

City of
Royal Oak,
Michigan



Year Ended
June 30, 2017

Comprehensive
Annual
Financial
Report

City Commission

Mayor

Michael Fournier

Mayor Pro Tem

Sharlan Douglas

Commissioners

Marie Donigan

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

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1
GFOA Certificate of Achievement	7
Organization Chart	8
List of Principal Officials	9
FINANCIAL SECTION	
Independent Auditors' Report	13
Management's Discussion and Analysis	18
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	31
Statement of Activities	32
Fund Financial Statements:	
Balance Sheet - Governmental Funds	34
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	37
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	38
Reconciliation of Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	41
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
General Fund	42
Public Safety Fund	43
Solid Waste Fund	44
Community Development Block Grant Fund	45
Statement of Net Position - Proprietary Funds	46
Reconciliation of Net Position of Enterprise Funds to Net Position of Business-type Activities	47
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	48
Reconciliation of Changes in Net Position of Enterprise Funds to Change in Net Position of Business-type Activities	49
Statement of Cash Flows - Proprietary Funds	50
Statement of Fiduciary Net Position	52
Statement of Changes in Fiduciary Net Position	53
Combining Statement of Net Position - Discretely Presented Component Units	54
Combining Statement of Activities - Discretely Presented Component Units	55
Notes to Financial Statements	58

CITY OF ROYAL OAK, MICHIGAN

Table of Contents

	<u>Page</u>
Required Supplementary Information	
Employees' Retirement System	100
Other Postemployment Benefits Plan	104
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds	110
Combining Statement of Revenues, Expenditures and Changes in Fund	
Balances - Nonmajor Governmental Funds	114
Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Budget and Actual:	
Major Streets Fund	117
Local Streets Fund	118
Publicity Fund	119
Senior Citizens Program Fund	120
Library Millage Fund	121
State Construction Code Fund	122
ROOTS Fund	123
Grants Fund	124
Nonmajor Enterprise Funds:	
Combining Statement of Net Position - Nonmajor Enterprise Funds	125
Combining Statement of Revenues, Expenses and Changes in Fund Net Position -	
Nonmajor Enterprise Funds	127
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	128
Internal Service Funds:	
Combining Statement of Net Position - Internal Service Funds	130
Combining Statement of Revenues, Expenses and Changes in Fund Net	
Position - Internal Service Funds	131
Combining Statement of Cash Flows - Internal Service Funds	132
Agency Funds:	
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	135
Combining Statement of Changes in Assets and Liabilities - Agency Funds	136

CITY OF ROYAL OAK, MICHIGAN

Table of Contents

	<u>Page</u>
Component Units:	
Balance Sheets - Component Units	138
Reconciliation of Fund Balances of Governmental Funds	
to Net Position of Governmental Activities - Component Units	139
Statements of Revenues, Expenditures and Changes in Fund	
Balances - Component Units	140
Reconciliation of Net Changes in Fund Balances of Governmental Funds	
to Change in Net Position of Governmental Activities - Component Units	141
Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Budget and Actual:	
Tax Incremental Financing Authority	142
Downtown Development Authority	143
Brownfield Redevelopment Authority	144

STATISTICAL SECTION (UNAUDITED)

Description of Statistical Section	147
Financial Trends:	
Net Position by Component	148
Changes in Net Position	150
Fund Balances - Governmental Funds	154
Changes in Fund Balances - Governmental Funds	156
Revenue Capacity:	
Assessed Value and Actual Value of Taxable Property	158
Property Tax Rates - Direct and Overlapping	160
Principal Property Taxpayers	162
Property Tax Levies and Collections	163
Debt Capacity:	
Ratios of Outstanding Debt	164
Ratios of General Bonded Debt Outstanding	166
Direct and Overlapping Governmental Activities Debt	169
Computation of Legal Debt Margin	170
Pledged Revenue Coverage	173
Demographic and Economic Information:	
Demographic Statistics	174
Principal Employers	176
Operating Information:	
Capital Asset Statistics by Function/Program	177
Operating Indicators by Function/Program	178
Authorized Full-time Employees by Function/Program	182





INTRODUCTORY SECTION





Finance Department
211 South Williams Street
Royal Oak, MI 48067

December 5, 2017

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, 2017. 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, 2017 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. Since the 1990's, 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 59,000 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 and more recently office space. 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 and the Woodward Dream Cruise (the world's largest one day car event). For the eighth 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 for all" (city's vision statement).

