

# **City of Roseville, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2015**

# City of Roseville, Michigan

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# City of Roseville, Michigan

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## Independent Auditor's Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2015 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, 2015 and the respective changes in its financial position and, where applicable, cash flows, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 15 to the financial statements, in 2015, the City adopted the new accounting guidance of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of governmental employers through pension plans. Our opinion is not modified with respect to this matter.

As discussed in Note 15 to the basic financial statements, the 2014 basic financial statements have been restated to correct the presentation of SEMSD. Our opinion is not modified with respect to this matter.

The financial statements include investments valued at approximately \$43,000,000 (30 percent of the net position of the fiduciary funds) at June 30, 2015, whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by investment advisors, general partners, and other means. Our opinion has not been modified in respect to this matter.

### ***Other Matters***

#### ***Required Supplemental Information***

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

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Roseville, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2015 on our consideration of the City of Roseville, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Roseville, Michigan's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

December 9, 2015

# City of Roseville, Michigan

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## 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.

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

### **Government-wide Financial Statements**

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

The government-wide financial statements of the City are divided into 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 are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources held in those funds are not available to finance the City's programs.

# **City of Roseville, Michigan**

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

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

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

### **Required Supplemental Information**

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

### **Other Supplemental Information**

Combining fund statements referred to earlier are presented immediately following the required supplemental information section of this report.

### **The City of Roseville, Michigan as a Whole**

The City's combined total net position remained consistent at \$87.8 million. A review of the governmental activities, separate from the business-type activities, shows a decrease of approximately \$1.0 million in total net position, or 1.6 percent, during fiscal year 2015. The decrease in total net position of governmental activities is primarily attributed to a \$2.4 million increase in capital assets and a \$13.4 million increase in deferred outflows offset by an \$11.7 million increase in current and long-term obligations and a \$5.1 million increase in deferred inflows. The decrease in net position is the result of implementing GASB Statement No. 68, *Financial Reporting for Pension Plans*, less property tax revenue during fiscal year 2015 than in prior years due to depressed property values, and the effects of funding retiree healthcare benefits for current and future retirees. In total, expenditures for fiscal year 2015 were \$1.9 million or 4.8 percent more than expenditures incurred during fiscal year 2014. Like many communities, postemployment healthcare premiums were traditionally paid by the City's pension fund through its available "excess earnings." Beginning in 2005, as a result of increasing healthcare costs coupled with declining interest rates, the pension fund was no longer able to cover this obligation. In 2015, the governmental portion of the obligation of \$4.0 million was paid entirely by the General Fund.

Business-type activities experienced a \$1.0 million increase in total net position during fiscal 2015. This increase is attributed to the restructuring of the City's water and sewer billing rates, effective July 1, 2009. This, coupled with disciplined expense control throughout fiscal year 2015, generated an increase in unrestricted net assets from operations. The restructuring of the City's water and sewer billing structure was a requirement of the State Revolving Fund loan application process. This restructuring generated proceeds which are necessary to finance critical improvements to the City's aging water and sewer infrastructure.

# City of Roseville, Michigan

## Management's Discussion and Analysis (Continued)

### Governmental Activities

In a condensed format, the table below shows the comparison of net position (in millions of dollars) as of June 30, 2015 to the prior year:

	Governmental Activities			Percent Change
	2014 (As Restated)	2015	Change	
Other assets	\$ 37,222,877	\$ 37,285,636	\$ 62,759	0%
Capital assets	<u>82,286,574</u>	<u>84,690,744</u>	<u>2,404,170</u>	3%
Total assets	119,509,451	121,976,380	2,466,929	2%
Deferred outflows related to pension	-	13,386,699	13,386,699	0%
Current liabilities	4,491,453	7,372,249	2,880,796	64%
Long-term liabilities	<u>51,599,673</u>	<u>60,461,874</u>	<u>8,862,201</u>	17%
Total liabilities	56,091,126	67,834,123	11,742,997	21%
Deferred inflows	<u>50,653</u>	<u>5,171,621</u>	<u>5,120,968</u>	n/a
Total liabilities and deferred inflows	<u>56,141,779</u>	<u>73,005,744</u>	<u>16,863,965</u>	30%
Net position:				
Net investment in capital assets	71,237,430	74,967,101	3,729,671	5%
Restricted	11,884,379	11,134,468	(749,911)	-6%
Unrestricted	<u>(19,754,137)</u>	<u>(23,744,234)</u>	<u>(3,990,097)</u>	20%
Total net position	<u>\$ 63,367,672</u>	<u>\$ 62,357,335</u>	<u>\$ (1,010,337)</u>	-2%

# 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, 2015 from the prior year:

	Governmental Activities			Percent Change
	2014 (As Restated)	2015	Change	
<b>Revenue</b>				
Program revenue:				
Charges for services	\$ 7,342,597	\$ 5,708,141	\$ (1,634,456)	-22%
Operating grants	4,795,856	5,128,734	332,878	7%
Capital grants	1,219,250	-	(1,219,250)	-100%
General revenue:				
Property taxes	20,803,926	20,755,514	(48,412)	0%
State-shared revenue	4,524,061	4,547,011	22,950	1%
Investment earnings	28,270	35,710	7,440	26%
Other revenue	1,679,330	4,169,042	2,489,712	148%
Total revenue	40,393,290	40,344,152	(49,138)	0%
<b>Program Expenses</b>				
General government	13,577,255	13,200,850	(376,405)	-3%
Public safety	16,549,481	17,385,043	835,562	5%
Public works	5,052,652	9,184,038	4,131,386	82%
Construction and development	1,233,552	348,606	(884,946)	-72%
Community and economic development	59,539	241,197	181,658	305%
Recreation and cultural	2,521,435	747,210	(1,774,225)	-70%
Interest on long-term debt	465,424	247,545	(217,879)	-47%
Transfers	3,502	-	(3,502)	-100%
Total expenses	39,462,840	41,354,489	1,891,649	5%
<b>Change in Net Position</b>	<b>\$ 930,450</b>	<b>\$ (1,010,337)</b>	<b>\$ (1,940,787)</b>	<b>-209%</b>

The City's total governmental revenues remained consistent at \$40.3 million in 2015. Of this amount, property taxes, which account for approximately 51 percent of total revenue, remained consistent at \$20.8 million. While operating grants increased slightly from \$4.8 million in 2014 to \$5.1 million in 2015, revenue from capital grants decreased \$1.2 million to \$0. In addition, charges for service-type activities which support program costs such as the District Court, building and rental inspections, etc., decreased \$1.6 million during fiscal year 2015. State-shared revenue, investment earnings, and other revenue combined represents 21.7 percent of total revenue, or \$8.8 million, and increased \$2.5 million or 40.0 percent during fiscal year 2015.

# City of Roseville, Michigan

## Management's Discussion and Analysis (Continued)

Total expenditures increased by approximately \$1.9 million or 4.8 percent over the previous fiscal year. This increase is attributed to several factors, including filling vacancies from recent retirements, healthcare plan restructuring for both active and retired employees, and the completion of several street repair projects and other capital improvement projects. The City continued strong expenditure control and continued to meet its actuarial required contribution for the defined benefit pension system during fiscal year 2015. In addition, the City also satisfied the portion of its actuarial required contribution related to current period service costs for postemployment healthcare benefits. This is important for the City because future taxpayers should not be required to fund benefit payments that were earned in the current period. Despite increased designations over the past several years to fund future retiree medical costs, the City, like most communities, remains severely underfunded with regard to GASB Statement No. 45. This pronouncement, effective June 30, 2009, requires the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. As of June 30, 2015, the City's unfunded liability with regard to postemployment healthcare benefits was approximately \$73.6 million.

### Business-type Activities

In a condensed format, the table below shows the comparison of net position (in millions of dollars) as of June 30, 2015 to the prior year:

	Business-type Activities			Percent Change
	2014 (As Restated)	2015	Change	
Other assets	\$ 21,759,696	\$ 19,818,260	\$ (1,941,436)	-9%
Capital assets	<u>12,063,626</u>	<u>15,213,436</u>	<u>3,149,810</u>	26%
Total assets	33,823,322	35,031,696	1,208,374	4%
Deferred outflows related to pension	-	1,417,298	1,417,298	0%
Current liabilities	1,800,193	2,001,582	201,389	11%
Long-term liabilities	<u>7,565,128</u>	<u>8,411,915</u>	<u>846,787</u>	11%
Total liabilities	9,365,321	10,413,497	1,048,176	11%
Deferred inflows related to pension	-	<u>547,538</u>	<u>547,538</u>	0%
Net position:				
Net investment in capital assets	8,894,821	11,927,079	3,032,258	34%
Unrestricted	<u>15,563,180</u>	<u>13,560,880</u>	<u>(2,002,300)</u>	-13%
Total net position	<u>\$ 24,458,001</u>	<u>\$ 25,487,959</u>	<u>\$ 1,029,958</u>	4%

# City of Roseville, Michigan

## Management's Discussion and Analysis (Continued)

The following table shows the changes in net position (in millions of dollars) for the year ended June 30, 2015 from the prior year:

	Business-type Activities			Percent Change
	2014 (As Restated)	2015	Change	
<b>Revenue - Program revenue -</b>				
Charges for services	\$ 13,379,823	\$ 13,843,275	\$ 463,452	3%
<b>Program Expenses</b>				
Operating expenses, other than depreciation	12,488,496	12,265,303	(223,193)	-2%
Depreciation and amortization	550,244	561,585	11,341	2%
Total program expense	13,038,740	12,826,888	(211,852)	-2%
<b>Operating Income</b>	341,083	1,016,387	675,304	198%
<b>Interest Income</b>	3,430	13,571	10,141	296%
<b>Transfers</b>	3,502	-	(3,502)	-100%
<b>Change in Net Position</b>	<u>\$ 348,015</u>	<u>\$ 1,029,958</u>	<u>\$ 681,943</u>	196%

The City's business-type activities are recorded in the Water and Sewer Fund. Water and sewer operations are funded directly by user fees or charges for services. Revenue generated from the City's Water and Sewer Fund totaled \$13.8 million in 2015 and expenses were \$12.8 million. The City experienced an overall increase in net position of approximately \$1.0 million. For fiscal year 2015, as a result of internal efficiencies, a 4.2 percent rate increase in the City's overall water and sewer rate was passed to customers, despite more significant increases for services charged to the City by the Detroit Water Board and the South Macomb Sanitary District. The City is currently in its eighth year of a 30-year working agreement with the City of Detroit to monitor maximum day "peaking" costs and usage to minimize future rate increases from its supplier. Effective July 1, 2009, City management revised the water and sewer billing structure to include a ready-to-serve base charge on all accounts, regardless of usage. The City's water and sewer rates continue to reflect only the estimated cost for water units purchased or sewer treatment costs incurred by the City. No other expenses are factored into these rates.

# **City of Roseville, Michigan**

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

During fiscal year 2015, the City's water and sewer system incurred a 0.1 percent decrease in the volume of water purchased and a 3.9 percent decrease in sewage units purchased as well as incurring a 3.5 percent increase in the total volume of water units sold and a 2.9 percent increase in sewage units treated. This relationship is supported by the City's inferred water loss percentage which increased from 17.2 percent to 17.3 percent in fiscal year 2015, attributed to normal repairs and/or capital improvements being made to the City's water and sewer lines. In August 2012, the City committed \$4.45 million in state revolving fund loan proceeds to finance critical enhancements to its infrastructure to reduce future water loss. Construction began shortly afterwards and is expected to be completed during the winter of 2015. For fiscal year 2016, City Council has approved a 3.6 percent total rate increase, which is less than the rate increases for services charged by its suppliers. In addition, the City Council has initiated implementation of an automated water-meter reading system that will further enhance operations, reduce system loss, and increase collections.

