

City of
Royal Oak,
Michigan



Year Ended
June 30, 2016

Comprehensive
Annual
Financial
Report

City Commission

Mayor

James B. Ellison

Mayor Pro Tem

Michael Fournier

Commissioners

Sharlan Douglas
Jeremy Mahrle
David Poulton

Kyle Dubuc
Pat Paruch

Administration

City Manager

Donald E. Johnson

Director of Finance

Julie Rudd

Assistant Finance Director/Controller

Anthony C. DeCamp

Prepared by the Finance Department



CITY OF ROYAL OAK, MICHIGAN

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INTRODUCTORY SECTION



December 2, 2016

Honorable Mayor, Commissioners, residents and employees of the City of Royal Oak:

In accordance with accounting principles generally accepted in the United States, the administration is submitting the Comprehensive Annual Financial Report (CAFR) of the City of Royal Oak, Michigan for the fiscal year ended June 30, 2016. The City of Royal Oak Charter and State statute require that the City of Royal Oak issue a report annually, within six months of the close of each fiscal year, on its financial position and activity, and that this report be audited by an independent firm of licensed certified public accountants.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with city's management. City management has established a balanced internal control framework that is designed both to protect the government's assets from theft, misuse, and loss and to accumulate sufficient reliable information for the preparation of the city's financial statements in compliance with GAAP (Generally Accepted Accounting Principles). Due to the understanding that the cost of internal controls should not outweigh the benefit, the city's internal control methods have been designed to provide reasonable assurance that the financial statements are free from material misstatements. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner that fairly presents the financial position and results of operations of the various funds and component units of the City of Royal Oak.

The financial statements and supplemental schedules contained in the financial section herein have been independently audited by Rehmann, Certified Public Accountants. The city has received an unmodified opinion for the June 30, 2016 fiscal year's statements. An unmodified opinion is the most favorable opinion that can be issued. The auditor's opinion does not encompass information in the introductory or the statistical sections of this report. The independent auditor's report is located prior to the MD&A (Management Discussion & Analysis) letter.

Profile of the City of Royal Oak

The City of Royal Oak is a metropolitan Detroit suburb located in southeastern Oakland County, Michigan. The approximately 12 square mile community is located ten miles north of downtown Detroit. Royal Oak's history dates back to the extension of the railroad line from Detroit to Pontiac. In recent years, the city has experienced resurgence as a regional entertainment destination, dynamic place to live and meeting grounds for creative minds. Today, it is estimated that Royal Oak is home to approximately 57,236 residents.

The commercial character of the city is very diverse, ranging from turn of the century retail buildings located in downtown to modern shopping plazas along Woodward Avenue. Commercial development in the city's one square mile downtown is geared toward a pedestrian friendly, community oriented shopping experience. City parking lots and structures provide visitors with a user friendly centralized parking system.

The city offers a variety of recreational and cultural activities, which enhances the quality of life for residents and also attracts large numbers of visitors. Royal Oak has worked rigorously to earn a reputation for being an entertainment destination for all of southeast Michigan, with an eclectic blend of restaurants, retail storefronts, theatres, galleries and festival-like events. Downtown Royal Oak also boasts the city owned farmer's market. The market is a source of great community pride and history.

Royal Oak is host to many annual community art fairs and special events including weekly summer concerts, a holiday magic parade held in November, and the Woodward Dream Cruise (the world's largest one day car event). For the seventh year, the city hosted the annual Arts, Beats & Eats festival during Labor Day weekend, attracting hundreds of thousands of visitors.

The city's recreational services include over 50 public neighborhood parks, 30 baseball fields, a public ice arena, public and private golf courses, a mini-course and driving range, 34 tennis courts and an indoor soccer facility. The senior / community center provides recreational and outreach services to senior citizens and programs and classes for adults and children alike.

All of the above activities have served to retain better residential and commercial property values in the City of Royal Oak relative to the county average. The amenities help to make the city "a dynamic balance of progressive vision and traditional values, offering an inviting, premiere and diverse community" (city's vision statement) for residents and visitors.

Government

Royal Oak was organized as a township in 1832, as a village in 1891 and incorporated as a home rule city in 1921 under the Home Rule Cities Act, being Act 279, Public Acts of Michigan of 1909, as amended (the "Home Rule Cities Act"). The City operates under the council-manager form of government, but we call our "council" the "city commission." The mayor and six commissioners are elected on a non-partisan, at-large basis. The mayor is elected for a two-year term and the commissioners serve for four-year staggered terms. The mayor is a voting member of the city commission and serves as its chairperson. The city manager, city clerk and city attorney are appointed by the commission for indefinite terms and serve at the pleasure of the commission. The city manager is the chief administrative officer of the city and is responsible for the day to-day operation of all departments except the city attorney's office and the city clerk's office.

Royal Oak is a full service city providing a wide range of services including police and fire protection, construction and maintenance of streets and underground infrastructure, planning and zoning, building inspection, and library services. In addition, the city operates water/sewer utilities, an automobile parking system, recreation programs, a farmer's market, and an ice arena as enterprise funds which are self supporting.

Local Economy and Demographics

The City of Royal Oak is a mature and mostly developed community experiencing redevelopment. New development was very strong earlier this decade emphasizing in-fill and redevelopment of business buildings and houses. Building permit revenue increased 47 percent higher than fiscal year 2015 and increased by 493 percent since the recent low in fiscal year 2011, without fee increases.

The city's assessed taxable value percentage shifted slightly (1 percent) from personal property to residential. For the fiscal year 2016-17, residential property is 77 percent of the city's assessed taxable value, 16 percent commercial property, 2 percent industrial and 5 percent personal property. Currently, the industrial, commercial and residential values have vacant parcel values included in these percentages. Royal Oak's office and retail vacancy rates are among the lowest in southeast Michigan at 4.6 percent and 3.2 percent respectively. In comparison, Detroit's office vacancy rate is 13.3 percent and its retail vacancy rate is 7.7 percent. Over thirty creative and technology companies have located in Royal Oak since 2010, including Hulu's Detroit office, Vectorform, Crowdrise and Ambassador, who has tripled its staff downtown the last year. There are currently three multimillion dollar office projects in the works for downtown Royal Oak plus a groundbreaking for a \$47 million Hyatt Place Hotel. Recently Royal Oak was ranked as one of the "Top 10 Small Exciting Cities in America" and one of the "Best Place to Live in Michigan" (area vibes).

Transportation opportunities are excellent in Royal Oak. Interstate 75 and 696 highways on the borders provide easy regional access north-south and east-west respectively. Woodward Avenue, a four-lane north-south corridor from the center of Detroit to the burgeoning northwest suburbs, offers retail and services to the automobile shopper. Our flourishing, pedestrian-friendly downtown offers high rise loft living, clothing, restaurants and the arts to young and old. In recent years, the city has worked to incorporate sharrows (bike share lanes) on numerous major roads within the city.

Royal Oak's labor force is approximately 38,139 persons (3 percent increase from last year) with per capita personal income at approximately \$59,759. Royal Oak's unemployment rate for August was 2.9 percent compared favorably to the State's unemployment rate of 4.5 percent for the same period.

Fiscal Highlights

The city prepared a detailed budget with a four year outlook to assist with the financial planning. The long-term financial planning that is included in Royal Oak's budget makes general financial projections for four years. For each fund, a summary table shows beginning fund balance, estimated revenue, estimated expenditures, projected transfers, and projected ending fund balance for each year of the immediate future four years. The fiscal year 2016 ending general fund unassigned fund balance increased by \$1.85 million as opposed to a use of fund balance of \$1.79 million originally budgeted. The year ended with a general fund fund balance of 46 percent of expenditures when combined with the public safety fund. Combined fund balance is projected to be 34 percent by the end of fiscal year 2017, which is close to policy range of 25 percent. The city combines the general fund and public safety fund when considering fund balance due to the public safety fund receiving a significant amount of its revenue from the general fund. Ten year road improvement ballot language was approved by the voters in November of 2014 and the city levied 2.4915 mills on the 2015 winter tax bill. In fiscal year 15/16, the city invested over \$6 million in local streets construction with funding from this millage.

Long-term Financial Planning

Not only did the city prepare a four year projection during the budget preparation process, for a fourth year the city administration prepared a comprehensive six-year capital improvement plan (CIP). The CIP was unanimously adopted by the planning commission prior to the end of the fiscal year 2017 budget process. Information from the capital improvement plan is also included in the budget forecast. The CIP includes all of the capital projects and reports the possible sources of funding by project for the next six years totaling \$162 million of city capital costs. Due in part to the CIP process, it was identified that the city needed to develop a new strategy to fund the six-year major and local street reconstruction demands. The city commission conducts strategic planning sessions each year prior to the administration's budget preparation. Three years ago the strategic planning session identified street funding and legacy cost resolutions as major objectives to address in upcoming fiscal years. A millage ballot proposal of 2.5 mills was put on the November 4, 2014 election by the city commission. This ballot proposal was passed by voters in response to the road funding problem. Approximately \$31.6 million for local road projects and \$10.2 million for major road projects are in the latest CIP. The fall of 2015, the city commission authorized the first step in the process to sell OPEB and pension bonds. More recently in September 2016 the city commission approved the bond authorizing resolution to issue \$135 million of pension and OPEB bonds.

Financial Policies

The city commission has financial policies covering attrition, capital assets, capital improvement projects, debt management, fund balance, investments and retirement contributions. More recently the city commission adopted a new fund balance for the state construction code fund in an effort to stabilize the fund during economic downturns. The policy provides the City will maintain a state construction code fund balance not less than 50% of budgeted expenditures but no more than 150%.

Internal Controls

Management of the city is responsible for establishing and maintaining internal controls designed to provide reasonable assurance that the assets of the city are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principals (GAAP). The internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management. Beginning in fiscal year 2014-15, the city commission approved the reinstatement of the purchasing agent position, which has helped to improve asset protection and efficiency, in addition to adding a full-time accountant in the treasury office at the end of fiscal year 2015-16.

All internal control evaluations occur within the above framework. We believe the city's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgeting Controls

The object of budgetary controls is to ensure compliance with legal provisions embodied in the city commission's approved budget and State requirements.

Activities of the general fund and special revenue funds are included in the appropriation act adopted prior to each fiscal year. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by activity level in the general fund and the special revenue funds. All of the funds' budgets are reviewed for budget to actual variances on a monthly basis.

Since the implementation of a new integrated financial management system in 2011, we have provided better financial information for managerial purposes and improved potential for budgetary control which includes executing some point of sale revenue recording (as opposed to monthly), easy "drill-down" capability for detail on all general ledger accounts, and increased use of encumbrance accounting.

Federal Grants

The city received approximately \$1.7 million in federal grant revenue. We were recipients of \$1.6 million in funds through the Community Development Block Grant and \$107,000 for small miscellaneous police grants.

Management Discussion and Analysis. Generally accepted accounting standards require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the MD&A letter.

This letter of transmittal is designed to compliment and not to repeat, the MD&A and should be read in conjunction with it. The city's MD&A letter can be found immediately following the report of the independent auditor.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Royal Oak for its comprehensive annual financial report for the fiscal year ended June 30, 2015. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and hope to receive the award for fiscal year ended June 30, 2016. We hope this comprehensive report assists its readers in understanding the city's financial status.

The preparation of this report was made possible by the dedicated public service by Anthony DeCamp, the city's assistant finance director/controller, and the balance of the finance department staff.

Respectfully submitted,



Julie Rudd
Director of Finance

Approved,



Donald E. Johnson
City Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

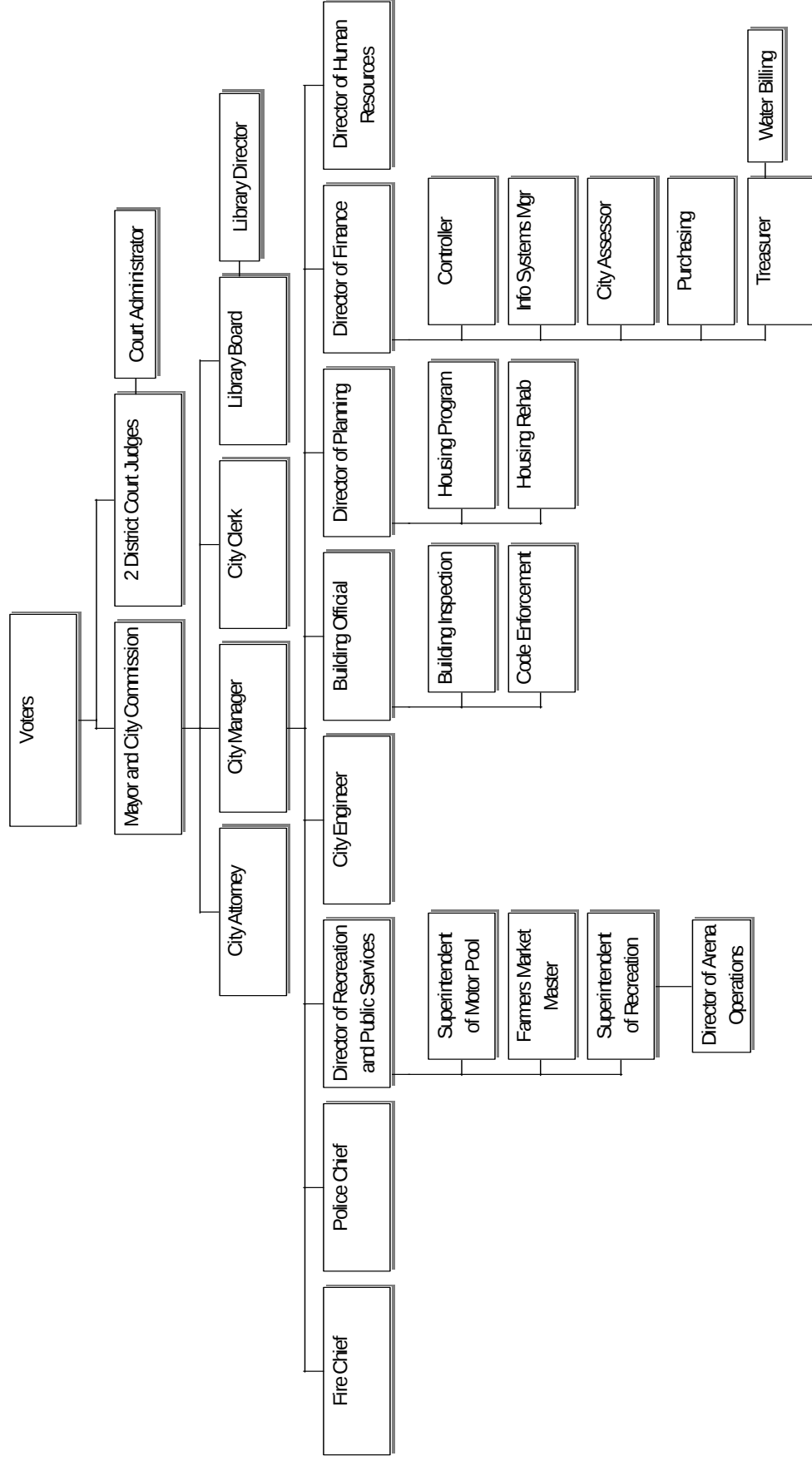
**City of Royal Oak
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

CITY OF ROYAL OAK, MICHIGAN
Organization Chart
 As of June 30, 2016



CITY OF ROYAL OAK, MICHIGAN

Principal Officials

As of June 30, 2016

City Manager	Donald E. Johnson
City Attorney	Mark O. Liss
Director of Finance	Julie Rudd
Building Official	Jason R. Craig
City Assessor	James M. Geiermann
City Clerk	Melanie Halas
City Engineer	Matt Callahan
City Treasurer	Sekar Bawa
Assistant Finance Director/Controller	Anthony C. DeCamp
Court Administrator	Gary Dodge
Director of Community Development	Timothy E. Thwing
Director of Recreation and Public Services	Gregory J. Rassel
Fire Chief	Jim Cook
Director of Human Resources	Mary Jo DiPaolo
Director of the Library	Mary Karshner
Manager of Information Systems	Mike Kirby
Police Chief	Corrigan O'Donohue
Superintendent of Recreation	Tod A. Gazetti

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

December 2, 2016

To the Honorable Mayor and City Commission
Royal Oak, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Royal Oak, Michigan** (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City'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.

Independent Auditors' Responsibility

Our responsibility is to express opinions 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 auditors' 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.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Royal Oak, Michigan, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules for the pension and other postemployment benefit plans, listed 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, who 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate 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 combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated December 2, **2016**, on our consideration of the City of Royal Oak, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Lehmann Lobson LLC". The signature is written in a cursive, flowing style.



MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

As management of the City of Royal Oak, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by \$214,645,199 (net position). Of this amount, (\$40,544,945) (unrestricted (deficit) net position) may be used to meet the government's ongoing obligations to residents and creditors.
- The government's total net position increased by \$19,903,250 as compared to a \$14,308,594 increase in the previous year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$42,460,350. Approximately 34 percent of this total amount, \$14,481,359 is unassigned, all in the general fund.
- At the end of the current fiscal year, the \$14,481,359 of unassigned fund balance for the general fund was 43 percent of total general fund expenditures and transfers out. The City's current general fund fund balance policy is to maintain unassigned at ten percent of budgeted expenditures but no more than twenty five percent of budgeted expenditures. Combined general fund and public safety fund balances are projected to fall within policy by fiscal year 2017 due to the need to increase transfers out to the public safety fund and personnel cost increases.
- General fund tax revenue increased by \$622,578 or 3.6 percent and total City tax revenue increased \$484,413 or 1.2 percent due to the new roads improvement millage. Licenses and permits revenue increased by \$1,282,619 or 24.0 percent, charges for services increased \$928,865 or 16.6 percent, and fines and forfeitures increased \$852,904 or 18.7 percent.
- Total governmental fund expenditures increased by \$8,798,606 or 13.4 percent mostly due to an increase of \$5,717,423 or 30.4 percent for public works, an increase of \$1,511,142 or 5.0 percent for public safety and an increase of \$1,454,155 or 16.5 percent for general government. Recreation increased \$227,677 or 6.0 percent, while health and welfare decreased \$123,200 or 14.4 percent.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, health and welfare, community and economic development, and recreation and culture. The business-type activities of the City include a water and sewer system, an automobile parking system, recreation activities, and a farmers' market.

The government-wide financial statements include, not only the City itself (known as the primary government), but also a legally separate tax increment financing authority, a legally separate downtown development authority and a legally separate brownfield redevelopment authority for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The City of Royal Oak Building Authority, although also legally separate, functions for all practical purposes as a department of the City, and therefore its activities have been included as an integral part of the primary government of the City.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains sixteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and four other major funds: public safety, solid waste, community development block grant, and City capital projects. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget in accordance with the General Appropriation Act for its general fund and special revenue funds. Budgetary comparison statements or schedules have been provided for these funds to demonstrate compliance with these budgets.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains six individual enterprise funds. The City's water and sewer operations and its automobile parking system operations are shown as major enterprise funds. Data from the other four enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report.

CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its motor pool, information technology management, self-insured workers compensation, healthcare (BCBS) self-insurance and general liability/property self-insurance.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations and its automobile parking system operations, both of which are considered to be major funds of the City. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits (OPEB) to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds, internal service funds and agency funds are presented immediately following the required supplementary information on pensions and OPEB.

The City's discretely presented component units do not issue separate financial statements; therefore, the component units' fund financial statements have been included in this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$214,645,199, an increase of \$19,903,250 or 10.22 percent, at the close of the most recent fiscal year.

By far, the largest portion of the City's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). The City uses these capital assets to provide services to residents and businesses; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (11 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted deficit net position of \$40,544,945 occurred primarily due to the recording of the GASB 68 pension obligation.

CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 84,067,208	\$ 76,370,818	\$ 25,259,743	\$ 25,161,731	\$ 109,326,951	\$ 101,532,549
Capital assets, net	158,005,467	144,861,781	119,284,793	115,221,193	277,290,260	260,082,974
Total assets	242,072,675	221,232,599	144,544,536	140,382,924	386,617,211	361,615,523
Deferred charge on refunding	149,983	113,580	1,217,587	223,855	1,367,570	337,435
Deferred pension amounts	15,496,877	5,088,238	1,127,200	370,787	16,624,077	5,459,025
Total deferred outflows	15,646,860	5,201,818	2,344,787	594,642	17,991,647	5,796,460
Long-term liabilities	15,782,500	17,809,309	37,595,587	40,032,342	53,378,087	57,841,651
Other liabilities	125,168,120	105,654,032	11,417,452	9,174,351	136,585,572	114,828,383
Total liabilities	140,950,620	123,463,341	49,013,039	49,206,693	189,963,659	172,670,034
Net position:						
Net investment in capital assets	147,194,839	132,341,007	85,228,498	78,110,713	232,423,337	210,451,720
Restricted	22,766,807	22,551,701	-	-	22,766,807	22,551,701
Unrestricted (deficit)	(53,192,731)	(51,921,632)	12,647,786	13,660,160	(40,544,945)	(38,261,472)
Total net position	\$ 116,768,915	\$ 102,971,076	\$ 97,876,284	\$ 91,770,873	\$ 214,645,199	\$ 194,741,949

The City's net position increased by \$19,903,250 during the current fiscal year as compared to a \$14,308,594 increase in the previous year. The increase is mostly attributed to an increase in both current and other assets (primarily the increase in cash and investments) and capital assets. Deferred outflows also increased significantly due to recording deferred pension outflows for governmental activities in compliance with GASB 68.

Governmental Activities

Governmental activities increased the City's net position by \$13,797,839 as compared to a \$12,920,304 increase in the previous year, a difference of \$877,535 between the two years. This difference is due to an increase in charges for services of \$3,056,905 mostly from the addition of the roads improvement millage and increased public safety millage. Public safety expenses increased \$3,580,010 for personnel costs, increased building permit revenue, and increased court revenue due to improved collections and the Berkley Court merger.

Business-type Activities

Business-type activities increased the City's net position by \$6,105,411 as compared to a \$1,388,290 increase in the previous year, a difference of \$4,717,121. This was primarily due to increased charges for services in water and sewer.

CITY OF ROYAL OAK, MICHIGAN

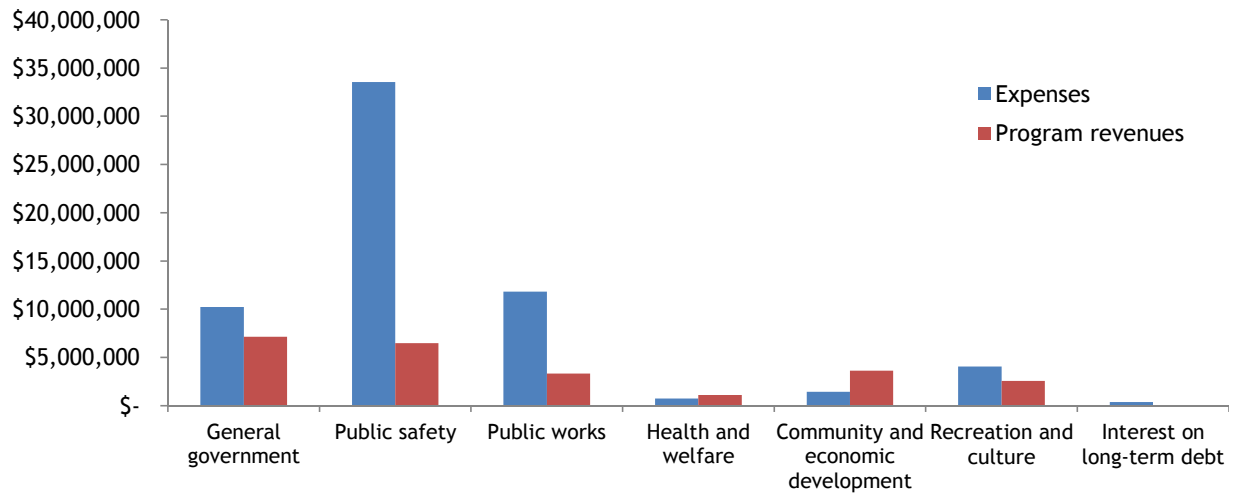
Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program revenues:						
Charges for services	\$ 18,588,632	\$ 15,531,727	\$ 37,449,868	\$ 32,350,329	\$ 56,038,500	\$ 47,882,056
Operating grants	5,531,956	4,232,338	440,016	635,612	5,971,972	4,867,950
Capital grants	148,372	162,263	-	-	148,372	162,263
General revenues:						
Property taxes	40,810,616	39,990,264	-	-	40,810,616	39,990,264
State shared revenues	9,411,377	8,953,377	-	-	9,411,377	8,953,377
Other	514,225	420,706	-	272	514,225	420,978
Total revenues	75,005,178	69,290,675	37,889,884	32,986,213	112,895,062	102,276,888
Expenses:						
General government	10,233,170	9,017,535	-	-	10,233,170	9,017,535
Public safety	33,545,346	29,965,336	-	-	33,545,346	29,965,336
Public works	11,803,571	13,295,707	-	-	11,803,571	13,295,707
Health and welfare	741,945	834,244	-	-	741,945	834,244
Community and economic development	1,442,994	1,444,432	-	-	1,442,994	1,444,432
Recreation and culture	4,056,345	3,762,240	-	-	4,056,345	3,762,240
Interest on long-term debt	385,521	431,845	-	-	385,521	431,845
Water and sewer	-	-	24,989,668	23,658,591	24,989,668	23,658,591
Parking	-	-	3,130,520	2,857,366	3,130,520	2,857,366
Recreation	-	-	2,146,622	2,229,514	2,146,622	2,229,514
Farmers market	-	-	516,110	471,484	516,110	471,484
Total expenses	62,208,892	58,751,339	30,782,920	29,216,955	92,991,812	87,968,294
Change in net position, before transfers	12,796,286	10,539,336	7,106,964	3,769,258	19,903,250	14,308,594
Transfers	1,001,553	2,380,968	(1,001,553)	(2,380,968)	-	-
Change in net position	13,797,839	12,920,304	6,105,411	1,388,290	19,903,250	14,308,594
Net position:						
Beginning of year	102,971,076	148,981,199	91,770,873	94,676,905	194,741,949	243,658,104
Restatement for implementation of GASB 68	-	(58,930,427)	-	(4,294,322)	-	(63,224,749)
End of year	\$ 116,768,915	\$ 102,971,076	\$ 97,876,284	\$ 91,770,873	\$ 214,645,199	\$ 194,741,949

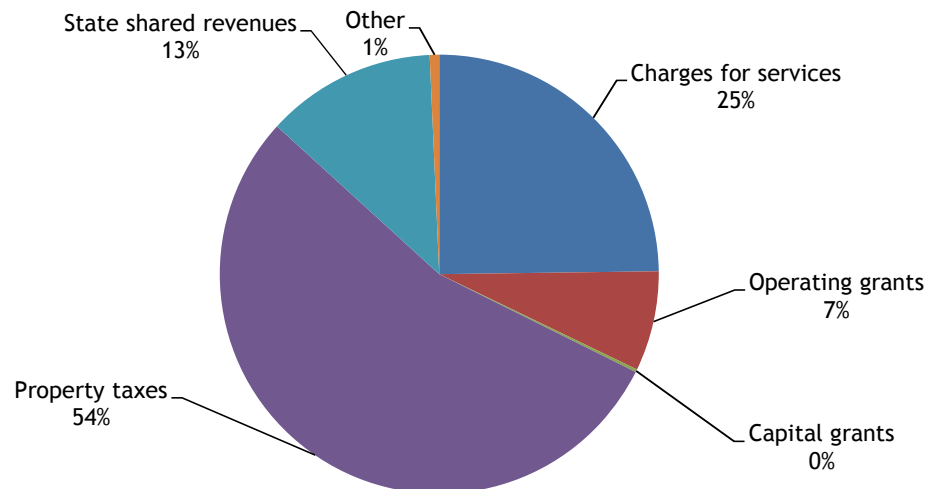
CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

