Dear Rochester Hills Citizens:

On behalf of City Council and the entire city staff, I want to welcome you to the City of Rochester Hills Financial Summary Report for the city’s fiscal year ended December 31, 2010. Thank you for taking a moment to read this year’s report and become more familiar with your city’s finances. We are proud to serve the residents of Rochester Hills and consider this report to be a major achievement in summarizing our financial results and showcasing our transparency.

This report is intended to present an easy-to-read and understandable summary of the financial activities of the city. It provides a brief analysis of the sources of our city’s revenues, an explanation of where the dollars are spent and a review of notable trends. In short, this report is a simple recap of the city’s finances and economic condition.

Most of the information contained in this report is derived from financial information from the city’s 2010 Comprehensive Annual Financial Report (CAFR) and the city’s Annual Budget. This summary report is not intended to replace the 2010 CAFR, but by reading it, we hope you will be able to gain a better understanding of the city’s financial activities and position for the fiscal year ended December 31, 2010.

I hope you will find this report useful and informative. If you want more detailed information, you may access this report, our Comprehensive Annual Financial Report, and the city’s Annual Budget on our website at www.rochesterhills.org. These reports are also available at the Rochester Hills Library and in the Reference Room located at City Hall.

Thanks again for taking the time to read this year’s Financial Summary Report. We are constantly searching for ways to serve you better and welcome your feedback and ideas.

Sincerely,

Bryan K. Barnett, Mayor
Popular Annual Financial Report

This Financial Summary Report has been prepared to provide an overview of the city’s financial position to the residents, businesses and visitors of the city of Rochester Hills. The summary is intended to provide an easy-to-read informative report of the city’s operations and overall financial condition. The Financial Summary Report includes the governmental and business-type activities of the city’s funds.

The Government Finance Officers Association (GFOA) of the United States and Canada has awarded the City of Rochester Hills the Award for Outstanding Achievement in Popular Annual Financial Summary Reporting. This is a prestigious national award program that recognizes conformance with the highest standards in the preparation of state and local government popular annual financial reports.

The information presented in the financial summary was obtained from the audited financial statements included in the Comprehensive Annual Financial Report (CAFR) for the period ended December 31, 2010. This financial summary does not comply with generally accepted accounting principles (GAAP), as component units were not included.
City Council Members

From left to right:
Michael Webber, At-large City Council Member
J. Martin Brennan, District 2 City Council Member
Nathan Klomp, District 4 City Council Member
Ravi Yalamanchi, District 1 City Council Member
Vern Pixley, At-large City Council Vice President
Greg Hooper, District 3 City Council President
James Rosen, At-large City Council Member

City Profile

The City of Rochester Hills was incorporated in 1984 and is located in Oakland County, Michigan. The mayor and seven members of the City Council are elected to four-year terms. Four of the council members are elected as district representatives and three members are elected as at-large representatives.

The population of the city is approximately 71,000 and comprises an area of 32.2 square miles. In 2010, the city employed approximately 204 full-time employees and 60 contracted law enforcement officers. The city provides a full range of municipal services for the public's health, safety, welfare, and quality of life. City services include general administration, fire protection, contracted police protection, planning and zoning, engineering, building and code enforcement, cemetery operations and maintenance, park operations and maintenance, street construction and maintenance, storm drain improvements, and pedestrian pathway improvements and maintenance.

Water and sewer operations, maintenance, and capital improvements are provided from user charges that ensure adequate coverage of operating expenses, capital replacements, and payments on outstanding debt.
The city offers quality housing, two award-winning school districts, major universities, a community hospital and premium library, along with close proximity to a downtown with excellent shopping and restaurants in a hometown atmosphere.

The city boasts over 1,000 acres of parkland affording the community endless recreation opportunities. The Older Persons Commission and the Rochester Avon Recreation Authority offer world-class senior citizen, youth and adult activities for our residents.

The city also has a diverse business community and is situated in Automation Alley, the state’s premier technology cluster and home to one of Michigan’s eleven SmartZones. The city’s business cluster includes a concentration of automotive, computer-based, clean energy and other research firms focused on advanced technologies.