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

In addition, the City continues to work with neighboring communities to develop a collaborative agreement to purchase quantities of water from the GLWA at off-peak times when water rates are lower, and to store the water in tanks to be utilized during peak operational hours as a supplement to the water supply, thus providing cost savings.

### **The City's Funds**

The analysis of the City's major funds follows the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The City's major funds for 2014 and 2015 include the General Fund, the Major and Local Streets Funds, and the Capital Projects Fund.

# City of Roseville, Michigan

## Management's Discussion and Analysis (Continued)

The General Fund receives all City revenue not designated for specific use by state statutes or City Charter, and accounts for most of the City's governmental services. The most significant of these are police and fire, which incurred expenditures of approximately \$17.1 million in 2015, before depreciation and other full accrual accounting adjustments. The general operating millage levied by the City supports these two services. Fund balance in the General Fund increased by approximately \$0.2 million during fiscal year 2015, primarily attributed to increases in charges for services and other miscellaneous revenue in the amount of \$2.0 million. These increases in revenue were offset by increases in public safety, general government, and public works expenditures primarily related to capital improvements. Despite efforts to manage expenditures, funding for current retiree and postretiree healthcare benefits continue to impact the fund balance in the General Fund. City management will continue to evaluate options to further reduce retiree healthcare costs. These options may include new programs and plans and other innovative measures to provide reduction of legacy costs.

The Major and Local Streets Funds are the two funds used by the City to account for capital outlay expenditures related to road construction and maintenance. State revenue sources and transfers from other funds support the activities recorded in these funds. During fiscal year 2015, net position in the Major Streets Fund increased by approximately \$493,000 and net position in the Local Streets Fund decreased by approximately \$345,000 as the City focused on road construction and maintenance of local roads during 2015. For 2015, the Local Streets Fund received approximately \$549,000 in operating transfers from the Major Streets Fund to support local road construction projects. Historically, the General Fund would have recorded a year-end transfer to the Local Streets Fund to support future road projects. Due to lower property tax revenue, these resources were not available to transfer in 2015. While some capital improvements can be delayed for the short term, the long-term effects of reduced road maintenance and improvements to aging infrastructure ultimately compromise a city's ability to provide core services to its residents.

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

The Capital Projects Fund includes the City's portion of the Lake St. Clair Clean Water Initiative project being administered on behalf of the City by Macomb County. The City maintains certain intangible rights to a county drain asset equal to the City's share of the debt associated with the Clean Water Initiative project. In March 2012, City Council recommitted/reassigned approximately \$2.8 million of the fund's financial reserves for future road construction projects. Of this committed amount, approximately \$1.7 million has been expended for neighborhood road improvements through the end of fiscal year 2015. During fiscal year 2015, the City purchased \$0.3 million in tax-reverted properties from the county. These properties were remarketed to an investment group and sold for \$0.6 million in fiscal year 2015.

# City of Roseville, Michigan

## Management's Discussion and Analysis (Continued)

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

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

### 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 year 2015. The amended budget for revenue in the General Fund was a net increase of \$17 thousand resulting from an increase in budgeted other miscellaneous revenue of \$1.4 million and decreases in all other budgeted revenue line items with the most significant being state-shared revenue and grants of \$519 thousand and fines and forfeitures of \$378 thousand. In total, the General Fund amended budget for expenditures decreased by approximately \$1.4 million or 4.1 percent primarily attributed to changes in transfers to the capital projects fund from amounts originally anticipated. For fiscal year 2015, the City's original operating budget was a balanced document and reflected no utilization of fund balance. At June 30, 2015, the City recorded a net surplus of approximately \$0.2 million primarily due to changes in amounts needed to fund current retiree and postretiree healthcare benefits from amounts initially anticipated. For fiscal year 2016 and beyond, management has developed a comprehensive five-year financial forecast that is updated annually and is reflected as part of the City's annual operating budget.

# **City of Roseville, Michigan**

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

### **Capital Assets and Long-term Debt Administration**

At year end, the City had approximately \$99.9 million invested in a wide range of net capital assets, including land, buildings, police and fire equipment, computer equipment, infrastructure assets (roads, bridges, sidewalks, and storm drains in which it has invested since 1980), and water and sewer lines. Due to limited growth within the City, no water and sewer lines were contributed by developers in the current year. During fiscal year 2015, the total value of the City's governmental infrastructure assets, net of depreciation, increased \$0.4 million or 1.0 percent from \$40.4 million in 2014 to \$40.8 million in 2015. 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.

Debt reported in the financial statements typically relates to the purchase or construction of capital assets and is reported as a liability on the statement of net position. Debt service payments during fiscal year 2015 consisted of approximately \$1.3 million in principal payments and \$0.2 million in interest on all outstanding bonds and debt obligations. See the notes to the financial statements section of the report for additional information.

### **Economic Factors and Next Year's Budgets and Rates**

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

# City of Roseville, Michigan

## Management's Discussion and Analysis (Continued)

Unfortunately, from 2008 to 2014, property assessments declined, but have increased slightly in 2015 and are anticipated to continue to increase in 2016. Property taxes account for approximately 57 percent of the City's General Fund operating budget. Total property assessments decreased by approximately 3 percent in 2009 and by approximately 11 percent annually for fiscal years 2010 to 2013, and by approximately 6 percent in 2014. Total property assessments increased by approximately 2 percent in 2015. For fiscal year 2015-2016, the City's total assessed value increased from \$.856 billion to \$.874 billion. This approximates a 2.1 percent increase in market value or nearly \$0.4 million in additional tax revenue. The City's Assessor projects a 1.3 percent increase in property values annually beginning in fiscal year 2016. 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 since 2008 have resulted in a cumulative loss of nearly \$35 million. For example, in 2016, the average homeowner will pay approximately the same amount in taxes as they did prior to the City's 5 mill tax increase approved in 2006, even with the inclusion of the Library Authority and Recreation Authority millages. In addition, the City's revenue-raising capacity is limited as a result of levying at the Headlee limit. Due to limitations imposed by Proposal A, the gap between assessed value and taxable value has been eliminated and property owners' tax bills have begun to decrease by the full assessment decline. Even when future property values stabilize, Proposal A will limit future increases in property value to the rate of inflation. This suppression of future increases in property values will hamper the City's financial recovery as the real estate market begins to improve. To counter this trend, the City is preparing to undertake a strategic neighborhood revitalization project beginning in 2016. Through a partnership with other governmental agencies as well as Roseville Community Schools, the City hopes to redevelop current vacant and non-taxable properties for new home construction, thus placing them back onto the tax rolls. This strategy will not only revitalize neighborhoods but also add new families into the City, an effort that will benefit both the City and the School District. The City also plans to continue to sell non-taxed/non-buildable parcels to adjacent property owners, again placing them back onto the active tax rolls and eliminating City-borne maintenance costs.

Although the City's second largest revenue source, state revenue sharing, remained consistent in 2015 compared to 2014, the City has received reductions in state revenue sharing in each year from 2002 to 2013. In 2000, the City received \$6.3 million in revenue-sharing payments from the State of Michigan. State-shared revenue payments in 2015 were \$4.5 million, even after stringent CVTRS compliance. Revenue sharing represents approximately 14 percent of the General Fund operating budget. The true effects of declining state-shared revenue are further intensified once inflationary increases are factored into the equation. For example, if the City had received state-shared revenue payments, adjusted for the effects of inflation, the City would have received over \$39 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.

# City of Roseville, Michigan

## Management's Discussion and Analysis (Continued)

Expenses, on the other hand, continue to rise faster than inflation in many areas, many of which are contractual in nature and are beyond the immediate control of City management. Although City departments continue to make concerted efforts to keep departmental expenditures at a minimum, contractual obligations continue to adversely influence the City's bottom line. For fiscal year 2015, City management was able to negotiate the continuation of many prior year concessions to negate some of its contractual obligations. Unfortunately, expenses such as pension contributions and healthcare benefits have increased at rates in excess of inflation. While the City continues to make its required annual contribution, the City's pension system remains 72.2 percent funded due to volatile financial markets. For 2016 and beyond, City management anticipates overall expenses to increase an average of 2 percent annually. The City remains self-insured for medical and workers' compensation claims, which is the most cost-effective structure possible. 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 maintain wages and other fringe benefits for both current employees and future retirees. Staff restructuring and utilizing alternative methods to provide essential City services, where economically feasible, are avenues under consideration by City management to control costs and improve efficiency.

The most adverse impact to fiscal year 2015 and beyond continues to be the required funding for current and future retiree healthcare benefits. GASB Statement No. 45, which became effective June 30, 2009, requires the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. Despite increased designations over the past eight years to fund future retiree medical costs, the City, like most communities, remains severely underfunded with regard to this pronouncement.

As a result of many cost-saving measures implemented by City management, the City did not utilize its financial reserves to supplement day-to-day operations during fiscal year 2015. In 2015, the City's General Fund balance increased approximately \$0.2 million, from \$4.2 million to \$4.4 million. In 2014, the City's General Fund declined approximately \$1.1 million, from \$5.3 million to \$4.2 million. For fiscal year 2016, the City's operating budget is a balanced document and continues to reflect no utilization of fund balance. The 2015-2016 operating budget was predicated on utilizing savings generated from comprehensive contract wage and benefit restructuring with city unions, especially the police and fire unions. Membership of these unions constitutes over half of the total full-time employees of the City. The City has recently begun the budgetary process for fiscal year 2016-2017, at which time the financial status of fiscal year 2016 will be re-evaluated. The City is currently projecting budgetary deficits of over \$0.5 million for fiscal year 2016-2017 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 compromised. The City has not adopted a formal fund balance policy, but does target to maintain at least 10 percent of operating expenditures in the General Fund. It is imperative that the City maintain adequate financial levels to ensure positive cash flow and to preserve its favorable bond rating from Standard & Poor's. Last year's upgrade from A stable to A plus has saved the City thousands of dollars in annual interest costs.

# City of Roseville, Michigan

## Management's Discussion and Analysis (Continued)

Roseville, like most communities, is faced with the financial challenge of reinventing the way it operates and provides essential core services to its residents. Due to further property tax reductions, deepening state revenue-sharing cuts, and higher pension and OPEB contribution requirements, supported by shrinking workforces and volatile market values, the City continues to face unprecedented and permanent structural financial challenges. City government is a service to City residents and therefore, its primary costs are personnel related. The City continues to negotiate immediate and long-term savings from all its collective bargaining units in order to eliminate the use of fund balance reserves, maintain core services, and avoid future layoffs. Even if the State's financial position improves and economic recovery continues, limitations under Proposal A will hamper the City's economic recovery even under the most optimistic assumption, which is, at best, that the City's revenue stream will increase proportionally with expenditures. To complicate matters further, the State of Michigan eliminated personal property taxes for businesses during the year, which approximates \$2.2 million in General Fund revenue each year. Although the City has been assured replacement revenue from the elimination of personal property taxes impacting essential services, structural changes being implemented at the city level must continue to be permanent in nature to offset this lost revenue.