Expenses and Program Revenues - Governmental Activities



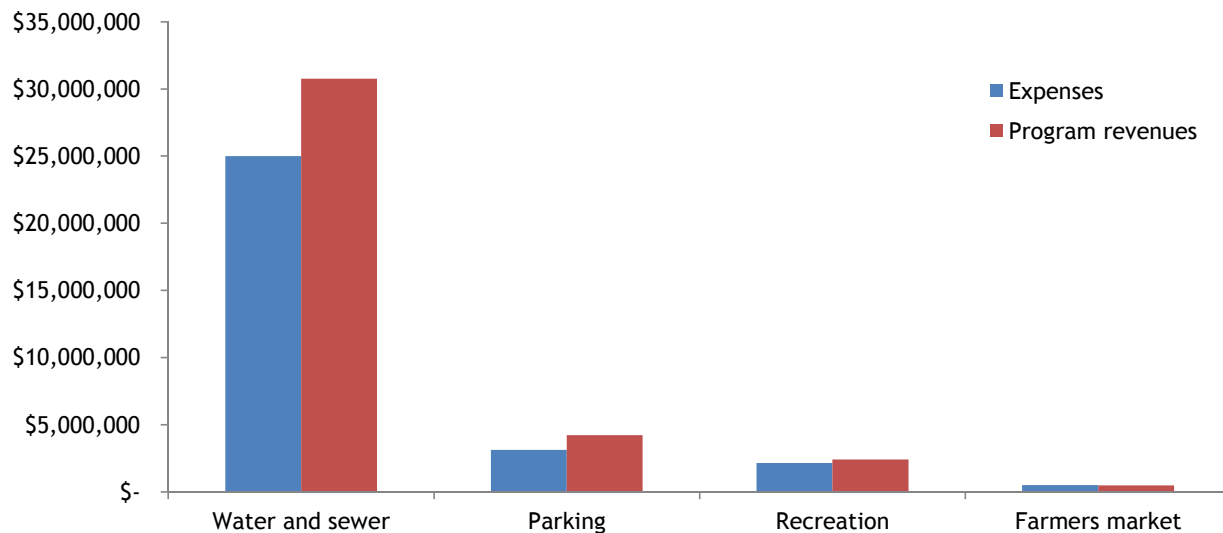
Revenues by Source - Governmental Activities



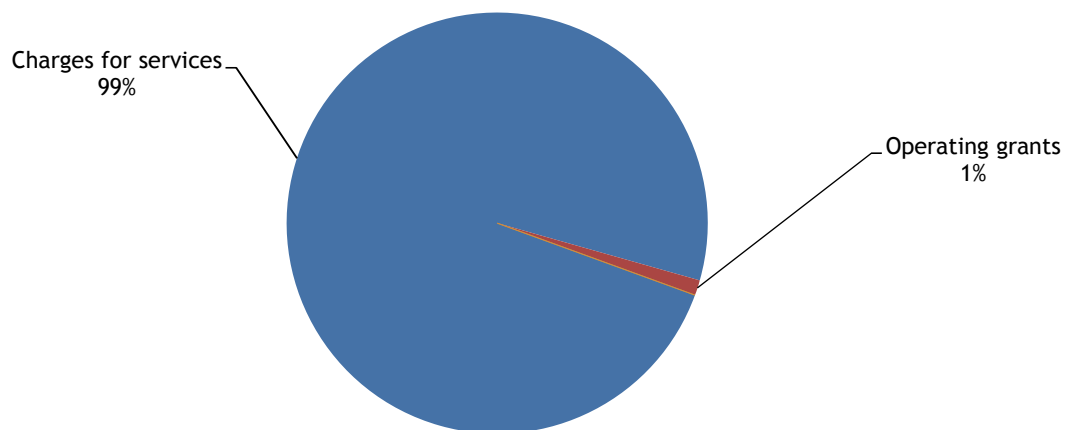
CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$42,460,350, an increase of \$1,403,130 in comparison with the prior year. Approximately 34 percent (\$14,481,359) of this total amount constitutes unassigned fund balance in the general fund, which is available for spending at the government's discretion, within allowable use. The remainder of fund balance is nonspendable such as prepaid items and inventories (\$200,686) and an endowment (\$1,000), restricted due to restraints of the fund (\$22,639,166) or assigned for eligible retirement bank payouts (\$462,000), public safety (\$2,046,139), and OPEB recovery contributions (\$2,630,000).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$14,481,359 while total fund balance was \$18,279,755. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 43 percent of total general fund expenditures and transfers out, while total fund balance represents 54 percent of general fund expenditures and transfers out. Since the creation of the public safety fund the City considers the combined unassigned fund balance. At fiscal year end, it was 33 percent and falling each year based on future budget projections.

The fund balance of the City's general fund increased by \$1,323,008 during the current fiscal year. The original budget included an \$1,787,680 use of fund balance. However, higher tax revenue, court fines, charges for services, and licenses and permits along with lower than budgeted general government and personnel expenditures contributed to the surplus.

The public safety fund revenue increased by \$1,652,414 relative to the prior fiscal year due to increased property tax revenue collection, ambulance revenues and increased transfer in from the downtown development authority for police services. Expenditures increased by \$826,857 for increased police and fire personnel costs. The original budget planned to use \$1,433,230 of fund balance. The fund realized a decrease in fund balance of \$271,315 due to lower personnel benefit expenditures (relative to budget), as well as higher tax revenue and ambulance revenue than budgeted.

The solid waste fund has a total fund balance of \$6,168,627, all of which is restricted for the sole use of this fund. The net decrease in fund balance during the current year in the solid waste fund was \$439,984. The solid waste fund revenue decreased by \$1,491,533 relative to the prior fiscal year due to a one-time reduction in the millage rate levied in fiscal year 2015-16 and one-time FEMA grant revenue to reimburse the City for damages from a (state of emergency) rain event. Expenditures decreased by \$1,047,725 mostly due to one-time rain event damages in the prior year.

The community development block grant fund revenue increased by \$519,822 relative to the prior year's revenue due to increased federal grant and miscellaneous revenue. Expenditures increased by \$919,774 due to increased capital project spending.

General Fund Budgetary Highlights

Revenues in the general fund were \$107,150 over the final budget and \$912,400 over the original budget. The increase is mostly attributed to additional property tax revenue, cable franchise revenue, transfers in from the capital projects fund, and court fines. Expenditures in the general fund were \$1,180,803 less than the amended budget and \$1,631,053 less than the original budget mostly due to personnel savings, contracted services savings and some capital projects not being performed.

Financial Analysis of the Business-type Funds

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water and sewer system at the end of the year amounted to \$3,784,663. The total increase in net position for water and sewer was \$5,193,194, as compared to a \$515,522 increase in the previous year. This increase in net position this year was mostly due an increase in revenue related to charges for services.

CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

Unrestricted net position for the auto parking system fund amounted to \$4,323,250. The total increase in net position for this fund was \$68,515 mostly due an increase in revenue related to charges for services and a decrease in operating expenses.

The total of the nonmajor enterprise funds unrestricted net position increased by \$321,574. The ice arena fund has unrestricted net position of \$482,118, an improvement from last year's \$232,954 unrestricted net position. The arts, beats, & eats, and ice arena fund unrestricted net position improved mostly due to increases in operating revenue. Both the recreation fund and farmers market fund had operating losses of \$60,101 and \$40,159 respectively.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$277,290,260 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year approximately 6.6 percent and mostly due to construction in process.

Major capital asset costs during the current year included the continued construction of the street improvements, water main replacement, sewer line improvements, and replacement of fleet vehicles and equipment to name some of the projects.

	Capital Assets					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 66,774,752	\$ 66,774,752	\$ 9,958,656	\$ 9,958,656	\$ 76,733,408	\$ 76,733,408
Buildings	15,678,840	16,286,499	15,698,856	16,382,777	31,377,696	32,669,276
Improvements other than buildings	876,216	719,737	1,204,964	60,237	2,081,180	779,974
Machinery and equipment	6,057,417	5,094,863	271,017	181,239	6,328,434	5,276,102
Infrastructure	49,242,422	46,278,572	84,131,680	82,032,691	133,374,102	128,311,263
Construction in progress	19,375,820	9,707,358	8,019,620	6,605,593	27,395,440	16,312,951
Total	\$ 158,005,467	\$ 144,861,781	\$ 119,284,793	\$ 115,221,193	\$ 277,290,260	\$ 260,082,974

Additional information on the City of Royal Oak's capital assets can be found in Note 7 of this report.

Long-term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$53,378,087. Of this amount, \$22,136,002 is limited general obligation debt issued by the City, which has pledged its full faith and credit for the repayment; dedicated revenue sources have been established for the repayment of this debt. A tax levy authorized by the residents of Royal Oak funds \$3,460,000 of unlimited general obligation debt. Another \$4,007,387 of the debt was obtained through the state revolving fund and is an obligation of the City and five surrounding communities; the City's portion of the debt is \$1,967,257 with the remainder being paid from receipts of the other five communities. Another \$17,648,475 of the debt is the City's portion of county debt issued for the benefit of the City and surrounding communities. The remainder of the debt is composed of vested benefits, general liability claims and unamortized bond discounts and premiums.

CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

	Outstanding Debt					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Limited general obligation bonds	\$ 7,167,511	\$ 8,534,000	\$ 14,968,491	\$ 15,475,000	\$ 22,136,002	\$ 24,009,000
Unlimited general obligation bonds	3,460,000	3,975,000	-	-	3,460,000	3,975,000
State revolving fund	-	-	4,007,387	4,757,387	4,007,387	4,757,387
Contractual obligations	-	-	17,648,475	19,763,048	17,648,475	19,763,048
Compensated absences	3,527,409	3,550,106	281,575	276,058	3,808,984	3,826,164
General liability claims	498,430	609,590	-	-	498,430	609,590
Workers compensation claims	796,050	1,015,259	-	-	796,050	1,015,259
Less: unamortized discount and premium	333,100	125,354	689,659	(239,151)	1,022,759	(113,797)
Total	<u>\$ 15,782,500</u>	<u>\$ 17,809,309</u>	<u>\$ 37,595,587</u>	<u>\$ 40,032,342</u>	<u>\$ 53,378,087</u>	<u>\$ 57,841,651</u>

The City's total debt decreased by \$4,463,564 (8 percent) during the current fiscal year, mostly due to reductions in principal of bonds and contractual obligations.

The City's bond ratings are as follows:

	Unlimited	Limited
Standard & Poor's	AA+	AA+
Moody's	NR	A1
Fitch	AA	AA

The underlying rating reflects the City's own credit quality. Standard & Poor's raised the City's underlying rating in December 2013 from AA to AA+ stable based on the City's strong economy, budgetary flexibility, budgetary performance, very strong liquidity, very strong management and strong debt capacity and contingent liabilities position.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation, however section 517 of Act 34 limits capital improvement bonds to 5 percent. The current legal debt limitation for the City is \$134,686,103 (5 percent of \$2,693,722,050 assessed valuation for purposes of capital improvement bonds). As of June 30, 2016, the City's general obligation debt amounts to 19.76 percent of the legal debt limit.

Additional information on the City's long-term debt can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

During the current fiscal year, unassigned fund balance in the general fund significantly increased to \$14,481,359 mostly due to lower personnel costs, contracted services, and some capital projects not performed. The City's original budget forecast demonstrates the decline of fund balance, however, with the recent contribution to fund balance, the general fund will be in its target range in fiscal year 2017-2018.

For the fiscal year, the quarterly water and sewer rates are \$121.41 per 1,000 cubic feet for the first 2,000 cubic feet and \$139.24 for every 1,000 cubic feet thereafter. In addition, all customers pay a \$11.25 flat fee per billing period. The water and sewer rates increased by 3.3 percent, passing along a 2 percent Southeastern Oakland County Water Authority ("SOCWA") and a 4.0 percent increase from the Oakland County Water Resource Commission. The flat rate fee increased 4.7 percent to \$10.75 to recoup the City's water billing costs.

CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

Now that the public safety funding and street improvements funding concerns have been tentatively resolved, the City administration and legislative body are focused on resolution to the City's legacy cost funding concerns. The combined unfunded liability of the City's pension and retiree healthcare obligations amount to nearly \$184,000,000 based on the latest actuarial valuations. The City commission has authorized the sale of pension and OPEB bonds in the amount not to exceed \$135,000,000. This excludes the police and fire pension UAL, as the police and fire pension plan is not closed, therefore bonds cannot be issued. Should interest rates remain low when the bonds are sold (January 2017), this action will assist with stabilizing contributions to the trusts as well as possibly save millions of dollars in future years.

Requests for Information

This financial report is designed to provide a general overview of the City of Royal Oak's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the director of finance, City of Royal Oak, 211 S. Williams Street, Royal Oak, MI 48067.

BASIC FINANCIAL STATEMENTS



CITY OF ROYAL OAK, MICHIGAN

Statement of Net Position

June 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 78,678,330	\$ 10,421,326	\$ 89,099,656	\$ 1,495,711
Receivables, net	7,352,164	11,211,375	18,563,539	29,651
Deposits and other assets	973,258	-	973,258	50,000
Internal balances	(3,398,606)	3,398,606	-	-
Inventories	461,062	228,436	689,498	-
Restricted assets, cash	1,000	-	1,000	-
Capital assets not being depreciated	86,150,572	17,978,276	104,128,848	2,895,755
Capital assets being depreciated, net	71,854,895	101,306,517	173,161,412	925,059
Total assets	242,072,675	144,544,536	386,617,211	5,396,176
Deferred outflows of resources				
Deferred charge on refunding	149,983	1,217,587	1,367,570	-
Deferred pension amounts	15,496,877	1,127,200	16,624,077	50,750
Total deferred outflows of resources	15,646,860	2,344,787	17,991,647	50,750
Liabilities				
Accounts payable	6,735,025	2,793,486	9,528,511	342,975
Accrued and other liabilities	3,312,015	483,928	3,795,943	31,867
Cash bonds and deposits	3,266,808	12,191	3,278,999	-
Unearned revenue	3,466,496	-	3,466,496	-
Long-term debt:				
Due within one year	4,167,803	4,253,456	8,421,259	8,000
Due in more than one year	11,614,697	33,342,131	44,956,828	8,618
Net pension liability	79,622,157	5,791,504	85,413,661	260,746
Net other postemployment benefits obligation	28,765,619	2,336,343	31,101,962	132,002
Total liabilities	140,950,620	49,013,039	189,963,659	784,208
Net position				
Net investment in capital assets	147,194,839	85,228,498	232,423,337	3,820,814
Restricted for:				
Public, Educational, and Government				
Access ("PEG") fees	695,389	-	695,389	-
Highways and streets	4,143,221	-	4,143,221	-
Solid waste	6,168,627	-	6,168,627	-
Recreation and culture	2,241,252	-	2,241,252	-
Public safety	7,610,994	-	7,610,994	-
Grants	1,158,904	-	1,158,904	-
Debt service	38,695	-	38,695	-
Capital projects	698,261	-	698,261	-
Permanent fund:				
Expendable	10,464	-	10,464	-
Non-expendable	1,000	-	1,000	-
Unrestricted (deficit)	(53,192,731)	12,647,786	(40,544,945)	841,904
Total net position	\$ 116,768,915	\$ 97,876,284	\$ 214,645,199	\$ 4,662,718

The accompanying notes are an integral part of these financial statements.

CITY OF ROYAL OAK, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 10,233,170	\$ 7,009,130	\$ 132,645	\$ -	\$ (3,091,395)
Public safety	33,545,346	5,474,015	965,332	46,377	(27,059,622)
Public works	11,803,571	2,395,568	831,197	101,995	(8,474,811)
Health and welfare	741,945	1,108,659	-	-	366,714
Community and economic development	1,442,994	478,678	3,157,977	-	2,193,661
Recreation and culture	4,056,345	2,122,582	444,805	-	(1,488,958)
Interest on long-term debt	385,521	-	-	-	(385,521)
Total governmental activities	62,208,892	18,588,632	5,531,956	148,372	(37,939,932)
Business-type activities:					
Water and sewer	24,989,668	30,672,689	88,612	-	5,771,633
Parking	3,130,520	3,921,394	310,397	-	1,101,271
Recreation	2,146,622	2,373,123	30,090	-	256,591
Farmers market	516,110	482,662	10,917	-	(22,531)
Total business-type activities	30,782,920	37,449,868	440,016	-	7,106,964
Total primary government	\$ 92,991,812	\$ 56,038,500	\$ 5,971,972	\$ 148,372	\$ (30,832,968)
Component units					
Tax Increment Financing Authority	\$ 4,221,342	\$ -	\$ 131,150	\$ -	\$ (4,090,192)
Downtown Development Authority	47,088	-	-	-	(47,088)
Brownfield Redevelopment Authority	26,754	-	-	-	(26,754)
Total component units	\$ 4,295,184	\$ -	\$ 131,150	\$ -	\$ (4,164,034)

continued...

CITY OF ROYAL OAK, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (37,939,932)	\$ 7,106,964	\$ (30,832,968)	\$ (4,164,034)
General revenues:				
Property taxes	40,810,616	-	40,810,616	3,276,682
Unrestricted state shared revenues	9,411,377	-	9,411,377	-
Unrestricted investment earnings	119,498	-	119,498	14,986
Gain on sale of capital assets	57,705	-	57,705	-
Miscellaneous	337,022	-	337,022	21,312
Transfers	1,001,553	(1,001,553)	-	-
Total general revenues and transfers	51,737,771	(1,001,553)	50,736,218	3,312,980
Change in net position	13,797,839	6,105,411	19,903,250	(851,054)
Net position, beginning of year	102,971,076	91,770,873	194,741,949	5,513,772
Net position, end of year	<u>\$ 116,768,915</u>	<u>\$ 97,876,284</u>	<u>\$ 214,645,199</u>	<u>\$ 4,662,718</u>

concluded.

The accompanying notes are an integral part of these financial statements.

CITY OF ROYAL OAK, MICHIGAN

Balance Sheet

Governmental Funds

June 30, 2016

	General	Public Safety	Solid Waste	Community Development Block Grant	City Capital Projects
Assets					
Cash and investments	\$ 21,483,465	\$ 3,229,335	\$ 6,574,284	\$ -	\$ 5,678,427
Receivables, net	115,501	171,908	27,518	3,438,029	849,384
Due from other governmental units	869,043	-	-	231,522	-
Due from other funds	176,945	-	-	-	-
Prepaid items	11,007	-	-	-	-
Inventories	-	-	-	-	-
Restricted assets, cash	-	-	-	-	-
Total assets	\$ 22,655,961	\$ 3,401,243	\$ 6,601,802	\$ 3,669,551	\$ 6,527,811
Liabilities					
Accounts payable	\$ 825,570	\$ 254,262	\$ 395,483	\$ 44,629	\$ 4,219,134
Accrued and other liabilities	265,419	1,094,210	31,240	9,948	790,619
Due to other funds	-	-	-	176,945	-
Cash bonds and deposits	3,266,508	-	-	-	-
Unearned revenue	-	-	-	3,438,029	-
Total liabilities	4,357,497	1,348,472	426,723	3,669,551	5,009,753
Deferred inflows of resources					
Unavailable revenue - property taxes and special assessments	18,709	6,632	6,452	-	832,802
Fund balances					
Nonspendable:					
Prepaid items	11,007	-	-	-	-
Inventories	-	-	-	-	-
Endowment	-	-	-	-	-
Restricted:					
PEG fees	695,389	-	-	-	-
Highways and streets	-	-	-	-	-
Solid waste	-	-	6,168,627	-	-
Recreation and culture	-	-	-	-	-
Public safety	-	-	-	-	-
Grants	-	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	685,256
Permanent fund	-	-	-	-	-
Assigned:					
Eligible retiree bank payouts	462,000	-	-	-	-
OPEB contribution recovery	2,630,000	-	-	-	-
Public safety	-	2,046,139	-	-	-
Unassigned	14,481,359	-	-	-	-
Total fund balances	18,279,755	2,046,139	6,168,627	-	685,256
Total liabilities, deferred inflows of resources and fund balances	\$ 22,655,961	\$ 3,401,243	\$ 6,601,802	\$ 3,669,551	\$ 6,527,811

The accompanying notes are an integral part of these financial statements.



Nonmajor Governmental Funds	Total Governmental Funds
\$ 14,799,489	\$ 51,765,000
541,195	5,143,535
1,041,248	2,141,813
-	176,945
-	11,007
189,679	189,679
1,000	1,000
<u>\$ 16,572,611</u>	<u>\$ 59,428,979</u>
\$ 598,729	\$ 6,337,807
214,510	2,405,946
-	176,945
300	3,266,808
28,467	3,466,496
<u>842,006</u>	<u>15,654,002</u>
<u>450,032</u>	<u>1,314,627</u>
-	11,007
189,679	189,679
1,000	1,000
-	695,389
3,953,542	3,953,542
-	6,168,627
2,241,252	2,241,252
7,610,994	7,610,994
1,158,904	1,158,904
101,733	101,733
13,005	698,261
10,464	10,464
-	462,000
-	2,630,000
-	2,046,139
-	14,481,359
<u>15,280,573</u>	<u>42,460,350</u>
<u>\$ 16,572,611</u>	<u>\$ 59,428,979</u>



CITY OF ROYAL OAK, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2016

Fund balances for governmental funds	\$ 42,460,350
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement.	
Capital assets not being depreciated	86,150,572
Capital assets being depreciated, net	71,854,895
Less capital assets accounted for in internal service funds	(6,514,677)
The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred outflows in the governmental funds, and thus are not included in fund balance.	
Deferred property taxes and special assessments receivable	1,314,627
Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities.	
Total internal service fund net position	28,057,235
Internal service fund net position accounted for in business-type activities	(3,398,606)
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Accrued interest on bonds	(63,038)
Bonds payable	(9,314,579)
Unamortized bond discounts	264
Unamortized bond premiums	(309,257)
Deferred loss on refunding	98,380
Net other postemployment benefit obligation	(27,694,605)
Compensated absences	(3,390,583)
Certain pension-related amounts, such as the net pension liability and deferred amounts, are not due and payable in the current period or do not represent current financial resources, and therefore are not reported in the funds.	
Net pension liability	(77,581,832)
Deferred outflows related to the net pension liability	15,099,769
Net position of governmental activities	\$ 116,768,915

The accompanying notes are an integral part of these financial statements.

CITY OF ROYAL OAK, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2016

	General	Public Safety	Solid Waste	Community Development Block Grant	City Capital Projects
Revenues					
Taxes	\$ 17,848,724	\$ 8,811,468	\$ 5,810,172	\$ -	\$ -
Licenses and permits	2,044,775	10,532	-	-	-
Federal grants	4,080	-	-	1,601,452	-
State grants	5,408,395	-	-	-	-
Charges for services	2,447,572	1,455,370	2,337	478,678	1,812,605
Fines and forfeitures	5,310,482	-	-	-	-
Interest and rentals	362,800	7,966	43,156	-	48,497
Contributions and donations	-	540,000	-	-	1,340,000
Other revenue	337,022	27,928	31,361	204,521	1,131
Total revenues	33,763,850	10,853,264	5,887,026	2,284,651	3,202,233
Expenditures					
Current:					
General government	10,183,680	-	-	-	-
Public safety	665,469	29,389,278	-	-	-
Public works	1,267,676	-	6,323,010	-	12,389,865
Health and welfare	-	735,301	-	-	-
Community and economic development	510,315	-	-	843,671	-
Recreation and culture	1,198,187	-	-	-	-
Debt service:					
Principal payments	-	-	-	-	226,000
Interest and paying agent fees	-	-	-	-	10,874
Total expenditures	13,825,327	30,124,579	6,323,010	843,671	12,626,739
Revenues over (under) expenditures	19,938,523	(19,271,315)	(435,984)	1,440,980	(9,424,506)
Other financing sources (uses)					
Issuance of long-term debt	-	-	-	-	-
Premium on issuance of long-term debt	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	1,367,376	19,000,000	-	-	10,042,328
Transfers out	(19,982,891)	-	(4,000)	(1,440,980)	(553,368)
Total other financing sources (uses)	(18,615,515)	19,000,000	(4,000)	(1,440,980)	9,488,960
Net change in fund balances	1,323,008	(271,315)	(439,984)	-	64,454
Fund balances, beginning of year	16,956,747	2,317,454	6,608,611	-	620,802
Fund balances, end of year	\$ 18,279,755	\$ 2,046,139	\$ 6,168,627	\$ -	\$ 685,256

The accompanying notes are an integral part of these financial statements.



Nonmajor Governmental Funds	Total Governmental Funds
\$ 8,341,934	\$ 40,812,298
4,573,828	6,629,135
71,846	1,677,378
4,954,137	10,362,532
317,009	6,513,571
89,051	5,399,533
109,035	571,454
337,097	2,217,097
274,681	876,644
<u>19,068,618</u>	<u>75,059,642</u>
75,620	10,259,300
1,803,923	31,858,670
4,564,149	24,544,700
-	735,301
42,571	1,396,557
2,844,692	4,042,879
1,197,000	1,423,000
388,285	399,159
<u>10,916,240</u>	<u>74,659,566</u>
<u>8,152,378</u>	<u>400,076</u>
3,258,578	3,258,578
153,451	153,451
(3,353,620)	(3,353,620)
1,202,988	31,612,692
(8,686,808)	(30,668,047)
<u>(7,425,411)</u>	<u>1,003,054</u>
726,967	1,403,130
<u>14,553,606</u>	<u>41,057,220</u>
<u>\$ 15,280,573</u>	<u>\$ 42,460,350</u>



CITY OF ROYAL OAK, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds \$ 1,403,130

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, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets purchased/constructed	14,520,751
Depreciation expense	(2,388,344)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Net change in deferred property taxes and special assessments receivable	(1,682)
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Issuance of long-term debt	(3,258,578)
Premium on issuance of long-term debt	(153,451)
Payment to refunded bond escrow agent	3,353,620
Principal payments on long-term liabilities	1,423,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest payable on long-term debt	14,087
Amortization of bond discount	(449)
Amortization of bond premium	46,803
Amortization of deferred loss on refunding	(12,134)
Change in the net pension liability and related deferred amounts	(4,608,796)
Change in other postemployment benefit obligation	(285,081)
Change in compensated absences	36,530

An internal service fund is used by management to charge the costs of certain services to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Total change in net position of the internal service funds	4,503,978
Internal service fund change in net position accounted for in business-type activities	(795,545)

Change in net position of governmental activities \$ 13,797,839

The accompanying notes are an integral part of these financial statements.

CITY OF ROYAL OAK, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 17,349,500	\$ 17,699,500	\$ 17,848,724	\$ 149,224
Licenses and permits	1,920,000	1,959,100	2,044,775	85,675
Federal grants	-	4,080	4,080	-
State grants	5,369,050	5,377,480	5,408,395	30,915
Charges for services	2,353,900	2,385,900	2,447,572	61,672
Fines and forfeitures	5,235,000	5,250,000	5,310,482	60,482
Interest and rentals	168,000	343,000	362,800	19,800
Other revenue	456,000	637,640	337,022	(300,618)
Total revenues	32,851,450	33,656,700	33,763,850	107,150
Expenditures				
Current:				
General government	11,536,370	10,847,470	10,183,680	(663,790)
Public safety	641,930	709,820	665,469	(44,351)
Public works	1,418,010	1,418,010	1,267,676	(150,334)
Community and economic development	577,020	616,780	510,315	(106,465)
Recreation and culture	1,283,050	1,414,050	1,198,187	(215,863)
Total expenditures	15,456,380	15,006,130	13,825,327	(1,180,803)
Revenues over expenditures	17,395,070	18,650,570	19,938,523	1,287,953
Other financing sources (uses)				
Transfers in	800,000	800,000	1,367,376	567,376
Transfers out	(19,982,750)	(19,983,670)	(19,982,891)	(779)
Total other financing sources (uses)	(19,182,750)	(19,183,670)	(18,615,515)	568,155
Net change in fund balance	(1,787,680)	(533,100)	1,323,008	1,856,108
Fund balance, beginning of year	16,956,747	16,956,747	16,956,747	-
Fund balance, end of year	\$ 15,169,067	\$ 16,423,647	\$ 18,279,755	\$ 1,856,108

The accompanying notes are an integral part of these financial statements.

