roseville Employees' Retirement System has been blended into the City's financial statements. The system is governed by a five-member pension board that includes three individuals chosen by the City Council. The system is reported as if it were part of the primary government because of the fiduciary responsibility that the City retains relative to the operations of the retirement system.

The City of Roseville District Court Funds have also been blended into the City's financial statements. The financial activities of the funds are limited to collections of amounts that are subsequently returned or paid to third parties. The funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The District Court is reported as if it were part of the primary government because of the fiduciary responsibility that the City retains relative to the operations of the District Court.

The City has excluded the Housing Commission from this report because the City is not able to impose its will on the Housing Commission. The Housing Commission's financial statements have been issued under separate cover.

Jointly Governed Organization - Jointly governed organizations are discussed in Note 12.

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

Government-wide and Fund Financial Statements

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, District Court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Streets Fund - The Major Streets Fund accounts for the resources of state gas and weight tax revenue that is restricted for use on major streets.

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

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

The City reports the following major proprietary fund:

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

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

Additionally, the City reports the following internal service and fiduciary activities:

Internal Service Funds - The internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the City. These include the Self-insurance Healthcare Fund, Flexible Spending Fund, and the Self-insurance Workers' Compensation Fund. The Self-insurance Healthcare Fund is used to account for current healthcare coverage provided for City employees and their dependents and to provide a reserve for future catastrophic healthcare claims. The Self-insurance Workers' Compensation Fund is used to account for workers' compensation claims and to provide a reserve for future catastrophic workers' compensation claims.

Trust and Agency Funds - Trust and agency funds account for assets held by the City in a trustee capacity or as an agent for individuals, employees, organizations, other governments, or other funds. These include the Employees' Pension Trust Fund, the Miscellaneous Agency Fund, the P.A.I.R. Fund, the Tax Collection Fund, and the District Court Fund. The Employees' Pension Trust Fund is accounted for in the same manner as proprietary funds. The other agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the City's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the City's policy to spend funds in this order: committed, assigned, and unassigned.

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Properties are assessed as of December 31 of each year. Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are due by September 1 with the final collection date of February 28. Taxes are considered delinquent on March 1, at which time penalties and interest are assessed.

The current year taxable valuation of the City totaled \$904 million, on which taxes levied consisted of 19.0391 mills for general operating purposes, 2.5738 mills for refuse collections, 0.2365 mills for debt service, 1.000 mills for the Chapter 20 Drain Fund, and 1.000 mills for library. This resulted in \$19,708,000 for general operating and refuse collections, \$213,000 for general debt service, \$898,000 for the Chapter 20 Drain Fund, and \$895,000 for library. These amounts are recognized in the respective General, Debt Service, Chapter 20 Drain, and Library Funds in the financial statements as tax revenue.

Assets, Liabilities, and Net Position or Equity

Cash and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

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

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

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

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	30 to 50 years
Water and sewer distribution systems	50 to 75 years
Buildings and building improvements	20 to 50 years
Other tools and equipment	3 to 15 years

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for these amounts is reported in governmental funds only as it comes due for payment. The government-wide and proprietary statements accrue vacation and personal pay as it is earned and sick pay is accrued as it is used or vested (whichever is earlier). 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.

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

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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

Methods Used to Value Investments - Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is based on periodic appraisals as well as the judgment of independent real estate advisors and management. Investments that do not have an established market value are reported at estimated fair value as determined by the plan's management. Approximately 20 percent of the Employee Pension Trust Fund's assets are not publicly traded and therefore do not have a readily determinable market value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market for these securities existed. The difference could be material.

Fund Equity - In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact

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

- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the City Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Council.
- **Assigned:** Intent to spend resources on specific purposes expressed by the governing body or city manager, who is authorized by resolution approved by the governing body to make assignments
- **Unassigned:** Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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

Accounting Change - Effective July 1, 2012, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure. This statement did not have a significant impact on the City's financial statements.

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

Effective July 1, 2012, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provided a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This statement impacted the format and report of the balance sheet at the government-wide level and also at the fund level.

Note 2 - Stewardship, Compliance, and Accountability

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

Shortfall at July 1, 2012		\$ (5,841,235)
Current year permit revenue		886,939
Related expenses:		
Direct costs	\$ 1,147,109	
Estimated indirect costs	<u>114,711</u>	<u>1,261,820</u>
Current year shortfall		<u>(374,881)</u>
Cumulative shortfall at June 30, 2013		<u>\$ (6,216,116)</u>

Note 3 - Deposits and Investments

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

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

The City has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$20,634,779 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

City of Roseville, Michigan

Notes to Financial Statements June 30, 2013

Note 3 - Deposits and Investments (Continued)

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

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

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

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

Investment	Fair Value	Weighted Average Maturity (Years)
Primary government:		
U.S. government agency securities	\$ 3,842,320	0.72
Municipal bonds	2,776,202	0.34
Total	<u>\$ 6,618,522</u>	
Employees' Retirement System:		
U.S. government agency securities	\$ 11,061,276	20.08
Corporate bonds	7,011,328	8.37
Foreign bonds	870,532	8.31
Municipal bonds	1,003,624	11.65
Total	<u>\$ 19,946,760</u>	
Retiree Health Care Benefits Trust:		
U.S. government agency securities	\$ 662,794	2.90
Corporate bonds	572,215	2.15
Total	<u>\$ 1,235,009</u>	

City of Roseville, Michigan

Notes to Financial Statements June 30, 2013

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	\$ 257,637	AAA	S&P
Municipal bonds	1,295,594	AA+ to AA-	S&P
Municipal bonds	622,721	A+ to A	S&P
Municipal bonds	600,250	Not Rated	-
Pooled funds	17,888,208	AI	Moody's
Total	\$ 20,664,410		
Employees' Retirement System:			
Corporate bonds	\$ 1,221,000	AAA	S&P
Corporate bonds	810,869	AA+ to AA-	S&P
Corporate bonds	2,399,369	A+ to A-	S&P
Corporate bonds	2,252,603	BBB+ to BBB-	S&P
Corporate bonds	325,671	Not rated	-
Foreign bonds	123,540	AA+ to AA-	S&P
Foreign bonds	419,994	A+ to A-	S&P
Foreign bonds	326,998	BBB+ to BBB-	S&P
Municipal bonds	128,245	AAA+ to AAA-	S&P
Municipal bonds	634,305	AA+ to AA-	S&P
Municipal bonds	183,146	A+ to A-	S&P
Municipal bonds	57,928	Not rated	-
Collateralized mortgage obligations -			
Corporate	1,816	AAA	S&P
Pooled funds	4,266,932	Not rated	-
Total	\$ 13,152,416		
Retiree Health Care Benefits Trust:			
Corporate bonds	\$ 83,945	AA+ to AA-	S&P
Corporate bonds	297,726	A+ to A-	S&P
Corporate bonds	190,544	BBB+ to BBB-	S&P
Pooled funds	265,170	Not rated	-
Total	\$ 837,385		

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 TR C and IShares MSCI EAFE Index FD; these investments are 17.3004 percent and 6.3610 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 100 percent of the market value of the loaned securities. During the year ended June 30, 2013, 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, 2013 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, 2013, 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, 2013 were \$2,876,860 and \$2,805,066, respectively.