### Diversity of Tax Base

<table>
<thead>
<tr>
<th></th>
<th># of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single-family homes</td>
<td>18,585 homes</td>
</tr>
<tr>
<td>Condominiums</td>
<td>3,896 units</td>
</tr>
<tr>
<td>Low-income/senior citizen (11 buildings)</td>
<td>1,415 units</td>
</tr>
<tr>
<td>Rental apartments (16 complexes)</td>
<td>4,590 units</td>
</tr>
<tr>
<td>Mobile home parks (2 locations)</td>
<td>1,392 sites</td>
</tr>
<tr>
<td>Shopping centers</td>
<td>46 centers</td>
</tr>
<tr>
<td>Hotel/motels (2 buildings)</td>
<td>236 rooms</td>
</tr>
<tr>
<td>Office space</td>
<td>104 buildings</td>
</tr>
<tr>
<td>Commercial</td>
<td>352 buildings</td>
</tr>
<tr>
<td>Light industrial</td>
<td>388 buildings</td>
</tr>
</tbody>
</table>

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Rochester Hills ~ the preeminent place to live, work, and raise a family

The Older Persons Commission

Diversity of Tax Base

The Older Persons Commission
Local Economy

The City of Rochester Hills is a desirable community and continues to be attractive to new residents and businesses. In 2010, the city added 27 new businesses and over 1,200 jobs to the community. In addition, the city’s population grew by 3.2% based on the 2010 census and currently sits at 70,995.

The economic condition of the city is sound, and the city’s millage rate is among one of the lowest tax rates of communities in Oakland County. The city’s financial forecasting model conservatively forecasts revenues and expenditures five years into the future. This, coupled with the use of a three year budget, has helped the city achieve a very sound financial future. Utilizing these financial forecasts, the city has been able to bring expenses in line with its revenue and has done so over the last several years.

The city has positioned itself nicely to be able to weather a somewhat difficult economy, and flourish when the economy and housing values begin to recover.

Check Out Our Website
www.rochesterhills.org

The City of Rochester Hills website is a great source of information about city services, notices, meeting schedules and events. The Annual Budget Report, Comprehensive Annual Financial Report and Financial Summary Report can be found on the city’s website. You are invited to visit our website and learn more about the city’s financial condition.

Internet access creates a 24-hour, seven day per week window for citizens seeking information about the City of Rochester Hills. In addition to financial reporting, please visit our website for up-to-date information on the following topics of interest.

- Building and Ordinance Information
- City Code and Charter
- City Council Meeting Agendas and Minutes and live meeting Webcasts
- City Job Postings
- Community Calendar
- Connection to the Rochester Hills Fire Department and Oakland County Sheriff’s Office
- Construction Projects & Maps
- Email access to city administrators
- Hills Herald, annual budgets, financial summaries and other city publications
- Independent Boards and Commissions Information
- News releases
- Property Tax and Assessing Information
- Purchasing Bid Opportunities
- Visitor Information
- Water & Sewer Bill Lookup
Approximately 73% of the city’s taxable value represents residential housing stock with the remaining 27% representing personal, commercial, and industrial property.

The taxable value proportion gives an indication of the level of services that a city can provide related to the available tax base to pay for services. As a result of the city’s predominantly residential tax base, a majority of the burden for funding services falls upon the residents of the community.
Total homestead tax, in the Rochester Community School District, is 32.1055 mills, which is comprised of the City of Rochester Hills portion of 9.7060 mills, Oakland County portion of 9.6995 mills, and the Rochester Community Schools portion of 12.7000 mills.

Where Do Your Property Tax Dollars Go?

- 30% County
- 40% Schools
- 30% City
Where the Money Comes From

Revenues:
Charges for service are revenues collected for services rendered to the public. Of the $33.9 million collected for charges for services, $4.9 million are from governmental funds and $29.0 million are received from water sales and sewer service charges.

Grants and other contributions represents revenues from external agencies ($10.7 million), such as federal, state, or county and private sources for road maintenance, equipment and contributions of infrastructure.

Property taxes are the largest source ($31.7 million) of operating revenue for the city. Property taxes are from tax levies calculated on properties’ taxable value and millage rate.

State-shared revenue are received ($4.4 million) from the State of Michigan. The State’s program is a distribution of sales tax collected by the State of Michigan and distribute to local governments.

Investment earnings represents income ($1.0 million) earned from investments.

Cable franchise fees ($1.2 million) are received from local utilities.
Expenses:

**General government** expenses ($5.2 million) are for the administrative cost of services, including City Council, Mayor’s Office, Treasury, City Clerk, Assessing, Finance, Human Resources, Communications and Legal Services.

**Public works** expenses ($12.2 million) are related to cost of services for designing, construction, maintenance and operations of facilities and infrastructure within the city.

**Public safety** expenses ($18.1 million) reflect the cost for services associated with providing building code, ordinance enforcement, fire and police services to the community.