CITY OF ROYAL OAK, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Public Safety Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 8,607,000	\$ 8,607,000	\$ 8,811,468	\$ 204,468
Licenses and permits	7,000	7,000	10,532	3,532
Charges for services	1,257,820	1,353,820	1,455,370	101,550
Interest and rentals	6,000	6,000	7,966	1,966
Contributions and donations	540,000	540,000	540,000	-
Other revenue	40,000	40,000	27,928	(12,072)
Total revenues	<u>10,457,820</u>	<u>10,553,820</u>	<u>10,853,264</u>	<u>299,444</u>
Expenditures				
Current:				
Public safety	29,899,620	29,900,970	29,389,278	(511,692)
Health and welfare	951,430	777,280	735,301	(41,979)
Total expenditures	<u>30,851,050</u>	<u>30,678,250</u>	<u>30,124,579</u>	<u>(553,671)</u>
Revenues under expenditures	(20,393,230)	(20,124,430)	(19,271,315)	853,115
Other financing sources				
Transfers in	19,000,000	19,000,000	19,000,000	-
Net change in fund balance	<u>(1,433,230)</u>	<u>(1,124,430)</u>	<u>(271,315)</u>	<u>853,115</u>
Fund balance, beginning of year	<u>2,317,454</u>	<u>2,317,454</u>	<u>2,317,454</u>	<u>-</u>
Fund balance, end of year	<u>\$ 884,224</u>	<u>\$ 1,193,024</u>	<u>\$ 2,046,139</u>	<u>\$ 853,115</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ROYAL OAK, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Solid Waste Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 5,653,000	\$ 5,780,000	\$ 5,810,172	\$ 30,172
Charges for services	2,000	2,000	2,337	337
Interest and rentals	42,000	42,000	43,156	1,156
Other revenue	45,000	45,000	31,361	(13,639)
Total revenues	5,742,000	5,869,000	5,887,026	18,026
Expenditures				
Current -				
Public works	6,500,790	6,570,790	6,323,010	(247,780)
Revenues under expenditures	(758,790)	(701,790)	(435,984)	265,806
Other financing uses				
Transfers out	(4,000)	(4,000)	(4,000)	-
Net change in fund balance	(762,790)	(705,790)	(439,984)	265,806
Fund balance, beginning of year	6,608,611	6,608,611	6,608,611	-
Fund balance, end of year	<u>\$ 5,845,821</u>	<u>\$ 5,902,821</u>	<u>\$ 6,168,627</u>	<u>\$ 265,806</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ROYAL OAK, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Community Development Block Grant Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal grants	\$ 1,081,630	\$ 1,081,630	\$ 1,601,452	\$ 519,822
Charges for services	300,000	440,000	478,678	38,678
Other revenue	200,000	1,245,730	204,521	(1,041,209)
Total revenues	1,581,630	2,767,360	2,284,651	(482,709)
Expenditures				
Current -				
Community and economic development	896,630	1,159,550	843,671	(315,879)
Revenues over expenditures	685,000	1,607,810	1,440,980	(166,830)
Other financing uses				
Transfers out	(685,000)	(1,607,810)	(1,440,980)	(166,830)
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

CITY OF ROYAL OAK, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Sewer	Automobile Parking System	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets					
Current assets:					
Cash and investments	\$ 2,592,217	\$ 6,070,611	\$ 1,758,498	\$ 10,421,326	\$ 26,913,330
Receivables, net	8,803,822	23,634	117,610	8,945,066	66,816
Prepaid items	-	-	-	-	962,251
Inventories	219,135	9,301	-	228,436	271,383
Total current assets	11,615,174	6,103,546	1,876,108	19,594,828	28,213,780
Noncurrent assets:					
Receivables, net	2,040,130	-	-	2,040,130	-
Due from other governmental units	226,179	-	-	226,179	-
Capital assets	134,765,397	32,271,799	12,220,915	179,258,111	19,161,087
Accumulated depreciation	(42,791,406)	(11,618,749)	(5,563,163)	(59,973,318)	(12,646,410)
Total noncurrent assets	94,240,300	20,653,050	6,657,752	121,551,102	6,514,677
Total assets	105,855,474	26,756,596	8,533,860	141,145,930	34,728,457
Deferred outflows of resources					
Deferred charge on refunding	297,496	920,091	-	1,217,587	51,603
Deferred pension amounts	808,338	228,122	90,740	1,127,200	397,108
Total deferred outflows of resources	1,105,834	1,148,213	90,740	2,344,787	448,711
Liabilities					
Current liabilities:					
Accounts payable	2,443,987	220,070	129,429	2,793,486	397,218
Accrued and other liabilities	384,301	87,902	11,725	483,928	843,031
Cash bonds and deposits	250	11,941	-	12,191	-
Bonds payable, due within one year	3,354,919	757,537	-	4,112,456	226,118
Other long-term liabilities, current	-	-	-	-	647,240
Compensated absences, current	95,545	33,566	11,889	141,000	68,796
Total current liabilities	6,279,002	1,111,016	153,043	7,543,061	2,182,403
Noncurrent liabilities:					
Bonds payable	23,749,280	9,452,276	-	33,201,556	1,110,921
Other long-term liabilities	-	-	-	-	647,240
Accrued compensated absences	95,257	33,465	11,853	140,575	68,030
Net pension liability	4,153,199	1,172,084	466,221	5,791,504	2,040,325
Net other postemployment benefit obligation	1,692,489	449,390	194,464	2,336,343	1,071,014
Total noncurrent liabilities	29,690,225	11,107,215	672,538	41,469,978	4,937,530
Total liabilities	35,969,227	12,218,231	825,581	49,013,039	7,119,933
Net position					
Net investment in capital assets	67,207,418	11,363,328	6,657,752	85,228,498	5,229,241
Unrestricted	3,784,663	4,323,250	1,141,267	9,249,180	22,827,994
Total net position	\$ 70,992,081	\$ 15,686,578	\$ 7,799,019	\$ 94,477,678	\$ 28,057,235

The accompanying notes are an integral part of these financial statements.

CITY OF ROYAL OAK, MICHIGAN

Reconciliation

Net Position of Enterprise Funds
to Net Position of Business-type Activities
June 30, 2016

Net position - total enterprise funds	\$ 94,477,678
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Amounts reported for *business-type activities* in the statement of net position are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. A portion of the net position of the internal service funds is allocated to the enterprise funds and reported in the statement of net position.

Net position of business-type activities accounted for in
governmental-type internal service funds

3,398,606

Net position of business-type activities

<u><u>\$ 97,876,284</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF ROYAL OAK, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Sewer	Automobile Parking System	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenues					
Charges for services	\$ 30,672,689	\$ 3,921,394	\$ 2,855,785	\$ 37,449,868	\$ 17,998,458
Other	74,507	6,088	27,823	108,418	1,246,322
Total operating revenues	30,747,196	3,927,482	2,883,608	37,558,286	19,244,780
Operating expenses					
Salaries and benefits	2,993,082	914,134	426,031	4,333,247	10,561,581
Supplies	478,511	57,459	136,043	672,013	742,576
Water purchases	4,079,173	-	-	4,079,173	-
Sewage disposal services	11,975,801	-	-	11,975,801	-
Other services and charges	2,383,960	1,244,159	1,901,002	5,529,121	2,398,365
Depreciation	2,797,786	507,741	273,417	3,578,944	1,083,471
Total operating expenses	24,708,313	2,723,493	2,736,493	30,168,299	14,785,993
Operating income	6,038,883	1,203,989	147,115	7,389,987	4,458,787
Nonoperating revenues (expenses)					
Federal grants	-	-	3,320	3,320	-
Interest income	14,105	56,706	9,864	80,675	-
Contributions and donations	-	247,603	-	247,603	-
Interest expense	(919,147)	(491,019)	-	(1,410,166)	(69,422)
Gain on sale of capital assets	-	-	-	-	57,705
Total nonoperating revenues (expenses)	(905,042)	(186,710)	13,184	(1,078,568)	(11,717)
Income before transfers	5,133,841	1,017,279	160,299	6,311,419	4,447,070
Transfers					
Transfers in	4,410,519	278,584	-	4,689,103	84,000
Transfers out	(4,351,166)	(1,227,348)	(112,142)	(5,690,656)	(27,092)
Net transfers	59,353	(948,764)	(112,142)	(1,001,553)	56,908
Change in net position	5,193,194	68,515	48,157	5,309,866	4,503,978
Net position, beginning of year	65,798,887	15,618,063	7,750,862	89,167,812	23,553,257
Net position, end of year	\$ 70,992,081	\$ 15,686,578	\$ 7,799,019	\$ 94,477,678	\$ 28,057,235

The accompanying notes are an integral part of these financial statements.

CITY OF ROYAL OAK, MICHIGAN

Reconciliation

Changes in Net Position of Enterprise Funds
to Change in Net Position of Business-type Activities
For the Year Ended June 30, 2016

Change in net position - total enterprise funds	\$ 5,309,866
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Amounts reported for *business-type activities* in the statement of activities
are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. A portion of the operating income (loss) of the internal service funds is allocated to the enterprise funds and reported in the statement of activities.

Net operating income from business-type activities accounted
for in governmental-type internal service funds

795,545

Change in net position of business-type activities
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\$ 6,105,411

The accompanying notes are an integral part of these financial statements.

CITY OF ROYAL OAK, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Sewer	Automobile Parking System	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities					
Receipts from customers	\$ 29,866,013	\$ 3,916,722	\$ 2,783,005	\$ 36,565,740	\$ -
Internal activity - receipts from other funds	-	-	-	-	17,998,458
Other operating receipts	74,507	6,088	27,823	108,418	1,246,322
Payments to vendors	(18,035,734)	(1,144,126)	(2,017,234)	(21,197,094)	(2,988,265)
Payments to employees	(2,665,242)	(855,227)	(397,594)	(3,918,063)	(10,668,697)
Net cash provided by operating activities	9,239,544	1,923,457	396,000	11,559,001	5,587,818
Cash flows from noncapital financing activities					
Federal operating grants	-	-	3,320	3,320	-
Contributions and donations	-	247,603	-	247,603	-
Transfers from other funds	4,410,519	278,584	-	4,689,103	84,000
Transfers to other funds	(4,351,166)	(1,227,348)	(112,142)	(5,690,656)	(27,092)
Net cash provided by (used in) noncapital financing activities	59,353	(701,161)	(108,822)	(750,630)	56,908
Cash flows from capital and related financing activities					
Purchase of capital assets	(7,194,363)	(448,181)	-	(7,642,544)	(2,520,146)
Principal paid on capital debt	(3,160,487)	(595,000)	-	(3,755,487)	(320,000)
Interest paid on capital debt	(799,770)	(290,916)	-	(1,090,686)	(60,755)
Proceeds from sale of capital assets	-	-	-	-	483,101
Net cash used in capital and related financing activities	(11,154,620)	(1,334,097)	-	(12,488,717)	(2,417,800)
Cash flows from investing activities					
Interest received on investments	14,105	56,706	9,864	80,675	-
Net change in cash and investments	(1,841,618)	(55,095)	297,042	(1,599,671)	3,226,926
Cash and investments balances, beginning of year	4,433,835	6,125,706	1,461,456	12,020,997	23,686,404
Cash and investments balances, end of year	\$ 2,592,217	\$ 6,070,611	\$ 1,758,498	\$ 10,421,326	\$ 26,913,330

continued...

CITY OF ROYAL OAK, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Sewer	Automobile Parking System	Nonmajor Enterprise Funds	Total	Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities					
Operating income	\$ 6,038,883	\$ 1,203,989	\$ 147,115	\$ 7,389,987	\$ 4,458,787
Adjustments to reconcile operating income to net cash provided by operating activities -					
Depreciation	2,797,786	507,741	273,417	3,578,944	1,083,471
Changes in assets and liabilities:					
Receivables, net	(1,413,013)	(4,672)	(50,424)	(1,468,109)	(25,864)
Prepaid items	-	-	-	-	114,599
Inventories	(36,565)	(4,001)	-	(40,566)	(29,984)
Long-term receivables	381,819	-	-	381,819	-
Due from other governmental units	224,718	-	-	224,718	-
Accounts payable	918,276	161,493	18,276	1,098,045	205,085
Accrued and other liabilities	125,350	(49,560)	1,429	77,219	264,255
Cash bonds and deposits	(200)	-	-	(200)	-
Other long-term liabilities	-	-	-	-	(330,369)
Unearned revenue	-	-	(22,356)	(22,356)	-
Accrued compensated absences	(2,236)	7,495	258	5,517	13,833
Net pension liability and deferred amounts	190,842	97,099	26,750	314,691	(172,730)
Net other postemployment benefits obligation	13,884	3,873	1,535	19,292	6,735
Net cash provided by operating activities	<u>\$ 9,239,544</u>	<u>\$ 1,923,457</u>	<u>\$ 396,000</u>	<u>\$ 11,559,001</u>	<u>\$ 5,587,818</u>

concluded.

The accompanying notes are an integral part of these financial statements.

CITY OF ROYAL OAK, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2016

	Pension and Other Employee Benefit Trust Funds	Agency Funds
Assets		
Cash and investments	\$ 1,436,182	\$ 534,809
Retirement investments, at fair value		
Mutual funds	140,727,535	-
Receivables, net	65,859	-
Total assets	<u>142,229,576</u>	<u>\$ 534,809</u>
Liabilities		
Accounts payable	364,094	-
Undistributed receipts	-	158,438
Accrued and other liabilities	2,191	-
Due to other governmental units	-	46,188
Bonds and deposits	-	330,183
Total liabilities	<u>366,285</u>	<u>\$ 534,809</u>
Net position		
Restricted for pension and other postemployment benefits	<u>\$ 141,863,291</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF ROYAL OAK, MICHIGAN

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2016

	Pension and Other Employee Benefit Trust Funds
Additions	
Contributions:	
Employer	\$ 18,711,814
Plan members	900,697
Plan members' buybacks	256,600
Total contributions	<u>19,869,111</u>
Investment earnings:	
Net change in fair value of investments	(5,455,616)
Interest	5,034
Dividends	2,930,563
Other investment revenues	5,530
Total investment loss	<u>(2,514,489)</u>
Less investment expenses	354,383
Net investment loss	<u>(2,868,872)</u>
Total additions	<u>17,000,239</u>
Deductions	
Benefits	22,534,049
Refund of contributions	821,780
Administrative expenses	116,901
Total deductions	<u>23,472,730</u>
Change in net position	(6,472,491)
Net position, beginning of year	<u>148,335,782</u>
Net position, end of year	<u><u>\$ 141,863,291</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Net Position

Discretely Presented Component Units

June 30, 2016

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Assets				
Cash and investments	\$ 1,286,150	\$ 117,382	\$ 92,179	\$ 1,495,711
Receivables, net	28,891	510	250	29,651
Prepaid items	50,000	-	-	50,000
Capital assets not being depreciated	2,895,755	-	-	2,895,755
Capital assets being depreciated, net	925,059	-	-	925,059
Total assets	5,185,855	117,892	92,429	5,396,176
Deferred outflows of resources				
Deferred pension amounts	38,815	11,935	-	50,750
Liabilities				
Accounts payable	342,771	204	-	342,975
Accrued and other liabilities	31,199	668	-	31,867
Long-term debt:				
Due within one year	6,208	1,792	-	8,000
Due in more than one year	6,682	1,936	-	8,618
Net pension liability	199,425	61,321	-	260,746
Net other postemployment benefits obligation	111,308	20,694	-	132,002
Total liabilities	697,593	86,615	-	784,208
Net position				
Investment in capital assets	3,820,814	-	-	3,820,814
Unrestricted	706,263	43,212	92,429	841,904
Total net position	\$ 4,527,077	\$ 43,212	\$ 92,429	\$ 4,662,718

The accompanying notes are an integral part of these financial statements.

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Activities

Discretely Presented Component Units

For the Year Ended June 30, 2016

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Expenses				
Tax Increment Financing Authority	\$ 4,221,342	\$ -	\$ -	\$ 4,221,342
Downtown Development Authority	-	47,088	-	47,088
Brownfield Redevelopment Authority	-	-	26,754	26,754
Total expenses	4,221,342	47,088	26,754	4,295,184
Program revenues				
Operating grants and contributions	131,150	-	-	131,150
Net expense	(4,090,192)	(47,088)	(26,754)	(4,164,034)
General revenues				
Property taxes	3,192,484	50,458	33,740	3,276,682
Unrestricted investment earnings	13,835	665	486	14,986
Other revenue	21,312	-	-	21,312
Total general revenues	3,227,631	51,123	34,226	3,312,980
Change in net position	(862,561)	4,035	7,472	(851,054)
Net position, beginning of year	5,389,638	39,177	84,957	5,513,772
Net position, end of year	\$ 4,527,077	\$ 43,212	\$ 92,429	\$ 4,662,718

The accompanying notes are an integral part of these financial statements.



NOTES TO FINANCIAL STATEMENTS

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Royal Oak, the "City", operates under the council/manager form of government. The City is governed by an elected seven-member commission, including an elected mayor, which appoints the City Manager who oversees the administration and operations of the City.

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

Blended Component Units. The individual component units set forth below are included as a part of the primary government due to the significance of their operational and financial relationships with the City.

Building Authority. A Board that is appointed by the City Commission governs the Building Authority. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its sole business activity is acquiring and leasing property to the City. Activity in the fund, at this time, includes the repayment of ice arena bonds issued to construct a second rink, which is combined with the ice arena enterprise fund for inclusion in the City's financial statements; the repayment of general obligation bonds related to the construction of a courthouse; the repayment of general obligation bonds related to the construction of a parking deck which is combined with the automobile parking system enterprise fund for inclusion in the City's financial statements; the repayment of fire improvement bonds related to the construction of two fire stations, the renovation of one fire station, and for the purchase of various fire apparatus and equipment; and the recognition of expenditures for the renovation of the library and the repayment of the related general obligation bonds.

Discretely Presented Component Units. The component units column in the government-wide financial statements includes the financial data of the City's other component units. They are reported in a separate column to emphasize that they are legally separate from the City. The following component units are included in the reporting entity because the officials of the primary government are financially accountable. The component units do not report separately. Financial accountability is defined as the appointment of a voting majority of the component unit's Board, and either (a) the ability to impose the will of the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Downtown Development Authority and Tax Increment Financing Authority. The Downtown Development Authority and the Tax Increment Financing Authority were created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The authorities share the same governing body, consisting of 11 individuals who are selected by the City Manager and then approved by the City Commission. In addition, the authorities' budgets are subject to approval by the City Commission. The authorities are expected to provide a financial benefit to the City. The authorities use the modified accrual basis of accounting. The component units do not issue separate financial statements.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Brownfield Redevelopment Authority. The Brownfield Redevelopment Authority ("BRA") is authorized by the state legislature, to help cleanup contaminated properties using property tax capture. The authority's governing body, which consists of nine individuals, is selected by the Mayor and approved by the City Commission. The BRA is expected to provide a financial benefit to the City. The Authority uses the modified accrual basis of accounting. The component unit does not issue separate financial statements.

Joint Ventures

The City is a member of the Southeastern Oakland County Resource Recovery Authority, which consists of 14 municipalities in Oakland County and provides refuse collection and disposal services for the benefit of member municipalities. The City appoints one member of the joint venture's governing board, which approves the annual budget. The participating communities provide funding for its operations. During the year ended June 30, 2016, the City expensed approximately \$4,049,000 of payments made to the Authority. Complete financial statements for the Southeastern Oakland County Resource Recovery Authority can be obtained from the administrative offices at 3910 Webster Road, Royal Oak, Michigan 48073.

The City is also a member of the Southeastern Oakland County Water Authority, which provides a water supply system serving 11 member municipalities in Oakland County. The City appoints one member of the joint venture's governing board, which approves the annual budget. The participating communities provide funding for its operations. During the year ended June 30, 2016, the City expensed approximately \$4,079,000 of payments made to the Authority. Complete financial statements for the Southeastern Oakland County Water Authority can be obtained from the administrative offices at 3910 Webster Road, Royal Oak, Michigan 48073.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except reimbursement-based grants which use a one year period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenues, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

The *public safety fund* accounts for the collection of a separate tax millage, in addition to general fund budgeted amounts, that are used to fund police, fire, and emergency medical services.

The *solid waste fund* accounts for the collection of a separate tax millage that is used to fund refuse collection and disposal.

The *community development block grant fund* accounts for grants received from the U.S. Department of Housing and Urban Development.

The *city capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

The government reports the following major proprietary funds:

The *water and sewer fund* accounts for the activities of the water distribution system and the sewage collection system.

The *automobile parking system fund* accounts for the operation and maintenance of the City-owned parking lots and structures.

Additionally, the government reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The *debt service fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *permanent fund* is used to account for the resources that are permanently restricted to the extent that only earnings, and not principal, may be used for the benefit of the government or its citizenry.

Enterprise funds account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Internal service funds are used to account for information systems services, fleet management services, workers' compensation insurance coverage, medical self-insurance, and general liability provided to other departments on a cost-reimbursement basis.

The *agency funds* are used to account for monies held by the City in a trustee capacity or as an agent for individuals, private organizations and other governments, specifically funds from district court fines and costs, property tax collection, and miscellaneous agencies like performance bonds, and contributions for the ROOTS Foundation and Historical Commission's Starr House.

Two *trust funds* account for the activities of the City of Royal Oak Retirement System, which accumulates resources for pension benefit payments to qualified employees, and the City of Royal Oak Retiree Health Care Plan, which accumulates resources to pay other postemployment benefits (OPEB), in this case health benefits for qualified retirees.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity

Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments. The State's Pension Investment Act, as amended, authorizes the pension trust fund to invest in common stocks, real estate, and various other investment instruments, subject to certain limitations.

Receivables and Payables

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

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

Property taxes are levied as of July 1st on property values assessed as of the same date. The City bills twice a year, on July 1st and December 1st. The July bill, which contains the school, community college and most of the City levy, is due without interest by July 31st, although taxpayers may pay the bill in two installments provided half the bill is paid by July 31st. The second half is due without penalty by October 31st. The December bill, which typically contains the county levy and a small City levy, is payable without interest by the following February 14th. The bills are considered past due on March 1st, at which time the applicable property is subject to lien, and penalties and interest are assessed.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Inventories and Prepaid Items

All inventories are valued at cost using the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financials.

Restricted Assets

Certain revenues and resources of the City are classified as restricted assets on the statement of net position because their use is limited. Permanent fund restricted assets are restricted by a legal endowment.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. During the year, no interest was capitalized as part of the cost of assets under construction.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings and renovations	25-45
Improvements	10-20
Infrastructure	40-50
Vehicles	3-10
Equipment	5-15
Intangibles	3-10

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources for change in expected and actual investment returns, assumptions, and benefits provided in its pension plans as well as for the deferred loss on refunding. A deferred refunding loss results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay, longevity pay, and a portion of sick pay is accrued when incurred in the government-wide and proprietary financial statements. Sick pay limits are based on the employee's union contract. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations

In the government-wide financial statements, and 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 in the year of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from property taxes and special assessments receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Fund Balances

The fund balance classifications are reported primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. The fund balances are classified as nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable fund balance represents amounts that are not in a spendable form. In the fund financial statements, governmental funds report restrictions on fund balances for amounts that are legally restricted by outside parties for a specific purpose. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Commission (the City's highest level of decision-making authority). A formal resolution of the City Commission is required to establish, modify, or rescind a fund balance commitment. Assigned fund balance consists of amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. By resolution, the City Commission has transferred the authority to assign fund balance to the Finance Director. Unassigned fund balance is the residual classification for the general fund.

The City's general fund fund balance policy is to maintain unassigned fund balance at ten percent, but no more than twenty-five percent, of budgeted expenditures.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed, assigned, and finally unassigned fund balance. The City's current general fund balance policy is to maintain unassigned fund balance at ten percent of budgeted expenditures, but no more than twenty five percent of budgeted expenditures.

Pensions

For purposes 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 Plan and additions to/deductions from the Plan fiduciary net position have been determined on the same basis as they are reported by the 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.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and all special revenue funds. All annual appropriations lapse at fiscal year end, except for those approved by the City Commission. The legal level of budgetary control is the activity level.

Department heads submit requests for appropriations to the City Manager so that a budget may be prepared. The proposed budget is presented to the City Commission for review. The Commission holds public hearings, and a final budget must be prepared and adopted no later than June 30th. The appropriated budget is prepared by fund, function, and department. Budget amendments are submitted for Commission approval on a quarterly basis. The Commission made several supplemental budgetary appropriations throughout the year mostly a result of the mid-year review. The supplementary budgetary appropriations made in the general fund material changes in appropriation categories, from expenditures to transfers.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end lapse, therefore do not constitute expenditures or liabilities because commitments will be reappropriated and honored during the subsequent year. The City did not have any significant encumbrances at year-end.

3. EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2016, the City incurred expenditures in certain budgeted funds which were in excess of the amount appropriated, as follows:

	Budget Appropriation	Actual Expenditure	Variance
ROOTS fund -			
Public safety	\$ 2,110	\$ 2,184	\$ 74

4. DEPOSITS AND INVESTMENTS

State of Michigan statutes authorize the City to invest in bonds and other direct and certain indirect obligations of the US Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a member of the Federal Deposit Insurance Corporation, or National Credit Union Administration; and commercial paper must be rated within the two highest classifications established by not less than two standard rating services. The City is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds comprised of investments as outlined above. The City Retirement System is allowed to invest in corporate stocks and bonds.

The City's investment policy allows for all of these types of investments. Investments of the City of Royal Oak Retirement System are subject to a number of restrictions as to type, quality and concentration of investments. Retirement System investments are held in a trust fund invested by SEI Investments Company.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

At year-end the City deposits and investments were reported in the basic financial statements in the following categories:

	Primary Government	Component Units	Totals
Statement of Net Position			
Cash and investments	\$ 89,099,656	\$ 1,495,711	\$ 90,595,367
Restricted assets (endowments cash)	1,000	-	1,000
	<u>89,100,656</u>	<u>1,495,711</u>	<u>90,596,367</u>
Statement of Fiduciary Net Position			
Pension and OPEB trust funds:			
Cash and investments	1,436,182	-	1,436,182
Retirement investments	140,727,535	-	140,727,535
Agency funds -			
Cash and investments	534,809	-	534,809
	<u>142,698,526</u>	<u>-</u>	<u>142,698,526</u>
Total	<u>\$ 231,799,182</u>	<u>\$ 1,495,711</u>	<u>\$ 233,294,893</u>
Deposits and investments			
Bank deposits (checking and savings accounts, certificates of deposit)			\$ 92,562,507
Investments:			
Bond mutual funds			11,874,857
Equity mutual funds			81,547,157
Other mutual funds			47,305,521
Cash on hand			<u>4,851</u>
Total			<u>\$ 233,294,893</u>

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Investment and Deposit Risk

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. State law limits investment maturities for commercial paper to no more than 270 days after date of purchase. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest. The City's weighted average maturity dates for bond mutual funds are disclosed below:

	Fair Value	Weighted Average Maturity (Years)
Bond mutual funds:		
SEI Emerging Markets Debt	\$ 6,479,766	9.41
SEI High Yield Bond A	5,395,091	6.15
Total	<u>\$ 11,874,857</u>	

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investments. Commercial paper must be rated within the two highest classifications established by not less than two standard rating services. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The City's investments in mutual funds are not rated.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of June 30, 2016, \$85,848,331 of the City's bank balance of \$89,149,884 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. As of June 30, 2016, the City's pooled investments consisted entirely of mutual funds totaling \$140,727,535. For 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's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of June 30, 2016, none of the City's investments were exposed to risk since the securities are held in the City's name by the counterparty.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk, and the City does not have a policy specifying limits on concentration of credit risk. At June 30, 2016, there were no individual investments with a fair value that represent 5% or more of the City's investments; and other than U.S. agencies, the City did not have 5% or more invested with any one issuer.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Fair Value Measurements. The City categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs - other than quoted prices - included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable and are based on estimates and assumptions. These levels are determined by the management's review of the type and substance of investments held by the City.