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 is very strong this decade emphasizing in-fill and redevelopment of business buildings and houses. The number of building permits issued increased slightly (4.5 percent). Building permit revenue decreased 35 percent due to a 20 percent decrease in permit rates and elimination of the administration fees however revenue has increased by 159 percent since the recent low in fiscal year 2011.

The city's assessed taxable value percentage shifted slightly (0.5 percent) from industrial to residential. For the fiscal year 2016-17, residential property is 77.5 percent of the city's assessed taxable value, 16 percent commercial property, 1.5 percent industrial and 5 percent personal property. Currently, the industrial, commercial and residential values have vacant parcel values included in these percentages. The city's office and retail vacancy rates are among the lowest in southeast Michigan at 5 percent and 2.2 percent respectively. In comparison, metro Detroit's office vacancy rate is 10.7 percent and its retail vacancy rate is 6.2 percent. Over forty creative and technology companies have located to Royal Oak since 2010, including Hulu's Detroit office, Vectorform, Crowdrise and Tome. There are currently three office projects in the works for downtown Royal Oak that will add over 200,000 square-feet of new Class A office space and over \$100 million in private investment, in addition to the \$47 million Hyatt Place Hotel currently under construction. On Woodward Avenue near Beaumont Hospital, construction is about to begin on a \$32 million mixed use shopping center.

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.

Households in Royal Oak have an annual medium income of approximately \$65,780, which is higher than the median annual income of the United States, the State of Michigan and Southeast Oakland County. Royal Oak's unemployment rate for July was 2.0 percent, which compares favorably to the State's unemployment rate of 3.7 percent for the same period and represents a decrease of nearly a percentage point from last year.

Fiscal Highlights

The city prepared a detailed budget with a four year projection to assist with the financial planning. The long-term financial planning that is included in Royal Oak's budget makes general financial estimations by projecting the current year's budget. For each fund, a summary table shows beginning fund balance, estimated projected revenue, estimated projected expenditures, projected transfers, and projected ending fund balance for each of the immediate future four years. For accuracy purpose, the FY17-18 budget was prepared less conservative than in prior years in an effort to be more accurate. The fiscal year 2017 ending general fund unassigned fund balance increased by \$6.8 million as opposed to a use of fund balance of \$2.5 million originally budgeted due to the lookback of \$6.8 million from the internal (self-insurance) funds and reversing the assignment of the OPEB contribution recovery as this was bonded instead. The year ended with a general fund fund balance of \$23.6 million or 52 percent of expenditures when combined with the public safety fund. However, approximately \$11 million is anticipated to be utilized for the Royal Oak civic center project in FY17-18 which would lower fund balance to approximately 27 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. The city issued \$126.6 million of OPEB/pension bonds leaving an unfunded liability of \$61.6 million for the police and fire pension plan. Ten year road improvement ballot language was approved by the voters in November of 2014 and currently generates \$5.7 million. In September 2017, the city issued \$8.5 million road bonds to move up the timing of the construction schedule. These bonds will be paid off over the balance of the term of the 10 year millage.

Long-term Financial Planning

Not only did the city prepare a four year projection during the budget preparation process, for a seventh year, the city administration prepared a comprehensive six-year capital improvement plan (CIP) again. The CIP was unanimously adopted by the planning commission prior to the end of the fiscal year budget process. Information from the capital improvement plan is also included in the budget projection. The CIP includes all of the capital projects and reports the potential sources of funding by project for the next six years totaling nearly \$140 million of city share of 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 and helps to coordinate water utility projects. The city commission conducts strategic planning sessions each year prior to the administration's budget preparation. Four 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 \$36.7 million for local road projects and \$12.6 million for major road projects are in the latest CIP. In January 2017, OPEB and pension bonds were sold in the amount of \$126.5 million at a rate of 4.05 percent in an effort to address 100 percent of the general employees unfunded pension and 100 percent of the police/fire/general employees unfunded retiree healthcare costs. The police and fire pension system is still open and funded at less than sixty percent and the city continues to contribute the annual required contribution.

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. Three years ago the city hired a purchasing agent position, which has helped to improve asset protection and vendor entry to the financial system for improved separation of duties. Last year the treasury department added a full-time accountant in an effort to improve upon separation of duties in response to years of auditors comments for improvement.

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 by total fund for 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 \$874,000 in federal grant revenue, mostly for the Community Development Block Grant which is a significant decrease from prior years.