City of Roseville, Michigan

Notes to Financial Statements June 30, 2013

Note 4 - Receivables and Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Delinquent property taxes	\$ 408,957
Special assessments	29,691
State grant and categorical aid payment received prior to meeting all eligibility requirements	374,858
Federal grant and categorical aid payment received prior to meeting all eligibility requirements	186,900
Other	<u>801,652</u>
Total	<u>\$ 1,802,058</u>

Note 5 - Capital Assets

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

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance June 30, 2013</u>
Governmental Activities				
Capital assets not being depreciated - Land	\$ 31,032,002	\$ 15,000	\$ 5,739	\$ 31,041,263
Capital assets being depreciated:				
Infrastructure	76,036,009	3,066,244	-	79,102,253
Buildings and improvements	16,135,915	287,318	-	16,423,233
Machinery and equipment	<u>14,724,236</u>	<u>635,356</u>	<u>407,649</u>	<u>14,951,943</u>
Subtotal	106,896,160	3,988,918	407,649	110,477,429
Accumulated depreciation:				
Infrastructure	38,027,080	1,175,277	-	39,202,357
Buildings and improvements	7,450,851	435,006	-	7,885,857
Machinery and equipment	<u>11,887,332</u>	<u>705,662</u>	<u>334,863</u>	<u>12,258,131</u>
Subtotal	<u>57,365,263</u>	<u>2,315,945</u>	<u>334,863</u>	<u>59,346,345</u>
Net capital assets being depreciated	<u>49,530,897</u>	<u>1,672,973</u>	<u>72,786</u>	<u>51,131,084</u>
Net capital assets	<u>\$ 80,562,899</u>	<u>\$ 1,687,973</u>	<u>\$ 78,525</u>	<u>\$ 82,172,347</u>

City of Roseville, Michigan

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets (Continued)

	Balance July 1, 2012	Additions	Disposals	Balance June 30, 2013
Business-type Activities				
Capital assets being depreciated:				
Water and sewer lines	\$ 22,467,740	\$ 2,360,457	\$ -	\$ 24,828,197
Buildings and improvements	126,654	-	-	126,654
Machinery and equipment	3,610,898	27,380	16,518	3,621,760
Subtotal	26,205,292	2,387,837	16,518	28,576,611
Accumulated depreciation:				
Water and sewer lines	13,426,885	354,985	-	13,781,870
Buildings and improvements	121,218	1,087	-	122,305
Machinery and equipment	3,066,678	94,052	16,518	3,144,212
Subtotal	16,614,781	450,124	16,518	17,048,387
Net capital assets	\$ 9,590,511	\$ 1,937,713	\$ -	\$ 11,528,224

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

Governmental activities:

General government	\$ 179,707
Public safety	587,879
Public works	1,262,856
Recreation and culture	285,503
Total governmental activities	\$ 2,315,945

Business-type activities - Water and sewer \$ 450,124

Construction Commitments - The City has active construction projects at year end, including various major and local street projects administered by the Michigan Department of Transportation and Macomb County Road Commission. At year end, the City's commitments on these projects total \$254,898 and \$83,830, respectively.

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From				Total
	General Fund	Capital Projects Fund	Water and Sewer Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ -	\$ 10,283	\$ 278,605	\$ 288,888
Local Roads	-	81,865	-	-	81,865
Water and Sewer Fund	-	6,443	-	-	6,443
Internal service fund - Workers' Compensation Fund	2,530	-	-	-	2,530
Internal service fund - Employee Benefit Fund	267,130	-	-	-	267,130
Nonmajor governmental funds	-	1,120	-	5,000	6,120
Total	\$ 269,660	\$ 89,428	\$ 10,283	\$ 283,605	\$ 652,976

City of Roseville, Michigan

Notes to Financial Statements June 30, 2013

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

The General Fund has an interfund receivable of \$155,029 from the Employees' Pension Trust Fund as of the end of the year.

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

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

Transfers In	Transfers Out				Total
	General Fund	Major Streets Fund	Capital Projects Fund	NSP Fund	
Local Streets Fund	\$ -	\$ 521,862	\$ 6,443	\$ -	\$ 528,305
Nonmajor governmental funds	532,200	-	1,120	5,000	538,320
Water and Sewer Fund	-	-	6,443	-	6,443
Total	<u>\$ 532,200</u>	<u>\$ 521,862</u>	<u>\$ 14,006</u>	<u>\$ 5,000</u>	<u>\$ 1,073,068</u>

The transfer from the Major Streets Fund to the Local Streets Fund is to help support local road projects. The transfer from the General Fund to the Building Authority Debt Fund is for loan/debt current year obligations. The transfers from the Capital Projects Fund to the Local Streets, Chapter 20 Drain, and Water and Sewer Funds represent special assessment allocations. The transfer from the NSP Fund to the HOME Fund is to support local neighborhood revitalization projects.

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

City of Roseville, Michigan

Notes to Financial Statements June 30, 2013

Note 7 - Long-term Debt (Continued)

The City has the following long-term debt outstanding at June 30, 2013:

Description	Amount
Governmental Activities	
<u>General obligations:*</u>	
Unlimited Tax General Obligation Library Bonds	\$ 600,000
Building Authority Limited Tax General Obligation Refunding Bonds - Series 2006	3,105,000
Lake St. Clair Water Initiative Drainage District - 2001 Series A	1,811,542
Lake St. Clair Water Initiative Drainage District - 2002 Series A	399,345
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-01	2,472,638
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-02	1,744,158
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-03	336,553
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-05	209,498
Lake St. Clair Water Initiative Drainage District - 2004 Series A	1,244,238
Southeast Michigan Regional Energy Office - Interior Lighting Agreement	95,160
Southeast Michigan Regional Energy Office - Exterior Lighting Agreement	144,214
Subtotal	12,162,346
<u>Additional obligations:</u>	
Compensated absences	2,909,639
Total governmental activity debt	\$ 15,071,985

Description	Amount
Business-type Activities	
<u>Limited Tax General Obligation Bonds:</u>	
Clean Water Program	\$ 1,911,472
<u>Other obligations:</u>	
Compensated absences	283,034
Total business-type activity debt	\$ 2,194,506

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligations	\$ 13,328,381	\$ -	\$ (1,166,035)	\$ 12,162,346	\$ 1,178,691
Accumulated compensated absences	3,182,752	1,258,595	(1,531,708)	2,909,639	1,241,829
Total governmental activities	\$ 16,511,133	\$ 1,258,595	\$ (2,697,743)	\$ 15,071,985	\$ 2,420,520

City of Roseville, Michigan

Notes to Financial Statements June 30, 2013

Note 7 - Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
Bonds	\$ -	\$ 1,911,472	\$ -	\$ 1,911,472	\$ 175,000
Accumulated compensated absences	267,612	161,250	(145,828)	283,034	69,142
Total business-type activities	\$ 267,612	\$ 2,072,722	\$ (145,828)	\$ 2,194,506	\$ 244,142

Total interest expense for the year was approximately \$439,000. 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
2014	\$ 1,178,691	\$ 399,029	\$ 1,577,720	\$ 175,000	\$ 61,218	\$ 236,218
2015	1,223,107	357,782	1,580,889	180,000	56,835	236,835
2016	1,267,977	314,359	1,582,336	185,000	52,335	237,335
2017	1,086,210	274,984	1,361,194	190,000	47,710	237,710
2018	1,107,695	239,798	1,347,493	190,000	42,960	232,960
2019-2023	4,488,403	700,972	5,189,375	991,472	138,249	1,129,721
2024-2028	1,252,716	260,115	1,512,831	-	-	-
2029-2033	557,547	25,397	582,944	-	-	-
Total	\$ 12,162,346	\$ 2,572,436	\$ 14,734,782	\$ 1,911,472	\$ 399,307	\$ 2,310,779

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, 2013, \$2,950,000 of bonds outstanding are considered defeased.