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

	Level 1	Level 2	Level 3	Total
Bond mutual funds	\$ 11,874,857	\$ -	\$ -	\$ 11,874,857
Equity mutual funds	81,547,157	-	-	81,547,157
Other mutual funds	30,308,829	16,996,692	-	47,305,521
Total investments at fair value	\$ 123,730,843	\$ 16,996,692	\$ -	\$ 140,727,535

5. RECEIVABLES

Receivables are comprised of the following at year end:

	Governmental Activities	Business-type Activities	Component Units	Not Expected to be Collected Within One Year
Accounts	\$ 384,883	\$ 11,066,992	\$ -	\$ 2,040,130
Loans	3,438,029	-	-	3,438,029
Taxes (current)	39,148	-	-	-
Taxes (delinquent)	41,852	-	53,843	-
Special assessments	1,276,137	-	-	489,400
Intergovernmental	2,141,813	226,179	-	226,179
Interest and other	198,544	21,277	4,061	-
Less: allowance for uncollectibles	(168,242)	(103,073)	(28,253)	-
	\$ 7,352,164	\$ 11,211,375	\$ 29,651	\$ 6,193,738

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2016, was as follows:

	Due from Other Funds	Due to Other Funds
General	\$ 176,945	\$ -
Community development block grant	-	176,945
	\$ 176,945	\$ 176,945

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

In addition, an interfund balance existed between governmental activities and business-type activities in the amount of \$3,398,606. This resulted from the allocation of a portion of internal service fund net position of governmental-type internal service funds to business-type activities.

The outstanding balances between funds result mainly from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. All interfund balances are expected to be collected within one year.

Interfund transfers between the funds within the primary government were as follows:

Transfers Out	Transfers In			
	General	Public Safety	City Capital Projects	Nonmajor Governmental Funds
General fund	\$ -	\$ 19,000,000	\$ -	\$ 982,891
Solid waste fund	-	-	-	4,000
Community development block grant fund	-	-	1,440,980	-
City Capital Projects	553,368	-	-	-
Nonmajor governmental funds	14,008	-	8,383,550	151,599
Water and sewer fund	-	-	-	4,000
Automobile parking system fund	800,000	-	137,798	1,264
Nonmajor enterprise funds	-	-	80,000	32,142
Internal service funds	-	-	-	27,092
	<u>\$ 1,367,376</u>	<u>\$ 19,000,000</u>	<u>\$ 10,042,328</u>	<u>\$ 1,202,988</u>

Transfers Out	Transfers In			
	Water and Sewer Fund	Automobile Parking System	Internal Service Funds	Total
General fund	\$ -	\$ -	\$ -	\$ 19,982,891
Solid waste fund	-	-	-	4,000
Community development block grant fund	-	-	-	1,440,980
City Capital Projects	-	-	-	553,368
Nonmajor governmental funds	57,651	-	80,000	8,686,808
Water and sewer fund	4,347,166	-	-	4,351,166
Automobile parking system fund	5,702	278,584	4,000	1,227,348
Nonmajor enterprise funds	-	-	-	112,142
Internal service funds	-	-	-	27,092
	<u>\$ 4,410,519</u>	<u>\$ 278,584</u>	<u>\$ 84,000</u>	<u>\$ 36,385,795</u>

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Transfers are used to: (1) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (3) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due.

7. CAPITAL ASSETS

Primary Government

Capital asset activity for the current year was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 66,774,752	\$ -	\$ -	\$ -	\$ 66,774,752
Construction in progress	9,707,358	14,678,433	-	(5,009,971)	19,375,820
	<u>76,482,110</u>	<u>14,678,433</u>	<u>-</u>	<u>(5,009,971)</u>	<u>86,150,572</u>
Capital assets, being depreciated:					
Buildings	30,761,481	-	-	-	30,761,481
Improvements other than buildings	4,375,962	-	-	247,006	4,622,968
Machinery and equipment	21,974,197	2,362,464	(2,590,821)	240,526	21,986,366
Infrastructure	109,499,986	-	-	4,522,439	114,022,425
Intangibles	354,608	-	-	-	354,608
	<u>166,966,234</u>	<u>2,362,464</u>	<u>(2,590,821)</u>	<u>5,009,971</u>	<u>171,747,848</u>
Less accumulated depreciation for:					
Buildings	(14,474,982)	(607,659)	-	-	(15,082,641)
Improvements other than buildings	(3,656,225)	(90,527)	-	-	(3,746,752)
Machinery and equipment	(16,879,334)	(1,215,040)	2,165,425	-	(15,928,949)
Infrastructure	(63,221,414)	(1,558,589)	-	-	(64,780,003)
Intangibles	(354,608)	-	-	-	(354,608)
	<u>(98,586,563)</u>	<u>(3,471,815)</u>	<u>2,165,425</u>	<u>-</u>	<u>(99,892,953)</u>
Total capital assets being depreciated, net	<u>68,379,671</u>	<u>(1,109,351)</u>	<u>(425,396)</u>	<u>5,009,971</u>	<u>71,854,895</u>
Governmental activities capital assets, net	<u>\$ 144,861,781</u>	<u>\$ 13,569,082</u>	<u>\$ (425,396)</u>	<u>\$ -</u>	<u>\$ 158,005,467</u>

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type Activities					
Capital assets, not being depreciated:					
Land	\$ 9,958,656	\$ -	\$ -	\$ -	\$ 9,958,656
Construction in progress	6,605,593	7,509,107	-	(6,095,080)	8,019,620
	<u>16,564,249</u>	<u>7,509,107</u>	<u>-</u>	<u>(6,095,080)</u>	<u>17,978,276</u>
Capital assets, being depreciated:					
Buildings	30,428,365	-	-	-	30,428,365
Improvements other than buildings	302,575	-	-	1,151,037	1,453,612
Machinery and equipment	1,494,561	133,437	-	-	1,627,998
Infrastructure	122,825,817	-	-	4,944,043	127,769,860
	<u>155,051,318</u>	<u>133,437</u>	<u>-</u>	<u>6,095,080</u>	<u>161,279,835</u>
Less accumulated depreciation for:					
Buildings	(14,045,588)	(683,921)	-	-	(14,729,509)
Improvements other than buildings	(242,338)	(6,310)	-	-	(248,648)
Machinery and equipment	(1,313,322)	(43,659)	-	-	(1,356,981)
Infrastructure	(40,793,126)	(2,845,054)	-	-	(43,638,180)
	<u>(56,394,374)</u>	<u>(3,578,944)</u>	<u>-</u>	<u>-</u>	<u>(59,973,318)</u>
Total capital assets being depreciated, net	<u>98,656,944</u>	<u>(3,445,507)</u>	<u>-</u>	<u>6,095,080</u>	<u>101,306,517</u>
Business-type activities capital assets, net	<u>\$ 115,221,193</u>	<u>\$ 4,063,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,284,793</u>

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

Depreciation of governmental activities by function

General government	\$ 354,801
Public safety	252,831
Public works	1,512,858
Health and welfare	200
Recreation and culture	267,654
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>1,083,471</u>
Total depreciation expense - governmental activities	<u>\$ 3,471,815</u>

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Depreciation of business-type activities by function

Water and sewer	\$ 2,797,786
Parking	507,741
Ice arena	115,708
Recreation	87,765
Farmers market	<u>69,944</u>
Total depreciation expense - business-type activities	<u><u>\$ 3,578,944</u></u>

Construction Commitments

The City has active construction projects as of June 30, 2016. The projects include infrastructure improvements. At year end, the City's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Buildings	\$ 108,949	\$ 10,846
Roads	8,611,468	8,153,377
Water projects	4,514,172	1,278,495
Sewer projects	1,566,969	977,542
Sidewalks	<u>1,700,290</u>	<u>4,603,835</u>
Total	<u><u>\$ 16,501,848</u></u>	<u><u>\$ 15,024,095</u></u>

Oakland County has a major contract on the George W. Kuhn project. Of the amount spent to date, approximately \$38,846,000 is attributable to the City.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Discretely Presented Component Units

	Beginning Balance	Additions	Disposals	Ending Balance
Component Unit - TIFA				
Capital assets, not being depreciated -				
Land	\$ 2,895,755	\$ -	\$ -	\$ 2,895,755
Capital assets, being depreciated:				
Improvements other				
than buildings	1,609,877	-	-	1,609,877
Infrastructure	439,529	-	-	439,529
	<u>2,049,406</u>	<u>-</u>	<u>-</u>	<u>2,049,406</u>
Less accumulated depreciation for:				
Improvements other				
than buildings	(708,706)	(77,262)	-	(785,968)
Infrastructure	(316,266)	(22,113)	-	(338,379)
	<u>(1,024,972)</u>	<u>(99,375)</u>	<u>-</u>	<u>(1,124,347)</u>
Total capital assets				
being depreciated, net	<u>1,024,434</u>	<u>(99,375)</u>	<u>-</u>	<u>925,059</u>
Component unit - TIFA				
capital assets, net	<u>\$ 3,920,189</u>	<u>\$ (99,375)</u>	<u>\$ -</u>	<u>\$ 3,820,814</u>

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

8. 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 are also general obligations of the City. Bond and contractual obligation activity and other long-term liabilities can be summarized as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable	\$ 12,509,000	\$ 3,691,511	\$ (5,573,000)	\$ 10,627,511	\$ 1,706,994
Unamortized discount	(82,385)	-	82,121	(264)	(264)
Unamortized premium	207,739	175,519	(49,894)	333,364	49,833
Compensated absences	3,550,106	2,271,020	(2,293,717)	3,527,409	1,764,000
General liability claims	609,590	131,627	(242,787)	498,430	249,215
Workers compensation	1,015,259	128,645	(347,854)	796,050	398,025
Total governmental activities	<u>\$ 17,809,309</u>	<u>\$ 6,398,322</u>	<u>\$ (8,425,131)</u>	<u>\$ 15,782,500</u>	<u>\$ 4,167,803</u>
Business-type Activities					
Bonds payable, contractual obligations and State revolving fund	\$ 39,995,435	\$ 15,760,317	\$ (19,131,399)	\$ 36,624,353	\$ 4,049,601
Unamortized discount	(239,151)	-	239,151	-	-
Unamortized premium	-	752,514	(62,855)	689,659	62,855
Compensated absences	276,058	186,061	(180,544)	281,575	141,000
Total business-type activities	<u>\$ 40,032,342</u>	<u>\$ 16,698,892</u>	<u>\$ (19,135,647)</u>	<u>\$ 37,595,587</u>	<u>\$ 4,253,456</u>
Component Units					
Compensated absences	<u>\$ 15,327</u>	<u>\$ 10,301</u>	<u>\$ (9,010)</u>	<u>\$ 16,618</u>	<u>\$ 8,000</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$136,826 of internal service funds compensated absences is included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

Governmental activities - bonds payable

2007 Capital Improvement Bonds; \$825,000 at issuance; payable in annual installments of \$65,000 to \$100,000; interest payable semi-annually at 4.00% through February 2017	\$ 100,000
2007 Capital Improvements Bonds; \$2,645,000 at issuance; payable in annual installments of \$185,000 to \$260,000; interest payable semi-annually at 4.00% through October 2019	800,000

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Governmental activities - bonds payable (continued)

2008 Capital Improvement Bonds; \$11,825,000 at issuance; payable in annual installments of \$430,000 to \$900,000; interest payable semi-annually at 4.00% to 6.25% through October 2018	\$ 80,000
2012 Building Authority Refunding Bonds; \$4,965,000 at issuance; payable in annual installments of \$490,000 to \$620,000; interest payable semi-annually at 2.00% to 3.00% through September 2021	3,460,000
2013 Capital Improvement Bonds; \$1,127,000 at issuance; payable in annual installments of \$225,000 to \$226,000; interest payable semi-annually at 1.38% through October 2018	675,000
2014 Capital Improvement Refunding Bonds; \$2,053,000 at issuance; payable in annual installments of \$232,000 to \$283,000; interest payable semi-annually at 2.30% through June 2023	1,821,000
2016 Court Building Authority Refunding Bonds; \$3,258,678 at issuance; payable in annual installments of \$381,876 to \$447,570; interest payable semi-annually at 4.00% to 4.75% through May 2024	3,258,578
2016 Capital Improvement Refunding Bonds; \$432,933 at issuance; payable in annual installments of \$30,904 to \$45,557; interest payable semi-annually at 4.00% to 6.25% through October 2028	432,933
Total governmental activities bonds payable	\$ 10,627,511

Business-type activities bonds payable, contractual obligations and State revolving fund

Business-type activities - bonds payable

2008 Capital Improvement Bonds; \$7,250,000 at issuance; payable in annual installments of \$225,000 to \$585,000; interest payable semi-annually at 4.00% to 6.25% through October 2018	\$ 940,000
2008 Capital Improvement Bonds; \$3,270,000 at issuance; payable in annual installments of \$100,000 to \$265,000; interest payable semi-annually at 4.00% to 6.25% through October 2018	425,000
2016 Capital Improvement Refunding Bonds; \$2,510,000 at issuance; payable in annual installments of \$130,000 to \$310,000; interest payable semi-annually at 3.50% to \$4.30% through May 2026	2,510,000
2016 Capital Improvement Refunding Bonds; \$4,926,473 at issuance; payable in annual installments of \$71,368 to \$533,000; interest payable semi-annually at 4.00% to 6.25% through October 2028	4,926,473

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Business-type activities - bonds payable (continued)

2016 Capital Improvement Refunding Bonds; \$2,225,596 at issuance; payable in annual installments of \$71,368 to \$533,000; interest payable semi-annually at 4.00% to 6.25% through October 2018	\$ 2,225,596
2016 Parking Building Authority Refunding Bonds; \$3,941,422 at issuance; payable in annual installments of \$366,124 to \$410,000; interest payable semi-annually at 4.00% to 4.375% through October 2026	<u>3,941,422</u>
	<u>14,968,491</u>

Business-type activities - contractual obligations

1997 Garfield Drain Refunding Bonds; \$1,710,691 at issuance; payable in annual installments of \$40,623 to \$135,411; interest payable semi-annually at 5.00% to 5.125% through October 2017	\$ 266,308
2000 George W. Kuhn Drainage District, Series A; \$5,176,386 at issuance; payable in annual installments of \$202,655 to \$324,248; interest payable semi-annually at 2.50% through April 2022	1,829,685
2000 George W. Kuhn Drainage District, Series C; \$23,797,479 at issuance; payable in annual installments of \$932,213 to \$1,489,514; interest payable semi-annually at 2.50% through April 2024	10,944,814
2000 George W. Kuhn Drainage District, Series D; \$659,403 at issuance; payable in annual installments of \$27,503 to \$40,531; interest payable semi-annually at 2.50% through April 2024	288,834
2000 George W. Kuhn Drainage District, Series F; \$446,776 at issuance; payable in annual installments of \$20,265 to \$26,860; interest payable semi-annually at 1.63% through April 2026	238,610
2016 Drain Refunding Bonds; \$2,156,828 at issuance; payable in annual installments of \$154,887 to \$314,115; interest payable semi-annually at 4.25% to 4.38% through October 2024	2,156,828
2007 George W. Kuhn Drainage District, Series G; \$519,081 at issuance; payable in annual installments of \$22,057 to \$29,410; interest payable semi-annually at 1.63% through April 2028	330,859
2008 George W. Kuhn Drainage District, Series H; \$7,450,000 at issuance; payable in annual installments of \$88,229 to \$141,167; interest payable semi-annually at 2.50% through April 2029	<u>1,592,537</u>
	<u>17,648,475</u>

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Business-type activities - State revolving fund

1998 North Arm Relief Drain Revenue Bonds; \$13,877,387 at issuance; payable in annual installments of \$575,000 to \$822,387; interest payable semi-annually at 2.25% through October 2020

4,007,387

Total business-type activities bonds payable, contractual obligations and State revolving fund

\$ 36,624,353

Refunded Debt

The City issued \$17,295,000 in 2016 Refunding Capital Improvement Bonds during the year which refunded \$2,590,000 of 2006A Capital Improvement Bonds, \$7,415,000 of 2006B Capital Improvement Bonds, and \$7,005,000 of 2008 Capital Improvement Bonds. The 2016 Refunding Capital Improvement Bonds resulted in a savings of \$2,638,055 over the next 13 years and an economic gain of \$2,253,737.

In the current year, the City defeased capital improvement bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2016, \$7,005,000 of defeased bonds remain outstanding.

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 1,706,994	\$ 241,783	\$ 4,049,601	\$ 909,985
2018	1,643,122	208,971	4,149,226	799,907
2019	1,659,552	176,233	4,105,433	693,733
2020	1,485,369	142,707	4,199,877	592,479
2021	1,318,026	109,808	4,284,893	497,388
2022-2026	2,677,995	149,170	13,098,274	1,198,358
2027-2029	136,453	6,233	2,737,049	125,284
	<u>\$ 10,627,511</u>	<u>\$ 1,034,905</u>	<u>\$ 36,624,353</u>	<u>\$ 4,817,134</u>

No Commitment Debt. Excluded from the governmental activity debt are bonds issued under Act No. 38, Public Acts of Michigan, 1969, as amended, to provide a method to enable nonprofit private hospitals to construct health care facilities. Also, revenue bonds issued by the Economic Development Corporation to acquire and lease property to third parties are excluded. The revenue bonds issued are payable solely from the net revenue derived from the hospital operations and the EDC leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the City's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Obligations for George W. Kuhn Project. The City is a participating community in the George W. Kuhn drain project. The project is administered by the Oakland County Drain Commission and financed through the sale of drain bonds, draw downs from the State of Michigan revolving fund, federal and state grants, and contributions from Oakland County. The City and 13 other local communities are obligated for the payment of principal and interest of the outstanding debt. It is currently anticipated that the City's obligation at the end of construction will be approximately \$38,846,000 with an interest rate of 1.63-4.38%. As of June 30, 2016, the City's obligation is \$17,382,167 in principal.

9. RISK MANAGEMENT

The government 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 participates in the Michigan Municipal Risk Management Authority for general property and liability claims.

The Michigan Municipal Risk Management Authority risk pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to establish a member loss fund. The loss fund is used to pay the member's self-insured retention portion of claims.

The City has a \$250,000 per occurrence self-insured retention for liability claims and \$15,000,000 per occurrence of excess liability insurance coverage. Coverage limits, retentions and deductibles for other types of coverage vary. All coverage is on an occurrence basis except for a stop loss policy which is on a claims paid basis. The stop loss policy limits the maximum total self-insured retention payments in any one fiscal year to \$885,000. Settlements have not exceeded coverages for each of the past three fiscal years.

Changes in the reported liability for the fiscal years 2015 and 2016 are as follows:

Fiscal Year	Liability at Beginning of Year	Current-Year Claims and Changes in Estimates	Claim Payments	Liability at End of Year
2015	\$ 666,930	\$ 318,043	\$ (375,383)	\$ 609,590
2016	609,590	131,627	(242,787)	498,430

The City was unable to obtain workers compensation insurance at a cost it considered to be economically justifiable. Therefore, the City utilizes the workers compensation fund, an internal service fund, to account for and finance its uninsured risks of loss related to employee work related accidents.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. An excess coverage insurance policy covers individual claims in excess of \$450,000. Settlements have not exceeded coverage for each of the past three fiscal years.

Changes in the reported liability for the fiscal years 2015 and 2016 are as follows:

Fiscal Year	Liability at Beginning of Year	Current-Year Claims and Changes in Estimates	Claim Payments	Liability at End of Year
2015	\$ 617,272	\$ 488,828	\$ (90,841)	\$ 1,015,259
2016	1,015,259	128,645	(347,854)	796,050

The City maintains multiple health care insurance programs, one of which is a self-insurance program with Blue Cross Blue Shield. The self-insurance program is accounted for in an internal service fund (medical self-insurance fund). The program is administered by a third party administrator who provides claims review and processing services. Premiums are paid into the internal service fund by all other funds based on actuarial and management estimates. These premiums are available to pay health care claims, claim reserves, stop loss coverage, prescriptions and administrative costs.

Health care liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. A stop loss coverage policy covers annual individual claims in excess of \$100,000. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

Changes in the reported liability for the fiscal years 2015 and 2016 are as follows:

Fiscal Year	Liability at Beginning of Year	Current-Year Claims and Changes in Estimates	Claim Payments	Liability at End of Year
2015	\$ 312,000	\$ 8,452,841	\$ (8,234,749)	\$ 530,092
2016	530,092	9,061,145	(8,840,398)	750,839

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

10. CONTINGENT LIABILITIES

Litigation. Various lawsuits are pending against the City, some of which are for substantial amounts. On the basis of opinions and information furnished by the City Attorney and Risk Manager, it is the judgment of City management that the ultimate liabilities, if any, resulting from such lawsuits have been adequately accrued as a part of general liability claims (see Note 9).

Grants. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time although the City expects such amounts to be immaterial.

11. EMPLOYEES' RETIREMENT SYSTEM

General Information about the Pension Plan

Plan Description. The City contributes to the City of Royal Oak Retirement System, which is the administrator of a single-employer defined benefit pension plan that covers all full-time employees of the City. The System provides retirement, disability and death benefits to plan members and their beneficiaries; it does not provide for cost of living benefit adjustments. Management of the System is vested in the Retirement Board of the City of Royal Oak, which consists of five members: two members of the City Commission that are appointed by and serve at the pleasure of the City Commission, the City Manager of the City, one general member of the System that is elected by the general members and one fire or police member of the System that is elected by the fire and police members. The System is included in the City's financial statements as a pension trust fund. Separate financial statements are not issued for the Plan.

Method Used to Value Investments. Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have established market values are reported at estimated fair values as determined by the custodian under the direction of the Retirement Board with the assistance of a valuation service.

Rate of Return. For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (2.39) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Benefits Provided. Eligible employees who retire with minimum age and years of service requirements are entitled to annual retirement benefits, payable in monthly installments for life, in an amount equal to a percentage of their final average compensation times years of credited service. The Plan is closed to all general employees as of June 30, 2008 and remains open for all police and fire employees. Regular service retirement benefits are available to employee groups as follows:

TPOAM (formerly AFSCME), executive department heads, department heads and deputies, technical and professional, supervisors and police service aides - age 50 with 25 years of service, age 55 with 20 years of service or age 60 with 5 years of service.

SEIU 517 - 30 years of service regardless of age, age 50 with 25 years of service, age 55 with 20 years of service or age 60 with 5 years of service.

Fire employees, police command, police officers and detectives - 25 years of service regardless of age or age 55 with 10 years of service.

Contributions. The obligation to contribute to the System for these employees was established by City ordinance and through negotiations with the employees' collective bargaining units. Employees are required to contribute 3.0 to 7.0 percent of gross wages. The funding policy provides for periodic employer contributions at actuarially determined rates.

Bargaining Unit / Employee Group	Benefit Multiplier	Contribution Percentage	Maximum FAC
Executive Department Head	2.0%-2.5%	5.0%	80%
SEIU AFL-CIO Local 517M	2.2%-2.5%	7.0%	75%
Department Heads and Deputies	2.2%-2.5%	5.0%	80%
44th District Court	2.2%-2.5%	4.0%	75%
Professional and Technical	2.2%-2.5%	5.0%	80%
TPOAM (formerly AFSCME)	2.2%-2.5%	4.5%	80%
Foreman and Supervisors	2.2%-2.5%	7.0%	80%
Judges	2.0%-2.5%	3.0%	75%
Police Service Aides	2.2%-2.5%	4.0%	80%
Police Officers	2.5%-2.8%	6.0%	80%
Fire Fighters	2.5%-2.8%	6.0%	75%
Police Command	2.5%-2.8%	6.0%	80%
Detectives	2.5%-2.8%	6.0%	75%
Police and Fire Department Heads	2.5%-2.8%	6.0%	75%

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

FAC is the highest two consecutive years out of the last ten for general employees. For police and fire employees, FAC is the highest two consecutive years out of the last ten hired before May 30, 2012 and September 30, 2009 respectively and for those hired after FAC is based on the highest three consecutive years out of the last ten. Deferred retirement benefits vest after five years of service for general employees and ten years of service for police and fire employees. Deferred benefits are not paid until the years of service and age requirements are met.

Membership. At June 30, 2016 (the date of the most recent actuarial report), membership consisted of:

Retirees and beneficiaries currently receiving benefits	555
Terminated employees entitled to benefits but not yet receiving them	26
Current full-time employees	<u>240</u>
Total members	<u>821</u>

Reserves. In accordance with the Plan policy, the City establishes reserves for various purposes. The reserves are adjusted annually based on recommendations from the City's actuaries. The policy for creating and adjusting reserves was established and can be amended by the Plan Board of Trustees. A summary of the Plan reserves at June 30, 2016 is as follows:

Reserve / Group	Balance
Police and fire members benefit fund	\$ 69,610,690
General members benefit fund	92,952,917
Undistributed investment income fund	(37,568,758)

Net Pension Liability. The City's net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.0-5.9 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation
Mortality rates	RP-2000 projected 20 years Health Life Mortality, setforward 10 years for Disabled Life Mortality

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period 2006 through 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each 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. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, and the final investment return assumption, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
SEI Large Cap Fund	10.00%	6.91%	0.69%
SEI Large Cap Index Fund	10.00%	5.76%	0.58%
SEI Small Cap Fund	8.00%	8.82%	0.71%
SEI World Equity ex-US Fund	19.00%	8.32%	1.58%
SEI Emerging Market Equity	5.00%	9.83%	0.49%
SEI Dynamic Asset Allocation	8.00%	8.25%	0.66%
SEI Core Fixed Income Fund	13.00%	1.64%	0.21%
SEI Opportunistic Income Fund	12.00%	1.26%	0.15%
SEI High Yield Bond Fund	4.00%	5.10%	0.20%
SEI Emerging Markets Debt Fund	6.00%	6.42%	0.39%
SEI Core Property Fund	5.00%	5.59%	0.28%
	<u>100.00%</u>		5.94%
Inflation			2.50%
Risk adjustments			<u>-0.69%</u>
Investment rate of return			<u><u>7.75%</u></u>

Discount Rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member 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 member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 206,080,854	\$ 136,325,204	\$ 69,755,650
Changes for the year:			
Service cost	2,542,348	-	2,542,348
Interest	15,445,529	-	15,445,529
Differences between expected and actual experience	2,710,293	-	2,710,293
Employer contributions	-	7,034,692	(7,034,692)
Employee contributions	-	1,157,297	(1,157,297)
Net investment income (loss)	-	(3,312,904)	3,312,904
Benefit payments, including refunds of employee contributions	(16,109,768)	(16,109,768)	-
Administrative expense	-	(99,672)	99,672
Net changes	4,588,402	(11,330,355)	15,918,757
Balances at June 30, 2016	\$ 210,669,256	\$ 124,994,849	\$ 85,674,407

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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's net pension liability	\$ 107,958,961	\$ 85,674,407	\$ 67,309,873

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is provided in Note 13.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Pension Expense and Deferred Outflows of Resources Related to Pensions. For the year ended June 30, 2016, the City recognized pension expense of \$10,257,579. At June 30, 2016, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 2,170,687
Net difference between projected and actual earnings on pension plan investments	<u>14,504,140</u>
Total	<u>\$ 16,674,827</u>

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

Year Ended June 30,	Amount
2017	\$ 5,087,919
2018	4,851,042
2019	4,021,232
2020	<u>2,714,634</u>
Total	<u>\$ 16,674,827</u>

12. OTHER POSTEMPLOYMENT BENEFITS

The City provides postemployment health and dental care benefits, as per the requirements of union contracts, for certain retirees and their dependents. The benefits vary depending on a retiree's years of service and the union contract under which they retired. Currently, 446 retirees are eligible, including one deferred retiree who will be eligible to receive postemployment benefits once pension payments begin. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participants. The City purchases Medicare supplemental insurance for retirees eligible for Medicare.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Plan Description. The City contributes to the City of Royal Oak Retiree Health Fund (RHF), which is a single-employer defined benefit healthcare plan administered by the City of Royal Oak Retirement System. The plan covers most full-time employees of the City. At June 30, 2014 (the date of the actuarial report applicable to the current fiscal year), membership consisted of:

Active service members:	
General employees	116
Public safety employees	92
Deferred members	10
Retired members and beneficiaries	435
	653

The RHF provides medical and prescription benefits to eligible retirees and their dependents. The RHF was established under State of Michigan Public Act 149 of 1999.