City management continues to aggressively investigate new potential revenue opportunities, including service-sharing agreements with surrounding communities, while it monitors and adjusts expenditures to ensure adequate fund balance reserves are maintained. In July 2010, the Cities of Roseville, St. Clair Shores, and Eastpointe created a legal entity known as the South East Regional Emergency Services Authority (SERESA), which is responsible for the dispatching of emergency police, fire, and ambulance services throughout the member communities. The Articles of Incorporation allow funding to be from a dedicated millage or telephone operational surcharge. However, in the near term, dispatched calls for service are going to serve as the methodology for allocating SERESA's budget among the General Funds of the cities. The articles also permit any participating municipality, including 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 was assigned the task to create a new redevelopment strategy for the community. The new strategy received certification on behalf of the City as a Michigan Redevelopment Ready Community in 2014. This designation will open the doors for new potential redevelopment opportunities as well as potential financial and technical assistance from the Michigan Economic Development Corporation. This action has been fully supported by the City Council. Additional economic development projects and programs are planned to be implemented in 2016 that will address underutilized or vacant properties and encourage new development and redevelopment. Primary focus areas include Groesbeck Highway and the Little Mack Avenue corridor. Both the Planning Commission and City Council have been fully supportive of this initiative and have already taken the initial steps to bring some of these projects to fruition.

# **City of Roseville, Michigan**

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

### **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, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 29,889,135	\$ 8,596,158	\$ 38,485,293
Receivables:			
Property taxes receivable - Net of allowance	455,420	-	455,420
Receivables from sales to customers on account	-	4,215,648	4,215,648
Accrued interest receivable	85,754	-	85,754
Due from Employees' Benefit Trust Fund	116,094	-	116,094
Other receivables	3,186,463	18,339	3,204,802
Due from other governmental units	1,736,170	-	1,736,170
Investment in joint ventures (Note 9)	396,660	6,029,687	6,426,347
RARE loan (Note 9)	-	800,000	800,000
Special assessments receivable	7,470	-	7,470
Internal balances (Note 5)	(4,531)	4,531	-
Inventory	396,050	119,199	515,249
Prepaid expenses and other assets	723,157	34,698	757,855
Restricted assets	14,077	-	14,077
Net OPEB asset	283,717	-	283,717
Capital assets (Note 4):			
Assets not subject to depreciation	31,210,455	-	31,210,455
Assets subject to depreciation	53,480,289	15,213,436	68,693,725
<b>Total assets</b>	<b>121,976,380</b>	<b>35,031,696</b>	<b>157,008,076</b>
<b>Deferred Outflows of Resources</b> - Deferred outflows related to pensions	13,386,699	1,417,298	14,803,997
<b>Liabilities</b>			
Accounts payable	4,492,242	1,541,236	6,033,478
Due to other governmental units	-	107,148	107,148
Refundable deposits, bonds, etc.	171,735	39,579	211,314
Accrued liabilities and other current liabilities	956,547	44,386	1,000,933
Payable to joint ventures (Note 9)	1,751,725	-	1,751,725
Noncurrent liabilities (Note 6):			
Due within one year (Note 6):			
Compensated absences	1,233,702	84,233	1,317,935
Current portion of long-term debt	1,264,811	185,000	1,449,811
Due in more than one year:			
Compensated absences (Note 6)	1,748,610	255,959	2,004,569
Net pension liability (Note 13)	47,741,842	5,054,599	52,796,441
Long-term debt (Note 6)	8,472,909	3,101,357	11,574,266
<b>Total liabilities</b>	<b>67,834,123</b>	<b>10,413,497</b>	<b>78,247,620</b>
<b>Deferred Inflows of Resources</b> - Deferred inflows related to pensions	5,171,621	547,538	5,719,159
<b>Net Position</b>			
Net investment in capital assets	74,967,101	11,927,079	86,894,180
Restricted for:			
Streets and highways	7,219,601	-	7,219,601
Debt service	1,427,302	-	1,427,302
Drug law enforcement	1,908,311	-	1,908,311
Library authority	291,568	-	291,568
Grants	263,609	-	263,609
Capital improvements	24,077	-	24,077
Unrestricted	(23,744,234)	13,560,880	(10,183,354)
<b>Total net position</b>	<b>\$ 62,357,335</b>	<b>\$ 25,487,959</b>	<b>\$ 87,845,294</b>

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

# City of Roseville, Michigan

	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 13,200,850	\$ 3,185,442	\$ 1,064,550	\$ -
Public safety	17,385,043	2,273,629	699,852	-
Public works	9,184,038	235,083	3,280,109	-
Community and economic development	589,803	-	-	-
Recreation and culture	747,210	13,987	84,223	-
Interest on long-term debt	247,545	-	-	-
Total governmental activities	41,354,489	5,708,141	5,128,734	-
Business-type activities - Water and sewer	12,826,888	13,843,275	-	-
Total primary government	<u>\$ 54,181,377</u>	<u>\$ 19,551,416</u>	<u>\$ 5,128,734</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue (unrestricted)				
Investment income (unrestricted)				
Cable franchise fees				
Other miscellaneous income				
Gain on sale of fixed assets				
Total general revenue				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year (as restated) (Note 15)</b>				
<b>Net Position - End of year</b>				

**Statement of Activities**  
**Year Ended June 30, 2015**

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (8,950,858)	\$ -	\$ (8,950,858)
(14,411,562)	-	(14,411,562)
(5,668,846)	-	(5,668,846)
(589,803)	-	(589,803)
(649,000)	-	(649,000)
(247,545)	-	(247,545)
(30,517,614)	-	(30,517,614)
-	1,016,387	1,016,387
(30,517,614)	1,016,387	(29,501,227)
20,755,514	-	20,755,514
4,547,011	-	4,547,011
35,710	6,328	42,038
902,404	-	902,404
2,658,074	-	2,658,074
608,564	7,243	615,807
29,507,277	13,571	29,520,848
(1,010,337)	1,029,958	19,621
63,367,672	24,458,001	87,825,673
<b><u>\$ 62,357,335</u></b>	<b><u>\$ 25,487,959</u></b>	<b><u>\$ 87,845,294</u></b>

# City of Roseville, Michigan

## Governmental Funds Balance Sheet June 30, 2015

	General Fund	Special Revenue Funds		Capital Projects Fund	Nonmajor Funds	Total
		Major Streets Fund	Local Streets Fund			
<b>Assets</b>						
Cash and cash equivalents (Note 3)	\$ 5,849,378	\$ 5,294,048	\$ 1,669,086	\$ 3,195,996	\$ 3,974,951	\$ 19,983,459
Receivables:						
Property taxes receivable	442,026	-	-	918	21,476	464,420
Special assessments receivable	-	-	-	7,470	-	7,470
Accrued interest receivable	85,754	-	-	-	-	85,754
Due from Employees' Pension Trust Fund	116,094	-	-	-	-	116,094
Other receivables	2,664,334	-	-	12,828	352,711	3,029,873
Due from other governmental units	737,420	498,264	184,532	-	315,954	1,736,170
Due from other funds (Note 5)	226,829	-	29,321	-	49,288	305,438
Inventory	-	-	-	-	5,500	5,500
Prepaid expenses	601,669	-	-	-	5,468	607,137
Restricted assets	-	-	-	14,077	-	14,077
<b>Total assets</b>	<b>\$ 10,723,504</b>	<b>\$ 5,792,312</b>	<b>\$ 1,882,939</b>	<b>\$ 3,231,289</b>	<b>\$ 4,725,348</b>	<b>\$ 26,355,392</b>
<b>Liabilities</b>						
Accounts payable	\$ 969,579	\$ 292,652	\$ 162,998	\$ 1,273,264	\$ 101,911	\$ 2,800,404
Due to other funds (Note 5)	2,599,329	-	-	7,614	214,705	2,821,648
Refundable deposits, bonds, etc.	171,735	-	-	-	-	171,735
Accrued liabilities and other	810,343	-	-	-	59,931	870,274
Compensated absences	105,124	-	-	-	-	105,124
<b>Total liabilities</b>	<b>4,656,110</b>	<b>292,652</b>	<b>162,998</b>	<b>1,280,878</b>	<b>376,547</b>	<b>6,769,185</b>
<b>Deferred Inflows of Resources</b>						
- Unavailable revenue	1,645,045	-	-	18,279	390,650	2,053,974
<b>Fund Balances</b>						
Nonspendable	992,219	-	-	-	5,468	997,687
Restricted:						
Streets and highways	-	5,499,660	1,719,941	-	-	7,219,601
Debt service	-	-	-	-	1,333,450	1,333,450
Grants	-	-	-	-	264,588	264,588
Capital improvements	10,000	-	-	14,077	-	24,077
Library Authority	-	-	-	-	279,880	279,880
Drug law enforcement	-	-	-	-	1,627,866	1,627,866
Committed - Road						
Construction projects	-	-	-	1,358,102	-	1,358,102
Assigned:						
Compensated absences	1,128,579	-	-	-	-	1,128,579
Debt service	-	-	-	-	450,334	450,334
Capital Projects	711,988	-	-	559,953	-	1,271,941
Unassigned	1,579,563	-	-	-	(3,435)	1,576,128
<b>Total fund balances</b>	<b>4,422,349</b>	<b>5,499,660</b>	<b>1,719,941</b>	<b>1,932,132</b>	<b>3,958,151</b>	<b>17,532,233</b>
Total liabilities, deferred inflows of resources, and fund balances	<b>\$ 10,723,504</b>	<b>\$ 5,792,312</b>	<b>\$ 1,882,939</b>	<b>\$ 3,231,289</b>	<b>\$ 4,725,348</b>	<b>\$ 26,355,392</b>

# City of Roseville, Michigan

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2015

<b>Fund Balance Reported in Governmental Funds</b>	\$ 17,532,233
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	84,690,744
Equity interests in joint ventures are not reported in the funds	(1,355,065)
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	2,053,974
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(9,737,720)
Accrued interest is not due and payable in the current period and is not reported in the funds	(86,273)
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	(2,877,188)
Allowance for doubtful account is not reported in the funds for taxes receivable to be collected over several years	(9,000)
Other long-term liabilities do not present a claim on current financial resources and are not reported as fund liabilities	(586,247)
Net pension liability is not due and payable in the current period and is not reported in the funds	(47,741,842)
Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources and deferred inflows of resources in the statement of net position, but are reported as expenses in the governmental funds	8,215,078
Other long-term assets resulting from advance funding of retiree health obligations are not financial resources and are not reported in the funds	283,717
Inventory is not available to pay for current period expenditures	390,550
Internal service funds are included as part of governmental activities	<u>11,584,374</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 62,357,335</u></b>