County Contractual Obligations - The above contractual obligations to the County are the result of the County issuance of bonds on the City's behalf and other communities involved in the Lake St. Clair Clean Water Initiative Project. The City has pledged to raise property taxes, to the extent permitted by law, if necessary to fund the obligation to repay the County. Proceeds from the County bonds provided financing for the construction of the Lake St. Clair Clean Water Initiative Drainage Districts. The remaining principal and interest to be paid on the bonds is \$10,288,355. During the current year, net revenues of the system were \$898,278 compared to the annual debt requirements of \$824,136.

City of Roseville, Michigan

Notes to Financial Statements June 30, 2013

Note 8 - Risk Management

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

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 \$500,000 on an individual level and \$1,054,215 in aggregate. All claims incurred prior to June 30, 2006 are covered under the City's previous workers' compensation insurance provider.

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

	<u>2013</u>	<u>2012</u>
Unpaid claims - Beginning of year	\$ 989,426	\$ 968,265
Incurred claims - Including claims incurred but not reported	6,837,908	7,386,112
Claim payments	<u>(6,959,687)</u>	<u>(7,364,951)</u>
Unpaid claims - End of year	<u>\$ 867,647</u>	<u>\$ 989,426</u>

Note 9 - Defined Benefit Pension Plan

Plan Description - The City of Roseville Employees' Pension Trust Fund System is a single-employer defined benefit pension plan that is administered by the City of Roseville, Michigan; this plan covers all full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2012, the date of the most recent actuarial valuation, membership consisted of 362 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 213 current active employees. The plan does not issue a separate financial report.

City of Roseville, Michigan

Notes to Financial Statements June 30, 2013

Note 9 - Defined Benefit Pension Plan (Continued)

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

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of ranging percentages indicated in table below. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

The member contributions as required by union contracts are as follows:

Member Contributions	<u>Effective Date*</u>	<u>Percent</u>
Clerical	7/1/2012	12.5 %
Police command	N/A	7.0
Court clerks	7/1/2012	12.0
Elected officials	N/A	6.5
Fire	N/A	7.0
Local 520/Water 520	N/A	6.5
Local 520/Water 520 (new hires only)	7/1/2012	8.0
Police patrol	N/A	7.0
Supervisors	7/1/2012	12.5
Supervisors (new hires only)	7/1/12 - 6/30/14	14.0
Supervisors (hired between 7/1/12 and 6/30/14)	7/1/2014	8.0
Part-time	N/A	6.5

At-will/Nonunion - Varies by which union contracts their benefits are based upon

* Effective date only used if change occurred in current actuarial valuation

Annual Pension Cost - For the year ended June 30, 2013, the City's annual pension cost of \$5,376,551 for the plan was equal to the City's required and actual contribution.

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

	<u>Fiscal Year Ended June 30</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual pension cost (APC)	\$ 5,376,551	\$ 4,050,761	\$ 4,691,696
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ (134,306)	\$ -

Note 9 - Defined Benefit Pension Plan (Continued)

Funding Status and Funding Progress - As of June 30, 2012, the most recent actuarial valuation date, the plan was 68.5 percent funded. The actuarial accrued liability for benefits was \$178 million, and the actuarial value of assets was \$122 million, resulting in an unfunded actuarial accrued liability of \$56 million. The covered payroll (annual payroll to active employees covered by the plan) was \$13 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 415.2 percent.

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at June 30, 2012, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.5 investment rate of return, (b) projected salary increases of 5.0 percent to 8.8 percent per year, and (c) item (b) includes an inflation component of 5.0. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 22 years.

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

Reserve for employees' contributions	\$ 17,782,326
Reserve for retired benefit payments	107,087,367

Note 10 - Other Postemployment Benefits

Plan Description - The City provides retiree healthcare benefits to eligible employees and their spouses for public safety and general employees of the City. Currently, the plan has 591 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

This is a single-employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions.

City of Roseville, Michigan

Notes to Financial Statements June 30, 2013

Note 10 - Other Postemployment Benefits (Continued)

Funding Policy - Retiree healthcare costs are recognized when paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2013, the City made payments for postemployment health benefit premiums of \$4,338,226. 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 \$5,225,334 as of June 30, 2013.

Funding Progress - For the year ended June 30, 2013, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2012. 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)	\$ 4,446,765
Interest on the prior year's net OPEB obligation	<u>-</u>
Annual OPEB cost	4,446,765
Amounts contributed:	
Payments of current premiums	(4,338,226)
Advance funding	<u>(250,000)</u>
Increase in net OPEB asset	(141,461)
OPEB obligation - Beginning of year	<u>-</u>
OPEB asset - End of year	<u>\$ (141,461)</u>

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

Fiscal Years Ending	Actuarial Valuation Date	Annual OPEB Costs	Percentage OPEB Costs Contributed	Net OPEB Obligation (Asset)
6/30/11	6/30/10	\$ 4,521,181	98.1 %	\$ 339,164
6/30/12	6/30/10	4,527,564	106.3	-
6/30/13	6/30/12	4,446,765	103.0	(215,238)

Note 10 - Other Postemployment Benefits (Continued)

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/08	\$ 1,742,055	\$ 65,990,073	\$ 64,248,018	2.6 %	\$ 18,683,089	343.9 %
6/30/10	2,539,522	70,335,321	67,795,799	3.6	16,755,219	404.6
6/30/12	2,681,375	74,942,862	72,261,487	3.7	13,462,808	536.7

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

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

In the June 30, 2012 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 graded down to 5 percent in 0.5 percent increments over 5 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, 2012 was 30 years.

City of Roseville, Michigan

Notes to Financial Statements June 30, 2013

Note 11 - Pension and Other Employee Benefits Trust Funds

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

	Employee Pension Trust Fund	Retiree Healthcare Benefits Trust Fund	Total
Statement of Net Position			
Cash and investments	\$ 126,076,923	\$ 5,218,180	\$ 131,295,103
Receivables and other assets	446,545	7,154	453,699
Liabilities	258,040	-	258,040
Net position	<u>\$ 126,265,428</u>	<u>\$ 5,225,334</u>	<u>\$ 131,490,762</u>
Statement of Changes in Net Position			
Investment income	\$ 12,890,381	\$ 214,416	\$ 13,104,797
Contributions	6,598,736	4,662,003	11,260,739
Other additions	67,936	-	67,936
Benefit payments	12,700,028	3,428,309	16,128,337
Other deductions	3,427,773	3,827	3,431,600
Net change in net position	<u>\$ 3,429,252</u>	<u>\$ 1,444,283</u>	<u>\$ 4,873,535</u>

Note 12 - Joint Ventures

The City is a member of the Southeast Macomb Sanitary District, which provides sewage disposal to participating municipalities in Macomb County, Michigan. Other members include the cities of St. Clair Shores and Eastpointe, Michigan. The City appoints one member to the joint venture's governing board, which then approves the annual budgets. The City's equity interest at June 30, 2013 in the Southeast Macomb Sanitary District of \$5,428,201 is recorded within the governmental activities column of the statement of net position based on the Southeast Macomb Sanitary District's June 30, 2013 financial statements. Complete financial statements for the Southeast Macomb Sanitary District can be obtained from its administrative offices at 20001 Pleasant Avenue, St. Clair Shores, Michigan 48080. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

The City is a member of the South Macomb Disposal Authority (the "Authority"), which provides refuse disposal services to participating municipalities in Macomb County, Michigan. Other members include the cities of Centerline, Eastpointe, and Warren, Michigan. The City appoints one member to the joint venture's governing board, which then approves the annual budgets. The City's equity interest (loss) in the Authority of \$(1,342,448) is recorded within the governmental activities column of the statement of net position based on the South Macomb Disposal Authority's June 30, 2013 financial statements.