**Community and economic development** expenses ($0.9 million) are related to cost of services for planning, zoning, and economic development of future and existing development within the city.

**Recreation** expenses ($4.6 million) are park related expenses for services to enrich the quality of life through recreational programs for the youth, adults, and seniors of the community, as well as cultural and educational programs for residents and visitors.

**Interest on long-term debt** expense ($1.3 million) reflects the interest payment on debt.

**Water and sewer** expenses ($27.1 million) reflect the cost of services to purchase water, sewer capacity, operations, maintenance and improvements to provide water and sewer to residents and businesses in the city.
Where do your City tax dollars go?

Below is a breakdown of how the total tax dollars are allocated for services provided to the community. Of the total $34.9 million of tax dollars collected, $21.4 million are restricted monies that can only be used for the specific purpose of the millage, such as for fire, police, pathway and library operations as well as senior activity (OPC), youth and adult activity (R.A.R.A), green space preservation, and debt. The general operating millage is unrestricted monies ($13.5 million) that is used to pay for all other cost of services not fully funded by separate special millages, such as police services, parks, building, planning, ordinance, facilities, public services and general government.

<table>
<thead>
<tr>
<th>Function</th>
<th>Mills</th>
<th>Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>General operating purposes</td>
<td>3.7545</td>
<td>13,501,499</td>
</tr>
<tr>
<td>Fire operating services</td>
<td>1.8000</td>
<td>6,472,952</td>
</tr>
<tr>
<td>Police protection services</td>
<td>1.2083</td>
<td>4,345,149</td>
</tr>
<tr>
<td>OPC operating and transportation</td>
<td>0.3294</td>
<td>1,184,550</td>
</tr>
<tr>
<td>R.A.R.A. operating</td>
<td>0.1950</td>
<td>701,236</td>
</tr>
<tr>
<td>Pathway maintenance</td>
<td>0.1858</td>
<td>668,153</td>
</tr>
<tr>
<td>Debt service</td>
<td>1.1535</td>
<td>4,148,084</td>
</tr>
<tr>
<td>Green space preservation</td>
<td>0.2972</td>
<td>1,068,756</td>
</tr>
<tr>
<td>Library Operations (1)</td>
<td>0.7823</td>
<td>2,813,217</td>
</tr>
<tr>
<td><strong>Total Millage for 2010</strong></td>
<td>9.7060</td>
<td><strong>$34,903,596</strong></td>
</tr>
</tbody>
</table>

(1) Library operations are independent of the city and are not included in its financial statements.
The City of Rochester Hills millage rate has not increased, without the vote of the residents, for the past twelve years. The combination of a low millage rate, the effects of Proposal A, Headlee rollback provisions, low taxable value per capita ratio, and the city’s unique taxing structure per City Charter, make it increasingly challenging to fund current levels of services and infrastructure needs.

**Rochester Hills** continues to have among the **lowest** millage rates for cities in Oakland County with a population over 5,000 residents.
City-Wide Capital Assets

As of December 31, 2010, the city’s total capital assets (net of depreciation) was $279.2 million.

2010 Capital Projects and Equipment Purchases

- Major road concrete slab rehabilitation
- E Nawakwa road rehabilitation
- Tienken Road Bridge over Paint Creek
- John R pathway
- South Blvd pathway
- ADA Sidewalk improvements/upgrades
- Avon Creek restoration phase I
- Fire Station #1, 2, & 3 HVAC
- Spencer Park parking lot
- Fuel dispensers and fuel management system
- Replacement of 6 pick-up trucks
- Replacement of 2 tandem axle dump/salt trucks
- Clinton River restoration
- Clinton River Trail stabilization
Key Financial Information

Long-Range Financial Planning - The city will continue to improve and build upon its long-range financial planning process. In 1995, the city developed a five-year planning financial model that continues to be a valuable tool. As part of the budgeting process, the Fiscal Division updates the long-range forecasts of revenue and expenditures. The forecasts serve as the framework for budgetary decision-making by clarifying financial parameters and available resources and options. The model provides historical data, current budgeted city programs, and future financial capacity based on a set of future assumptions.

In addition to long-range financial planning, the city has adopted a Debt Management Policy to help guide financial decision-making.

2010 City Debt

- General obligation bonds: 68%
- County contractual obligations: 28%
- Special assessment bonds: 4%

The City of Rochester Hills debt rating is excellent! The city maintains a Standard and Poor’s rating of AAA and a Fitch rating of AAA.

The city’s bond indebtedness totals $33.0 million as of December 31, 2010, compared to $37.0 million as of December 31, 2009, a reduction of $4.0 million.