# City of Roseville, Michigan

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances

### Year Ended June 30, 2015

	Major Special Revenue Funds					Total
	General Fund	Major Streets Fund	Local Streets Fund	Capital Projects Fund	Nonmajor Funds	
<b>Revenue</b>						
Property taxes	\$ 18,910,451	\$ -	\$ -	\$ -	\$ 1,911,583	\$ 20,822,034
Licenses and permits	1,012,649	-	-	-	-	1,012,649
Federal grants	603,566	-	-	-	645,652	1,249,218
State-shared revenue and grants	4,550,011	2,465,513	748,570	-	75,663	7,839,757
Charges for services	873,884	-	-	-	-	873,884
Fines and forfeitures	2,908,975	-	-	-	13,987	2,922,962
Investment income	26,526	1,016	381	440	2,678	31,041
Rental income	-	-	-	6,625	-	6,625
Other revenue:						
Local donations	-	-	-	-	8,560	8,560
Cable franchise fees	902,404	-	-	-	-	902,404
Other fees and miscellaneous income	3,320,532	-	258,189	16,890	261,938	3,857,549
Total revenue	<u>33,108,998</u>	<u>2,466,529</u>	<u>1,007,140</u>	<u>23,955</u>	<u>2,920,061</u>	<u>39,526,683</u>
<b>Expenditures</b>						
Current:						
General government	12,555,468	219,643	74,857	299,648	-	13,149,616
Public safety	16,612,803	-	-	-	488,387	17,101,190
Public works	2,145,565	1,204,798	1,825,896	2,854,308	-	8,030,567
Community and economic development	-	-	-	-	589,803	589,803
Recreation and culture	121,674	-	-	-	963,082	1,084,756
Other charges	-	-	-	-	401,460	401,460
Debt service - Principal	-	-	-	-	1,197,762	1,197,762
Debt service - Interest on long-term debt	-	-	-	-	347,384	347,384
Total expenditures	<u>31,435,510</u>	<u>1,424,441</u>	<u>1,900,753</u>	<u>3,153,956</u>	<u>3,987,878</u>	<u>41,902,538</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	1,673,488	1,042,088	(893,613)	(3,130,001)	(1,067,817)	(2,375,855)
<b>Other Financing Sources (Uses)</b>						
Proceeds from sale of capital assets	-	-	-	634,282	-	634,282
Transfers in (Note 5)	-	-	549,107	1,000,000	510,400	2,059,507
Transfers out (Note 5)	(1,510,400)	(549,107)	-	-	-	(2,059,507)
Total other financing (uses) sources	<u>(1,510,400)</u>	<u>(549,107)</u>	<u>549,107</u>	<u>1,634,282</u>	<u>510,400</u>	<u>634,282</u>
<b>Net Change in Fund Balances</b>	163,088	492,981	(344,506)	(1,495,719)	(557,417)	(1,741,573)
<b>Fund Balances - Beginning of year</b>	4,259,261	5,006,679	2,064,447	3,427,851	4,515,568	19,273,806
<b>Fund Balances - End of year</b>	<u>\$ 4,422,349</u>	<u>\$ 5,499,660</u>	<u>\$ 1,719,941</u>	<u>\$ 1,932,132</u>	<u>\$ 3,958,151</u>	<u>\$ 17,532,233</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, 2015

**Net Change in Fund Balances - Total Governmental Funds** \$ (1,741,573)

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

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

Capital outlay	4,411,621
Depreciation expense	(2,407,509)
Net book value of assets disposed of	(25,719)
Contributed assets not reported in the funds	425,776
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	362,290
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,281,676
Change in accrued interest payable and other	5,389
Change in investment in joint ventures	(541,091)
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	285,300
Pension expense is recognized in the statement of activities when incurred, but in the governmental funds when paid	(2,156,650)
The underpayment of other postemployment benefit obligations is an expenditure in the governmental funds, but not in the statement of activities (where it reduces the asset)	(231,621)
Usage of inventory is an expense in the governmental funds but not in the statement of activities, where it decreases inventory asset balance	(51,537)
Deferred inflows for deferred charges on debt refunding are not recorded in the governmental funds	50,653
Bond premiums are not recorded in the governmental funds	(6,855)
Change in liabilities that do not present a claim on current financial resources	(586,246)
Internal service funds are included as part of the governmental activities	(84,241)

**Change in Net Position of Governmental Activities** **\$ (1,010,337)**

# City of Roseville, Michigan

## Proprietary Funds Statement of Net Position June 30, 2015

	Enterprise Fund	Governmental Activities
	Water and Sewer Fund	Proprietary Internal Service Funds
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 8,596,158	\$ 10,021,771
Receivables:		
Receivables from sales to customers on account	4,215,648	-
Other receivables	18,339	24,496
Investment in SEMSD (Note 9)	6,029,687	-
Loan receivable - RARE	800,000	-
Due from other funds	4,531	2,531,175
Inventory	119,199	-
Prepaid expenses and other assets	34,698	132,020
Total current assets	19,818,260	12,709,462
Noncurrent assets - Capital assets (Note 4)	15,213,436	-
Total assets	35,031,696	12,709,462
<b>Deferred Outflows of Resources</b> - Deferred outflows related to pensions	1,417,298	-
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	1,541,236	-
Due to other governmental units	107,148	-
Due to other funds	-	19,495
Refundable deposits, bonds, etc.	39,579	-
Accrued liabilities and other	44,386	-
Compensated absences (Note 6)	84,233	-
Provision for claims	-	1,105,593
Current portion of long-term debt (Note 6)	185,000	-
Total current liabilities	2,001,582	1,125,088
Noncurrent liabilities:		
Compensated absences (Note 6)	255,959	-
Net pension liability (Note 13)	5,054,599	-
Long-term debt (Note 6)	3,101,357	-
Total noncurrent liabilities	8,411,915	-
Total liabilities	10,413,497	1,125,088
<b>Deferred Inflows of Resources</b> - Deferred inflows related to pensions	547,538	-
<b>Net Position</b>		
Net investment in capital assets	11,927,079	-
Unrestricted	13,560,880	11,584,374
Total net position	\$ 25,487,959	\$ 11,584,374

# City of Roseville, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2015

	Enterprise Fund	Governmental Activities
	Water and Sewer Fund	Proprietary Internal Service Funds
<b>Operating Revenue</b>		
Sale of water	\$ 2,207,255	\$ -
Sewage disposal charges	6,822,273	-
Maintenance charges	3,948,337	-
Interest and penalty charges	352,605	-
Other miscellaneous revenue	512,805	-
Charges to other funds	-	6,534,573
Total operating revenue	13,843,275	6,534,573
<b>Operating Expenses</b>		
Cost of water	2,504,705	-
Cost of sewage treatment	7,294,561	-
Billing and administrative costs	1,535,137	112,291
Benefit payments and other costs	930,900	6,508,531
Depreciation	561,585	-
Total operating expenses	12,826,888	6,620,822
<b>Operating Income (Loss)</b>	1,016,387	(86,249)
<b>Nonoperating Revenue</b>		
Investment income	6,328	2,008
Gain on sale of assets	7,243	-
Total nonoperating revenue	13,571	2,008
<b>Change in Net Position</b>	1,029,958	(84,241)
<b>Net Position - Beginning of year (as restated) (Note 15)</b>	24,458,001	11,668,615
<b>Net Position - End of year</b>	\$ 25,487,959	\$ 11,584,374

# City of Roseville, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2015

	Enterprise Fund	Governmental Activities
	Water and Sewer Fund	Proprietary Internal Service Funds
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 13,703,542	\$ -
Receipts from interfund services and reimbursements	2,212	5,655,909
Payments to suppliers	(10,094,974)	(6,058)
Payments to employees	(1,549,368)	(226,999)
Internal activity - Payments to other funds	-	19,495
Claims paid	-	(6,310,774)
Distribution to joint venture	(1,175,323)	-
	886,089	(868,427)
Net cash provided by (used in) operating activities		
<b>Cash Flows from Capital and Related Financing Activities</b>		
Issuance of bonds	297,552	-
Proceeds from sales of capital assets	7,243	-
Purchase of capital assets	(3,711,395)	-
Principal and interest paid on capital debt	(180,000)	-
	(3,586,600)	-
Net cash used in capital and related financing activities		
<b>Cash Flows from Investing Activities</b> - Interest received on investments	1,994	2,008
<b>Net Decrease in Cash and Cash Equivalents</b>	(2,698,517)	(866,419)
<b>Cash and Cash Equivalents</b> - Beginning of year	11,294,675	10,888,190
<b>Cash and Cash Equivalents</b> - End of year	\$ 8,596,158	\$ 10,021,771
<b>Balance Sheet Classification of Cash and Cash Equivalents</b> -		
Cash and investments	\$ 8,596,158	\$ 10,021,771
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>		
Operating income (loss)	\$ 1,016,387	\$ (86,249)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation and amortization	561,585	-
Changes in assets and liabilities:		
Receivables	(149,223)	(10,865)
Due from others	2,212	(867,799)
Inventories	8,925	-
Investments in joint ventures	(1,175,323)	-
Prepaid and other assets	551,172	(6,058)
Accounts payable	(117,565)	-
Due to others	-	19,495
Estimated claims liability	-	83,049
Accrued and other liabilities	128,278	-
Due to other governmental units	50,151	-
Cash bond and deposits	9,490	-
	\$ 886,089	\$ (868,427)
Net cash provided by (used in) operating activities		

**Noncash Investing, Capital, and Financing Activities** - During the year ended June 30, 2015 there were no noncash activities.

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

# City of Roseville, Michigan

## Fiduciary Funds Statement of Fiduciary Net Position June 30, 2015

	Pension and Other Employee Benefit Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 120,327	\$ 281,340
Investments:		
U.S. government securities	10,404,876	-
Stocks	60,526,165	-
Bonds	7,606,725	-
Real estate	22,577,527	-
Mutual funds	16,288,169	-
Limited partnerships	26,454,047	-
Receivables:		
Accrued interest receivable	369,858	-
Other receivables	507,247	4,997
Total assets	144,854,941	<b>\$ 286,337</b>
<b>Liabilities</b>		
Accounts payable	550,875	\$ 59,575
Due to primary government	116,094	-
Refundable deposits, bonds, etc.	-	101,702
Accrued liabilities and other	79,291	125,060
Total liabilities	746,260	<b>\$ 286,337</b>
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<b>\$ 144,108,681</b>	

# City of Roseville, Michigan

## Fiduciary Funds Statement of Changes in Fiduciary Net Position - Pension and Other Employee Benefit Trust Funds Year Ended June 30, 2015

	Pension and Other Employee Benefit Trust Funds
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 2,821,943
Net increase in fair value of investments	1,536,724
Investment-related expenses	(930,456)
Net investment income	3,428,211
Contributions:	
Employer	9,337,362
Employee	1,286,672
Total contributions	10,624,034
Other additions	109,381
Total additions	14,161,626
<b>Deductions</b>	
Benefit payments	12,974,292
Health benefits	3,993,074
Administrative expenses	188,965
Total deductions	17,156,331
<b>Net Decrease in Net Position Held in Trust</b>	(2,994,705)
<b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	147,103,386
<b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>	<b>\$ 144,108,681</b>

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

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

#### **Reporting Entity**

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

#### **Blended Component Units**

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

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

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

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

**Jointly Governed Organizations** - Jointly governed organizations are discussed in Note 9.

#### **Accounting and Reporting Principles**

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

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

#### **Report Presentation**

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenue are reported instead as general revenue.

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

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

#### **Fund Accounting**

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

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

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

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

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

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

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

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

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

- The Employees' Pension Trust Fund accumulates resources for pension benefit payments to retirees and is accounted for in the same manner as proprietary funds. The Retiree Healthcare Benefits Trust Fund accumulates resources for healthcare payments to retirees and is accounted for in the same manner as proprietary funds.
- The Miscellaneous Agency Fund, the P.A.I.R. Fund, the Tax Collection Fund, and the District Court Fund are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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

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

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

#### **Basis of Accounting**

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

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

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

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

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

#### Specific Balances and Transactions

**Cash, Cash Equivalents, and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average.

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

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

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

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

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

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

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

#### **Deferred Outflows/Inflows of Resources**

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

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

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

#### **Net Position Flow Assumption**

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

#### **Fund Balance Flow Assumption**

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

#### **Fund Balance Policies**

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

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

### Note 1 - Summary of Significant Accounting Policies (Continued)

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

#### **Property Tax Revenue**

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

The City's 2015 tax is levied and collectible on December 1, 2014 and is recognized as revenue in the year ended June 30, 2015, when the proceeds of the levy are budgeted and available for the financing of operations.

The current year taxable valuation of the City totaled \$856 million, on which taxes levied consisted of 19.0391 mills for operating purposes, 2.5548 mills for refuse collections, 0.2555 mills for debt service, 1.0000 mills for the Chapter 20 Drain Fund, and 1.0000 mills for the library. This resulted in \$18,334,000 for operating and refuse collections, \$216,000 for debt services, \$848,000 for the Chapter 20 Drain Fund, and \$848,000 for the library. These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as tax revenue.