Note 12 - Joint Ventures (Continued)

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

The City is a member of the South East Regional Emergency Services Authority (SERESA), which is responsible for the dispatch of emergency police, fire, and ambulance services throughout the geographical area subject to the political control of the participating municipalities effective December 29, 2010. Other members include the cities of St. Clair Shores and Eastpointe. Each participating municipality is entitled to one board member appointment and then a fire chief and police chief are selected by the board. Each appointee is given a three-year term, except for the police and fire chiefs, who receive a one-year term. The Articles of Incorporation allow funding to be from a dedicated millage or telephone operational surcharge. However, in the near term, dispatched calls for service are going to serve as the methodology for allocating SERESA's budget among the General Funds of the cities. The articles also permit any participating municipality, including Roseville, to withdraw upon giving one full year's budgetary notice, although as a disincentive, any withdrawing municipality forfeits the asset previously transferred. SERESA's dispatch center is housed in a building wholly owned by the City of Roseville. The authority contracts with the City of Roseville to provide certain fiscal and information technology assistance for an annual fee. The City's equity interest in SERESA of \$467,835 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 12 - Joint Ventures (Continued)

The City is a member of the Roseville Eastpointe Recreation Authority (RARE), which is responsible for administering recreation programs and senior activities in its respective communities. The other member is the City of Eastpointe. The authority is governed by an administrative policy board. Each participating municipality is entitled to two board member appointments. In addition, the board selects one additional representative from either the community of Roseville or Eastpointe for a two-year term position. The authority will contract with the City of Roseville to provide certain administrative assistance for an annual fee. The Articles of Incorporation allow funding for the authority to be from a dedicated millage. In November 2011, voters of each community authorized a 1 mill tax levy to finance operations of the authority, which expires in 2031. The authority is authorized to borrow and issue debt, not to exceed 2 mills of the total taxable property within the authority's geographical area. Each participating municipality has committed to contribute real and personal property to the Authority limited to City of Roseville Recreation Center, 18185 Sycamore, Roseville, MI and City of Eastpointe Community Center, 16435 Eight Mile Road, Eastpointe, MI. The articles permit any participating municipality, including the City of Roseville, to withdraw upon giving one full year's budgetary notice. The articles also address dissolution of the authority, which requires council resolution from the governing board of the participating communities, at which time all outstanding debt of the authority is required to be paid in full. Any remaining assets of the authority would be evenly distributed to the member communities at the time of dissolution. However, if either member withdraws from the authority, the member is not entitled to the return of any credit for property or money that was transferred to or paid to the authority. As a result, the City has not recorded an equity interest. Complete financial statements for the Roseville Eastpointe Recreation Authority can be obtained from its administrative offices at 18185 Sycamore, Roseville, Michigan 48066. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Note 13 - Upcoming Accounting Pronouncements

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

Note 13 - Upcoming Accounting Pronouncements (Continued)

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

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

Required Supplemental Information

City of Roseville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 20,212,536	\$ 20,053,266	\$ 20,050,830	\$ (2,436)
Licenses and permits	968,250	1,073,848	1,083,972	10,124
Federal grants	50,000	666,074	674,605	8,531
State-shared revenue and grants	4,279,615	4,558,335	4,288,159	(270,176)
Charges for services	190,000	656,590	799,389	142,799
Fines and forfeitures	2,886,655	3,001,922	3,088,714	86,792
Investment income	50,000	5,000	19,568	14,568
Other fees and miscellaneous income	3,319,066	3,232,424	3,042,349	(190,075)
Total revenue	31,956,122	33,247,459	33,047,586	(199,873)
Expenditures - Current				
General government:				
Governing body	6,751,382	7,466,154	6,379,243	1,086,911
Finance/Accounting/Budget department	125,838	110,750	110,124	626
Purchasing	162,783	136,468	126,388	10,080
Information technology/Data processing	416,396	282,132	257,878	24,254
Treasurer	324,861	169,394	146,742	22,652
Assessing	457,626	372,372	367,557	4,815
Clerk	439,297	449,577	440,637	8,940
Buildings and grounds	1,301,863	835,965	802,795	33,170
Attorney	311,472	311,472	311,472	-
Human resources/Personnel	133,258	128,625	124,356	4,269
Pension board	107,259	-	-	-
Other	3,295,166	2,877,338	3,075,540	(198,202)
Total general government	13,827,201	13,140,247	12,142,732	997,515
Public safety:				
Police/Sheriff (county)	9,189,778	10,058,918	9,717,673	341,245
Fire and EMS	5,069,811	5,653,493	5,628,492	25,001
Building inspections and related	1,048,559	1,108,176	1,133,850	(25,674)
Total public safety	15,308,148	16,820,587	16,480,015	340,572
Public works:				
Street construction	1,065,018	826,810	804,116	22,694
Rubbish disposal	2,286,409	2,222,831	2,214,313	8,518
Street lighting	850,000	925,000	936,564	(11,564)
Allocated to other operations	(1,950,000)	(1,270,000)	(1,311,669)	41,669
Total public works	2,251,427	2,704,641	2,643,324	61,317

City of Roseville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures - Current (Continued)				
Construction and development	\$ 75,000	\$ 152,563	\$ 175,022	\$ (22,459)
Recreation and culture:				
Library	11,300	10,262	11,755	(1,493)
Parks and recreation	121,513	105,003	123,544	(18,541)
Total recreation and culture	<u>132,813</u>	<u>115,265</u>	<u>135,299</u>	<u>(20,034)</u>
Total expenditures	<u>31,594,589</u>	<u>32,933,303</u>	<u>31,576,392</u>	<u>1,356,911</u>
Excess of Revenue Over Expenditures	361,533	314,156	1,471,194	1,157,038
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	25,000	15,000	37,659	22,659
Transfers out	<u>(386,283)</u>	<u>(532,200)</u>	<u>(532,200)</u>	<u>-</u>
Total other financing uses	<u>(361,283)</u>	<u>(517,200)</u>	<u>(494,541)</u>	<u>22,659</u>
Net Change in Fund Balance	250	(203,044)	976,653	1,179,697
Fund Balance - Beginning of year	<u>4,322,177</u>	<u>4,322,177</u>	<u>4,322,177</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 4,322,427</u></u>	<u><u>\$ 4,119,133</u></u>	<u><u>\$ 5,298,830</u></u>	<u><u>\$ 1,179,697</u></u>