The city’s bonded debt is less than 10% of the legal allowable limit.
City Financial Statements

Statement of Net Assets

The net assets of the city represent the difference between the total assets and total liabilities. Change in the net assets serves as a useful indicator of the city’s financial position.

The following financial summary is a condensed view of the city’s assets and liabilities for the primary government with balances as of December 31, 2010 compared to balances as of December 31, 2009.

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current and other assets</td>
<td>$125.3</td>
<td>$123.0</td>
<td>$28.7</td>
</tr>
<tr>
<td>Capital assets</td>
<td>167.3</td>
<td>169.6</td>
<td>111.9</td>
</tr>
<tr>
<td>Total assets</td>
<td>292.6</td>
<td>292.6</td>
<td>140.6</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>33.0</td>
<td>37.5</td>
<td>3.1</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>30.9</td>
<td>35.8</td>
<td>4.5</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>63.9</td>
<td>73.3</td>
<td>7.6</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets - Net of related debt</td>
<td>145.4</td>
<td>143.3</td>
<td>108.4</td>
</tr>
<tr>
<td>Restricted</td>
<td>47.3</td>
<td>45.5</td>
<td>-</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>36.0</td>
<td>30.5</td>
<td>24.6</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$228.7</td>
<td>$219.3</td>
<td>$133.0</td>
</tr>
</tbody>
</table>
Current and other assets – Current and other assets ($154.0 million) can reasonably be expected to convert to cash or will be consumed within one year.

Capital assets – The city’s investments in capital outlay ($279.2 million) are land, building, equipment, improvements, and infrastructure. The city uses these assets to provide services to our residents and businesses, and are not available for future spending.

Current and other liabilities – Current and other liabilities ($36.1 million) represent debts that are expected to be paid off in one year or less, unearned tax revenue, accounts payable, and accrued wages.

Long-term liabilities – The long-term liabilities ($35.4 million) mainly represent debt obligations of the city. The proceeds from the various debt issues were used to finance large projects such as buildings, drain improvements and local street construction.

Investment in capital assets, net of related debt – Investment in capital assets amount ($253.8 million) represents the city’s investment in capital assets less accumulated depreciation and any outstanding debt used to acquire those assets.

Restricted net assets – Restricted net assets ($47.3 million) are subject to externally imposed restrictions. The resources are restricted for roads, public safety, infrastructure, cemetery, green space preservation and debt.

Unrestricted net assets – Unrestricted net assets of governmental activities ($36.0 million) may be accessible to the city to provide services to residents if there were not additional revenues or resources available. Many of these resources have been designated for future capital outlay and equipment.
Statement of Activities

The Statement of Activities represents the revenue resources and program expenses for the Governmental and Business-type activities.

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charge for services</td>
<td>$4.9</td>
<td>$4.4</td>
<td>$29.0</td>
</tr>
<tr>
<td>Grants and other contributions</td>
<td>8.1</td>
<td>9.9</td>
<td>2.6</td>
</tr>
<tr>
<td><strong>General revenue:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>31.7</td>
<td>32.9</td>
<td>-</td>
</tr>
<tr>
<td>State-shared revenue</td>
<td>4.4</td>
<td>4.5</td>
<td>-</td>
</tr>
<tr>
<td>Investment earnings</td>
<td>0.9</td>
<td>1.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Cable franchise fees</td>
<td>1.2</td>
<td>1.0</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>0.5</td>
<td>1.3</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>51.7</td>
<td>-</td>
<td>31.7</td>
</tr>
<tr>
<td><strong>Program Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>5.2</td>
<td>6.3</td>
<td>-</td>
</tr>
<tr>
<td>Public works</td>
<td>12.2</td>
<td>11.3</td>
<td>-</td>
</tr>
<tr>
<td>Public safety</td>
<td>18.1</td>
<td>18.4</td>
<td>-</td>
</tr>
<tr>
<td>Community and economic development</td>
<td>0.9</td>
<td>1.1</td>
<td>-</td>
</tr>
<tr>
<td>Recreation and culture</td>
<td>4.6</td>
<td>4.9</td>
<td>-</td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>1.3</td>
<td>1.6</td>
<td>-</td>
</tr>
<tr>
<td>Water and sewer</td>
<td>-</td>
<td>-</td>
<td>27.1</td>
</tr>
<tr>
<td><strong>Total program expenses</strong></td>
<td>42.3</td>
<td>43.6</td>
<td>27.1</td>
</tr>
<tr>
<td><strong>Change in Net Assets</strong></td>
<td>9.4</td>
<td>11.6</td>
<td>4.6</td>
</tr>
<tr>
<td><strong>Net Assets - Beginning of year</strong></td>
<td>219.3</td>
<td>207.7</td>
<td>128.4</td>
</tr>
<tr>
<td><strong>Net Assets - End of year</strong></td>
<td>$228.7</td>
<td>$219.3</td>
<td>$133.0</td>
</tr>
</tbody>
</table>