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

### Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

### Note 2 - Construction Code Fees

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

Shortfall at July 1, 2014		\$ (6,482,889)
Current year permit revenue		961,743
Related expenses:		
Direct costs	\$ 1,291,194	
Estimated indirect costs	129,119	1,420,313
		<u>          </u>
Current year shortfall		<u>(458,570)</u>
Cumulative shortfall at June 30, 2015		<u>\$ (6,941,459)</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 Employees' Pension Trust Fund and Retiree Healthcare Benefits Trust Fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

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

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

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$3,502,707 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

### 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	\$ 7,395,652	0.96
Municipal bonds	9,772,090	1.16
Total	<u>\$ 17,167,742</u>	
Employees' Retirement System:		
U.S. government agency securities	\$ 8,737,934	20.67
Corporate bonds	6,728,726	6.77
Foreign bonds	397,631	11.62
Municipal bonds	910,231	11.04
Total	<u>\$ 16,774,522</u>	
Retiree Health Care Benefits Trust:		
U.S. government agency securities	\$ 744,896	3.39
Municipal bonds	11,815	0.20
Corporate bonds	480,368	3.60
Total	<u>\$ 1,237,079</u>	

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2015

### 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	\$ 764,081	AAA	S&P
Municipal bonds	4,643,671	AA+ to AA-	S&P
Municipal bonds	492,843	A+ to A	S&P
Municipal bonds	164,902	AAA	Moody's
Municipal bonds	1,036,979	AA+ to AA-	Moody's
Municipal bonds	55,566	A+ to A	Moody's
Municipal bonds	2,564,048	Not Rated	
U.S. Government or agency bond or note	3,058,906	AAA	Moody
U.S. Government or agency bond or note	3,837,411	AA+ to AA-	S&P
U.S. Government or agency bond or note	499,335	Not Rated	
Total	\$ 17,117,742		
Employees' Retirement System:			
Corporate bonds	\$ 1,530,469	AAA	S&P
Corporate bonds	776,112	AA+ to AA-	S&P
Corporate bonds	2,231,939	A+ to A-	S&P
Corporate bonds	2,011,382	BBB+ to BBB-	S&P
Corporate bonds	178,824	Not rated	-
Foreign bonds	348,515	A+ to A-	S&P
Foreign bonds	49,116	BBB+ to BBB-	S&P
Municipal bond	129,963	AAA+ to AAA-	S&P
Municipal bond	64,113	AA+ to AA-	S&P
Municipal bond	79,439	A+ to A-	S&P
Municipal bond	59,716	Not rated	-
U.S. Government Agency Securities	548,421	AA	S&P
U.S. Government Agency Securities	8,189,513	Not Rated	-
Total	\$ 16,197,522		
Retiree Health Care Benefits Trust:			
Municipal Bonds	\$ 11,815	AAA	S&P
Corporate bonds	37,188	AA+ to AA-	S&P
Corporate bonds	176,296	A+ to A-	S&P
Corporate bonds	266,884	BBB+ to BBB-	S&P
Total	\$ 492,183		

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

**Concentration of Credit Risk** - The City places no limit on the amount it may invest in any one issuer. More than 5 percent of the Employees' Retirement System's investments are in Loomis Core Plus Full Distribution, iShares, and HGK Trinity Street International; these investments are 12.0468 percent, 8.5429 percent, and 8.5352 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, 2015, 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, 2015 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, 2015, 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, 2015 were \$1,510,452 and \$1,473,425, respectively.

### Note 4 - Capital Assets

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

	Balance July 1, 2014	Additions	Disposals/ Transfers	Balance June 30, 2015
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 31,210,455	\$ -	\$ -	\$ 31,210,455
Construction in progress	178,058	-	(178,058)	-
Subtotal	31,388,513	-	(178,058)	31,210,455
Capital assets being depreciated:				
Infrastructure	80,842,469	1,683,009	-	82,525,478
Buildings and improvements	16,697,828	2,712,272	140,524	19,550,624
Machinery and equipment	14,892,021	442,117	(1,227,740)	14,106,398
Subtotal	112,432,318	4,837,398	(1,087,216)	116,182,500
Accumulated depreciation:				
Infrastructure	40,430,668	1,266,684	-	41,697,352
Buildings and improvements	8,340,215	526,434	-	8,866,649
Machinery and equipment	12,763,374	614,391	(1,239,555)	12,138,210
Subtotal	61,534,257	2,407,509	(1,239,555)	62,702,211
Net capital assets being depreciated	50,898,061	2,429,889	152,339	53,480,289
Net capital assets	\$ 82,286,574	\$ 2,429,889	\$ (25,719)	\$ 84,690,744
<b>Business-type Activities</b>				
Capital assets not being depreciated -				
Construction in progress	\$ 23,119	\$ -	\$ (23,119)	\$ -
Capital assets being depreciated:				
Water and sewer lines	25,789,586	612,176	23,119	26,424,881
Buildings and improvements	126,654	500,000	-	626,654
Machinery and equipment	3,722,900	2,599,214	-	6,322,114
Subtotal	29,639,140	3,711,390	23,119	33,373,649
Accumulated depreciation:				
Water and sewer lines	14,169,218	402,418	-	14,571,636
Buildings and improvements	123,392	13,587	-	136,979
Machinery and equipment	3,306,018	145,580	-	3,451,598
Subtotal	17,598,628	561,585	-	18,160,213
Net capital assets being depreciated	12,040,512	3,149,805	23,119	15,213,436
Net capital assets	\$ 12,063,631	\$ 3,149,805	\$ -	\$ 15,213,436

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2015

### Note 4 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 252,614
Public safety	548,473
Public works	1,327,518
Recreation and culture	278,904
Total governmental activities	<u>\$ 2,407,509</u>

Business-type activities - Water and sewer	<u>\$ 561,585</u>
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**Construction Commitments** - The City has active construction projects at year end. The projects include various major and local street projects administered by the Michigan Department of Transportation and the Macomb County Department of Roads. Total project costs to date for these projects have been \$2,389,268. The remaining commitments for these projects are \$398,659 and \$83,832, respectively.

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

The composition of interfund balances is as follows:

Fund Due To	Fund Due From					Total
	General Fund	Capital Projects Fund	Internal Service Fund - Flexible Savings Fund	Internal Service Fund - Workers' Compensation Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ -	\$ 2,254	\$ 16,214	\$ 208,361	\$ 226,829
Local Roads	25,819	3,502	-	-	-	29,321
Water and Sewer Fund	-	3,503	-	1,028	-	4,531
Internal service fund - Workers' Compensation Fund	351	-	-	-	-	351
Internal service fund - Employee Benefits Fund	2,530,824	-	-	-	-	2,530,824
Nonmajor governmental funds	42,335	609	-	-	6,344	49,288
Total	<u>\$ 2,599,329</u>	<u>\$ 7,614</u>	<u>\$ 2,254</u>	<u>\$ 17,242</u>	<u>\$ 214,705</u>	<u>\$ 2,841,144</u>

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2015

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

The General Fund has an interfund receivable of \$116,094 from the Employees' Pension Trust Fund as of year end related to administrative costs paid by the General Fund.

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

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

Transfers In	Transfers Out		Total
	General Fund	Major Streets Fund	
Local Streets Fund	\$ -	\$ 549,107	\$ 549,107
Capital Projects Fund	1,000,000	-	1,000,000
Nonmajor funds	510,400	-	510,400
Total	\$ 1,510,400	\$ 549,107	\$ 2,059,507

The transfer from the Major Streets Fund to the Local Streets Fund is to help support local road projects. The transfers from the General Fund to the Capital Projects Fund are for various capital projects. The transfers from the General Fund to the nonmajor funds are for loan/debt current year obligations.

### Note 6 - Long-term Debt

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

The City has the following long-term debt outstanding at June 30, 2015:

Description	Amount
<b>Governmental Activities</b>	
<u>General Obligations:</u>	
Unlimited Tax General Obligation Library Bonds	\$ 210,000
Building Authority Limited Tax General Obligation Refunding Bonds - Series 2006	2,305,000
Southeast Michigan Regional Energy Office - Interior Lighting Agreement	49,240
Southeast Michigan Regional Energy Office - Exterior Lighting Agreement	123,612
Subtotal	2,687,852

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2015

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

Description	Amount
<u>County Contractual Obligations:</u>	
Lake St. Clair Water Initiative Drainage District - 2001 Series A	\$ 1,655,646
Lake St. Clair Water Initiative Drainage District - 2002 Series A	363,961
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-01	2,027,031
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-02	1,429,210
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-03	276,292
Lake St. Clair Water Initiative Drainage District - SRF Project 5186-05	176,048
Lake St. Clair Water Initiative Drainage District - 2004 Series A Refunded Bond Premium	86,395
Subtotal	<u>7,049,868</u>
<u>Other Obligations:</u>	
Compensated absences	<u>2,982,312</u>
Total governmental activity debt	<u>\$ 12,720,032</u>

Description	Amount
<b>Business-type Activities</b>	
<u>Limited Tax General Obligation Bonds:</u>	
Clean Water Program	\$ 3,286,357
<u>Other Obligations:</u>	
Compensated absences	<u>340,192</u>
Total business-type activity debt	<u>\$ 3,626,549</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
General obligations	\$ 11,012,541	\$ -	\$ (1,274,821)	\$ 9,737,720	\$ 1,264,811
Accumulated compensated absences	3,217,018	1,067,518	(1,302,224)	2,982,312	1,233,702
Total governmental activities	<u>\$ 14,229,559</u>	<u>\$ 1,067,518</u>	<u>\$ (2,577,045)</u>	<u>\$ 12,720,032</u>	<u>\$ 2,498,513</u>
<b>Business-type Activities</b>					
Bonds	\$ 3,168,805	\$ 297,552	\$ (180,000)	\$ 3,286,357	\$ 185,000
Accumulated compensated absences	336,267	90,444	(86,519)	340,192	84,233
Total business-type activities	<u>\$ 3,505,072</u>	<u>\$ 387,996</u>	<u>\$ (266,519)</u>	<u>\$ 3,626,549</u>	<u>\$ 269,233</u>

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2015

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

Total interest expense for the year was approximately \$248,000. 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
2016	\$ 1,264,811	\$ 335,814	\$ 1,600,625	\$ 185,000	\$ 82,273	\$ 267,273
2017	1,083,045	294,346	1,377,391	190,000	77,534	267,534
2018	1,104,529	257,033	1,361,562	190,000	72,784	262,784
2019	1,135,691	217,563	1,353,254	195,000	68,034	263,034
2020	1,177,143	175,872	1,353,015	200,000	63,159	263,159
2021-2025	2,637,733	490,481	3,128,214	1,085,000	238,170	1,323,170
2026-2030	1,334,768	137,203	1,471,971	1,230,000	95,170	1,325,170
2031-2035	-	-	-	11,357	284	11,641
Total	\$ 9,737,720	\$ 1,908,312	\$ 11,646,032	\$ 3,286,357	\$ 697,408	\$ 3,983,765

**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, 2015, \$2,200,000 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 total \$8,530,825. During the current year, net revenues of the system were \$845,389 compared to the annual debt requirements of \$824,068.

### Note 7 - Risk Management

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

Under the employee medical benefit plan, the City is liable for claims up to a maximum amount of \$200,000 on an individual level annually. Under the workers' compensation plan, the City is liable for claims up to a maximum amount of \$500,000 on an individual level and \$907,603 in the aggregate. All claims incurred prior to June 30, 2006 are covered under the City's previous workers' compensation insurance provider.