City of Roseville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 2,240,000	\$ 2,472,088	\$ 2,453,494	\$ (18,594)
Investment income	2,500	-	2,447	2,447
Total revenue	2,242,500	2,472,088	2,455,941	(16,147)
Expenditures - Current				
General government	192,500	207,454	208,745	(1,291)
Public works	862,022	693,914	314,653	379,261
Construction and development	188,000	1,052,095	952,301	99,794
Total expenditures	1,242,522	1,953,463	1,475,699	477,764
Excess of Revenue Over Expenditures	999,978	518,625	980,242	461,617
Other Financing Uses - Transfers out	(481,250)	(518,625)	(521,862)	(3,237)
Net Change in Fund Balance	518,728	-	458,380	458,380
Fund Balance - Beginning of year	4,075,418	4,075,418	4,075,418	-
Fund Balance - End of year	<u>\$ 4,594,146</u>	<u>\$ 4,075,418</u>	<u>\$ 4,533,798</u>	<u>\$ 458,380</u>

City of Roseville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Local Streets Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 650,000	\$ 706,181	\$ 710,575	\$ 4,394
Investment income	1,000	-	997	997
Other miscellaneous income	121,750	224	224	-
Total revenue	772,750	706,405	711,796	5,391
Expenditures - Current				
General government	65,000	70,618	71,057	(439)
Public works	1,112,500	992,008	718,054	273,954
Construction and development	80,000	165,904	65,904	100,000
Total expenditures	1,257,500	1,228,530	855,015	373,515
Excess of Expenditures Over Revenue	(484,750)	(522,125)	(143,219)	378,906
Other Financing Sources - Transfers in	484,750	522,125	528,305	6,180
Net Change in Fund Balance	-	-	385,086	385,086
Fund Balance - Beginning of year	1,608,750	1,608,750	1,608,750	-
Fund Balance - End of year	<u>\$ 1,608,750</u>	<u>\$ 1,608,750</u>	<u>\$ 1,993,836</u>	<u>\$ 385,086</u>

City of Roseville, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress Year Ended June 30, 2013

The schedule of funding progress is as follows (dollar amounts in thousands):

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
6/30/07	\$ 128,047	\$ 150,926	\$ 22,879	84.8 %	\$ 18,165	126.0 %
6/30/08	133,644	158,417	24,773	84.4	18,683	132.6
6/30/09	131,095	160,689	29,594	81.6	18,619	158.9
6/30/10	128,488	170,862	42,374	75.2	16,755	252.9
6/30/11	125,962	174,318	48,356	72.3	15,777	306.5
6/30/12	121,682	177,578	55,896	68.5	13,463	415.2

The schedule of employer contributions is as follows:

Fiscal Years Ending	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
6/30/08	6/30/06	\$ 3,863,676	100.0 %
6/30/09	6/30/07	3,892,855	100.0
6/30/10	6/30/08	4,160,914	100.0
6/30/11	6/30/09	4,691,696	100.0
6/30/12	6/30/10	4,050,761	100.0
6/30/13	6/30/11	5,376,550	100.0

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

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2012, the latest actuarial valuation, follows:

Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll - Closed
Amortization period (perpetual)	22 years
Asset valuation method	4-year smoothed market value
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	5.0% - 8.8%
* Includes inflation at	5.0%

City of Roseville, Michigan

Required Supplemental Information Other Postemployment Benefits Schedule of Funding Progress Year Ended June 30, 2013

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/05	\$ -	\$ 73,768,489	\$ 73,768,489	- %	\$ 18,216,786	404.9 %
6/30/08	1,742,055	65,990,073	64,248,018	2.6	18,683,089	343.9
6/30/10	2,539,522	70,335,321	67,795,799	3.6	16,755,219	404.6
6/30/12	2,681,375	74,942,862	72,261,487	3.7	13,462,808	536.7

The schedule of employer contributions is as follows:

Fiscal Years Ending	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
6/30/10	6/30/08	\$ 4,429,760	96.9 %
6/30/11	6/30/10	4,502,127	98.5
6/30/12	6/30/12	4,502,127	106.9
6/30/13	6/30/12	4,446,765	103.6

* 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, 2012, the latest actuarial valuation, follows:

Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll - Closed
Amortization period (perpetual)	30 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	5.0%
* Includes inflation at	5.0%
Cost of living adjustments	None

City of Roseville, Michigan

Note to Required Supplemental Information Year Ended June 30, 2013

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, 2013

Budgetary Information (Continued)

The City incurred expenditures which were in excess of the amounts budgeted during the year. The General Fund - general government - other line was \$198,202 over budget. Actual expenditures were \$3,075,540 while budgeted expenditures were \$2,877,338. These unfavorable variances were caused by unanticipated expenditures that became necessary during the year.

Other Supplemental Information

City of Roseville, Michigan

	Special Revenue Funds					Debt Service
	Community	Neighborhood		Drug Law		Funds
	Development	Stabilization	HOME	Enforcement	Library Fund	Building
	Block Grant	Grant				Authority
Assets						
Cash and investments	\$ 1,524	\$ 249,412	\$ -	\$ 2,033,417	\$ 231,505	\$ 14,467
Receivables:						
Property taxes receivable	-	-	-	-	8,500	-
Other receivables	-	-	5,708	204,441	45,523	-
Due from other governmental units	65,520	-	-	-	-	-
Due from other funds	-	-	5,000	-	-	-
Inventory	-	42,000	-	-	-	-
Prepaid expenses and other assets	3,230	-	-	-	4,363	-
Total assets	\$ 70,274	\$ 291,412	\$ 10,708	\$ 2,237,858	\$ 289,891	\$ 14,467
Liabilities						
Accounts payable	\$ 7,694	\$ -	\$ -	\$ 641	\$ 6,873	\$ -
Due to other funds	61,677	5,111	5,070	51,690	-	-
Accrued liabilities and other	898	-	870	32,360	25,627	-
Deferred revenue	5	-	1,473	171,851	6,479	-
Total liabilities	70,274	5,111	7,413	256,542	38,979	-
Fund Balances						
Nonspendable	3,230	42,000	-	-	4,363	-
Restricted:						
Debt service	-	-	-	-	-	14,467
Grants	-	-	3,295	-	-	-
Library authority	-	-	-	-	246,549	-
Drug law enforcement	-	-	-	1,981,316	-	-
Assigned - Grants	-	244,301	-	-	-	-
Unassigned	(3,230)	-	-	-	-	-
Total fund balances	-	286,301	3,295	1,981,316	250,912	14,467
Total liabilities and fund balances	\$ 70,274	\$ 291,412	\$ 10,708	\$ 2,237,858	\$ 289,891	\$ 14,467

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013**

<u>Debt Service Funds</u>		Total Nonmajor Governmental Funds
<u>General Debt</u>	<u>Chapter 20 Drain</u>	
\$ 724,456	\$ 1,862,185	\$ 5,116,966
3,634	8,302	20,436
-	-	255,672
-	-	65,520
-	1,120	6,120
-	-	42,000
-	469	8,062
<u>\$ 728,090</u>	<u>\$ 1,872,076</u>	<u>\$ 5,514,776</u>
\$ -	\$ 3,420	\$ 18,628
-	160,057	283,605
1,265	5,873	66,893
3,417	6,514	189,739
4,682	175,864	558,865
-	469	50,062
723,408	1,695,743	2,433,618
-	-	3,295
-	-	246,549
-	-	1,981,316
-	-	244,301
-	-	(3,230)
<u>723,408</u>	<u>1,696,212</u>	<u>4,955,911</u>
<u>\$ 728,090</u>	<u>\$ 1,872,076</u>	<u>\$ 5,514,776</u>