The Governmental activities are funded primarily by property taxes. Revenues ($51.7 million) exceeded annual expenses ($42.3 million) by $9.4 million. In 2010, decreases in revenues were recognized in property taxes, state shared revenues, road revenues and interest earnings. Expenses decreased as well with majority of the reductions recognized in general administration and recreation and cultural activities.
The Business-type activities are funded by user fees to cover operational costs for water and sewer services. Revenues ($31.7 million) exceeded annual expenses ($27.1 million) by $4.6 million. In 2010 increases in revenue were due to charges for services and capital grants while costs for operation increased slightly.
City Awards and Achievements


• The city was awarded the Debt Policy Certification Award by the National Association of Public Treasurers United States and Canada.

• The Purchasing Division has earned the National Annual Achievement of Excellence in Procurement Award every year since 2004.

• The Rochester Hills Building Department is nationally accredited by the International Accreditation Service, signifying that the Building Department operates under the highest professional and technical standards.

• The City of Rochester Hills has been named “Tree City U.S.A.” by the National Arbor Foundation annually since 1990.

• For the second year, Rochester Hills Parks have had over a million visitors.

• Upgraded bond rating to the highest possible AAA rating.

• The city’s curb side recycling program is the most comprehensive collection of recyclable materials in the state.

• Second lowest unemployment rate in Michigan among cities our size.
City Population and City Full-Time Employees

The city has actively moved to bring personnel costs in line with available funding. These are some of the toughest decisions a leadership team can make, but our forecasts demand we be proactive and not reactive. The city has 204 filled positions plus 60 contractual police officers, which puts us below 1999 staffing levels. Since fiscal year 2006, the city has reduced staffing levels by just over 20%.

The City of Rochester Hills ~ living within our means
Department Contact Information

Rochester Hills City Hall
1000 Rochester Hills Drive
Rochester Hills, MI 48309
248-656-4600
Hours: Monday-Friday 8:00 - 5:00

EMERGENCY 9-1-1

Accounting 248 656-4632
Accounting – Billing 248 656-4688
Assessing 248 656-4605
Building & Ordinance 248 656-4615
Building – Inspection Line 248 656-4619
Channel 55/10 248 656-4715
Cemetery - Clerk’s Office 248 652-4713
City Council 248-841-2460
Clerk’s Office 248 656-4630
Department of Public Service (DPS) 248 656-4685
Engineering 248 656-4640
Facilities 248 656-4658
Fire – Administration 248 656-4720
Fiscal 248 841-2533
Human Resources 248 656-4708
Mayor’s Office 248 656-4664
Management Information Systems 248 841-2475
Oakland County Sheriff’s Office 248 537-3530
Parks 248 656-4673
Parks – Environmental Education Center 248-656-4775
Parks – Forestry 248 656-4673
Parks – Museum 248 656-4663
Planning & Development 248 656-4660
Purchasing 248 841-2533
Treasury 248 656-4675

Property Tax Lookup
Additional Contact Information

Avondale Community Schools 248-537-6000
Chamber of Commerce 248-651-6700
Crittenton Hospital 248-652-5000
District Court 52-3 248-853-5553
Michigan Senior Olympics 248-608-0250
Oakland County 248-858-1000
Oakland County Road Commission 248-858-4804
Oakland University 248-370-2100
Older Persons Commission (OPC) 248-656-1403
RARA 248-656-8308
Rochester College 248-218-2000

Rochester Community Schools 248-726-3000
Rochester Hills Public Library 248-656-2900
Secretary of State 888-767-6424
State of Michigan 877-932-6424

Utilities

Allied Waste Services (trash) 248-858-8999
Comcast (cable) 248-334-1144
Consumers Energy (gas) 800-477-5050
DTE Energy (electric) 800-477-4747
RecycleBank (recycling) 888-727-2978
Wide Open West - WOW (cable) 800-848-2278

Neighboring Communities

Auburn Hills 248-370-9400
Oakland Township 248-651-4440
Rochester 248-651-9061
Shelby Township 586-731-5100
Troy 248-524-3316