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, 2016. 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, 2017. We hope this comprehensive report assists its readers in understanding the city's financial status.

The preparation of this report was made possible with the dedicated assistance from 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**

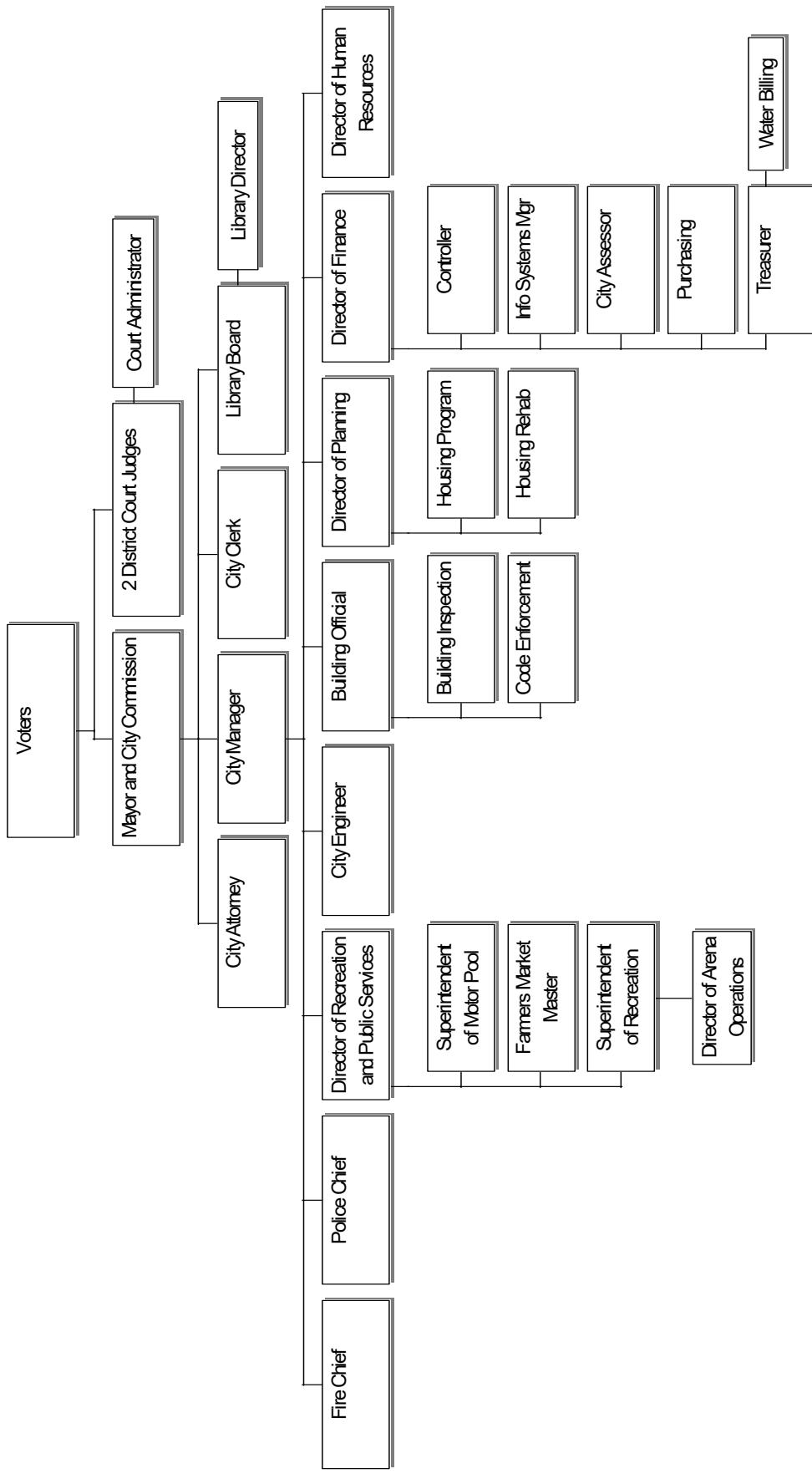
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink that reads "Jeffrey R. Emer". The signature is fluid and cursive, with "Jeffrey" on the top line and "R. Emer" on the bottom line.