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

	<u>2015</u>	<u>2014</u>
Unpaid claims - Beginning of year	\$ 1,022,544	\$ 867,647
Incurred claims - Including claims incurred but not reported	6,591,580	7,303,385
Claim payments	<u>(6,508,531)</u>	<u>(7,148,488)</u>
Unpaid claims - End of year	<u>\$ 1,105,593</u>	<u>\$ 1,022,544</u>

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2015

### Note 8 - Pension and Other Employee Benefits Trust Funds

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

	Employees' Pension Trust Fund	Retiree Healthcare Benefits Trust Fund
<b><u>Statement of Net Position</u></b>		
Cash and investments	\$ 137,300,599	\$ 6,677,237
Receivables	869,608	7,497
Liabilities	<u>719,269</u>	<u>26,991</u>
Net position	<u>\$ 137,450,938</u>	<u>\$ 6,657,743</u>
<b><u>Statement of Changes in Net Position</u></b>		
Investment income (loss)	\$ 3,487,676	\$ (59,465)
Contributions	6,380,747	4,243,287
Other additions	52,834	56,547
Benefit payments	(12,974,292)	-
Administrative expenses	(188,357)	(608)
Health benefits	<u>-</u>	<u>(3,993,074)</u>
Net change in net position	<u>\$ (3,241,392)</u>	<u>\$ 246,687</u>

### Note 9 - Joint Ventures

The City is a member of the Southeast Macomb Sanitary District (SEMSD), which provides sewage disposal to participating municipalities in Macomb County, Michigan. Other members include the cities of St. Clair Shores and Eastpointe, Michigan. The City appoints one member to the joint venture's governing board, which then approves the annual budgets. The City's equity interest at June 30, 2015 in the Southeast Macomb Sanitary District of \$6,029,687 is recorded within the Water and Sewer Fund and the business-type activities column of the statement of net position based on the Southeast Macomb Sanitary District's June 30, 2015 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.

### Note 9 - Joint Ventures (Continued)

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 (\$1,751,725) is recorded within the governmental activities column of the statement of net position based on the South Macomb Disposal Authority's June 30, 2015 financial statements.

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

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 \$396,660 is recorded within the governmental activities column of the statement of net position. Complete financial statements for the South East Regional Emergency Services Authority can be obtained from its administrative offices at 18961 Common Road, Roseville, Michigan 48066. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

### **Note 9 - Joint Ventures (Continued)**

The City is a member of the Recreation Authority of Roseville and Eastpointe (RARE), 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 two mills of the total taxable property within the authority's geographical area. During the year, both the City of Roseville and the City of Eastpointe made a loan of \$800,000 to RARE in order to fund building remodeling. Each participating municipality has committed to contribute real and personal property to the authority limited to the City of Roseville Recreation Center, 18185 Sycamore, Roseville, Michigan and the City of Eastpointe Community Center, 16435 Eight Mile Road, Eastpointe, Michigan. The articles permit any participating municipality, including the City of Roseville, to withdraw upon giving one full year's budgetary notice. The articles also address dissolution of the authority, which requires council resolution from the governing board of the participating communities, at which time all outstanding debt of the authority is required to be paid in full. Any remaining assets of the authority would be evenly distributed to the member communities at the time of dissolution. However, if either member withdraws from the authority, the member is not entitled to the return of any credit for property or money that was transferred to or paid to the authority. As a result, the City has not recorded an equity interest. Complete financial statements for RARE can be obtained from its administrative offices at 18185 Sycamore, Roseville, Michigan 48066. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

### **Note 10 - Pension Plan Description**

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

Management of the plan is vested in the pension board, which consists of five members: the mayor and four appointed members.

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

**Employees Covered by Benefit Terms** - At the June 30, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	349
Inactive plan members entitled to but not yet receiving benefits	18
Active plan members	<u>228</u>
Total employees covered by the plan	<u>595</u>

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

**Contributions** - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the pension board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the pension board in accordance with the City Charter, union contracts, and plan provisions. For the year ended June 30, 2015, active member contribution rates ranged between 9.4 and 9.9 percent of annual pay and the City's contribution rate ranged between 32.9 and 39.2 of annual payroll.

### Note 11 - Pension Plan Reserves

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

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

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee, and credits interest annually at a rate determined by the pension board. For the fiscal year ended June 30, 2015, the rate used was 10 percent. For any employee who terminates before vesting in the pension plan, their balance is returned to them; for those who stay until retirement, the balance is transferred into the retiree reserve.

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2015

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

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

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 101,323,130	\$ 101,323,130
Employee reserve	21,074,413	21,074,413
Employer reserve	15,053,395	15,053,395

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

**Investment Policy** - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the board's adopted asset allocation policy as of June 30, 2015:

Asset class:	<u>Target Allocation</u>
Domestic equity	39.0%
Fixed income	21.0%
International equity	17.0%
Alternatives and real estate	21.0%
Cash	2.0%

**Rate of Return** - For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.63 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Note 13 - Net Pension Liability

The components of the net pension liability of the City at June 30, 2015 were as follows:

Total pension liability	\$ 190,247,379
Plan fiduciary net position	<u>(137,450,938)</u>
City's net pension liability	<u>\$ 52,796,441</u>
Plan fiduciary net position as a percentage of the total pension liability	72.2 %

# City of Roseville, Michigan

## Notes to Financial Statements June 30, 2015

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

The City has chosen to use June 30, 2015 as its measurement date for the net pension liability. The June 30, 2015 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of June 30, 2015. The June 30, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at June 30, 2014</b>	\$ 182,122,500	\$ 140,692,330	\$ 41,430,170
Service cost	2,937,256	-	2,937,256
Interest	13,310,464	-	13,310,464
Differences between expected and actual experience	(7,625,546)	-	(7,625,546)
Changes in assumptions	12,476,997	-	12,476,997
Contributions - Employer	-	5,094,075	(5,094,075)
Contributions - Employee	-	1,286,672	(1,286,672)
Net investment income	-	3,540,510	(3,540,510)
Benefit payments, including refunds	(12,974,292)	(12,974,292)	-
Administrative expenses	-	(188,357)	188,357
Net changes	8,124,879	(3,241,392)	11,366,271
<b>Balance at June 30, 2015</b>	<b>\$ 190,247,379</b>	<b>\$ 137,450,938</b>	<b>\$ 52,796,441</b>

**Assumption Changes** - Mortality rates were updated to be based on the RP 2014 Healthy Annuitant Mortality Table.

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

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

For the year ended June 30, 2015, the City recognized pension expense of \$7,375,509. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 5,719,159
Changes in assumptions	9,081,097	-
Net difference between projected and actual earnings on pension plan investments	<u>5,722,900</u>	<u>-</u>
Total	<u>\$ 14,803,997</u>	<u>\$ 5,719,159</u>

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

Years Ending June 30	Amount
2016	\$ 2,551,371
2017	2,551,371
2018	2,551,371
2019	1,430,725

**Actuarial Assumptions** - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.0 %
Salary increases	5.0-8.8 % Average, including inflation
Investment rate of return	7.5 % Net of pension plan investment expense, including inflation

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

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

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

**Projected Cash Flows**

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2015 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment note, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	8.0 %
International equity	8.1 %
Fixed income	2.9 %
Alternatives	4.0 %
Real estate	8.0 %
Cash or cash equivalents	1.0 %

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability of the City	\$ 73,409,756	\$ 52,796,441	\$ 35,335,543

### Note 14 - Other Postemployment Benefits

**Plan Description** - The City provides retiree healthcare benefits to eligible employees and their spouses for public safety and general employees of the City. Currently, the plan has 545 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits) as of June 30, 2014 (the date of the most recent valuation). This is a single-employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions.

**Funding Policy** - Retiree healthcare costs are recognized when paid for by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2015, the City made payments for postemployment health benefit premiums of \$3,993,074. The costs of administering the plan are borne by the City's General Fund. The activity is reported in this financial statement as a pension and other employee benefit trust fund type. The trust has a fund balance of \$6,657,743 as of June 30, 2015.

**Funding Progress** - For the year ended June 30, 2015, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2014. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 4,505,438
Interest on the prior year's net OPEB obligation	-
Less adjustment to the annual required contribution	-
	<hr/>
Annual OPEB cost	4,505,438
Amounts contributed:	
Payments of current premiums	(3,993,074)
Advance funding	(250,000)
	<hr/>
Decrease in net OPEB obligation (asset)	262,364
OPEB obligation (asset) - Beginning of year	(515,338)
	<hr/>
OPEB obligation (asset) - End of year *	\$ (252,974)
	<hr/>

\* The total end of year asset was made up of an asset of \$283,717 reported in the governmental activities and a liability of \$30,743 reported in the business-type activities.

### Note 14 - Other Postemployment Benefits (Continued)

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

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage OPEB Costs Contributed	Net OPEB Obligation (Asset)
6/30/13	6/30/12	\$ 4,446,765	103.0	(141,461)
6/30/14	6/30/12	4,669,103	108.0	(515,338)
6/30/15	6/30/14	4,505,438	94.2	(252,974)

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/10	\$ 2,539,522	\$ 70,335,321	\$ 67,795,799	3.6	\$ 16,755,219	404.6
6/30/12	2,681,375	74,942,862	72,261,487	3.6	13,462,808	536.7
6/30/14	6,411,056	80,036,200	73,625,144	8.0	11,928,616	617.2

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents 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.

### Note 14 - Other Postemployment Benefits (Continued)

In the June 30, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.5 percent initially, graded down to 5 percent in 0.5 percent increments over five years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014 was 30 years.

### Note 15 - Changes in Accounting

During the current year, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, the government-wide statements and the proprietary funds now include a liability for unfunded legacy costs. Some of the changes in this net pension liability will be recognized immediately as part of the pension expense measurement, and part will be deferred and recognized over future years. Refer to the pension notes for further details. This change does not impact the General Fund or any other governmental fund.

The financial statements for the year ended June 30, 2014 have been restated in order to adopt GASB Statement No. 68. The effect of this new accounting standard was an increase in net position to record the net pension liability at June 30, 2014.

During the current year, the City reclassified the investment in the Southeast Macomb Sanitary District (SEMSD) from the governmental activities to the Water and Sewer Fund/business type activities. The financial statements for the year ended June 30, 2014 have been restated in order to reflect this change. The effect of this was to increase Water and Sewer Fund/business type activities net position and to decrease governmental activities net position.