Significant Accounting Policies. The plan is included in the City's financial statements combined with the pension plan as the pension and other employee benefit trust fund. A stand-alone financial report has not been issued. The Plan's financial statements are prepared using information as of June 30, 2016. The plan's financial statements include contributions received and benefits paid through that date. At June 30, 2016, there were no investments in any one organization in excess of five percent of net position available for benefits.

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs are financed through investment earnings.

Contributions. Public Act 149 authorizes the City Commission to establish and amend contribution requirements of the plan members. Active service members and retired members or their beneficiaries are not required to contribute to the plan. For the year ended June 30, 2016, the City contributed \$11,677,122.

Three-Year Trend Information			
Years Ended June 30,	Annual OPEB Cost (AOC)	Percentage Contributed	Net OPEB Obligation
2014	\$ 14,375,204	51.5%	\$ 30,901,883
2015	10,932,661	99.8%	30,921,987
2016	11,989,099	97.4%	31,233,964

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. 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.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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.

The annual contribution was determined as part of an actuarial valuation at June 30, 2014, using the entry actual age actuarial cost method. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.75% per year compounded annually, (b) projected salary increases of 3.0% to 5.9% per year compounded annually, attributable to inflation, and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 3.0% annually. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The excess of assets over the actuarial liability is being amortized as a level percentage of payroll on an open basis. The UAAL has a remaining amortization period at June 30, 2016 of 24 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution	\$ 11,750,408
Interest on net OPEB obligation	2,395,741
Adjustment to annual required contribution	<u>(2,157,050)</u>
Net OPEB cost (expense)	11,989,099
Contributions made	<u>(11,677,122)</u>
Increase in net OPEB obligation	311,977
Net OPEB obligation, beginning of year	<u>30,921,987</u>
Net OPEB obligation, end of year	<u>\$ 31,233,964</u>

Funded Status and Funding Progress. As of June 30, 2014, the most recent actuarial valuation, the Plan was 6.7 percent funded. The actuarial accrued liability for benefits was \$128,977,703, and the actuarial value of assets was \$8,668,092, resulting in an unfunded actuarial accrued liability (UAAL) of \$120,309,611. The covered payroll (annual payroll of active employees covered by the Plan) was \$13,381,586, and the ratio of the UAAL to the covered payroll was 899.0 percent.

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

13. FINANCIAL STATEMENTS FOR INDIVIDUAL PENSION AND OTHER POSTEMPLOYMENT BENEFIT FUNDS

	Plan Net Position		
	Pension Trust Fund	Retiree Health Trust Fund	Total
Assets			
Cash and investments	\$ 1,436,182	\$ -	\$ 1,436,182
Retirement investments, at fair value			
Mutual funds	123,730,843	16,996,692	140,727,535
Receivables, net	65,859	-	65,859
Total assets	<u>125,232,884</u>	<u>16,996,692</u>	<u>142,229,576</u>
Liabilities			
Accounts payable	236,699	127,395	364,094
Accrued and other liabilities	1,336	855	2,191
Total liabilities	<u>238,035</u>	<u>128,250</u>	<u>366,285</u>
Net position			
Restricted for:			
Employees' pension benefits	124,994,849	-	124,994,849
Other postemployment benefits	-	16,868,442	16,868,442
Total net position	<u>\$ 124,994,849</u>	<u>\$ 16,868,442</u>	<u>\$ 141,863,291</u>

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

	Changes in Plan Net Position		
	Pension Trust Fund	Retiree Health Trust Fund	Total
Additions			
Contributions:			
Employer	\$ 7,034,692	\$ 11,677,122	\$ 18,711,814
Plan members	900,697	-	900,697
Plan members' buyback	256,600	-	256,600
Total contributions	8,191,989	11,677,122	19,869,111
Investment earnings:			
Net change in fair value of investments	(5,933,858)	478,242	(5,455,616)
Interest	4,194	840	5,034
Dividends	2,930,563	-	2,930,563
Other investment revenues	5,530	-	5,530
Total investment gain (loss)	(2,993,571)	479,082	(2,514,489)
Investment expense	319,333	35,050	354,383
Net investment gain (loss)	(3,312,904)	444,032	(2,868,872)
Total additions	4,879,085	12,121,154	17,000,239
Deductions			
Benefits	15,287,988	7,246,061	22,534,049
Refund of contributions	821,780	-	821,780
Administrative expenses	99,672	17,229	116,901
Total deductions	16,209,440	7,263,290	23,472,730
Change in net position	(11,330,355)	4,857,864	(6,472,491)
Net position, beginning of year	136,325,204	12,010,578	148,335,782
Net position, end of year	\$ 124,994,849	\$ 16,868,442	\$ 141,863,291

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

14. DEFINED CONTRIBUTION PENSION PLAN

A Defined Contribution Plan has been established for all new hires of the following bargaining units as of the respective dates:

Bargaining Unit	Date	City Contribution	Employee Contribution
Executive department heads	May 1, 2008	7%	5%
Department heads and deputies	July 1, 2008	7%	5%
Technical and professional	July 1, 2007	7%	5%
Foreman and supervisors	July 1, 2006	7%	5%
SEIU	July 1, 2006	7%	5%
AFSCME	July 1, 2006	7%	5%

Uniformed groups (police and fire) do not have a defined contribution plan for their new hires. Instead, they increased their contribution rate to the defined benefit plan for all their employees, existing and new hires.

Plan Description and Funding Requirements. The Defined Contribution Plan is established by the City and administered by ICMA-RC (International City/County Management Association - Retirement Corporation), for new hire members of the City's six bargaining groups listed above. On June 30, 2016, there were 66 plan members. Plan members contribute a percentage of their annual covered payroll and the City provides a percentage match as noted in the table above. Plan provisions and contribution requirements are established by contract. Total contributions for the year ended June 30, 2016, were \$154,130 by the employees and \$215,781 by the City.

15. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2016, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Capital assets not being depreciated	\$ 86,150,572	\$ 17,978,276	\$ 2,895,755
Capital assets being depreciated, net	71,854,895	101,306,517	925,059
	<u>158,005,467</u>	<u>119,284,793</u>	<u>3,820,814</u>
Related debt:			
General obligation bonds	10,627,511	14,968,491	-
Contractual obligations	-	17,648,475	-
State revolving fund	-	4,007,387	-
Less amounts owed from other communities	-	(2,040,130)	-
Bond discount	(264)	-	-
Bond premium	333,364	689,659	-
Deferred charge on refunding	(149,983)	(1,217,587)	-
	<u>10,810,628</u>	<u>34,056,295</u>	<u>-</u>
Net investment in capital assets	<u><u>\$ 147,194,839</u></u>	<u><u>\$ 85,228,498</u></u>	<u><u>\$ 3,820,814</u></u>

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

16. SUBSEQUENT EVENT

On September 30, 2015, the City issued an intent to issue up to \$135 million in pension and other postemployment benefits (OPEB) bonds. It is anticipated that State Treasury approval will be completed in November 2016 and bonds sold between December, 2016 and January, 2017. It is anticipated that slightly less than \$130 million in bonds will be issued.

The City Commission authorized the notice to publish the intent to bond for \$13.5 million for construction of a parking structure (source of revenue Auto Parking Fund). The official authorization to bond was approved by the City Commission on November 14, 2016.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROYAL OAK, MICHIGAN

Required Supplementary Information

Employees' Retirement System

Schedule of Changes in the City's Net Pension Liability and Related Ratios

	Fiscal Year Ended June 30,		
	2014	2015	2016
Change in total pension liability			
Service cost	\$ 2,485,567	\$ 2,555,924	\$ 2,542,348
Interest	15,021,782	15,214,726	15,445,529
Changes of benefit terms	-	96,556	-
Differences between expected and actual experience	-	903,595	2,710,293
Benefit payments, including refunds of member contributions	(14,643,773)	(15,462,071)	(16,109,768)
Net change in total pension liability	<u>2,863,576</u>	<u>3,308,730</u>	<u>4,588,402</u>
Total pension liability, beginning	<u>199,908,548</u>	<u>202,772,124</u>	<u>206,080,854</u>
Total pension liability, ending (a)	<u>202,772,124</u>	<u>206,080,854</u>	<u>210,669,256</u>
Change in plan fiduciary net position			
Contributions - employer	6,539,504	7,098,292	7,034,692
Contributions - member	1,603,847	981,785	1,157,297
Net investment income (loss)	21,788,939	4,465,722	(3,312,904)
Benefit payments, including refunds of member contributions	(14,644,935)	(15,462,070)	(16,109,768)
Administrative expense	(49,691)	(71,374)	(99,672)
Net change in plan fiduciary net position	<u>15,237,664</u>	<u>(2,987,645)</u>	<u>(11,330,355)</u>
Plan fiduciary net position, beginning	<u>124,075,185</u>	<u>139,312,849</u>	<u>136,325,204</u>
Plan fiduciary net position, ending (b)	<u>139,312,849</u>	<u>136,325,204</u>	<u>124,994,849</u>
City's net pension liability, ending (a)-(b)	<u>\$63,459,275</u>	<u>\$ 69,755,650</u>	<u>\$ 85,674,407</u>
 Plan fiduciary net position as a percentage of the total pension liability	 68.70%	 66.15%	 59.33%
 Covered-employee payroll	 \$15,296,167	 \$ 15,391,242	 \$ 15,845,062
 City's net pension liability as a percentage of covered payroll	 414.87%	 453.22%	 540.70%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF ROYAL OAK, MICHIGAN

Required Supplementary Information

Employees' Retirement System

Schedule of the Net Pension Liability

Fiscal Year Ended June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered- Employee Payroll	Net Pension Liability as Percentage of Covered Payroll
2014	\$202,772,124	\$ 139,312,849	\$ 63,459,275	68.7%	\$ 15,296,167	414.87%
2015	206,080,854	136,325,204	69,755,650	66.2%	15,391,242	453.22%
2016	210,669,256	124,994,849	85,674,407	59.3%	15,845,062	540.70%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF ROYAL OAK, MICHIGAN

Required Supplementary Information

Employees' Retirement System

Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as Percentage of Covered-Employee Payroll
2014	\$ 6,480,707	\$ 6,503,436	\$ (22,729)	\$ 15,296,167	42.5%
2015	6,891,898	7,098,292	(206,394)	15,391,242	46.1%
2016	6,852,495	7,034,692	(182,197)	15,845,062	44.4%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to Schedule of Contributions

Valuation Date June 30, 2015 (rolled forward to June 30, 2016)
Notes Actuarially determined contribution rates are calculated as of June 30, 2015, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	General: Level dollar amount, closed Police and Fire: Level percent of payroll, closed
Remaining amortization period	General: 23 years, closed Police and Fire: 28 years, closed
Asset valuation method	4-year smooth market
Inflation	3.00%
Salary increases	3.0% - 5.9%
Investment rate of return	7.75%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2013 valuation pursuant to an experience study of the period 2006 - 2012.
Mortality	RP-2000 projected 20 years (multiplied by 110%) Healthy Life Mortality, setforward 10 years for Disabled Life Mortality.

CITY OF ROYAL OAK, MICHIGAN

Required Supplementary Information

Employees' Retirement System

Schedule of Investment Returns

Fiscal Year Ending June 30,	Annual Return ⁽¹⁾
2014	17.98%
2015	3.24%
2016	-2.39%

⁽¹⁾ Annual money-weighted rate of return, net of investment expenses

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF ROYAL OAK, MICHIGAN

Required Supplementary Information

Retiree Health Fund

Schedule of Funding Progress (dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL") Entry Age	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2010	\$ 4,814	\$ 116,791	\$ 111,977	4.1%	\$ 18,373	609.5%
6/30/2012	7,141	120,307	113,166	5.9%	15,463	731.8%
6/30/2014	8,668	128,978	120,309	6.7%	13,382	899.0%

Schedule of Employer Contributions (dollar amounts in thousands)

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2013	\$ 14,035	51%
2014	14,618	51%
2015	10,913	100%
2016	11,750	99%

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

CITY OF ROYAL OAK, MICHIGAN

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2016

	Special Revenue Funds		
	Major Streets	Local Streets	Publicity
Assets			
Cash and investments	\$ 2,657,683	\$ 843,758	\$ 22,839
Receivables, net	52,977	4,744	113
Due from other governmental units	835,615	205,633	-
Inventories	166,898	22,781	-
Restricted assets, cash	-	-	-
Total assets	\$ 3,713,173	\$ 1,076,916	\$ 22,952
Liabilities			
Accounts payable	\$ 128,352	\$ 374,417	\$ -
Accrued and other liabilities	26,680	113,655	612
Cash bonds and deposits	-	-	-
Unearned revenue	-	-	-
Total liabilities	155,032	488,072	612
Deferred inflows of resources			
Unavailable revenue - property taxes and special assessments	-	3,764	50
Fund balances			
Nonspendable:			
Inventories	166,898	22,781	-
Endowment	-	-	-
Restricted	3,391,243	562,299	22,290
Total fund balances	3,558,141	585,080	22,290
Total liabilities, deferred inflows of resources and fund balances	\$ 3,713,173	\$ 1,076,916	\$ 22,952



Special Revenue Funds					
Senior Citizens Program	Library Millage	State Construction Code	ROOTS	Grants	Total Nonmajor Special Revenue Funds
\$ 605,172	\$ 1,201,487	\$ 7,623,919	\$ 516,816	\$ 1,203,275	\$ 14,674,949
1,642	5,465	20,699	1,574	9,304	96,518
-	-	-	-	-	1,041,248
-	-	-	-	-	189,679
-	-	-	-	-	-
<u>\$ 606,814</u>	<u>\$ 1,206,952</u>	<u>\$ 7,644,618</u>	<u>\$ 518,390</u>	<u>\$ 1,212,579</u>	<u>\$ 16,002,394</u>
\$ 25,188	\$ 27,903	\$ 6,185	\$ 14,554	\$ 22,130	\$ 598,729
10,971	32,375	27,439	-	2,778	214,510
-	-	-	-	300	300
-	-	-	-	28,467	28,467
<u>36,159</u>	<u>60,278</u>	<u>33,624</u>	<u>14,554</u>	<u>53,675</u>	<u>842,006</u>
-	2,203	-	-	-	6,017
-	-	-	-	-	189,679
-	-	-	-	-	-
<u>570,655</u>	<u>1,144,471</u>	<u>7,610,994</u>	<u>503,836</u>	<u>1,158,904</u>	<u>14,964,692</u>
<u>570,655</u>	<u>1,144,471</u>	<u>7,610,994</u>	<u>503,836</u>	<u>1,158,904</u>	<u>15,154,371</u>
<u>\$ 606,814</u>	<u>\$ 1,206,952</u>	<u>\$ 7,644,618</u>	<u>\$ 518,390</u>	<u>\$ 1,212,579</u>	<u>\$ 16,002,394</u>

continued...

CITY OF ROYAL OAK, MICHIGAN

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2016

	Capital Projects			
	Debt Service Fund	Special Assessments	Permanent Fund	Total Nonmajor Governmental Funds
Assets				
Cash and investments	\$ 101,456	\$ 12,656	\$ 10,428	\$ 14,799,489
Receivables, net	957	443,684	36	541,195
Due from other governmental units	-	-	-	1,041,248
Inventories	-	-	-	189,679
Restricted assets, cash	-	-	1,000	1,000
Total assets	<u>\$ 102,413</u>	<u>\$ 456,340</u>	<u>\$ 11,464</u>	<u>\$ 16,572,611</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 598,729
Accrued and other liabilities	-	-	-	214,510
Cash bonds and deposits	-	-	-	300
Unearned revenue	-	-	-	28,467
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>842,006</u>
Deferred inflows of resources				
Unavailable revenue - property taxes and special assessments	680	443,335	-	450,032
Fund balances				
Nonspendable:				
Inventories	-	-	-	189,679
Endowment	-	-	1,000	1,000
Restricted	101,733	13,005	10,464	15,089,894
Total fund balances	<u>101,733</u>	<u>13,005</u>	<u>11,464</u>	<u>15,280,573</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 102,413</u>	<u>\$ 456,340</u>	<u>\$ 11,464</u>	<u>\$ 16,572,611</u>

concluded.



CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2016

	Special Revenue Funds		
	Major Streets	Local Streets	Publicity
Revenues			
Taxes	\$ -	\$ 5,541,618	\$ 47,192
Licenses and permits	207,154	-	-
Federal grants	-	-	-
State grants	3,585,729	1,014,756	-
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Interest and rentals	13,018	2,397	164
Contributions and donations	17,157	-	-
Other revenue	35,726	159,809	-
Total revenues	3,858,784	6,718,580	47,356
Expenditures			
Current:			
General government	-	-	75,620
Public safety	-	-	-
Public works	1,893,315	2,670,796	-
Community and economic development	-	-	-
Recreation and culture	-	-	-
Debt service:			
Principal payments	-	-	-
Interest and paying agent fees	-	-	-
Total expenditures	1,893,315	2,670,796	75,620
Revenues over (under) expenditures	1,965,469	4,047,784	(28,264)
Other financing sources (uses)			
Issuance of long-term debt	-	-	-
Premium on issuance of long-term debt	-	-	-
Payment to refunded bond escrow agent	-	-	-
Transfers in	-	44,216	20,000
Transfers out	(2,150,819)	(6,329,533)	-
Total other financing sources (uses)	(2,150,819)	(6,285,317)	20,000
Net change in fund balances	(185,350)	(2,237,533)	(8,264)
Fund balances, beginning of year	3,743,491	2,822,613	30,554
Fund balances, end of year	\$ 3,558,141	\$ 585,080	\$ 22,290

Special Revenue Funds					
Senior Citizens Program	Library Millage	State Construction Code	ROOTS	Grants	Total Nonmajor Special Revenue Funds
\$ -	\$ 2,134,657	\$ -	\$ -	\$ -	\$ 7,723,467
-	-	4,307,504	-	59,170	4,573,828
-	-	-	-	71,846	71,846
102,724	151,254	-	-	99,674	4,954,137
238,593	62,586	-	-	15,830	317,009
-	2,630	-	-	86,421	89,051
3,400	9,601	39,655	2,840	6,284	77,359
47,943	2,589	-	83,694	100,715	252,098
-	9,990	68,316	-	840	274,681
392,660	2,373,307	4,415,475	86,534	440,780	18,333,476
-	-	-	-	-	75,620
-	-	1,570,105	2,184	231,634	1,803,923
-	-	-	-	-	4,564,111
-	-	-	-	42,571	42,571
775,994	2,008,475	-	60,220	-	2,844,689
-	232,000	-	-	-	232,000
-	47,219	-	-	-	47,219
775,994	2,287,694	1,570,105	62,404	274,205	9,610,133
(383,334)	85,613	2,845,370	24,130	166,575	8,723,343
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
350,000	20,400	-	15,000	132,581	582,197
(4,000)	-	(34,000)	(52,581)	-	(8,570,933)
346,000	20,400	(34,000)	(37,581)	132,581	(7,988,736)
(37,334)	106,013	2,811,370	(13,451)	299,156	734,607
607,989	1,038,458	4,799,624	517,287	859,748	14,419,764
\$ 570,655	\$ 1,144,471	\$ 7,610,994	\$ 503,836	\$ 1,158,904	\$ 15,154,371

continued...

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2016

	Capital Projects			
	Debt Service Fund	Special Assessments	Permanent Fund	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 618,467	\$ -	\$ -	\$ 8,341,934
Licenses and permits	-	-	-	4,573,828
Federal grants	-	-	-	71,846
State grants	-	-	-	4,954,137
Charges for services	-	-	-	317,009
Fines and forfeitures	-	-	-	89,051
Interest and rentals	536	31,080	60	109,035
Contributions and donations	161	84,838	-	337,097
Other revenue	-	-	-	274,681
Total revenues	619,164	115,918	60	19,068,618
Expenditures				
Current:				
General government	-	-	-	75,620
Public safety	-	-	-	1,803,923
Public works	-	38	-	4,564,149
Community and economic development	-	-	-	42,571
Recreation and culture	-	-	3	2,844,692
Debt service:				
Principal payments	965,000	-	-	1,197,000
Interest and paying agent fees	341,066	-	-	388,285
Total expenditures	1,306,066	38	3	10,916,240
Revenue over (under) expenditures	(686,902)	115,880	57	8,152,378
Other financing sources (uses)				
Issuance of long-term debt	3,258,578	-	-	3,258,578
Premium on issuance of long-term debt	153,451	-	-	153,451
Payment to refunded bond escrow agent	(3,353,620)	-	-	(3,353,620)
Transfers in	620,791	-	-	1,202,988
Transfers out	-	(115,875)	-	(8,686,808)
Total other financing sources (uses)	679,200	(115,875)	-	(7,425,411)
Net change in fund balances	(7,702)	5	57	726,967
Fund balances, beginning of year	109,435	13,000	11,407	14,553,606
Fund balances, end of year	\$ 101,733	\$ 13,005	\$ 11,464	\$ 15,280,573

concluded.

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Major Streets Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Licenses and permits	\$ 170,000	\$ 170,000	\$ 207,154	\$ 37,154
State grants	2,950,000	3,549,000	3,585,729	36,729
Interest and rentals	13,000	13,000	13,018	18
Contributions and donations	15,600	15,600	17,157	1,557
Other revenue	10,000	10,000	35,726	25,726
Total revenues	3,158,600	3,757,600	3,858,784	101,184
Expenditures				
Current -				
Public works	3,870,610	2,660,610	1,893,315	(767,295)
Revenues over (under) expenditures	(712,010)	1,096,990	1,965,469	868,479
Other financing uses				
Transfers out	(72,000)	(4,000,000)	(2,150,819)	(1,849,181)
Net change in fund balance	(784,010)	(2,903,010)	(185,350)	2,717,660
Fund balance, beginning of year	3,743,491	3,743,491	3,743,491	-
Fund balance, end of year	\$ 2,959,481	\$ 840,481	\$ 3,558,141	\$ 2,717,660

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Local Streets Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 5,413,000	\$ 5,413,000	\$ 5,541,618	\$ 128,618
State grants	958,000	958,000	1,014,756	56,756
Interest and rentals	6,000	6,000	2,397	(3,603)
Other revenue	1,000	117,000	159,809	42,809
Total revenues	6,378,000	6,494,000	6,718,580	224,580
Expenditures				
Current -				
Public works	7,971,510	2,859,510	2,670,796	(188,714)
Revenues over (under) expenditures	(1,593,510)	3,634,490	4,047,784	413,294
Other financing sources (uses)				
Transfers in	-	-	44,216	44,216
Transfers out	(25,000)	(6,396,000)	(6,329,533)	(66,467)
Total other financing sources (uses)	(25,000)	(6,396,000)	(6,285,317)	110,683
Net change in fund balance	(1,618,510)	(2,761,510)	(2,237,533)	523,977
Fund balance, beginning of year	2,822,613	2,822,613	2,822,613	-
Fund balance, end of year	<u>\$ 1,204,103</u>	<u>\$ 61,103</u>	<u>\$ 585,080</u>	<u>\$ 523,977</u>

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Publicity Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 48,450	\$ 46,450	\$ 47,192	\$ 742
Interest and rentals	120	120	164	44
Total revenues	48,570	46,570	47,356	786
Expenditures				
Current -				
General government	68,040	77,140	75,620	(1,520)
Revenues under expenditures	(19,470)	(30,570)	(28,264)	2,306
Other financing sources				
Transfers in	20,000	20,000	20,000	-
Net change in fund balance	530	(10,570)	(8,264)	2,306
Fund balance, beginning of year	30,554	30,554	30,554	-
Fund balance, end of year	<u>\$ 31,084</u>	<u>\$ 19,984</u>	<u>\$ 22,290</u>	<u>\$ 2,306</u>

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Senior Citizens Program Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State grants	\$ 137,810	\$ 137,810	\$ 102,724	\$ (35,086)
Charges for services	229,700	244,700	238,593	(6,107)
Interest and rentals	2,700	2,700	3,400	700
Contributions and donations	47,430	47,430	47,943	513
Total revenues	417,640	432,640	392,660	(39,980)
Expenditures				
Current -				
Recreation and culture	798,050	822,850	775,994	(46,856)
Revenues under expenditures	(380,410)	(390,210)	(383,334)	6,876
Other financing sources (uses)				
Transfers in	350,000	350,000	350,000	-
Transfers out	(4,000)	(4,000)	(4,000)	-
Total other financing sources (uses)	346,000	346,000	346,000	-
Net change in fund balance	(34,410)	(44,210)	(37,334)	6,876
Fund balance, beginning of year	607,989	607,989	607,989	-
Fund balance, end of year	\$ 573,579	\$ 563,779	\$ 570,655	\$ 6,876

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Library Millage Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 2,078,000	\$ 2,078,000	\$ 2,134,657	\$ 56,657
State grants	107,000	142,000	151,254	9,254
Charges for services	73,750	73,750	62,586	(11,164)
Fines and forfeitures	3,500	3,500	2,630	(870)
Interest and rentals	9,500	9,500	9,601	101
Contributions and donations	2,500	2,500	2,589	89
Other revenue	5,000	5,000	9,990	4,990
Total revenues	<u>2,279,250</u>	<u>2,314,250</u>	<u>2,373,307</u>	<u>59,057</u>
Expenditures				
Current -				
Recreation and culture	2,154,680	2,155,080	2,008,475	(146,605)
Debt service:				
Principal payments	210,000	232,000	232,000	-
Interest and paying agent fees	81,790	48,000	47,219	(781)
Total expenditures	<u>2,446,470</u>	<u>2,435,080</u>	<u>2,287,694</u>	<u>(147,386)</u>
Revenues over (under) expenditures	(167,220)	(120,830)	85,613	206,443
Other financing sources				
Transfers in	15,000	15,400	20,400	5,000
Net change in fund balance	(152,220)	(105,430)	106,013	211,443
Fund balance, beginning of year	1,038,458	1,038,458	1,038,458	-
Fund balance, end of year	<u>\$ 886,238</u>	<u>\$ 933,028</u>	<u>\$ 1,144,471</u>	<u>\$ 211,443</u>

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - State Construction Code Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Licenses and permits	\$ 1,794,000	\$ 4,064,500	\$ 4,307,504	\$ 243,004
Interest and rentals	16,000	16,000	39,655	23,655
Other revenue	40,000	60,000	68,316	8,316
Total revenues	1,850,000	4,140,500	4,415,475	274,975
Expenditures				
Current -				
Public safety	1,900,150	1,670,150	1,570,105	(100,045)
Revenues over (under) expenditures	(50,150)	2,470,350	2,845,370	375,020
Other financing uses				
Transfers out	(4,000)	(34,000)	(34,000)	-
Net change in fund balance	(54,150)	2,436,350	2,811,370	375,020
Fund balance, beginning of year	4,799,624	4,799,624	4,799,624	-
Fund balance, end of year	<u>\$ 4,745,474</u>	<u>\$ 7,235,974</u>	<u>\$ 7,610,994</u>	<u>\$ 375,020</u>