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2013

	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	
Revenue									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 894,547	\$ -	\$ 213,436	\$ 899,720	\$ 2,007,703
Federal grants	445,006	148,605	8,293	112,543	-	-	-	-	714,447
State-shared revenue and grants	-	-	-	-	57,223	-	-	-	57,223
Fines and forfeitures	-	-	-	-	17,081	-	-	-	17,081
Investment income	-	-	-	3,441	278	-	423	1,113	5,255
Other fees and miscellaneous revenue	56,200	-	-	401,430	27,454	-	-	-	485,084
Total revenue	501,206	148,605	8,293	517,414	996,583	-	213,859	900,833	3,286,793
Expenditures									
Current:									
General government	78,695	13,334	11,428	-	-	-	180,000	-	283,457
Public safety	-	-	-	705,495	-	400,000	-	-	1,105,495
Public works	180,228	-	-	-	-	-	-	552,773	733,001
Community and economic development	-	66,042	-	-	-	-	-	-	66,042
Recreation and culture	242,283	-	-	-	943,816	-	-	-	1,186,099
Other charges	-	-	-	-	-	-	19,322	261,215	280,537
Debt service - Interest on long-term debt	-	-	-	-	-	132,425	35,740	271,363	439,528
Total expenditures	501,206	79,376	11,428	705,495	943,816	532,425	235,062	1,085,351	4,094,159
Excess of Revenue Over (Under) Expenditures	-	69,229	(3,135)	(188,081)	52,767	(532,425)	(21,203)	(184,518)	(807,366)
Other Financing Sources (Uses)									
Proceeds from sale of capital assets	-	-	-	8,609	-	-	-	-	8,609
Transfers in	-	-	5,000	-	-	532,200	-	1,120	538,320
Transfers out	-	(5,000)	-	-	-	-	-	-	(5,000)
Total other financing (uses) sources	-	(5,000)	5,000	8,609	-	532,200	-	1,120	541,929
Net Change in Fund Balances	-	64,229	1,865	(179,472)	52,767	(225)	(21,203)	(183,398)	(265,437)
Fund Balances - Beginning of year	-	222,072	1,430	2,160,788	198,145	14,692	744,611	1,879,610	5,221,348
Fund Balances - End of year	\$ -	\$ 286,301	\$ 3,295	\$ 1,981,316	\$ 250,912	\$ 14,467	\$ 723,408	\$ 1,696,212	\$ 4,955,911

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Net Position Internal Service Funds June 30, 2013

	Employee Benefits Fund	Workers' Compensation Fund	Flexible Savings Fund	Total
Assets - Current assets				
Cash and cash equivalents	\$ 11,989,126	\$ 143,081	\$ 13,948	\$ 12,146,155
Receivables	32,174	-	-	32,174
Due from other funds	267,130	2,530	-	269,660
Prepaid expenses and other assets	118,785	11,724	308	130,817
Total assets	12,407,215	157,335	14,256	12,578,806
Liabilities - Current liabilities -				
Provision for claims	752,301	115,346	-	867,647
Net Position - Unrestricted	11,654,914	41,989	14,256	11,711,159
Total net position	\$ 11,654,914	\$ 41,989	\$ 14,256	\$ 11,711,159

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended June 30, 2013

	Employee Benefits Fund	Workers' Compensation Fund	Flexible Savings Fund	Total
Operating Revenue - Charges to other funds	\$ 6,749,418	\$ 164,146	\$ 36,747	\$ 6,950,311
Operating Expenses - Benefit payments and other costs	<u>6,791,683</u>	<u>138,242</u>	<u>29,762</u>	<u>6,959,687</u>
Operating (Loss) Income	(42,265)	25,904	6,985	(9,376)
Nonoperating Revenue - Investment income	<u>7,305</u>	<u>77</u>	<u>4</u>	<u>7,386</u>
Change in Net Position	(34,960)	25,981	6,989	(1,990)
Net Position - Beginning of year	<u>11,689,874</u>	<u>16,008</u>	<u>7,267</u>	<u>11,713,149</u>
Net Position - End of year	<u><u>\$ 11,654,914</u></u>	<u><u>\$ 41,989</u></u>	<u><u>\$ 14,256</u></u>	<u><u>\$ 11,711,159</u></u>

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2013

	Employee Benefits Fund	Workers' Compensation Fund	Flexible Savings Fund	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 6,739,155	\$ 162,422	\$ 36,439	\$ 6,938,016
Disbursements from interfund services	(267,130)	(845)	-	(267,975)
Internal activity - Payments to other funds	(2,155,476)	-	-	(2,155,476)
Claims paid	(6,897,912)	(153,792)	(29,762)	(7,081,466)
Net cash (used in) provided by operating activities	(2,581,363)	7,785	6,677	(2,566,901)
Cash Flows from Investing Activities -				
Interest received on investments	7,305	77	4	7,386
Net (Decrease) Increase in Cash and Cash Equivalents	(2,574,058)	7,862	6,681	(2,559,515)
Cash and Cash Equivalents - Beginning of year	14,563,184	135,219	7,267	14,705,670
Cash and Cash Equivalents - End of year	\$ 11,989,126	\$ 143,081	\$ 13,948	\$ 12,146,155
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (42,265)	\$ 25,904	\$ 6,985	\$ (9,376)
Changes in assets and liabilities:				
Receivables	(10,263)	(1,724)	(308)	(12,295)
Due from others	(267,130)	(845)	-	(267,975)
Due to others	(2,155,476)	-	-	(2,155,476)
Estimated claims liability	(106,229)	(15,550)	-	(121,779)
Net cash (used in) provided by operating activities	\$ (2,581,363)	\$ 7,785	\$ 6,677	\$ (2,566,901)

City of Roseville, Michigan

Other Supplemental Information Statement of Assets and Liabilities Fiduciary Funds June 30, 2013

	Pension Trust Funds			Agency Funds				
	Employees' Pension Trust Fund	Retiree Healthcare Benefits Trust Fund	Total Pension Trust Funds	Tax Collections	Misc. Agency	P.A.I.R.	Court	Total Agency Funds
Assets								
Cash and cash equivalents	\$ 4,253,360	\$ 265,170	\$ 4,518,530	\$ 54,393	\$ 60,147	\$ 24,144	\$ 192,724	\$ 331,408
Investments:								
U.S. government securities	11,061,276	662,794	11,724,070	-	-	-	-	-
Stocks	91,590,796	3,718,001	95,308,797	-	-	-	-	-
Bonds	8,885,484	572,215	9,457,699	-	-	-	-	-
Mutual funds	10,286,007	-	10,286,007	-	-	-	-	-
Receivables	446,545	7,154	453,699	-	-	-	-	-
Due from primary government	-	-	-	-	-	-	1,953	1,953
Prepaid expenses and other assets	-	-	-	-	22,808	-	-	22,808
Total assets	126,523,468	5,225,334	131,748,802	<u>\$ 54,393</u>	<u>\$ 82,955</u>	<u>\$ 24,144</u>	<u>\$ 194,677</u>	<u>\$ 356,169</u>
Liabilities								
Accounts payable	8,559	-	8,559	\$ 54,393	\$ 82,955	\$ 24,144	\$ 100	\$ 161,592
Due to primary government	155,029	-	155,029	-	-	-	-	-
Refundable deposits, bonds, etc.	-	-	-	-	-	-	114,932	114,932
Accrued liabilities and other	94,452	-	94,452	-	-	-	79,645	79,645
Total liabilities	258,040	-	258,040	<u>\$ 54,393</u>	<u>\$ 82,955</u>	<u>\$ 24,144</u>	<u>\$ 194,677</u>	<u>\$ 356,169</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 126,265,428</u>	<u>\$ 5,225,334</u>	<u>\$ 131,490,762</u>					