The beginning net position of governmental activities, business-type activities, and water and sewer funds has been restated as follows:

	Governmental Activities	Business-type Activities	Water and Sewer Fund
Net position - June 30, 2014 - As previously reported	\$ 106,392,150	\$ 22,863,693	\$ 22,863,693
Adjustment for the implementation of GASB Statement No. 68	(37,370,114)	(4,060,056)	(4,060,056)
Adjustment for reclassification of SEMSD from governmental to business-type activity	<u>(5,654,364)</u>	<u>5,654,364</u>	<u>5,654,364</u>
Net position - June 30, 2014 - As restated	<u>\$ 63,367,672</u>	<u>\$ 24,458,001</u>	<u>\$ 24,458,001</u>

### Note 15 - Changes in Accounting (Continued)

The effect on the change in net position of the prior year is as follows:

	Governmental Activities	Business-type Activities	Water and Sewer Fund
Change in net position - June 30, 2014 - As previously reported	\$ 1,066,613	\$ 211,852	\$ 211,852
Adjustment for reclassification of investment in SEMSD	<u>(136,163)</u>	<u>136,163</u>	<u>136,163</u>
Change in net position - June 30, 2014 - As restated	<u>\$ 930,450</u>	<u>\$ 348,015</u>	<u>\$ 348,015</u>

### Note 16 - Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the City's 2015-2016 fiscal year.

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

### **Note 16 - Upcoming Accounting Pronouncements (Continued)**

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

## **Required Supplemental Information**

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# City of Roseville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 18,890,433	\$ 18,817,649	\$ 18,910,451	\$ 92,802
Licenses and permits	1,186,500	1,003,525	1,012,649	9,124
Federal grants	575,000	433,318	603,566	170,248
State-shared revenue and grants	5,155,364	4,636,118	4,550,011	(86,107)
Charges for services	827,656	765,423	873,884	108,461
Fines and forfeitures	2,939,250	2,560,775	2,908,975	348,200
Investment income	25,000	25,000	26,526	1,526
Other fees and miscellaneous income	3,543,473	4,917,836	4,222,936	(694,900)
Total revenue	33,142,676	33,159,644	33,108,998	(50,646)
<b>Expenditures - Current</b>				
General government:				
Governing body	6,540,788	6,309,511	7,226,168	(916,657)
Finance/Accounting/Budget department	105,556	50,544	50,582	(38)
Purchasing	67,560	144,708	143,763	945
Information technology/Data processing	575,278	572,432	573,659	(1,227)
Treasurer	356,311	330,021	329,480	541
Assessing	422,657	402,937	396,166	6,771
Clerk	476,198	450,874	444,291	6,583
Buildings and grounds	791,409	736,772	765,672	(28,900)
Attorney	311,472	313,739	307,714	6,025
Human resources/Personnel	162,813	172,351	170,432	1,919
Pension board	115,370	114,640	114,958	(318)
Other	2,958,540	2,750,005	2,032,583	717,422
Total general government	12,883,952	12,348,534	12,555,468	(206,934)
Public safety:				
Police/Sheriff (county)	9,991,653	9,856,596	9,747,857	108,739
Fire and EMS	6,096,952	5,513,091	5,575,841	(62,750)
Building inspections and related	1,280,604	1,239,755	1,289,105	(49,350)
Total public safety	17,369,209	16,609,442	16,612,803	(3,361)
Public works:				
Street construction	827,734	829,030	890,132	(61,102)
Rubbish disposal	2,097,561	2,155,472	2,147,225	8,247
Street lighting	900,000	850,000	810,625	39,375
Allocated to other operations	(1,625,000)	(1,625,352)	(1,702,417)	77,065
Total public works	2,200,295	2,209,150	2,145,565	63,585

# City of Roseville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Expenditures - Current (Continued)</b>				
Construction and development	\$ 43,256	\$ -	\$ -	\$ -
Recreation and culture:				
Library	11,750	9,920	10,683	(763)
Parks and recreation	155,617	100,768	110,991	(10,223)
Total recreation and culture	<u>167,367</u>	<u>110,688</u>	<u>121,674</u>	<u>(10,986)</u>
Total expenditures	<u>32,664,079</u>	<u>31,277,814</u>	<u>31,435,510</u>	<u>(157,696)</u>
<b>Excess of Revenue Over Expenditures</b>	478,597	1,881,830	1,673,488	(208,342)
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	37,500	-	-	-
Transfers in	244,303	249,804	-	(249,804)
Transfers out	(760,400)	(2,260,400)	(1,510,400)	750,000
Total other financing uses	<u>(478,597)</u>	<u>(2,010,596)</u>	<u>(1,510,400)</u>	<u>500,196</u>
<b>Net Change in Fund Balance</b>	-	(128,766)	163,088	291,854
<b>Fund Balance - Beginning of year</b>	<u>4,259,261</u>	<u>4,259,261</u>	<u>4,259,261</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><b>\$ 4,259,261</b></u>	<u><b>\$ 4,130,495</b></u>	<u><b>\$ 4,422,349</b></u>	<u><b>\$ 291,854</b></u>

# City of Roseville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 2,483,517	\$ 2,292,089	\$ 2,465,513	\$ 173,424
Investment income	2,500	2,500	1,016	(1,484)
Total revenue	2,486,017	2,294,589	2,466,529	171,940
<b>Expenditures - Current</b>				
General government	212,352	219,844	219,643	201
Public works	2,355,000	1,103,000	1,204,798	(101,798)
Construction and development	50,000	-	-	-
Total expenditures	2,617,352	1,322,844	1,424,441	(101,597)
<b>Excess of Revenue (Under) Over Expenditures</b>	(131,335)	971,745	1,042,088	70,343
<b>Other Financing Sources (Uses)</b>				
Transfers in	662,214	-	-	-
Transfers out	(530,879)	(530,879)	(549,107)	(18,228)
<b>Net Change in Fund Balance</b>	-	440,866	492,981	52,115
<b>Fund Balance - Beginning of year</b>	5,006,679	5,006,679	5,006,679	-
<b>Fund Balance - End of year</b>	<u>\$ 5,006,679</u>	<u>\$ 5,447,545</u>	<u>\$ 5,499,660</u>	<u>\$ 52,115</u>

# City of Roseville, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Local Streets Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 720,116	\$ 723,638	\$ 748,570	\$ 24,932
Investment income	1,000	1,000	381	(619)
Other miscellaneous income	48,257	-	258,189	258,189
Total revenue	769,373	724,638	1,007,140	282,502
<b>Expenditures - Current</b>				
General government	72,012	72,364	74,857	(2,493)
Public works	1,230,740	1,826,245	1,825,896	349
Total expenditures	1,302,752	1,898,609	1,900,753	(2,144)
<b>Excess of Expenditures Over Revenue</b>	(533,379)	(1,173,971)	(893,613)	280,358
<b>Other Financing Sources - Transfers in</b>	533,379	533,379	549,107	15,728
<b>Net Change in Fund Balance</b>	-	(640,592)	(344,506)	296,086
<b>Fund Balance - Beginning of year</b>	2,064,447	2,064,447	2,064,447	-
<b>Fund Balance - End of year</b>	<b>\$ 2,064,447</b>	<b>\$ 1,423,855</b>	<b>\$ 1,719,941</b>	<b>\$ 296,086</b>

# City of Roseville, Michigan

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## Note to Required Supplemental Information Year Ended June 30, 2015

### 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, 2015

### Budgetary Information (Continued)

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

	Budget	Actual	Variance
General Fund:			
Governing body	\$ 6,309,511	\$ 7,226,168	\$ (916,657)
Finance/Accounting/Budget department	50,544	50,582	(38)
Information technology/Data processing	572,432	573,659	(1,227)
Buildings and grounds	736,772	765,672	(28,900)
Pension board	114,640	114,958	(318)
Fire and EMS	5,513,091	5,575,841	(62,750)
Building inspections	1,239,755	1,289,105	(49,350)
Street construction	829,030	890,132	(61,102)
Library	9,920	10,683	(763)
Parks and recreation	100,768	110,991	(10,223)
Major Streets Fund - Public works	1,103,000	1,204,798	(101,798)
Local Streets Fund - General government	72,364	74,857	(2,493)

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

# City of Roseville, Michigan

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

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

# City of Roseville, Michigan

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

	2015	2014
<b>Total Pension Liability</b>		
Service cost	\$ 2,937,256	\$ 2,882,338
Interest	13,310,464	13,222,309
Changes in benefit terms	-	-
Differences between expected and actual experience	(7,625,546)	(2,107,552)
Changes in assumptions	12,476,997	-
Benefit payments, including refunds	(12,974,292)	(12,724,030)
Net change in total pension liability	8,124,879	1,273,065
Total pension liability - Beginning of year	182,122,500	181,218,303
Total pension liability - End of year	<b>\$ 190,247,379</b>	<b>\$ 182,491,368</b>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 5,094,075	\$ 6,206,039
Contributions - Member	1,286,672	165,725
Net investment income	3,540,510	20,892,292
Administrative expenses	(188,356)	(171,857)
Benefit payments, including refunds	(12,974,293)	(12,724,030)
Other	-	58,732
Net change in plan fiduciary net position	(3,241,392)	14,426,901
Plan fiduciary net position - Beginning of year	140,692,330	126,265,428
Plan fiduciary net position - End of year	<b>\$ 137,450,938</b>	<b>\$ 140,692,329</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 52,796,441</b>	<b>\$ 41,799,039</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	72.25 %	77.10 %
<b>Covered Employee Payroll</b>	\$ 13,868,957	\$ 13,421,085
<b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	380.7 %	311.4 %



# City of Roseville, Michigan

## Required Supplemental Information Other Postemployment Benefits Schedule of Funding Progress Year Ended June 30, 2015

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/10	\$ 2,539,522	\$ 70,335,321	\$ 67,795,799	3.6	\$ 16,755,219	404.6
6/30/12	2,681,375	74,942,862	72,261,487	3.6	13,462,808	536.7
6/30/14	6,411,056	80,036,200	73,625,144	8.0	11,928,616	617.2

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
6/30/11	6/30/10	\$ 4,502,127	98.5
6/30/12	6/30/10	4,502,127	106.9
6/30/13	6/30/12	4,446,765	103.6
6/30/14	6/30/12	4,669,103	102.6
6/30/15	6/30/14	4,505,438	94.2

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

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

Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll - Open
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

## **Other Supplemental Information**

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# City of Roseville, Michigan

	Special Revenue Funds				
	Community Development Block Grant	Neighborhood Stabilization Grant	HOME	Drug Law Enforcement	Library Fund
<b>Assets</b>					
Cash and investments	\$ -	\$ 244,304	\$ -	\$ 1,677,155	\$ 245,027
Receivables:					
Property taxes receivable	-	-	-	-	12,669
Other receivables	-	-	3,435	290,371	58,905
Due from other governmental units	225,190	-	-	-	-
Due from other funds	1,884	-	-	-	4,460
Inventory	-	5,500	-	-	-
Prepaid expenses and other assets	2,456	-	-	-	2,156
<b>Total assets</b>	<b>\$ 229,530</b>	<b>\$ 249,804</b>	<b>\$ 3,435</b>	<b>\$ 1,967,526</b>	<b>\$ 323,217</b>
<b>Liabilities</b>					
Accounts payable	\$ 2,374	\$ -	\$ -	\$ 30,563	\$ 4,609
Due to other funds	206,976	-	3,269	-	-
Accrued liabilities and other	2,940	-	166	28,652	27,040
<b>Total liabilities</b>	<b>212,290</b>	<b>-</b>	<b>3,435</b>	<b>59,215</b>	<b>31,649</b>
<b>Deferred Inflows of Resources -</b>					
Unavailable revenue	-	-	3,435	280,445	9,532
<b>Fund Balances (Deficit)</b>					
Nonspendable	2,456	-	-	-	2,156
Restricted:					
Debt service	-	-	-	-	-
Grants	14,784	249,804	-	-	-
Library Authority	-	-	-	-	279,880
Drug law enforcement	-	-	-	1,627,866	-
Assigned	-	-	-	-	-
Unassigned	-	-	(3,435)	-	-
<b>Total fund balances (deficit)</b>	<b>17,240</b>	<b>249,804</b>	<b>(3,435)</b>	<b>1,627,866</b>	<b>282,036</b>
<b>Total liabilities, deferred inflows of resources, and fund balances (deficit)</b>	<b>\$ 229,530</b>	<b>\$ 249,804</b>	<b>\$ 3,435</b>	<b>\$ 1,967,526</b>	<b>\$ 323,217</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2015**