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - ROOTS Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Interest and rentals	\$ 2,000	\$ 2,000	\$ 2,840	\$ 840
Contributions and donations	69,500	107,520	83,694	(23,826)
Total revenues	<u>71,500</u>	<u>109,520</u>	<u>86,534</u>	<u>(22,986)</u>
Expenditures				
Current:				
Public safety	-	2,110	2,184	74
Recreation and culture	158,920	90,950	60,220	(30,730)
Total expenditures	<u>158,920</u>	<u>93,060</u>	<u>62,404</u>	<u>(30,656)</u>
Revenues over (under) expenditures	<u>(87,420)</u>	<u>16,460</u>	<u>24,130</u>	<u>7,670</u>
Other financing sources (uses)				
Transfers in	15,000	15,000	15,000	-
Transfers out	(35,000)	(55,000)	(52,581)	(2,419)
Total other financing sources (uses)	<u>(20,000)</u>	<u>(40,000)</u>	<u>(37,581)</u>	<u>(2,419)</u>
Net change in fund balance	<u>(107,420)</u>	<u>(23,540)</u>	<u>(13,451)</u>	<u>10,089</u>
Fund balance, beginning of year	<u>517,287</u>	<u>517,287</u>	<u>517,287</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 409,867</u></u>	<u><u>\$ 493,747</u></u>	<u><u>\$ 503,836</u></u>	<u><u>\$ 10,089</u></u>

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Grants Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Licenses and permits	\$ 60,000	\$ 60,000	\$ 59,170	\$ (830)
Federal grants	72,650	72,650	71,846	(804)
State grants	25,800	25,800	99,674	73,874
Charges for services	22,000	22,000	15,830	(6,170)
Fines and forfeitures	85,000	85,000	86,421	1,421
Interest and rentals	11,600	11,600	6,284	(5,316)
Contributions and donations	39,000	179,000	100,715	(78,285)
Other revenue	-	-	840	840
Total revenues	<u>316,050</u>	<u>456,050</u>	<u>440,780</u>	<u>(15,270)</u>
Expenditures				
Current:				
Public safety	474,740	340,740	231,634	(109,106)
Community and economic development	-	160,000	42,571	(117,429)
Total expenditures	<u>474,740</u>	<u>500,740</u>	<u>274,205</u>	<u>(226,535)</u>
Revenues over (under) expenditures	(158,690)	(44,690)	166,575	211,265
Other financing sources				
Transfers in	115,000	135,000	132,581	(2,419)
Net change in fund balance	(43,690)	90,310	299,156	208,846
Fund balance, beginning of year	<u>859,748</u>	<u>859,748</u>	<u>859,748</u>	<u>-</u>
Fund balance, end of year	<u>\$ 816,058</u>	<u>\$ 950,058</u>	<u>\$ 1,158,904</u>	<u>\$ 208,846</u>

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2016

	Arts, Beats & Eats	Recreation Administration	Ice Arena	Farmers Market	Total Nonmajor Enterprise Funds
Assets					
Current assets:					
Cash and investments	\$ 145,494	\$ 329,475	\$ 638,244	\$ 645,285	\$ 1,758,498
Receivables, net	395	65,900	2,904	48,411	117,610
Total current assets	145,889	395,375	641,148	693,696	1,876,108
Noncurrent assets:					
Capital assets	-	4,471,882	5,210,198	2,538,835	12,220,915
Accumulated depreciation	-	(1,231,878)	(3,254,041)	(1,077,244)	(5,563,163)
Total noncurrent assets	-	3,240,004	1,956,157	1,461,591	6,657,752
Total assets	145,889	3,635,379	2,597,305	2,155,287	8,533,860
Deferred outflows of resources					
Deferred pension amounts	-	79,540	7,696	3,504	90,740
Liabilities					
Current liabilities:					
Accounts payable	-	7,909	86,484	35,036	129,429
Accrued and other liabilities	-	9,298	991	1,436	11,725
Compensated absences, current	-	10,534	947	408	11,889
Total current liabilities	-	27,741	88,422	36,880	153,043
Noncurrent liabilities:					
Accrued compensated absences	-	10,502	945	406	11,853
Net pension liability	-	408,675	39,539	18,007	466,221
Net other postemployment benefits obligation	-	148,274	37,820	8,370	194,464
Total noncurrent liabilities	-	567,451	78,304	26,783	672,538
Total liabilities	-	595,192	166,726	63,663	825,581
Net position					
Investment in capital assets	-	3,240,004	1,956,157	1,461,591	6,657,752
Unrestricted (deficit)	145,889	(120,277)	482,118	633,537	1,141,267
Total net position	\$ 145,889	\$ 3,119,727	\$ 2,438,275	\$ 2,095,128	\$ 7,799,019

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Nonmajor Enterprise Funds

For the Year Ended June 30, 2016

	Arts, Beats & Eats	Recreation Administration	Ice Arena	Farmers Market	Total Nonmajor Enterprise Funds
Operating revenues					
Charges for services	\$ 332,240	\$ 580,651	\$ 1,460,232	\$ 482,662	\$ 2,855,785
Other	9,918	-	13,905	4,000	27,823
Total operating revenues	342,158	580,651	1,474,137	486,662	2,883,608
Operating expenses					
Salaries and benefits	67,090	323,874	23,410	11,657	426,031
Supplies	-	18,313	88,097	29,633	136,043
Other services and charges	189,978	210,800	1,084,637	415,587	1,901,002
Depreciation	-	87,765	115,708	69,944	273,417
Total operating expenses	257,068	640,752	1,311,852	526,821	2,736,493
Operating income (loss)	85,090	(60,101)	162,285	(40,159)	147,115
Nonoperating revenues					
Federal grants	-	-	-	3,320	3,320
Interest income	1,376	1,578	3,313	3,597	9,864
Total nonoperating revenues	1,376	1,578	3,313	6,917	13,184
Income (loss) before transfers	86,466	(58,523)	165,598	(33,242)	160,299
Transfers out	(80,000)	-	(32,142)	-	(112,142)
Change in net position	6,466	(58,523)	133,456	(33,242)	48,157
Net position, beginning of year	139,423	3,178,250	2,304,819	2,128,370	7,750,862
Net position, end of year	\$ 145,889	\$ 3,119,727	\$ 2,438,275	\$ 2,095,128	\$ 7,799,019

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended June 30, 2016

	Arts, Beats & Eats	Recreation Administration	Ice Arena	Farmers Market	Total Nonmajor Enterprise Funds
Cash flows from operating activities					
Receipts from customers	\$ 332,107	\$ 550,641	\$ 1,457,953	\$ 442,304	\$ 2,783,005
Other operating receipts	9,918	-	13,905	4,000	27,823
Payments to vendors	(189,978)	(234,789)	(1,165,983)	(426,484)	(2,017,234)
Payments to employees	(67,090)	(299,676)	(21,541)	(9,287)	(397,594)
Net cash provided by operating activities	84,957	16,176	284,334	10,533	396,000
Cash flows from noncapital financing activities					
Federal operating grants	-	-	-	3,320	3,320
Transfers to other funds	(80,000)	-	(32,142)	-	(112,142)
Net cash provided by (used in) noncapital financing activities	(80,000)	-	(32,142)	3,320	(108,822)
Cash flows from investing activities					
Interest received on investments	1,376	1,578	3,313	3,597	9,864
Net change in cash and investments	6,333	17,754	255,505	17,450	297,042
Cash and investments balances, beginning of year	139,161	311,721	382,739	627,835	1,461,456
Cash and investments balances, end of year	\$ 145,494	\$ 329,475	\$ 638,244	\$ 645,285	\$ 1,758,498
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 85,090	\$ (60,101)	\$ 162,285	\$ (40,159)	\$ 147,115
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	-	87,765	115,708	69,944	273,417
Changes in assets and liabilities:					
Receivables, net	(133)	(30,010)	(2,279)	(18,002)	(50,424)
Accounts payable	-	(7,022)	6,621	18,677	18,276
Accrued and other liabilities	-	1,027	24	378	1,429
Unearned revenue	-	-	-	(22,356)	(22,356)
Accrued compensated absences	-	274	(48)	32	258
Net pension liability and deferred amounts	-	22,897	1,893	1,960	26,750
Net other postemployment benefits obligation	-	1,346	130	59	1,535
Net cash provided by operating activities	\$ 84,957	\$ 16,176	\$ 284,334	\$ 10,533	\$ 396,000

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

June 30, 2016

	Information Systems	Motor Pool	Workers Compensation	Medical Self-Insurance	Liability Insurance	Total
Assets						
Current assets:						
Cash and investments	\$ 1,443,719	\$ 8,994,431	\$ 3,777,626	\$ 8,701,614	\$ 3,995,940	\$ 26,913,330
Receivables, net	3,909	24,511	10,243	23,705	4,448	66,816
Prepaid items	-	-	-	962,251	-	962,251
Inventories	-	271,383	-	-	-	271,383
Total current assets	1,447,628	9,290,325	3,787,869	9,687,570	4,000,388	28,213,780
Noncurrent assets:						
Capital assets	1,923,604	17,237,483	-	-	-	19,161,087
Accumulated depreciation	(1,096,418)	(11,549,992)	-	-	-	(12,646,410)
Total noncurrent assets	827,186	5,687,491	-	-	-	6,514,677
Total assets	2,274,814	14,977,816	3,787,869	9,687,570	4,000,388	34,728,457
Deferred outflows of resources						
Deferred charge on refunding	-	51,603	-	-	-	51,603
Deferred pension amounts	108,683	288,425	-	-	-	397,108
Total deferred outflows of resources	108,683	340,028	-	-	-	448,711
Liabilities						
Current liabilities:						
Accounts payable	80,426	286,861	6,207	23,724	-	397,218
Accrued and other liabilities	54,557	37,635	-	750,839	-	843,031
Bonds payable, due within one year	-	226,118	-	-	-	226,118
Other long-term liabilities, current	-	-	398,025	-	249,215	647,240
Compensated absences, current	24,696	44,100	-	-	-	68,796
Total current liabilities	159,679	594,714	404,232	774,563	249,215	2,182,403
Noncurrent liabilities:						
Bonds payable	-	1,110,921	-	-	-	1,110,921
Other long-term liabilities	-	-	398,025	-	249,215	647,240
Accrued compensated absences	25,382	42,648	-	-	-	68,030
Net pension liability	558,409	1,481,916	-	-	-	2,040,325
Net other postemployment benefits obligation	438,065	632,949	-	-	-	1,071,014
Total noncurrent liabilities	1,021,856	3,268,434	398,025	-	249,215	4,937,530
Total liabilities	1,181,535	3,863,148	802,257	774,563	498,430	7,119,933
Net position						
Net investment in capital assets	827,186	4,402,055	-	-	-	5,229,241
Unrestricted	374,776	7,052,641	2,985,612	8,913,007	3,501,958	22,827,994
Total net position	\$ 1,201,962	\$ 11,454,696	\$ 2,985,612	\$ 8,913,007	\$ 3,501,958	\$ 28,057,235

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Internal Service Funds

For the Year Ended June 30, 2016

	Information Systems	Motor Pool	Workers Compensation	Medical Self-Insurance	Liability Insurance	Total
Operating revenues						
Charges for services	\$ 1,436,670	\$ 4,176,278	\$ 626,386	\$ 9,641,112	\$ 2,118,012	\$ 17,998,458
Other revenue	7,521	198,552	21,451	46,809	971,989	1,246,322
Total operating revenues	<u>1,444,191</u>	<u>4,374,830</u>	<u>647,837</u>	<u>9,687,921</u>	<u>3,090,001</u>	<u>19,244,780</u>
Operating expenses						
Salaries and benefits	239,214	1,262,791	(1,569)	9,061,145	-	10,561,581
Supplies	49,798	692,778	-	-	-	742,576
Other services and charges	477,858	570,850	120,861	2,510	1,226,286	2,398,365
Depreciation	86,639	996,832	-	-	-	1,083,471
Total operating expenses	<u>853,509</u>	<u>3,523,251</u>	<u>119,292</u>	<u>9,063,655</u>	<u>1,226,286</u>	<u>14,785,993</u>
Operating income	<u>590,682</u>	<u>851,579</u>	<u>528,545</u>	<u>624,266</u>	<u>1,863,715</u>	<u>4,458,787</u>
Nonoperating revenues (expenses)						
Interest expense	-	(69,422)	-	-	-	(69,422)
Gain on sale of capital assets	-	57,705	-	-	-	57,705
Total nonoperating expenses	<u>-</u>	<u>(11,717)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,717)</u>
Income before transfers	<u>590,682</u>	<u>839,862</u>	<u>528,545</u>	<u>624,266</u>	<u>1,863,715</u>	<u>4,447,070</u>
Transfers						
Transfers in	4,000	80,000	-	-	-	84,000
Transfers out	-	(27,092)	-	-	-	(27,092)
Total transfers	<u>4,000</u>	<u>52,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,908</u>
Change in net position	<u>594,682</u>	<u>892,770</u>	<u>528,545</u>	<u>624,266</u>	<u>1,863,715</u>	<u>4,503,978</u>
Net position, beginning of year	<u>607,280</u>	<u>10,561,926</u>	<u>2,457,067</u>	<u>8,288,741</u>	<u>1,638,243</u>	<u>23,553,257</u>
Net position, end of year	<u>\$ 1,201,962</u>	<u>\$ 11,454,696</u>	<u>\$ 2,985,612</u>	<u>\$ 8,913,007</u>	<u>\$ 3,501,958</u>	<u>\$ 28,057,235</u>

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2016

	Information Systems	Motor Pool	Workers Compensation	Medical Self-Insurance	Liability Insurance	Total
Cash flows from operating activities						
Internal activity - receipts from						
other funds	\$ 1,436,670	\$ 4,176,278	\$ 626,386	\$ 9,641,112	\$ 2,118,012	\$ 17,998,458
Other operating receipts	7,521	198,552	21,451	46,809	971,989	1,246,322
Payments to vendors	(484,449)	(1,125,549)	(145,789)	108,043	(1,340,521)	(2,988,265)
Payments to employees	(440,327)	(1,170,332)	(217,640)	(8,840,398)	-	(10,668,697)
Net cash provided by operating activities	519,415	2,078,949	284,408	955,566	1,749,480	5,587,818
Cash flows from noncapital financing activities						
Transfers from other funds	4,000	80,000	-	-	-	84,000
Transfers to other funds	-	(27,092)	-	-	-	(27,092)
Net cash provided by noncapital financing activities	4,000	52,908	-	-	-	56,908
Cash flows from capital and related financing activities						
Purchase of capital assets	(384,388)	(2,135,758)	-	-	-	(2,520,146)
Principal paid on capital debt	-	(320,000)	-	-	-	(320,000)
Interest paid on capital debt	-	(60,755)	-	-	-	(60,755)
Proceeds from sale of capital assets	-	483,101	-	-	-	483,101
Net cash used in capital and related financing activities	(384,388)	(2,033,412)	-	-	-	(2,417,800)
Net change in cash and investments	139,027	98,445	284,408	955,566	1,749,480	3,226,926
Cash and investments balances, beginning of year	1,304,692	8,895,986	3,493,218	7,746,048	2,246,460	23,686,404
Cash and investments balances, end of year	\$ 1,443,719	\$ 8,994,431	\$ 3,777,626	\$ 8,701,614	\$ 3,995,940	\$ 26,913,330

continued...

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2016

	Information Systems	Motor Pool	Workers Compensation	Medical Self-Insurance	Liability Insurance	Total
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	\$ 590,682	\$ 851,579	\$ 528,545	\$ 624,266	\$ 1,863,715	\$ 4,458,787
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	86,639	996,832	-	-	-	1,083,471
Changes in assets and liabilities:						
Receivables, net	(1,462)	(7,786)	(3,865)	(9,676)	(3,075)	(25,864)
Prepaid items	-	-	-	114,599	-	114,599
Inventories	-	(29,984)	-	-	-	(29,984)
Accounts payable	44,669	175,849	(21,063)	5,630	-	205,085
Accrued and other liabilities	44,617	(1,109)	-	220,747	-	264,255
Other long-term liabilities	-	-	(219,209)	-	(111,160)	(330,369)
Accrued compensated absences	11,488	2,345	-	-	-	13,833
Net pension liability	(259,057)	86,327	-	-	-	(172,730)
Net other postemployment benefits obligation	1,839	4,896	-	-	-	6,735
Net cash provided by operating activities	<u>\$ 519,415</u>	<u>\$ 2,078,949</u>	<u>\$ 284,408</u>	<u>\$ 955,566</u>	<u>\$ 1,749,480</u>	<u>\$ 5,587,818</u>

concluded.



CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2016

	Agency	Tax Collection Fund	44th District Court	Total
Assets				
Cash and investments	\$ 89,888	\$ 83,870	\$ 361,051	\$ 534,809
Liabilities				
Undistributed receipts	\$ 120	\$ 32,713	\$ 125,605	\$ 158,438
Due to other governmental units	200	-	45,988	46,188
Bonds and deposits	89,568	51,157	189,458	330,183
Total liabilities	<u>\$ 89,888</u>	<u>\$ 83,870</u>	<u>\$ 361,051</u>	<u>\$ 534,809</u>

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Agency Fund				
Assets				
Cash and investments	\$ 83,975	\$ 140,546	\$ (134,633)	\$ 89,888
Liabilities				
Undistributed receipts	\$ 4,229	\$ 130,060	\$ (134,169)	\$ 120
Due to other governmental units	380	1,440	(1,620)	200
Bonds and deposits	79,366	201,729	(191,527)	89,568
Total liabilities	\$ 83,975	\$ 333,229	\$ (327,316)	\$ 89,888
Tax Collection Fund				
Assets				
Cash and investments	\$ 82,221	\$ 275,782,088	\$ (275,780,439)	\$ 83,870
Liabilities				
Undistributed receipts	\$ 71,131	\$ 56,462,898	\$ (56,501,316)	\$ 32,713
Bonds and deposits	11,090	138,977,056	(138,936,989)	51,157
Total liabilities	\$ 82,221	\$ 195,439,954	\$ (195,438,305)	\$ 83,870
44th District Court				
Assets				
Cash and investments	\$ 356,818	\$ 1,991,394	\$ (1,987,161)	\$ 361,051
Liabilities				
Undistributed receipts	\$ 103,872	\$ 1,621,554	\$ (1,599,821)	\$ 125,605
Due to other governmental units	-	524,038	(478,050)	45,988
Bonds and deposits	252,946	-	(63,488)	189,458
Total liabilities	\$ 356,818	\$ 2,145,592	\$ (2,141,359)	\$ 361,051

continued...

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Totals - All Agency Funds				
Assets				
Cash and investments	\$ 523,014	\$ 277,914,028	\$ (277,902,233)	\$ 534,809
Liabilities				
Undistributed receipts	\$ 179,232	\$ 58,214,512	\$ (58,235,306)	\$ 158,438
Due to other governmental units	11,470	139,502,534	(139,416,659)	46,188
Bonds and deposits	332,312	201,729	(255,015)	330,183
Total liabilities	\$ 523,014	\$ 197,918,775	\$ (197,906,980)	\$ 534,809

concluded.

CITY OF ROYAL OAK, MICHIGAN

Balance Sheets

Component Units

June 30, 2016

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total Component Units
Assets				
Cash and investments	\$ 1,286,150	\$ 117,382	\$ 92,179	\$ 1,495,711
Receivables, net	28,891	510	250	29,651
Prepaid items	50,000	-	-	50,000
Total assets	\$ 1,365,041	\$ 117,892	\$ 92,429	\$ 1,575,362
Liabilities				
Accounts payable	\$ 342,771	\$ 204	\$ -	\$ 342,975
Accrued and other liabilities	31,199	668	-	31,867
Total liabilities	373,970	872	-	374,842
Deferred inflows of resources				
Unavailable revenue - property taxes	25,400	191	-	25,591
Fund balances				
Unassigned	965,671	116,829	92,429	1,174,929
Total liabilities, deferred inflows of resources and fund balances	\$ 1,365,041	\$ 117,892	\$ 92,429	\$ 1,575,362

CITY OF ROYAL OAK, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
Component Units
June 30, 2016

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total Component Units
Fund balances for component units	\$ 965,671	\$ 116,829	\$ 92,429	\$ 1,174,929
Amounts reported for <i>component units</i> in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement.				
Capital assets, net of accumulated depreciation	3,820,814	-	-	3,820,814
The focus of governmental funds is on short-term available financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred inflows in the governmental funds, and thus are not included in the fund balance.				
Unavailable property taxes receivable	25,400	191	-	25,591
Certain liabilities, such as bonds payable, are not due, and payable in the current period, and therefore are not reported in the funds.				
Compensated absences	(12,890)	(3,728)	-	(16,618)
Net other postemployment benefits obligation	(111,308)	(20,694)	-	(132,002)
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds				
Net pension liability	(199,425)	(61,321)	-	(260,746)
Deferred outflows related to the net pension liability	38,815	11,935	-	50,750
Net position for component units	<u>\$ 4,527,077</u>	<u>\$ 43,212</u>	<u>\$ 92,429</u>	<u>\$ 4,662,718</u>

CITY OF ROYAL OAK, MICHIGAN

Statements of Revenues, Expenditures and Changes in Fund Balances

Component Units

For the Year Ended June 30, 2016

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total Component Units
Revenues				
Taxes	\$ 3,191,757	\$ 50,561	\$ 33,740	\$ 3,276,058
Interest and rentals	13,835	665	486	14,986
Contributions and donations	131,150	-	-	131,150
Other revenues	21,312	-	-	21,312
Total revenues	3,358,054	51,226	34,226	3,443,506
Expenditures				
Current:				
Community and economic development	4,155,531	38,913	26,754	4,221,198
Change in fund balances	(797,477)	12,313	7,472	(777,692)
Fund balances, beginning of year	1,763,148	104,516	84,957	1,952,621
Fund balances, end of year	<u>\$ 965,671</u>	<u>\$ 116,829</u>	<u>\$ 92,429</u>	<u>\$ 1,174,929</u>

CITY OF ROYAL OAK, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
Component Units
For the Year Ended June 30, 2016

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total Component Units
Net change in fund balances - component units	\$ (797,477)	\$ 12,313	\$ 7,472	\$ (777,692)
Amounts reported for <i>component units</i> in the statement of activities are different because:				
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.				
Depreciation expense	(99,375)	-	-	(99,375)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.				
	728	(103)	-	625
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.				
Change in compensated absences	(1,068)	(223)	-	(1,291)
Change in net other postemployment benefits obligation	(666)	(203)	-	(869)
Change in the net pension liability and the related deferred amounts	35,297	(7,749)	-	27,548
Change in net position of component units	<u>\$ (862,561)</u>	<u>\$ 4,035</u>	<u>\$ 7,472</u>	<u>\$ (851,054)</u>

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Tax Increment Financing Authority

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 3,137,000	\$ 3,137,000	\$ 3,191,757	\$ 54,757
Interest and rentals	2,000	2,000	13,835	11,835
Contributions and donations	115,000	115,000	131,150	16,150
Other revenue	-	-	21,312	21,312
Total revenues	3,254,000	3,254,000	3,358,054	104,054
Expenditures				
Community and economic development	4,276,280	4,291,280	4,155,531	(135,749)
Net change in fund balance	(1,022,280)	(1,037,280)	(797,477)	239,803
Fund balance, beginning of year	1,763,148	1,763,148	1,763,148	-
Fund balance, end of year	<u>\$ 740,868</u>	<u>\$ 725,868</u>	<u>\$ 965,671</u>	<u>\$ 239,803</u>

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Downtown Development Authority

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 49,400	\$ 49,400	\$ 50,561	\$ 1,161
Interest and rentals	500	500	665	165
Total revenues	49,900	49,900	51,226	1,326
Expenditures				
Community and economic development	49,140	49,140	38,913	(10,227)
Net change in fund balance	760	760	12,313	11,553
Fund balance, beginning of year	104,516	104,516	104,516	-
Fund balance, end of year	<u>\$ 105,276</u>	<u>\$ 105,276</u>	<u>\$ 116,829</u>	<u>\$ 11,553</u>

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Brownfield Redevelopment Authority

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 15,440	\$ 34,280	\$ 33,740	\$ (540)
Interest and rentals	150	150	486	336
Total revenues	15,590	34,430	34,226	(204)
Expenditures				
Community and economic development	15,590	34,430	26,754	(7,676)
Net change in fund balance	-	-	7,472	7,472
Fund balance, beginning of year	84,957	84,957	84,957	-
Fund balance, end of year	<u>\$ 84,957</u>	<u>\$ 84,957</u>	<u>\$ 92,429</u>	<u>\$ 7,472</u>

STATISTICAL SECTION



CITY OF ROYAL OAK, MICHIGAN

Statistical Section Table of Contents

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents		Page
Financial Trends	These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	134
Revenue Capacity	These schedules contain trend information to help the reader assess the factors affecting the City's ability to generate its property taxes.	144
Debt Capacity	These schedules contain trend information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	150
Demographic and Economic Information	These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	160
Operating Information	These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	163

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

CITY OF ROYAL OAK, MICHIGAN

Financial Trends

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ended June 30			
	2007	2008	2009	2010
Governmental activities:				
Net investment in capital assets	\$ 118,453,656	\$ 118,921,341	\$ 119,486,155	\$ 121,736,526
Restricted	22,836,277	24,253,884	14,365,234	15,097,992
Unrestricted (deficit)	2,958,906	4,242,843	14,347,188	9,385,034
Total governmental activities net position	<u>144,248,839</u>	<u>147,418,068</u>	<u>148,198,577</u>	<u>146,219,552</u>
Business-type activities:				
Net investment in capital assets	58,089,326	61,366,065	61,051,630	64,238,153
Restricted	2,653	2,653	2,653	-
Unrestricted	8,330,833	10,061,309	15,584,666	12,260,677
Total business-type activities net position	<u>66,422,812</u>	<u>71,430,027</u>	<u>76,638,949</u>	<u>76,498,830</u>
Primary government:				
Net investment in capital assets	176,542,982	180,287,406	180,537,785	185,974,679
Restricted	22,838,930	24,256,537	14,367,887	15,097,992
Unrestricted (deficit)	11,289,739	14,304,152	29,931,854	21,645,711
Total primary government net position	<u>\$ 210,671,651</u>	<u>\$ 218,848,095</u>	<u>\$ 224,837,526</u>	<u>\$ 222,718,382</u>

Note: GASB statement 68 was implemented in for the year ended June 30, 2015, and prior years were not restated.