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended June 30, 2013

	Employees' Pension Trust Fund	Retiree Healthcare Benefits Trust Fund	Total
Additions			
Investment income:			
Interest and dividends	\$ 2,305,662	\$ 97,554	\$ 2,403,216
Net increase in fair value of investments	11,217,222	176,300	11,393,522
Investment-related expenses	(632,503)	(59,438)	(691,941)
Net investment income	12,890,381	214,416	13,104,797
Contributions:			
Employer contributions	5,376,551	4,662,003	10,038,554
Employee contributions	1,222,185	-	1,222,185
Net contributions	6,598,736	4,662,003	11,260,739
Other additions	67,936	-	67,936
Total additions	19,557,053	4,876,419	24,433,472
Deductions			
Benefit payments	12,700,028	3,428,309	16,128,337
Refunds of contributions	3,203,660	-	3,203,660
Administrative expenses	224,113	3,827	227,940
Total deductions	16,127,801	3,432,136	19,559,937
Net Increase in Net Position Held in Trust	3,429,252	1,444,283	4,873,535
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	122,836,176	3,781,051	126,617,227
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	\$ 126,265,428	\$ 5,225,334	\$ 131,490,762

City of Roseville, Michigan

Other Supplemental Information Schedule of Indebtedness June 30, 2013

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2013	2012
General Obligation Bonds					
Unlimited Tax General Obligation Library Bonds					
Date of issue - November 1, 1995					
Amount of issue - \$2,715,000					
	5.100	11/01/12	\$ 180,000	\$ -	\$ 180,000
	5.125	11/01/13	190,000	190,000	190,000
	5.125	11/01/14	200,000	200,000	200,000
	5.125	11/01/15	210,000	210,000	210,000
Total general obligation bonds				600,000	780,000
Building Authority Bonds					
Building Authority Police-Court-Firestation Renovation Bonds - Series 2006					
Date of issue - November 1, 2006					
Amount of issue - \$6,500,000					
	5.10	10/01/12	\$ 375,000	\$ -	\$ 400,000
	5.20	10/01/13	375,000	390,000	390,000
	5.20	10/01/14	375,000	410,000	410,000
	5.38	10/01/15	400,000	425,000	425,000
	5.38	10/01/16	400,000	440,000	440,000
	5.38	10/01/17	425,000	460,000	460,000
	5.50	10/01/18	475,000	480,000	480,000
	5.55	10/01/19	500,000	500,000	500,000
Total building authority bonds				3,105,000	3,505,000

City of Roseville, Michigan

Other Supplemental Information Schedule of Indebtedness (Continued) June 30, 2013

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2013	2012
County Drain Contract Obligations					
Lake St. Clair Water Initiative Drainage District - Series 2001A					
Date of issue - January 1, 2001					
Amount of issue - \$2,414,583					
	4.30	10/01/12	\$ 76,136	\$ -	\$ 76,136
	4.30	10/01/13	77,344	77,344	77,344
	4.30	10/01/14	78,553	78,553	78,553
	4.30	10/01/15	82,178	82,178	82,178
	4.30	10/01/16	84,595	84,595	84,595
	4.30	10/01/17	88,221	88,221	88,221
	4.30	10/01/18	90,638	90,638	90,638
	4.30	10/01/19	94,263	94,263	94,263
	4.30	10/01/20	97,889	97,889	97,889
	4.30	10/01/21	102,723	102,723	102,723
	4.30	10/01/22	107,557	107,557	107,557
	4.30	10/01/23	113,599	113,599	113,599
	4.30	10/01/24	119,642	119,642	119,642
	4.30	10/01/25	123,267	123,267	123,267
	4.30	10/01/26	129,310	129,310	129,310
	4.30	10/01/27	135,352	135,352	135,352
	4.30	10/01/28	140,186	140,186	140,186
	4.30	10/01/29	146,229	146,225	146,224
Total Series A				1,811,542	1,887,677

City of Roseville, Michigan

Other Supplemental Information Schedule of Indebtedness (Continued) June 30, 2013

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2013	2012
County Drain Contract Obligations - Continued					
Lake St. Clair Water Initiative Drainage District - Series 2002A					
Date of issue - May 1, 2002					
Amount of issue - \$505,500					
	4.500	10/01/12	\$ 17,693	\$ -	\$ 17,693
	4.500	10/01/13	17,693	17,693	17,693
	4.550	10/01/14	17,693	17,693	17,693
	4.700	10/01/15	18,704	18,704	18,704
	4.850	10/01/16	19,209	19,209	19,209
	4.950	10/01/17	19,715	19,715	19,715
	5.000	10/01/18	19,715	19,715	19,715
	5.050	10/01/19	20,726	20,726	20,726
	5.100	10/01/20	21,737	21,737	21,737
	5.100	10/01/21	22,242	22,242	22,242
	5.125	10/01/22	24,264	24,264	24,264
	5.125	10/01/23	25,275	25,275	25,275
	5.200	10/01/24	25,781	25,781	25,781
	5.200	10/01/25	26,792	26,792	26,792
	5.200	10/01/26	28,308	28,308	28,308
	5.250	10/01/27	29,319	29,319	29,319
	5.250	10/01/28	30,330	30,330	30,330
	5.250	10/01/29	31,847	31,842	31,842
				399,345	417,038
Total Series 2002A					

City of Roseville, Michigan

Other Supplemental Information Schedule of Indebtedness (Continued) June 30, 2013

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2013	2012
County Drain Contract Obligations - Continued					
Lake St. Clair Water Initiative Drain Drainage District - SRF Project 5186-01					
Date of issue - December 20, 2000					
City's portion of issuance - \$4,396,509					
	2.50	10/01/12	\$ 214,827	\$ -	\$ 214,827
	2.50	10/01/13	220,145	220,145	220,145
	2.50	10/01/14	225,462	225,462	225,462
	2.50	10/01/15	231,843	231,843	231,843
	2.50	10/01/16	237,161	237,161	237,161
	2.50	10/01/17	243,541	243,541	243,541
	2.50	10/01/18	249,922	249,922	249,922
	2.50	10/01/19	256,303	256,303	256,303
	2.50	10/01/20	262,684	262,684	262,684
	2.50	10/01/21	269,065	269,065	269,065
	2.50	10/01/22	276,512	276,512	276,512
		Total SRF Project 5186-01		2,472,638	2,687,465
Lake St. Clair Water Initiative Drain Drainage District - SRF Project 5186-02					
Date of issue - December 20, 2001					
City's portion of issuance - \$3,099,462					
	2.50	10/01/12	\$ 151,221	\$ -	\$ 151,221
	2.50	10/01/13	155,769	155,769	155,769
	2.50	10/01/14	159,180	159,180	159,180
	2.50	10/01/15	163,728	163,728	163,728
	2.50	10/01/16	167,139	167,139	167,139
	2.50	10/01/17	171,687	171,687	171,687
	2.50	10/01/18	176,235	176,235	176,235
	2.50	10/01/19	180,783	180,783	180,783
	2.50	10/01/20	185,331	185,331	185,331
	2.50	10/01/21	189,879	189,879	189,879
	2.50	10/01/22	194,427	194,427	194,427
		Total SRF Project 5186-02		1,744,158	1,895,379