Debt Service Funds			Total Nonmajor Governmental Funds
Building Authority	General Debt	Chapter 20 Drain	
\$ 13,567	\$ 666,042	\$ 1,128,856	\$ 3,974,951
-	3,787	5,020	21,476
-	-	-	352,711
-	-	90,764	315,954
-	-	42,944	49,288
-	-	-	5,500
-	-	856	5,468
<b>\$ 13,567</b>	<b>\$ 669,829</b>	<b>\$ 1,268,440</b>	<b>\$ 4,725,348</b>
\$ -	\$ 2	\$ 64,363	\$ 101,911
-	-	4,460	214,705
-	220	913	59,931
-	222	69,736	376,547
-	3,386	93,852	390,650
-	-	856	5,468
13,567	215,887	1,103,996	1,333,450
-	-	-	264,588
-	-	-	279,880
-	-	-	1,627,866
-	450,334	-	450,334
-	-	-	(3,435)
13,567	666,221	1,104,852	3,958,151
<b>\$ 13,567</b>	<b>\$ 669,829</b>	<b>\$ 1,268,440</b>	<b>\$ 4,725,348</b>

# City of Roseville, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Nonmajor Governmental Funds Year Ended June 30, 2015

	Special Revenue Funds					Debt Service Funds			Total Nonmajor Governmental Funds
	Community Development Block Grant	Neighborhood Stabilization Grant	HOME	Drug Law Enforcement	Library Fund	Building Authority	General Debt	Chapter 20 Drain	
<b>Revenue</b>									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 848,088	\$ -	\$ 216,784	\$ 846,711	\$ 1,911,583
Federal grants	547,391	-	1,975	96,286	-	-	-	-	645,652
State-shared revenue and grants	-	-	-	-	75,663	-	-	-	75,663
Fines and forfeitures	-	-	-	-	13,987	-	-	-	13,987
Investment income	-	-	-	2,222	55	-	135	266	2,678
Other fees and miscellaneous revenue:									
Local donations	-	-	-	-	8,560	-	-	-	8,560
Other miscellaneous income	57,365	2	-	182,576	21,995	-	-	-	261,938
<b>Total revenue</b>	<b>604,756</b>	<b>2</b>	<b>1,975</b>	<b>281,084</b>	<b>968,348</b>	<b>-</b>	<b>216,919</b>	<b>846,977</b>	<b>2,920,061</b>
<b>Expenditures</b>									
Current:									
Public safety	-	-	-	488,387	-	-	-	-	488,387
Community and economic development	578,716	-	11,087	-	-	-	-	-	589,803
Recreation and culture	-	-	-	-	963,082	-	-	-	963,082
Special purpose government expense	-	-	-	-	-	-	24,087	377,373	401,460
Principal	-	-	-	-	-	410,000	200,000	587,762	1,197,762
Debt service - Interest on long-term debt	-	-	-	-	-	101,075	15,888	230,421	347,384
<b>Total expenditures</b>	<b>578,716</b>	<b>-</b>	<b>11,087</b>	<b>488,387</b>	<b>963,082</b>	<b>511,075</b>	<b>239,975</b>	<b>1,195,556</b>	<b>3,987,878</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>26,040</b>	<b>2</b>	<b>(9,112)</b>	<b>(207,303)</b>	<b>5,266</b>	<b>(511,075)</b>	<b>(23,056)</b>	<b>(348,579)</b>	<b>(1,067,817)</b>
<b>Other Financing Sources</b> - Transfers in	-	-	-	-	-	510,400	-	-	510,400
<b>Net Change in Fund Balances</b>	<b>26,040</b>	<b>2</b>	<b>(9,112)</b>	<b>(207,303)</b>	<b>5,266</b>	<b>(675)</b>	<b>(23,056)</b>	<b>(348,579)</b>	<b>(557,417)</b>
<b>Fund Balances (Deficit) - Beginning of year</b>	<b>(8,800)</b>	<b>249,802</b>	<b>5,677</b>	<b>1,835,169</b>	<b>276,770</b>	<b>14,242</b>	<b>689,277</b>	<b>1,453,431</b>	<b>4,515,568</b>
<b>Fund Balances (Deficit) - End of year</b>	<b>\$ 17,240</b>	<b>\$ 249,804</b>	<b>\$ (3,435)</b>	<b>\$ 1,627,866</b>	<b>\$ 282,036</b>	<b>\$ 13,567</b>	<b>\$ 666,221</b>	<b>\$ 1,104,852</b>	<b>\$ 3,958,151</b>

# City of Roseville, Michigan

## Other Supplemental Information Combining Statement of Net Position Internal Service Funds June 30, 2015

	Employee Benefits Fund	Workers' Compensation Fund	Flexible Savings Fund	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 9,861,171	\$ 149,619	\$ 10,981	\$ 10,021,771
Receivables	24,496	-	-	24,496
Due from other funds	2,530,824	351	-	2,531,175
Prepaid expenses and other assets	115,138	16,882	-	132,020
Total assets	12,531,629	166,852	10,981	12,709,462
<b>Liabilities</b>				
Current liabilities:				
Due to other funds	-	17,242	2,253	19,495
Provision for claims	1,004,301	101,292	-	1,105,593
Total liabilities	1,004,301	118,534	2,253	1,125,088
<b>Net Position - Unrestricted</b>	<b>\$ 11,527,328</b>	<b>\$ 48,318</b>	<b>\$ 8,728</b>	<b>\$ 11,584,374</b>

# City of Roseville, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended June 30, 2015

	Employee Benefits Fund	Workers' Compensation Fund	Flexible Savings Fund	Total
<b>Operating Revenue -</b>				
Charges to other funds	\$ 6,376,550	\$ 153,926	\$ 4,097	\$ 6,534,573
<b>Operating Expenses</b>				
Billing and administrative costs	112,291	-	-	112,291
Benefit payments and other costs	6,393,823	106,645	8,063	6,508,531
Total operating expenses	6,506,114	106,645	8,063	6,620,822
<b>Operating (Loss) Income</b>	(129,564)	47,281	(3,966)	(86,249)
<b>Nonoperating Revenue -</b>				
Investment income	1,979	28	1	2,008
<b>Change in Net Position</b>	(127,585)	47,309	(3,965)	(84,241)
<b>Net Position - Beginning of year</b>	11,654,913	1,009	12,693	11,668,615
<b>Net Position - End of year</b>	<b>\$ 11,527,328</b>	<b>\$ 48,318</b>	<b>\$ 8,728</b>	<b>\$ 11,584,374</b>

# City of Roseville, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2015

	Employee Benefits Fund	Workers' Compensation Fund	Flexible Savings Fund	Total
<b>Cash Flows from Operating Activities</b>				
Receipts from interfund services and reimbursements	\$ 5,497,819	\$ 153,993	\$ 4,097	\$ 5,655,909
Payments to suppliers	-	(6,058)	-	(6,058)
Payments to employees	(112,291)	(106,645)	(8,063)	(226,999)
Internal activity - Payments to other funds	-	17,242	2,253	19,495
Claims paid	(6,259,050)	(51,724)	-	(6,310,774)
Net cash (used in) provided by operating activities	(873,522)	6,808	(1,713)	(868,427)
<b>Cash Flows from Investing Activities -</b>				
Interest received on investments	1,979	28	1	2,008
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(871,543)	6,836	(1,712)	(866,419)
<b>Cash and Cash Equivalents - Beginning of year</b>	10,732,714	142,783	12,693	10,888,190
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 9,861,171</u>	<u>\$ 149,619</u>	<u>\$ 10,981</u>	<u>\$ 10,021,771</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents - Cash and investments</b>				
	<u>\$ 9,861,171</u>	<u>\$ 149,619</u>	<u>\$ 10,981</u>	<u>\$ 10,021,771</u>
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>				
Operating (loss) income	\$ (129,564)	\$ 47,281	\$ (3,966)	\$ (86,249)
Changes in assets and liabilities:				
Receivables	(10,865)	-	-	(10,865)
Due from others	(867,866)	67	-	(867,799)
Prepaid and other assets	-	(6,058)	-	(6,058)
Due to others	-	17,242	2,253	19,495
Estimated claims liability	134,773	(51,724)	-	83,049
Net cash (used in) provided by operating activities	<u>\$ (873,522)</u>	<u>\$ 6,808</u>	<u>\$ (1,713)</u>	<u>\$ (868,427)</u>

# City of Roseville, Michigan

## Other Supplemental Information Statement of Assets and Liabilities Fiduciary Funds June 30, 2015

	Trust Funds			Agency Funds				Total Agency Funds
	Employees' Pension Trust Fund	Retiree Healthcare Benefits Trust Fund	Total Trust Funds	Tax Collections	Misc. Agency	P.A.I.R.	Court	
<b>Assets</b>								
Cash and cash equivalents	\$ -	\$ 120,327	\$ 120,327	\$ 62	\$ 52,407	\$ 2,109	\$ 226,762	\$ 281,340
Investments:								
U.S. government securities	9,648,165	756,711	10,404,876	-	-	-	-	-
Stocks	59,735,520	790,645	60,526,165	-	-	-	-	-
Bonds	7,126,357	480,368	7,606,725	-	-	-	-	-
Common collective trusts	22,577,527	-	22,577,527	-	-	-	-	-
Mutual funds	11,758,983	4,529,186	16,288,169	-	-	-	-	-
Limited partnerships	26,454,047	-	26,454,047	-	-	-	-	-
Receivables:								
Accrued interest receivable	362,361	7,497	369,858	-	-	-	-	-
Other receivables	507,247	-	507,247	-	4,997	-	-	4,997
Total assets	<u>138,170,207</u>	<u>6,684,734</u>	<u>144,854,941</u>	<u>\$ 62</u>	<u>\$ 57,404</u>	<u>\$ 2,109</u>	<u>\$ 226,762</u>	<u>\$ 286,337</u>
<b>Liabilities</b>								
Accounts payable	523,884	26,991	550,875	\$ 62	\$ 57,404	\$ 2,109	\$ -	\$ 59,575
Due to primary government	116,094	-	116,094	-	-	-	-	-
Refundable deposits, bonds, etc.	-	-	-	-	-	-	101,702	101,702
Accrued liabilities and other	79,291	-	79,291	-	-	-	125,060	125,060
Total liabilities	<u>719,269</u>	<u>26,991</u>	<u>746,260</u>	<u>\$ 62</u>	<u>\$ 57,404</u>	<u>\$ 2,109</u>	<u>\$ 226,762</u>	<u>\$ 286,337</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<u>\$ 137,450,938</u>	<u>\$ 6,657,743</u>	<u>\$ 144,108,681</u>					

# City of Roseville, Michigan

## Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended June 30, 2015

	Employees' Pension Trust Fund	Retiree Healthcare Benefits Trust Fund	Total
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 2,523,533	\$ 298,410	\$ 2,821,943
Net increase (decrease) in fair value of investments	1,776,342	(239,618)	1,536,724
Investment-related expenses	(812,199)	(118,257)	(930,456)
Net investment income (loss)	3,487,676	(59,465)	3,428,211
Contributions:			
Employer	5,094,075	4,243,287	9,337,362
Employee	1,286,672	-	1,286,672
Net contributions	6,380,747	4,243,287	10,624,034
Other additions	52,834	56,547	109,381
Total additions - Net	9,921,257	4,240,369	14,161,626
<b>Deductions</b>			
Pension benefit payments	12,974,292	-	12,974,292
Health benefits	-	3,993,074	3,993,074
Administrative expenses	188,357	608	188,965
Total deductions	13,162,649	3,993,682	17,156,331
<b>Net (Decrease) Increase in Net Position Held in Trust</b>	(3,241,392)	246,687	(2,994,705)
<b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	140,692,330	6,411,056	147,103,386
<b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>	<b>\$ 137,450,938</b>	<b>\$ 6,657,743</b>	<b>\$ 144,108,681</b>