Schedule 1
UNAUDITED

Fiscal Year Ended June 30					
2011	2012	2013	2014	2015	2016
\$ 120,155,093	\$ 122,759,313	\$ 124,348,655	\$ 126,120,881	\$ 132,341,007	\$ 147,194,839
15,782,199	15,573,852	21,020,880	17,742,703	22,551,701	22,766,807
3,434,111	(741,153)	(904,202)	5,117,615	(51,921,632)	(53,192,731)
<u>139,371,403</u>	<u>137,592,012</u>	<u>144,465,333</u>	<u>148,981,199</u>	<u>102,971,076</u>	<u>116,768,915</u>
67,776,260	68,690,716	71,310,977	74,792,125	78,110,713	85,228,498
-	-	-	-	-	-
13,490,313	16,926,698	18,986,638	19,884,780	13,660,160	12,647,786
<u>81,266,573</u>	<u>85,617,414</u>	<u>90,297,615</u>	<u>94,676,905</u>	<u>91,770,873</u>	<u>97,876,284</u>
187,931,353	191,450,029	195,659,632	200,913,006	210,451,720	232,423,337
15,782,199	15,573,852	21,020,880	17,742,703	22,551,701	22,766,807
16,924,424	16,185,545	18,082,436	25,002,395	(38,261,472)	(40,544,945)
<u>\$ 220,637,976</u>	<u>\$ 223,209,426</u>	<u>\$ 234,762,948</u>	<u>\$ 243,658,104</u>	<u>\$ 194,741,949</u>	<u>\$ 214,645,199</u>

CITY OF ROYAL OAK, MICHIGAN

Financial Trends

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year Ended June 30			
	2007	2008	2009	2010
Expenses				
Governmental activities:				
General government	\$ 11,820,682	\$ 9,081,988	\$ 9,178,697	\$ 10,658,475
Public safety	20,540,025	24,228,222	25,340,432	27,808,076
Public works	11,677,027	11,647,910	12,008,559	11,323,281
Health and welfare	469,999	602,645	720,452	1,045,227
Community and economic development	1,532,163	2,301,776	1,382,073	1,855,557
Recreation and culture	3,581,434	4,212,541	4,101,371	3,988,900
Interest on long-term debt	793,776	784,438	720,676	697,975
Total governmental activities expenses	<u>50,415,106</u>	<u>52,859,520</u>	<u>53,452,260</u>	<u>57,377,491</u>
Business-type activities:				
Water and sewer	16,358,489	16,457,830	17,426,976	19,727,621
Parking	2,136,181	2,325,819	2,665,056	3,105,564
Recreation	1,886,696	1,960,279	1,866,341	1,788,792
Farmers market	266,310	327,228	344,946	350,918
Total business-type activities expenses	<u>20,647,676</u>	<u>21,071,156</u>	<u>22,303,319</u>	<u>24,972,895</u>
Total primary government expenses	<u>71,062,782</u>	<u>73,930,676</u>	<u>75,755,579</u>	<u>82,350,386</u>
Program Revenues				
Governmental activities:				
General government	3,859,945	4,786,182	5,032,372	4,985,949
Public safety	2,490,350	2,302,388	1,981,677	2,376,002
Public works	665,860	550,375	496,673	458,669
Health and welfare	893,850	865,648	959,100	934,114
Community and economic development	396,838	383,077	249,152	226,376
Recreation and culture	1,301,829	1,494,866	1,644,549	1,559,571
Interest and paying agent fees	777,899	-	-	-
Charges for services	10,386,571	10,382,536	10,363,523	10,540,681
Operating grants and contributions	3,146,627	3,930,593	3,186,231	3,576,342
Capital grants and contributions	1,079,263	1,163,612	873,030	626,971
Total governmental activities program revenues	<u>14,612,461</u>	<u>15,476,741</u>	<u>14,422,784</u>	<u>14,743,994</u>
Business-type activities:				
Water and sewer	19,659,036	20,989,462	20,039,667	21,429,384
Parking	2,215,151	2,516,001	2,570,487	2,659,002
Recreation	1,909,576	1,850,882	1,747,139	1,779,515
Farmers market	275,334	290,194	295,731	309,329
Charges for services	24,059,097	25,646,539	24,653,024	26,177,230
Operating grants and contributions	602,074	5,090	6,870	617,778
Capital grants and contributions	41,939	719,412	2,753,092	70,713
Total business-type activities program revenues	<u>24,703,110</u>	<u>26,371,041</u>	<u>27,412,986</u>	<u>26,865,721</u>
Total primary government program revenues	<u>63,374,668</u>	<u>67,494,321</u>	<u>66,488,794</u>	<u>41,609,715</u>
Net (Expense)/Revenue				
Governmental activities	(35,802,645)	(37,382,779)	(39,029,476)	(42,633,497)
Business-type activities	4,055,434	5,299,885	5,109,667	1,892,826
Total primary government net expense	<u>(31,747,211)</u>	<u>(32,082,894)</u>	<u>(33,919,809)</u>	<u>(40,740,671)</u>

Schedule 2
UNAUDITED

Fiscal Year Ended June 30					
2011	2012	2013	2014	2015	2016
\$ 8,904,081	\$ 9,235,905	\$ 8,685,580	\$ 8,823,978	\$ 9,017,535	\$ 10,233,170
27,846,183	26,655,378	27,661,032	29,807,897	29,965,336	33,545,346
11,568,038	11,501,518	11,471,347	11,870,834	13,295,707	11,803,571
1,578,078	1,228,451	1,206,154	1,235,631	834,244	741,945
1,829,671	1,914,032	1,384,747	1,381,937	1,444,432	1,442,994
4,012,061	3,497,548	3,465,650	3,612,171	3,762,240	4,056,345
674,965	616,539	536,155	445,709	431,845	385,521
56,413,077	54,649,371	54,410,665	57,178,157	58,751,339	62,208,892
22,677,293	22,473,658	22,905,058	22,560,736	23,658,591	24,989,668
3,176,310	3,081,880	3,117,172	2,968,028	2,857,366	3,130,520
1,676,691	2,159,028	2,229,831	2,195,258	2,229,514	2,146,622
365,470	380,262	383,635	426,141	471,484	516,110
27,895,764	28,094,828	28,635,696	28,150,163	29,216,955	30,782,920
84,308,841	82,744,199	83,046,361	85,328,320	87,968,294	92,991,812
4,450,270	5,045,872	5,607,879	5,723,862	5,862,692	7,009,130
2,492,540	2,753,964	3,534,643	4,151,795	4,563,491	5,474,015
519,279	490,576	1,176,769	942,340	1,802,601	2,395,568
959,793	955,698	1,054,639	1,053,817	891,010	1,108,659
281,061	381,889	427,787	516,728	380,257	478,678
2,131,507	2,155,539	1,921,743	2,001,488	2,031,676	2,122,582
-	-	-	-	-	-
10,834,450	11,783,538	13,723,460	14,390,030	15,531,727	18,588,632
3,859,876	4,673,144	4,596,773	4,852,240	4,232,338	5,531,956
455,132	277,644	81,630	299,977	162,263	148,372
15,149,458	16,734,326	18,401,863	19,542,247	19,926,328	24,268,960
25,940,143	27,426,573	26,532,412	25,349,015	25,772,888	30,672,689
2,985,064	3,444,725	3,348,553	3,492,617	3,806,662	3,921,394
1,764,707	2,053,167	2,326,020	2,189,652	2,275,535	2,373,123
350,632	372,646	393,081	477,974	495,244	482,662
31,040,546	33,297,111	32,600,066	31,509,258	32,350,329	37,449,868
617,198	501,299	747,570	634,047	635,612	440,016
-	-	150,919	-	-	-
31,657,744	33,798,410	33,498,555	32,143,305	32,985,941	37,889,884
77,847,748	83,829,847	84,500,484	83,194,810	85,262,598	99,608,712
(41,263,619)	(37,915,045)	(36,008,802)	(37,635,910)	(38,825,011)	(37,939,932)
3,761,980	5,703,582	4,862,859	3,993,142	3,768,986	7,106,964
(37,501,639)	(32,211,463)	(31,145,943)	(33,642,768)	(35,056,025)	(30,832,968)

continued...

CITY OF ROYAL OAK, MICHIGAN

Financial Trends

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year Ended June 30			
	2007	2008	2009	2010
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	\$ 26,898,481	\$ 27,578,249	\$ 27,744,049	\$ 28,573,797
State-shared revenues	9,350,955	9,251,499	8,873,213	8,228,312
Unrestricted investment earnings	1,938,968	2,068,262	998,889	449,343
Gain on sale of capital assets	30,958	-	-	-
Reimbursements	806,267	676,770	-	-
Miscellaneous	299,913	287,712	1,562,187	862,817
Transfers	1,287,709	689,516	631,647	2,540,203
Total governmental activities	<u>40,613,251</u>	<u>40,552,008</u>	<u>39,809,985</u>	<u>40,654,472</u>
Business-type activities:				
Unrestricted investment earnings	602,023	368,647	147,023	228,934
Gain on sale of capital assets	-	-	-	-
Miscellaneous	22,143	28,197	583,880	278,324
Transfers	(1,287,709)	(689,516)	(631,647)	(2,540,203)
Total business-type activities	<u>(663,543)</u>	<u>(292,672)</u>	<u>99,256</u>	<u>(2,032,945)</u>
Total primary government	<u>39,949,708</u>	<u>40,259,336</u>	<u>39,909,241</u>	<u>38,621,527</u>
Change in Net Position				
Governmental activities	4,810,606	3,169,229	780,509	(1,979,025)
Business-type activities	3,391,891	5,007,213	5,208,923	(140,119)
Total primary government	<u>\$ 8,202,497</u>	<u>\$ 8,176,442</u>	<u>\$ 5,989,432</u>	<u>\$ (2,119,144)</u>

Schedule 2
UNAUDITED

Fiscal Year Ended June 30					
2011	2012	2013	2014	2015	2016
\$ 26,152,857	\$ 25,576,233	\$ 34,016,290	\$ 32,605,336	\$ 39,990,264	\$ 40,810,616
8,280,285	8,392,881	8,542,746	9,043,725	8,953,377	9,411,377
300,004	254,940	153,669	184,685	72,513	119,498
-	28,303	-	14,246	31,381	57,705
-	-	-	-	-	-
477,906	478,914	287,116	663,855	316,812	337,022
(795,582)	1,568,859	(117,698)	(360,071)	2,380,968	1,001,553
<u>34,415,470</u>	<u>36,300,130</u>	<u>42,882,123</u>	<u>42,151,776</u>	<u>51,745,315</u>	<u>51,737,771</u>
182,910	159,675	-	-	-	-
-	-	-	26,077	272	-
27,271	56,443	-	-	-	-
795,582	(1,568,859)	117,698	360,071	(2,380,968)	(1,001,553)
<u>1,005,763</u>	<u>(1,352,741)</u>	<u>117,698</u>	<u>386,148</u>	<u>(2,380,696)</u>	<u>(1,001,553)</u>
<u>35,421,233</u>	<u>34,947,389</u>	<u>42,999,821</u>	<u>42,537,924</u>	<u>49,364,619</u>	<u>50,736,218</u>
(6,848,149)	(1,614,915)	6,873,321	4,515,866	12,920,304	13,797,839
4,767,743	4,350,841	4,980,557	4,379,290	1,388,290	6,105,411
<u>\$ (2,080,406)</u>	<u>\$ 2,735,926</u>	<u>\$ 11,853,878</u>	<u>\$ 8,895,156</u>	<u>\$ 14,308,594</u>	<u>\$ 19,903,250</u>

concluded.

CITY OF ROYAL OAK, MICHIGAN

Financial Trends

Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year Ended June 30			
	2007	2008	2009	2010
General fund				
Nonspendable	\$ 106,943	\$ 129,315	\$ 131,224	\$ 164,319
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	6,576,574	8,232,519	9,675,674	6,721,096
Total general fund	<u>6,683,517</u>	<u>8,361,834</u>	<u>9,806,898</u>	<u>6,885,415</u>
All other governmental funds				
Nonspendable	430,082	405,082	1,000	1,000
Restricted, reported in:				
Special revenue funds	14,652,413	15,105,248	14,189,386	15,339,796
Debt service funds	1,765,680	1,385,001	34,911	30,222
Capital projects funds	266,930	278,527	163,965	246,066
Permanent fund	3,896	21,158	10,278	9,924
Assigned	-	-	-	-
Total all other governmental funds	<u>17,119,001</u>	<u>17,195,016</u>	<u>14,399,540</u>	<u>15,627,008</u>
Total governmental funds	<u>\$ 23,802,518</u>	<u>\$ 25,556,850</u>	<u>\$ 24,206,438</u>	<u>\$ 22,512,423</u>

Schedule 3
UNAUDITED

Fiscal Year Ended June 30					
2011	2012	2013	2014	2015	2016
\$ -	\$ -	\$ 37,402	\$ -	\$ 10,974	\$ 11,007
-	445,542	529,726	644,917	768,682	695,389
1,300,000	3,075,000	2,950,000	2,855,000	3,092,000	3,092,000
5,221,748	4,374,352	7,391,788	11,149,199	13,085,091	14,481,359
<u>6,521,748</u>	<u>7,894,894</u>	<u>10,908,916</u>	<u>14,649,116</u>	<u>16,956,747</u>	<u>18,279,755</u>
157,957	156,209	179,085	147,066	172,509	190,679
15,178,562	14,145,088	14,456,669	16,225,088	20,856,866	21,133,319
33,163	37,897	102,301	108,875	109,435	101,733
402,587	118,466	189,317	606,395	633,802	698,261
9,930	10,034	10,347	10,362	10,407	10,464
-	-	2,277,340	3,101,828	2,317,454	2,046,139
<u>15,782,199</u>	<u>14,467,694</u>	<u>17,215,059</u>	<u>20,199,614</u>	<u>24,100,473</u>	<u>24,180,595</u>
<u>\$ 22,303,947</u>	<u>\$ 22,362,588</u>	<u>\$ 28,123,975</u>	<u>\$ 34,848,730</u>	<u>\$ 41,057,220</u>	<u>\$ 42,460,350</u>

CITY OF ROYAL OAK, MICHIGAN

Financial Trends

Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year Ended June 30			
	2007	2008	2009	2010
Revenues				
Taxes	\$ 26,843,146	\$ 27,791,327	\$ 27,894,711	\$ 28,247,608
Licenses and permits	2,889,242	2,561,656	2,455,968	2,926,558
Federal grants	3,082,224	2,907,622	1,787,930	1,830,199
State grants	9,803,930	9,661,102	9,261,154	8,676,226
Charges for services	3,589,406	3,735,014	3,806,309	3,688,251
Fines and forfeitures	4,145,185	4,396,589	4,175,074	3,929,759
Interest and rentals	2,120,566	2,304,081	1,320,563	675,657
Contributions and donations	507,954	1,541,430	1,811,555	1,736,650
Other revenue	1,106,180	964,482	1,562,187	862,817
Total revenues	<u>54,087,833</u>	<u>55,863,303</u>	<u>54,075,451</u>	<u>52,573,725</u>
Expenditures				
General government	12,155,896	8,630,729	9,004,224	8,925,132
Public safety	20,426,500	24,646,113	25,414,070	26,624,516
Public works	15,152,352	13,086,601	14,057,676	13,873,005
Health and welfare	455,470	597,709	712,703	688,640
Community and economic development	1,569,772	2,307,383	1,405,210	1,864,821
Recreation and culture	3,284,964	3,986,566	3,912,795	3,670,704
Debt service:				
Principal payments	715,000	830,000	865,000	910,000
Interest and paying agent fees	772,931	776,549	710,111	689,500
Bond issuance costs	-	-	-	-
Total expenditures	<u>54,532,885</u>	<u>54,861,650</u>	<u>56,081,789</u>	<u>57,246,318</u>
Revenue over (under) expenditures	<u>(445,052)</u>	<u>1,001,653</u>	<u>(2,006,338)</u>	<u>(4,672,593)</u>
Other financing sources (uses)				
Issuance of long-term debt	825,000	-	-	-
Premium on issuance of long-term debt	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	4,992,029	3,445,684	6,058,933	9,250,201
Transfers out	(3,556,965)	(2,693,004)	(5,403,007)	(6,271,623)
Proceeds from sale of assets	30,958	-	-	-
Total other financing sources (uses)	<u>2,291,022</u>	<u>752,680</u>	<u>655,926</u>	<u>2,978,578</u>
Net change in fund balances	<u>\$ 1,845,970</u>	<u>\$ 1,754,333</u>	<u>\$ (1,350,412)</u>	<u>\$ (1,694,015)</u>
Debt service as a percentage of noncapital expenditures	3.00%	3.10%	2.98%	3.01%

Schedule 4
UNAUDITED

Fiscal Year Ended June 30					
2011	2012	2013	2014	2015	2016
\$ 26,381,439	\$ 25,741,884	\$ 32,657,464	\$ 33,040,104	\$ 40,327,885	\$40,812,298
2,691,023	3,468,967	4,231,944	4,838,254	5,346,516	6,629,135
2,001,554	3,117,674	2,536,488	2,216,600	1,840,046	1,677,378
8,703,584	8,774,561	9,021,184	9,492,853	9,675,169	10,362,532
4,281,063	4,168,570	5,303,604	4,973,544	5,606,654	6,513,571
4,129,803	4,010,892	4,057,370	4,425,958	4,546,629	5,399,533
498,883	499,497	525,311	557,892	465,430	571,454
1,255,738	1,486,024	1,338,658	2,077,707	1,272,088	2,217,097
477,906	478,914	408,205	884,467	583,449	876,644
<u>50,420,993</u>	<u>51,746,983</u>	<u>60,080,228</u>	<u>62,507,379</u>	<u>69,663,866</u>	<u>75,059,642</u>
8,331,615	8,807,176	7,999,871	8,195,123	8,805,147	10,259,300
24,534,124	23,449,671	24,773,584	26,703,494	30,347,526	31,858,670
12,460,296	13,506,755	13,547,204	14,049,998	18,827,277	24,544,700
765,013	708,524	769,483	805,658	858,501	735,301
1,843,800	1,901,247	1,426,415	1,413,899	1,416,767	1,396,557
3,549,926	3,223,250	3,262,250	3,602,859	3,815,200	4,042,879
945,000	985,000	1,020,000	1,095,000	1,356,000	1,423,000
666,865	609,981	520,597	437,427	401,704	399,159
-	-	-	-	32,838	-
<u>53,096,639</u>	<u>53,191,604</u>	<u>53,319,404</u>	<u>56,303,458</u>	<u>65,860,960</u>	<u>74,659,566</u>
<u>(2,675,646)</u>	<u>(1,444,621)</u>	<u>6,760,824</u>	<u>6,203,921</u>	<u>3,802,906</u>	<u>400,076</u>
-	-	4,965,000	1,127,000	2,053,000	3,258,578
-	-	292,966	-	-	153,451
-	-	(5,060,000)	-	(2,020,162)	(3,353,620)
7,427,440	5,898,961	20,175,143	21,563,760	25,286,037	31,612,692
(4,960,270)	(4,376,101)	(21,392,144)	(22,169,926)	(22,913,344)	(30,668,047)
-	-	-	-	53	-
<u>2,467,170</u>	<u>1,522,860</u>	<u>(1,019,035)</u>	<u>520,834</u>	<u>2,405,584</u>	<u>1,003,054</u>
<u>\$ (208,476)</u>	<u>\$ 78,239</u>	<u>\$ 5,741,789</u>	<u>\$ 6,724,755</u>	<u>\$ 6,208,490</u>	<u>\$ 1,403,130</u>
3.17%	3.18%	3.18%	2.90%	2.98%	3.03%

CITY OF ROYAL OAK, MICHIGAN

Revenue Capacity Information

Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Tax Year	Fiscal Year	Residential	Commercial	Industrial	Personal	IFT Real and Personal Tax
2006	2007	\$ 1,760,779,950	\$ 355,053,760	\$ 54,154,390	\$ 130,043,660	\$ 3,177,250
2007	2008	1,875,049,470	378,328,500	56,432,540	124,894,290	4,931,860
2008	2009	1,889,916,570	393,623,270	58,732,400	113,121,190	4,893,960
2009	2010	1,859,817,935	413,633,900	57,320,450	111,014,890	4,908,820
2010	2011	1,688,549,090	403,781,590	54,329,690	116,007,990	5,712,590
2011	2012	1,648,632,770	396,588,890	43,977,480	119,051,890	14,124,730
2012	2013	1,626,988,850	391,226,770	41,045,340	137,095,330	9,577,040
2013	2014	1,671,311,400	379,835,840	36,914,920	135,277,840	9,507,670
2014	2015	1,724,404,970	375,365,660	36,935,510	131,328,570	9,076,090
2015	2016	1,799,260,920	378,983,060	37,730,500	142,368,610	7,856,290

Note: Under Michigan law, the revenue base is referred to as "Taxable Value."
This amount represents assessed value (50% of true cash value), limited for each property be the lower of 5% or inflation.

Source: City Assessor's records.

Schedule 5
UNAUDITED

Total Taxable Value	Direct Tax Rate (mills)	Total SEV	Taxable Value as a % of SEV
\$ 2,303,209,010	11.6701	\$3,015,692,720	76.4%
2,439,636,660	11.4366	3,119,200,310	78.2%
2,460,287,390	11.4333	2,991,369,550	82.2%
2,446,695,995	11.6860	2,813,076,355	87.0%
2,268,380,950	11.7131	2,468,153,760	91.9%
2,222,375,760	11.7250	2,349,535,700	94.6%
2,205,933,330	15.2011	2,344,988,010	94.1%
2,232,847,670	15.1652	2,329,974,790	95.8%
2,277,110,800	15.6551	2,505,604,540	90.9%
2,366,199,380	15.1892	2,693,722,050	87.8%

CITY OF ROYAL OAK, MICHIGAN

Revenue Capacity Information

Property Tax Rates - Direct and Overlapping
Last Ten Fiscal Years

Tax Year	Fiscal Year	Direct City Taxes - Millage Rates (\$1 per 1,000) (1)							
		General Operating		Solid Waste Operating		Library Operating	Public Safety Operating	Voted Debt	Total Direct Taxes
		Charter	Publications	Refuse-State	Refuse-Voted				
2006	2007	7.4207	0.0222	2.0235	0.9304	0.9631	n/a	0.3102	11.6701
2007	2008	7.3947	0.0214	2.0164	0.7500	0.9597	n/a	0.2944	11.4366
2008	2009	7.3947	0.0213	2.0164	0.7500	0.9597	n/a	0.2912	11.4333
2009	2010	7.3947	0.0216	2.0164	0.9965	0.9597	n/a	0.2971	11.6860
2010	2011	7.3947	0.0234	2.0164	0.9965	0.9597	n/a	0.3224	11.7131
2011	2012	7.3947	0.0239	2.0164	0.9965	0.9597	n/a	0.3338	11.7250
2012	2013	7.3947	0.0225	2.0164	0.9965	0.9597	3.475	0.3363	15.2011
2013	2014	7.3947	0.0223	2.0164	0.9965	0.9597	3.475	0.3006	15.1652
2014	2015	7.3947	0.0218	2.0164	0.9965	0.9597	3.975	0.2910	15.6551
2015	2016	7.3695	0.0223	2.0095	0.5931	0.9564	3.961	0.2770	15.1892

Notes:

- (1) General Operating millage includes the Charter operating rate. There are two Refuse rates: one rate is authorized by State statute and the other rate is by local voted authority.

Michigan law restricts the maximum millage that may be levied by the City without a vote of our residents, as follows:

Tax Year	Fiscal Year	General Operating		Solid Waste Operating		Library Operating	Voted Debt
		Charter	Publications	Refuse-State	Refuse-Voted		
2015	2016	7.3695	0.0223	2.0095	0.5931	0.9564	no limit
		not to exceed \$50,000 / year					

- (2) County Rate includes Oakland County, Oakland County Park, Oakland County Public Transit Authority, Huron Clinton Metropolitan Park Authority and, starting in 2008, the Detroit Zoo Authority rates.
- (3) Royal Oak Schools serve 98.98% of the taxable value of the City. Berkley and Clawson school districts serve the remaining area.
- (4) A homeowner's Principal Residence Exemption (P.R.E.) grants up to 18 mills of school tax relief to qualified homeowners (Public Act 15 of 2003, MCL 211.7cc as amended). It is administered by the local assessor and affects the local tax bill. An independent state homestead property tax credit (MCL 206.508 et seq.) to qualified homeowners and renters is administered directly by the Michigan Department of Treasury as additional property tax relief.
- (5) The DDA tax rate applies only to parcels within the approved Downtown District. It is in addition to all other applicable property tax rates.

Source: City Assessor's records.

Overlapping Taxes				Total Tax Rate	Overlapping Taxes Royal Oak Schools		Total (4)		Downtown Development Authority (DDA) (5)
County Taxes (2)	Intermediate School District	Oakland Community College	State Education Tax (SET)	Before School Taxes	School P.R.E. (3)	School Non- P.R.E. (3)	Tax Rate for P.R.E.	Tax Rate for Non- P.R.E.	
5.2361	3.3690	1.5844	6.0000	27.8596	7.7030	22.7100	35.5626	50.5696	1.6831
5.2361	3.3690	1.5844	6.0000	27.6261	7.6057	22.7100	35.2318	50.3361	1.6831
5.3361	3.3690	1.5844	6.0000	27.7228	7.4095	22.7100	35.1323	50.4328	1.6477
5.3361	3.3690	1.5844	6.0000	27.9755	7.3521	22.7100	35.3276	50.6855	1.6477
5.3361	3.3690	1.5844	6.0000	28.0026	7.7312	22.7100	35.7338	50.7126	1.6477
5.3361	3.3690	1.5844	6.0000	28.0145	7.7312	22.7100	35.7457	50.7245	1.6477
5.3361	3.3690	1.5844	6.0000	31.4906	7.7300	22.7100	39.2206	54.2006	1.6477
5.3361	3.3690	1.5844	6.0000	31.4547	7.7300	22.7500	39.1847	54.2047	1.6477
5.9461	3.3690	1.5844	6.0000	32.5546	7.1928	22.7500	39.7474	55.3046	1.6477
5.8448	3.3633	1.5819	6.0000	31.9792	7.3842	22.7466	39.3634	54.7258	1.6477

Revenue Capacity Information

Principal Property Taxpayers

Current Year and Nine Years Ago

Taxpayer	Assessment Year					
	2007			2016		
	Taxable Value	Rank	Percentage of Total	Taxable Value	Rank	Percentage of Total
DTE Electric Company	\$ 17,671,340	2	0.72%	\$ 20,688,360	1	0.87%
HHI Formtech LLC	23,119,110	1	0.94%	14,451,810	2	0.61%
Consumers Energy Company	9,673,320	7	0.39%	13,594,680	3	0.57%
WM Beaumont Hospital	16,120,760	3	0.66%	13,117,480	4	0.55%
Sears Holding				6,505,040	5	0.27%
MacLean-Fogg				6,299,490	6	0.27%
H2 Royal Oak LLC				6,119,270	7	0.26%
Washington Square Plaza llc				4,973,880	8	0.21%
National Retail Properties LP				4,781,590	9	0.20%
Amber Equities	15,731,310	4	0.64%			
Flex-N-Gate	10,885,110	5	0.44%	4,583,490	10	0.19%
Co-op Services	10,143,660	6	0.41%			
Main Eleven Royal Oak	9,462,220	8	0.38%			
National City Bank	8,840,540	9	0.36%			
Meijer, Inc.	8,363,670	10	0.34%			
Total taxable value of ten largest taxpayers	130,011,040		5.28%	95,115,090		4.02%
Total taxable value of all other taxpayers	2,330,276,350		94.72%	2,271,084,290		95.98%
Total taxable value of all taxpayers	<u>\$ 2,460,287,390</u>		<u>100.00%</u>	<u>\$ 2,366,199,380</u>		<u>100.00%</u>

Source: City Assessor

Revenue Capacity InformationProperty Tax Levies and Collections
Last Ten Fiscal Years

Tax Year	Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount (1)	Percent of Levy		Amount	Percent of Levy
2006	2007	\$ 32,671,722	\$ 30,418,793	93.10%	\$ 2,025,141	\$ 32,443,196	99.30%
2007	2008	27,941,762	27,684,282	99.07%	23,752	27,708,034	99.16%
2008	2009	27,871,925	27,828,147	99.84%	3,855	27,832,002	99.85%
2009	2010	28,304,183	28,177,662	99.55%	105,667	28,283,329	99.92%
2010	2011	26,338,079	26,314,425	99.91%	23,302	26,337,727	99.99%
2011	2012	25,685,056	25,656,002	99.88%	13,746	25,669,748	99.94%
2012	2013	32,676,999	32,629,339	99.85%	25,795	32,655,134	99.93%
2013	2014	34,509,624	34,431,897	99.77%	5,263	34,437,160	99.79%
2014	2015	42,085,769	41,995,560	99.79%	5,000	42,000,560	99.80%
2015	2016	42,669,442	42,466,820	99.53%	25,000	42,491,820	99.58%

(1): The amount collected within the fiscal year includes delinquent real taxes turned over to Oakland County on March 1 of every year for collection.

Source: City Treasurer's records.