City of Roseville, Michigan

Other Supplemental Information Schedule of Indebtedness (Continued) June 30, 2013

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2013	2012

County Drain Contract Obligations - Continued

Lake St. Clair Water Initiative Drain Drainage District - SRF Project 5186-03

Date of issue - December 20, 2001

City's portion of issuance - \$600,336

2.50	10/01/12	\$	29,562	\$	-	\$	29,562
2.50	10/01/13		29,562		29,562		29,562
2.50	10/01/14		30,699		30,699		30,699
2.50	10/01/15		31,836		31,836		31,836
2.50	10/01/16		31,836		31,836		31,836
2.50	10/01/17		32,973		32,973		32,973
2.50	10/01/18		34,110		34,110		34,110
2.50	10/01/19		35,247		35,247		35,247
2.50	10/01/20		36,384		36,384		36,384
2.50	10/01/21		36,384		36,384		36,384
2.50	10/01/22		37,522		37,522		37,522
Total SRF Project 5186-03						336,553	366,115

Lake St. Clair Water Initiative Drain Drainage District - SRF Project 5186-05

Date of issue - June 26, 2003

City's portion of issuance - \$343,298

2.50	10/01/12	\$	15,845	\$	-	\$	15,845
2.50	10/01/13		15,845		15,845		15,845
2.50	10/01/14		17,605		17,605		17,605
2.50	10/01/15		17,605		17,605		17,605
2.50	10/01/16		17,605		17,605		17,605
2.50	10/01/17		19,365		19,365		19,365
2.50	10/01/18		19,365		19,365		19,365
2.50	10/01/19		19,365		19,365		19,365
2.50	10/01/20		19,365		19,365		19,365
2.50	10/01/21		21,126		21,126		21,126
2.50	10/01/22		21,126		21,126		21,126
2.50	10/01/23		21,126		21,126		21,127
Total SRF Project 5186-05						209,498	225,344

City of Roseville, Michigan

Other Supplemental Information Schedule of Indebtedness (Continued) June 30, 2013

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2013	2012
County Drain Contract Obligations - Continued					
Lake St. Clair Water Initiative Drainage District - Series A					
Date of issue - June 1, 2004					
Amount of issue - \$2,425,000					
	4.400	10/01/12	\$ 47,490	\$ -	\$ 47,490
	4.500	10/01/13	49,073	49,072	49,073
	4.625	10/01/14	50,656	50,656	50,656
	4.750	10/01/15	53,822	53,822	53,822
	4.750	10/01/16	55,405	55,405	55,405
	4.900	10/01/17	58,571	58,571	58,571
	4.900	10/01/18	60,154	60,154	60,154
	5.100	10/01/19	63,320	63,320	63,320
	5.100	10/01/20	66,486	66,486	66,486
	5.100	10/01/21	69,652	69,652	69,652
	5.125	10/01/22	74,401	74,401	74,401
	5.125	10/01/23	77,567	77,567	77,567
	5.125	10/01/24	82,316	82,316	82,316
	5.125	10/01/25	87,065	87,065	87,065
	5.125	10/01/26	91,814	91,814	91,814
	5.125	10/01/27	94,980	94,980	94,980
	5.125	10/01/28	102,895	102,895	102,895
	5.125	10/01/29	106,061	106,062	106,061
				1,244,238	1,291,728
				\$ 8,217,972	\$ 8,770,746

City of Roseville, Michigan

Other Supplemental Information Schedule of Indebtedness (Continued) June 30, 2013

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2013	2012
Installment Loan Obligations					
Installment loan - Interior Lighting Project					
Date of issue - June 2012					
Amount of issue - \$118,121					
	-	2/28/13	\$ 22,960	\$ -	\$ 22,960
	-	2/28/14	22,960	22,960	22,960
	-	2/28/15	22,960	22,960	22,960
	-	2/28/16	22,960	22,960	22,960
	-	2/28/17	22,960	22,960	22,960
	-	2/28/18	3,321	3,320	3,321
		Total interior lighting project		95,160	118,121
Installment loan - Exterior Lighting Project					
Date of issue - June 2012					
Amount of issue - \$154,515					
	-	2/28/13	\$ 10,301	\$ -	\$ 10,301
	-	2/28/14	10,301	10,301	10,301
	-	2/28/15	10,301	10,301	10,301
	-	2/28/16	10,301	10,301	10,301
	-	2/28/17	10,301	10,301	10,301
	-	2/28/18	10,301	10,301	10,301
	-	2/28/19	10,301	10,301	10,301
	-	2/28/20	10,301	10,301	10,301
	-	2/28/21	10,301	10,301	10,301
	-	2/28/22	10,301	10,301	10,301
	-	2/28/23	10,301	10,301	10,301
	-	2/28/24	10,301	10,301	10,301
	-	2/28/25	10,301	10,301	10,301
	-	2/28/26	10,301	10,301	10,301
	-	2/28/27	10,301	10,301	10,301
		Total exterior lighting project		144,214	154,515
		Total Installment Loan Obligations		<u>\$ 239,374</u>	<u>\$ 272,636</u>

City of Roseville, Michigan

Other Supplemental Information Schedule of Indebtedness (Continued) June 30, 2013

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2013	2012
Water Fund Revenue Bonds Obligations					
MI Finance Authority Clean Water Revenue Bonds - SRF Project 5373-01					
Date of issue - September 18, 2012					
Amount of issue - \$4,445,000					
	2.500	4/1/2014	\$ 175,000	\$ 175,000	\$ -
	2.500	4/1/2015	180,000	180,000	-
	2.500	4/1/2016	185,000	185,000	-
	2.500	4/1/2017	190,000	190,000	-
	2.500	4/1/2018	190,000	190,000	-
	2.500	4/1/2019	195,000	195,000	-
	2.500	4/1/2020	200,000	200,000	-
	2.500	4/1/2021	205,000	205,000	-
	2.500	4/1/2022	210,000	210,000	-
	2.500	4/1/2023	215,000	215,000	-
	2.500	4/1/2024	225,000	225,000	-
	2.500	4/1/2025	230,000	230,000	-
	2.500	4/1/2026	235,000	235,000	-
	2.500	4/1/2027	240,000	240,000	-
	2.500	4/1/2028	245,000	245,000	-
	2.500	4/1/2029	250,000	250,000	-
	2.500	4/1/2030	260,000	260,000	-
	2.500	4/1/2031	265,000	265,000	-
	2.500	4/1/2032	270,000	270,000	-
	2.500	4/1/2033	280,000	280,000	-
Total SRF Project 5373-01				4,445,000	-
				(2,533,528)	-
Water Fund SRF Revenue Bonds Obligation				\$ 1,911,472	\$ -