CITY OF ROYAL OAK, MICHIGAN

Debt Capacity Information

Ratios of Outstanding Debt

Last Ten Fiscal Years

	2007	2008	2009	2010
Governmental Activities				
General obligation bonds	\$ 17,810,000	\$ 19,625,000	\$ 19,850,000	\$ 18,610,000
Business-type Activities				
General obligation bonds	22,437,387	21,047,387	30,132,387	28,317,387
Loans and contractual obligations	31,164,996	29,946,268	30,149,462	29,280,006
Total	53,602,383	50,993,655	60,281,849	57,597,393
Total debt of the City	\$ 71,412,383	\$ 70,618,655	\$ 80,131,849	\$ 76,207,393
Total personal income	\$ 2,980,109,333	\$ 3,014,174,700	\$ 2,736,407,910	\$ 2,801,990,961
Ratio of total debt to personal income	2.40%	2.34%	2.93%	2.72%
Total population	55,777	54,903	54,365	56,133
Total debt per capita	\$1,280	\$1,286	\$1,474	\$1,358

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Source: City Finance Department

2011	2012	2013	2014	2015	2016
\$ 17,335,000	\$ 16,005,000	\$ 14,670,478	14,302,563	\$ 12,634,354	\$ 10,960,611
26,437,387	24,957,387	23,147,426	21,597,831	15,475,000	15,658,150
27,504,922	25,650,523	23,739,452	21,778,969	24,281,284	21,655,862
53,942,309	50,607,910	46,886,878	43,376,800	39,756,284	37,314,012
\$ 71,277,309	\$ 66,612,910	\$ 61,557,356	\$ 57,679,363	\$ 52,390,638	\$ 48,274,623
\$ 2,859,295,677	\$ 2,863,438,788	\$ 3,169,998,966	\$ 3,316,943,085	\$ 3,365,977,560	\$ 3,508,809,444
2.49%	2.33%	1.94%	2.58%	1.56%	1.38%
57,281	54,903	59,478	59,485	59,016	58,716
\$1,244	\$1,213	\$1,035	\$970	\$888	\$822

CITY OF ROYAL OAK, MICHIGAN

Debt Capacity Information

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-type Activities	Net General Bonded Debt
	Limited Tax General Obligation Bonds (LTGO)	Tax Supported Bonds (UTGO)	Less Pledged Debt Service Funds	Limited Tax General Obligation Bonds (LTGO)	
2007	\$ 12,205,000	\$ 7,420,000	\$ 1,765,680	\$ 22,437,387	\$ 40,296,707
2008	12,785,000	7,065,000	1,385,001	21,047,387	39,512,386
2009	11,910,000	6,700,000	34,911	30,132,387	48,707,476
2010	11,020,000	6,315,000	30,222	28,317,387	45,622,165
2011	10,090,000	5,915,000	33,163	26,437,387	42,409,224
2012	9,175,478	5,495,000	37,897	24,957,387	39,589,968
2013	9,705,478	4,965,000	176,120	23,147,426	37,641,784
2014	9,827,563	4,475,000	108,875	21,597,831	35,791,519
2015	8,659,354	3,975,000	109,435	15,475,000	27,999,919
2016	7,500,611	3,460,000	101,733	15,658,150	26,517,028

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Schedule 10
UNAUDITED

Taxable Value	Governmental Debt as a Percentage of Taxable Value	Population	Governmental Debt per Capita
\$ 2,303,209,010	1.75%	55,777	\$ 722
2,439,636,660	1.62%	54,903	720
2,460,287,390	1.98%	54,365	896
2,446,695,995	1.86%	56,133	813
2,268,380,950	1.87%	57,281	740
2,222,375,760	1.78%	57,364	690
2,205,933,330	1.71%	59,478	633
2,232,847,670	1.21%	59,485	455
2,277,110,800	1.23%	59,016	474
2,366,199,380	1.12%	58,716	452



Debt Capacity InformationDirect and Overlapping Governmental Activities Debt
June 30, 2016

Government Unit	Gross	Self-Supporting	Net	Net Debt	
				Capita	% of Taxable Value
Direct Debt - City of Royal Oak	\$ 10,960,611	\$ -	\$ 10,960,611	\$187	0.46%
Overlapping Debt:					
	Gross (1)	City share as % of Gross (1)	Net City Share		
Royal Oak School District	\$ 40,765,000	96.95%	\$ 39,521,668		
Berkley School District	68,065,000	1.88%	1,279,622		
Clawson School District	30,531,132	0.92%	280,886		
Oakland County at large	426,396,226	4.53%	19,315,749		
Oakland Intermediate School District	54,540,000	4.55%	2,481,570		
Oakland County Community College	<u>2,355,000</u>	4.56%	<u>107,388</u>		
Total Overlapping Debt	<u>622,652,358</u>		<u>62,986,883</u>	<u>1,067.28</u>	<u>2.77%</u>
Total Direct and Overlapping Debt	<u>\$ 633,612,969</u>		<u>\$ 73,947,494</u>	<u>\$ 1,254</u>	<u>3.23%</u>

(1) Overlapping debt information obtained from Municipal Advisory Committee of Michigan

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Royal Oak. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

CITY OF ROYAL OAK, MICHIGAN

Debt Capacity Information

Computation of Legal Debt Margin

Last Ten Fiscal Years

As of June 30	2007	2008	2009	2010
Valuation base				
State equalized valuation - excluding IFT values	\$ 3,012,515,470	\$ 3,114,268,450	\$ 2,986,475,590	\$ 2,808,167,535
Plus: equivalent valuation of Act 198 exemptions	3,177,250	4,931,860	4,893,960	4,908,820
Total valuation	<u>\$ 3,015,692,720</u>	<u>\$ 3,119,200,310</u>	<u>\$ 2,991,369,550</u>	<u>\$ 2,813,076,355</u>
Legal debt limitation - 5% of total valuation	<u>\$ 150,784,636</u>	<u>\$ 155,960,016</u>	<u>\$ 149,568,478</u>	<u>\$ 140,653,818</u>
Calculation of debt subject to limit:				
Debt outstanding	71,837,383	70,918,655	76,207,393	71,277,309
Less: bonds not subject to limit	(44,273,335)	(43,878,655)	(46,396,849)	(44,452,393)
Net debt subject to limit	<u>27,564,048</u>	<u>27,040,000</u>	<u>29,810,544</u>	<u>26,824,916</u>
Additional debt which can be legally incurred	<u>\$ 123,220,588</u>	<u>\$ 128,920,016</u>	<u>\$ 119,757,934</u>	<u>\$ 113,828,902</u>
Non-exempt debt as a percent of debt limit	18.28%	17.34%	19.93%	19.07%

Source: City Finance Department

Note:

Section 21 of Article VII of the Michigan Constitution establishes the City, subject to statutory and constitutional limitations for municipalities to incur debt for public purposes:

"The legislature shall provide by general laws for the incorporation of cities and villages. Such laws shall limit their rate of ad valorem property taxation for municipal purposes, and restrict the powers of cities and villages to borrow money and contract debts. Each property taxation for municipal purposes, and restrict the powers of cities and villages to borrow money and contract debts. Each city and village is granted power to levy other taxes for other public purposes, subject to the limitations and prohibitions provided by the constitution or by law."

In accordance with the foregoing authority granted to the State Legislature, the Home Rule Cities Act limits the amount of debt a home rule city may have outstanding at any time. Section 4-a of the Home Rule Cities Act provides:

"The net indebtedness incurred for all public purposes may be as much as but shall not exceed the greater of the following:

- (a) Ten percent of all the real and personal property of the city adjusted for tax abated property.
- (b) Fifteen percent of the assessed value of all the real and personal property in the city if that portion of the total amount of indebtedness incurred which exceeds ten percent is or has been used solely for the construction or renovation of hospital facilities.

Significant exceptions to the debt limitation have been permitted by the Home Rule Cities Act for certain types of indebtedness which include: special assessment bonds and Michigan transportation fund bonds (formerly motor vehicle highway fund bonds), even though they are general obligations of the City; revenue bonds payable from revenue only, whether secured by a mortgage or not; bonds issued or contract obligations or assessments incurred to comply with an order of the Water Resources Commission of the State or a court of competent jurisdiction; obligations incurred for water supply, sewage, drainage, refuse disposal or resource recovery projects necessary to protect the public health by abating pollution; and bonds issued for construction, improvements and replacement of a combined sewer overflow abatement facility. The resources of a sinking fund pledged for the retirement of outstanding bonds shall also be excluded in computing the debt limitation.

The ten percent limit may be exceeded by 3/8 of one percent in case of flood, fire or other calamity.

However the city charter further restricts the city debt limit to 5%.

2011	2012	2013	2014	2015	2016
\$ 2,462,441,170	\$ 2,349,535,700	\$ 2,335,410,970	\$ 2,320,467,120	\$ 2,496,528,450	\$ 2,685,865,760
5,712,590	14,124,730	9,577,040	9,507,670	9,076,090	7,856,290
<u>\$ 2,468,153,760</u>	<u>\$ 2,363,660,430</u>	<u>\$ 2,344,988,010</u>	<u>\$ 2,329,974,790</u>	<u>\$ 2,505,604,540</u>	<u>\$ 2,693,722,050</u>
<u>\$ 123,407,688</u>	<u>\$ 118,183,022</u>	<u>\$ 117,249,401</u>	<u>\$ 116,498,740</u>	<u>\$ 125,280,227</u>	<u>\$ 134,686,103</u>
66,612,910	66,612,910	61,696,839	57,679,363	52,390,638	48,274,623
(26,437,387)	(38,897,910)	(35,986,839)	(33,001,356)	(29,925,435)	(25,246,458)
<u>40,175,523</u>	<u>27,715,000</u>	<u>25,710,000</u>	<u>24,678,007</u>	<u>22,465,203</u>	<u>23,028,165</u>
<u>\$ 83,232,165</u>	<u>\$ 90,468,022</u>	<u>\$ 91,539,401</u>	<u>\$ 91,820,733</u>	<u>\$ 102,815,024</u>	<u>\$ 111,657,938</u>
32.56%	23.45%	21.93%	21.18%	17.93%	17.10%



Debt Capacity Information

Pledged Revenue Coverage

Last Ten Fiscal Years

Fiscal Year	Water/Sewer Bonds and Contractual Obligations						
	Water & Sewer Operating Revenue	Less: Applicable Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirement			Coverage
				Principal	Interest	Total	
2007	\$ 19,714,401	\$ 14,563,795	\$ 5,150,606	\$ 1,972,419	\$ 379,445	\$ 2,351,864	219%
2008	21,114,411	14,800,538	6,313,873	1,914,068	360,767	2,274,835	278%
2009	20,683,908	14,911,446	5,772,462	2,443,181	414,129	2,857,310	202%
2010	21,751,452	16,101,596	5,649,856	2,681,982	1,246,379	3,928,361	144%
2011	25,940,143	18,970,691	6,969,452	2,758,597	1,228,393	3,986,990	175%
2012	27,426,573	19,275,416	8,151,157	2,829,400	1,151,522	3,980,922	205%
2013	26,532,412	19,739,321	6,793,091	2,911,071	1,063,927	3,974,998	171%
2014	25,349,015	19,365,128	5,983,887	2,985,482	988,274	3,973,756	151%
2015	25,772,888	20,325,789	5,447,099	3,075,921	910,921	3,986,842	137%
2016	30,672,689	21,910,527	8,762,162	3,160,487	799,770	3,960,257	221%

Note: (1) Operating expenses net of depreciation and amortization.

Source: City Finance Department

CITY OF ROYAL OAK, MICHIGAN

Demographic and Economic Information

Demographic Statistics

Last Ten Fiscal Years

Fiscal Year Ended June 30	Number of Households (1)	Population (1)	Per Capita Personal Income (2)	Total Personal Income (\$000)	Median Age (3)	School Enrollment (4)
2007	28,889	55,777	\$ 53,429	\$2,980,109	39.5	5,301
2008	28,674	54,903	54,900	3,014,175	39.9	5,270
2009	28,601	54,365	50,334	2,736,408	40.1	5,489
2010	27,639	56,133	49,917	2,801,991	40.6	5,528
2011	28,169	57,281	49,917	2,859,296	39.1	5,470
2012	28,216	57,364	49,917	2,863,439	40.5	5,172
2013	29,342	59,478	53,297	3,169,999	37.8	5,163
2014	29,399	59,485	55,761	3,316,943	37.8	5,171
2015	29,192	59,016	57,035	3,365,978	37.8	4,900
2016	29,122	58,716	59,759	3,508,809	37.8	4,900

Source:

- (1) U.S. Census and SEMCOG
- (2) 2006-2010 U.S. Department of Commerce, Bureau of Economic Analysis, Regional
Economic Indicators for Oakland County, MI. 2011-2015 Estimated using last year available.
- (3) U.S. Census estimates
- (4) Royal Oak Schools Fall enrollment count. (estimate, excludes Alternative Education)
- (5) Bureau of Labor Statistics, August 2016 Estimates

Schedule 14
UNAUDITED

Royal Oak (5)		Michigan (5)	
Labor Force	Unemployment Rate	Labor Force (000)	Unemployment Rate
35,342	3.8%	5,038	7.1%
34,503	4.4%	4,976	8.3%
33,082	8.2%	4,889	13.6%
33,222	8.4%	4,852	13.8%
32,861	6.7%	4,749	11.1%
33,122	6.7%	4,701	11.0%
34,121	5.3%	4,760	8.7%
33,955	5.0%	4,812	7.9%
36,941	3.0%	4,806	6.0%
38,139	2.9%	4,838	4.6%

CITY OF ROYAL OAK, MICHIGAN

Schedule 15

UNAUDITED

 Demographic and Economic Information

Principal Employers

Current Year and Nine Years Ago

Company Name	Product/Service	2007			2016		
		Employees	Rank	Percentage of Total	Employees	Rank	Percentage of Total
William Beaumont Hospital	Hospital	12,227	1	34.60%	10,514	1	28.46%
Royal Oak School District	Education	605	2	1.71%	500	2	1.35%
City of Royal Oak	Municipality	380	5	1.08%	486	3	1.32%
Flex-N-Gate Royal Oak	Automotive supplier	260	8	0.74%	369	4	1.00%
Consumers Energy	Utility	308	6	0.87%	357	5	0.97%
Oakland Community College	Education	530	3	1.50%	318	6	0.86%
Meijer, Inc.	Retailer/grocery store	450	4	1.27%	316	7	0.86%
Holiday Market	Grocery store	220	10	0.62%	300	8	0.81%
Detroit Zoological Society	Zoo	250	9	0.71%	220	9	0.60%
Hollywood Markets	Grocery store				100	10	0.27%
Kroger	Grocery store	260	7	0.74%			-
Total		15,490		43.83%	13,480		36.49%

Sources: Royal Oak Finance Department

CITY OF ROYAL OAK, MICHIGAN

Schedule 16
UNAUDITED**Operating Information**Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function / Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
City hall	1	1	1	1	1	1	1	1	1	1
Courthouse	1	1	1	1	1	1	1	1	1	1
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Marked patrol vehicles	31	29	29	27	20	20	26	24	26	26
Other police vehicles	15	16	16	13	15	15	15	25	24	24
Fire										
Fire stations	3	3	3	3	3	3	3	3	3	3
Fire response vehicles	8	8	8	8	8	8	8	8	8	8
Ambulance vehicles	4	4	4	4	4	4	4	4	4	4
Mobile command center	1	1	1	1	0	0	0	0	0	-
Other fire vehicles	*	*	*	*	*	*	*	10	10	10
Public Parking										
Spaces	3,445	3,424	3,678	3,678	3,678	3,678	3,678	3,730	3,815	3,815
Decks	1,532	1,532	1,532	1,532	1,532	1,532	1,532	1,532	1,532	1,532
Lots	821	1,092	1,244	1,380	1,380	1,380	1,380	1,380	1,473	1,473
Streets	757	750	766	766	766	766	766	818	810	810
Meters	1,717	1,950	2,010	2,151	2,151	2,210	2,210	2,203	2,203	2,203
Parks and Recreation										
Community center	2	2	2	2	2	2	2	2	2	2
Number of parks	50	50	50	50	50	50	50	50	51	51
Park acreage	310	310	310	310	310	310	310	310	352	352
Golf courses/holes	2 / 9 ea.	2 / 9 ea.	2 / 9 ea.	2 / 9 ea.	2 / 9 ea.	2 / 9 ea.	2 / 9 ea.	2 / 9 ea.	1 / 9 ea.	1 / 9 ea.
Indoor ice skating surfaces	2	2	2	2	2	2	2	2	2	2
Tennis courts	33	33	33	33	33	33	32/ 1 pickle	32/1 pickle	31/2 pickle	31/2 pickle
Library										
Branches	1	1	1	1	1	1	1	1	1	1
Collection -number of items	139,843	153,499	175,713	185,301	177,803	181,523	181,474	186,223	184,362	179,393
Public computers	36	36	36	36	47	44	44	38	38	37
Roads and Sidewalks										
Miles of major streets	64.40	64.40	64.40	64.40	64.40	64.40	63.96	63.96	63.96	63.96
Miles of local streets	148.27	148.27	148.27	148.27	148.27	148.27	148.24	148.41	148.41	148.63
Miles of sidewalk	420	420	420	420	420.5	420.6	421.3	422	423	423
Utilities										
Water										
Miles of water main	215.00	215.22	215.50	215.50	217.00	217.43	217.60	217.59	218.52	218.74
Miles of sewer	357.00	357.41	357.70	357.70	358.50	358.65	358.65	359.27	361.00	361.00
Number of hydrants	2,064	2,064	2,070	2,070	2,111	2,115	2,127	2,138	2,138	2,138
Forestry										
Number of trees in rights-of-way	21,138	23,121	23,121	23,121	20,781	22,048	20,541	20,262	27,149	26,456

Source: City Departments

Note: * Information not available

CITY OF ROYAL OAK, MICHIGAN

Operating Information

Operating Indicators by Function/Program

Last Ten Fiscal Years

Fiscal Year Ending June 30

Function / Program	2007	2008	2009	2010
Election data (calendar year)				
Registered voters	46,111	47,881	47,374	48,167
Elections held	1	3	1	1
Voters (at the polls or absentee)	8,222	35,357	8,553	7,456
Percent voting	17.8%	73.8%	17.7%	15.5%
Vital Records (calendar year)				
Birth	6,107	5,975	8,404	5,053
Death	2,143	2,046	2,017	1,870
District Court (calendar year)				
Number of court cases by judges/magistrates	16,152	17,615	15,879	17,263
Number of traffic tickets disposed	28,146	24,626	20,692	18,797
Number of criminal cases disposed	2,986	4,376	3,354	4,743
Number of civil cases disposed	2,765	3,138	3,288	3,358
Number of parking tickets disposed	86,140	91,226	77,403	87,650
Assessing				
Parcels (tax / calendar year)	24,280	27,867	27,754	27,632
Documents processed (prior to 2008 PTAs only)	841	3,344	1,254	1,194
Building and Safety				
Permits issued	1,375	1,289	564	1,636
Estimated permit value (\$000)	\$53,464	\$53,075	\$6,859	\$34,772
Police (calendar year, 2009 through June 30)				
Calls for service	31,743	32,140	31,602	31,111
Group A offenses	3,776	3,616	3,242	2,949
Group B offenses	2,621	2,590	2,478	2,199
Traffic violations issued	21,635	20,934	17,212	15,221
Parking violations issued	92,136	79,776	86,322	88,830
Fire				
Fire runs	1,620	1,869	1,532	1,625
Emergency medical runs	3,590	3,951	3,828	3,537
Inspections	261	271	291	513
Human Resources				
Employment applications - full & part-time	986	329	548	332
Hires, position changes, retirements, terminations	45	61	49	78
Workers' comp. claims filed - medical & indemnity	62	83	64	66
Health insurance enrollees - Employees	311	300	287	293
Health insurance enrollees - Retirees	389	380	379	391

Source: City Departments

Note: * Information not available

Schedule 17
UNAUDITED

2011	2012	2013	2014	2015	2016
48,167	49,034	49,080	49,124	48,202	*
1	3	1	2	2	*
7,456	34,607	12,555	23,734	12,305	*
15.5%	70.6%	25.6%	48.3%	25.5%	*
5,070	5,983	5,072	5,384	5,958	*
1,823	1,693	1,767	1,435	1,763	*
15,636	14,701	13,140	15,223	18,969	32,027
13,906	13,836	12,835	14,495	15,095	25,158
4,503	1,968	3,913	3,141	4,269	2,604
3,024	2,879	2,945	2,561	2,349	3,254
98,003	97,425	93,388	95,643	93,115	92,658
27,608	27,641	27,641	27,693	27,791	27,857
4,479	4,061	4,284	9,561	8,190	11,849
1,741	1,601	1,779	2,030	2,374	2,194
\$30,539	\$33,116	\$70,480	\$81,609	\$77,778	\$167,991
29,887	37,297	40,744	44,616	48,051	*
2,963	2,601	2,305	2,205	2,320	*
1,948	1,179	1,271	1,228	1,296	*
13,659	13,035	12,317	14,147	13,178	*
97,391	93,661	96,385	92,454	86,955	*
1,806	1,824	2,020	2,158	2,277	2,179
3,711	3,898	3,993	3,789	3,778	3,976
435	515	448	464	590	611
333	822	1,007	901	1,142	92
202	107	154	290	383	84
61	61	63	57	41	44
242	254	266	225	242	245
408	438	440	420	434	431

continued...

CITY OF ROYAL OAK, MICHIGAN

Operating Information

Operating Indicators by Function/Program
Last Ten Fiscal Years
Fiscal Year Ending June 30

Function / Program	2007	2008	2009	2010
Library				
Cardholders - new registrations	*	4,415	4,860	4,620
Cardholders - total registrations	24,364	25,771	28,166	30,700
Circulation - number of transactions	336,445	360,333	405,067	423,356
Number of visitors	296,578	481,986	618,279	653,482
Number of computer uses	104,043	97,482	77,910	65,858
Number of programs/events offered	345	435	549	532
Number of program/event attendees	9,513	13,180	15,862	14,664
Parks and recreation				
Ice rental and other use (hours per calendar year)	7,458	7,496	7,820	7,459
Recreation program participants	15,124	15,756	16,208	16,548
Golf Course				
Rounds of Golf - Normandy Oaks	15,107	17,230	16,136	14,224
Rounds of Golf - Royal Oak	25,883	27,140	26,017	24,354
Senior Programs				
Senior activity sessions	4,000	3,794	3,879	4,019
Senior activity participants	70,909	93,275	95,832	96,549
Senior meals served on-site and delivered	62,100	42,168	34,010	34,496
Senior transportation trips	18,000	18,120	18,690	16,755
Senior AGE program - Service Hours	24,000	24,000	24,000	19,675
Senior ROSES program in-home support jobs	2,000	2,045	2,542	2,617
Public Works / Engineering				
Miles of street resurfaced	0.00	2.11	3.00	3.38
Square feet of sidewalk - removed & replaced	*	22,364	31,000	43,465
Square feet of sidewalk - new	*	9,973	1,000	2,069
Curbside refuse collected (tons)	27,778	28,690	24,939	23,587
Curbside compost collected (tons)	9,006	10,829	10,432	10,337
Curbside recyclables collected (tons)	3,043	3,415	3,654	3,754
Leaf collection (tons)	3,900	5,125	3,643	3,256
Feet of watermain - replaced	3,693	8,373	9,765	6,048
Feet of watermain - new	1,165	1,160	2,333	2,527
Feet of sewer - replaced	579	1,625	1,967	0
Feet of sewer - new	1,708	2,155	989	0
Utilities - Water and Sewer				
Number of customers billed	23,848	23,873	23,894	23,892
Water units purchased (100 cubic feet)	332,034,800	293,807,500	278,193,100	260,659,900
Water units billed (100 cubic feet)	280,103,918	288,715,060	261,780,300	247,389,000
Wastewater units disposed (100 cubic feet)	302,249,700	293,592,500	277,958,800	264,178,600

Source: City Departments

Note: * Information not available

Schedule 17
UNAUDITED

2011	2012	2013	2014	2015	2016
4,064	3,677	3,648	3,667	3,697	3,634
31,762	32,262	32,367	30,855	32,914	33,140
455,847	451,097	405,101	393,843	378,252	372,934
651,552	572,957	519,595	341,951	213,784	347,223
64,075	74,560	66,234	55,699	42,871	36,782
510	704	521	483	439	425
16,172	16,323	15,441	14,093	10,885	13,518
7,511	*	7,888	7,932	8,087	8,193
16,560	16,600	16,688	16,320	16,055	16,222
10,275	9,536	9,127	8,432	0	0
17,970	17,340	16,240	16,187	20,760	18,225
4,147	4,176	4,214	3,994	3,981	3,888
90,641	95,742	87,787	84,614	74,266	72,007
28,208	24,052	13,429	11,378	11,340	10,839
15,249	14,101	12,611	12,571	13,559	12,863
24,000	24,000	24,000	24,000	24,000	24,000
3,164	3,839	2,090	2,073	2,074	2,066
2.60	2.52	2.33	1	1	6
29,583	242,330	299,618	365,765	287,645	500,991
1,100	1,989	19,363	23,533	18,952	14,256
23,226	22,780	22,145	20,717	29,341	23,565
9,943	7,770	7,730	11,143	11,115	10,551
3,940	3,908	4,690	3,655	3,906	4,035
10,340	3,677	3,330	3,550	3,260	unavailable
8,270	5,323	10,160	10,127	11,838	9,709
499	892	840	0	2,781	1,174
0	0	0	60	635	0
0	801	801	3,265	2	0
23,907	23,912	23,929	23,264	23,159	23,646
266,638,900	275,758,400	262,629,400	250,522,400	247,902,200	253,900,000
264,545,100	248,509,201	246,613,100	233,014,700	215,800,400	228,319,400
266,435,300	275,555,200	262,378,200	232,943,600	215,790,000	228,296,800

concluded.

Operating Information

Authorized Full-time Employees by Function/Program
Last Ten Fiscal Years

Fiscal Year Ending June 30,										
Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
44th District Court/Probation	22	22	22	22	20	20	20	20	22	27
Administrative Services										
Manager	2	2	2	2	2	2	3	3	5	5
Attorney	4	5	4	4	3	3	3	4	4	4
City Clerk	4	4	4	5	4	4	4	5	5	5
Human Resources	4	4	4	4	2	2	2	2	3	3
Building	11	11	11	8	5	5	5	6	11	11
Code Enforcement	5	5	4	6	4	2	2	5	5	5
Engineering	10	10	10	10	7	9	7	7	8	13
Planning	5	5	5	4	4	4	3	4	3	4
Block Grant	3	3	2	1	1	1	1	1	-	-
Housing	2	2	1	2	1	1	-	-	1	1
Finance Group	6	6	6	6	6	5	5	5	6	6
Assessing	4	4	4	4	4	3	3	3	4	4
Purchasing	1	1	1	-	-	-	-	-	-	-
Treasurer	5	5	5	4	4	4	4	3	3	3
Water Billing	2	2	1	1	1	1	1	1	1	1
Information Systems	6	6	4	4	4	4	4	4	4	4
Economic Development	-	-	-	-	-	-	-	-	1	1
Subtotal	74	75	68	65	51	49	46	52	85	95
Library	14	13	13	12	12	11	10	10	9	8
Public Safety										
Police	106	107	103	98	82	77	81	96	97	98
Fire	65	63	63	62	56	56	56	56	56	56
Subtotal	171	170	166	160	138	133	137	152	153	154
Recreation & Public Services										
Public Service										
Parks & Forestry	8	8	8	8	2	8	7	7	7	7
CH Building Maintenance	2	2	2	2	2	2	2	2	2	2
Highway	16	16	14	14	-	-	-	-	-	2
Motor Pool	12	12	11	11	10	9	9	9	9	9
Electrical	2	1	1	1	1	-	-	-	-	1
Solid Waste	1	1	1	2	15	13	14	14	14	14
Water Maintenance	9	9	9	8	12	8	7	7	7	8
Water Meter Services	6	6	6	6	5	5	4	4	4	4
Sewer Maintenance	9	9	9	8	9	8	7	7	7	7
Auto Parking	3	3	3	3	3	3	3	3	3	3
Recreation	2	2	2	2	2	2	2	2	2	2
Ice Arena	1	1	1	1	1	-	-	-	-	-
Senior Services	2	2	2	2	2	1	1	1	1	1
Subtotal	73	72	69	68	64	59	56	56	56	59
Total	354	352	338	327	285	272	269	290	303	316

Note: Positions are authorized budget positions as approved in the original budget.

Source: City Finance Department