Executive Director/CEO

CITY OF ROYAL OAK, MICHIGAN
Organization Chart
As of June 30, 2017



CITY OF ROYAL OAK, MICHIGAN

Principal Officials

As of June 30, 2017

City Manager	Donald E. Johnson
City Attorney	David Gillam
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	David Cummins
Director of Human Resources	Dennis Van de Laar
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 5, 2017

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, 2017, 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, 2017, 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.

Implementation of GASB Statement No. 75

As described in Note 18, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. Accordingly, beginning net position of the governmental activities, the business-type activities, water and sewer enterprise fund, automobile parking enterprise fund, nonmajor enterprise funds, internal service funds, and the aggregate discretely presented component units were restated. Our opinion is not modified with respect to this matter.

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 5, 2017, 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 black ink that reads "Rehmann Loham LLC". The signature is fluid and cursive, with "Rehmann" and "Loham" stacked vertically and "LLC" to the right.



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, 2017. 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

• Total net position	\$ 161,984,577
• Change in total net position	20,877,702
• Fund balances, governmental funds	45,749,207
• Change in fund balances, governmental funds	3,288,857
• Unassigned fund balance, general fund	21,321,516
• Change in fund balance, general fund	4,461,027
• Installment debt outstanding	181,605,234
• Change in installment debt	134,353,370

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).

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.

CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

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 numerous 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 nonmajor 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 following the required supplementary information.

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 numerous 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 nonmajor 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 following the required supplementary information.

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.

CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

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 and deferred inflows of resources by \$161,984,577, an increase of \$20,877,702, or 9.73 percent, at the close of the most recent fiscal year.

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 (14%) represents resources that are subject to external restrictions on how they may be used. The City's unrestricted net position deficit of \$109,915,935, a decrease of \$69,370,990 over the previous year, occurred primarily due to City implementing GASB standard no. 75 and recording a liability for its net other postemployment benefits liability and issuing \$126.6 million in bonds to fund both the OPEB liability and the general employees portions of the net pension liability.

CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 85,225,132	\$ 84,067,208	\$ 35,423,427	\$ 25,259,743	\$ 120,648,559	\$ 109,326,951
Capital assets, net	171,618,669	158,005,467	130,670,361	119,284,793	302,289,030	277,290,260
Total assets	256,843,801	242,072,675	166,093,788	144,544,536	422,937,589	386,617,211
Deferred charge on refunding	133,880	149,983	1,115,527	1,217,587	1,249,407	1,367,570
Deferred pension amounts	8,943,104	15,496,877	-	1,127,200	8,943,104	16,624,077
Deferred other postemployment benefit amounts	1,587,621	-	179,150	-	1,766,771	-
Total deferred outflows	10,664,605	15,646,860	1,294,677	2,344,787	11,959,282	17,991,647
Long-term debt outstanding	127,941,381	15,782,500	60,020,549	37,595,587	187,961,930	53,378,087
Other liabilities	77,462,937	125,168,120	7,378,338	11,417,452	84,841,275	136,585,572
Total liabilities	205,404,318	140,950,620	67,398,887	49,013,039	272,803,205	189,963,659
Deferred other postemployment benefit amounts	98,027	-	11,062	-	109,089	-
Net position:						
Net investment in capital assets	162,548,501	147,194,839	86,510,191	85,228,498	249,058,692	232,423,337
Restricted	22,841,819	22,766,807	-	-	22,841,819	22,766,807
Unrestricted (deficit)	(123,384,259)	(53,192,731)	13,468,325	12,647,786	(109,915,934)	(40,544,945)
Total net position	\$ 62,006,061	\$ 116,768,915	\$ 99,978,516	\$ 97,876,284	\$ 161,984,577	\$ 214,645,199

The City's net position increased by \$20,877,702 during the current fiscal year as compared to a \$19,903,250 increase in the previous year. The current year increase is mostly attributed to the early implementation of GASB 74/75, increased tax revenue from the various city millages and from the solid waste fund millage rate increase.

Governmental Activities

Governmental activities increased the City's net position by \$10,501,287 as compared to a \$13,797,839 increase in the previous year, a difference of \$(3,296,552) between the two years. This difference is primarily due to an increase in public safety, community/economic development, interest on debt expenditures and transfers.

Business-type Activities

Business-type activities increased the City's net position by \$10,376,415 as compared to a \$6,105,411 increase in the previous year, a difference of \$4,271,004. This was primarily due to increased charges for services in water and sewer and transfers as well as a decrease in parking system expenses.

CITY OF ROYAL OAK, MICHIGAN

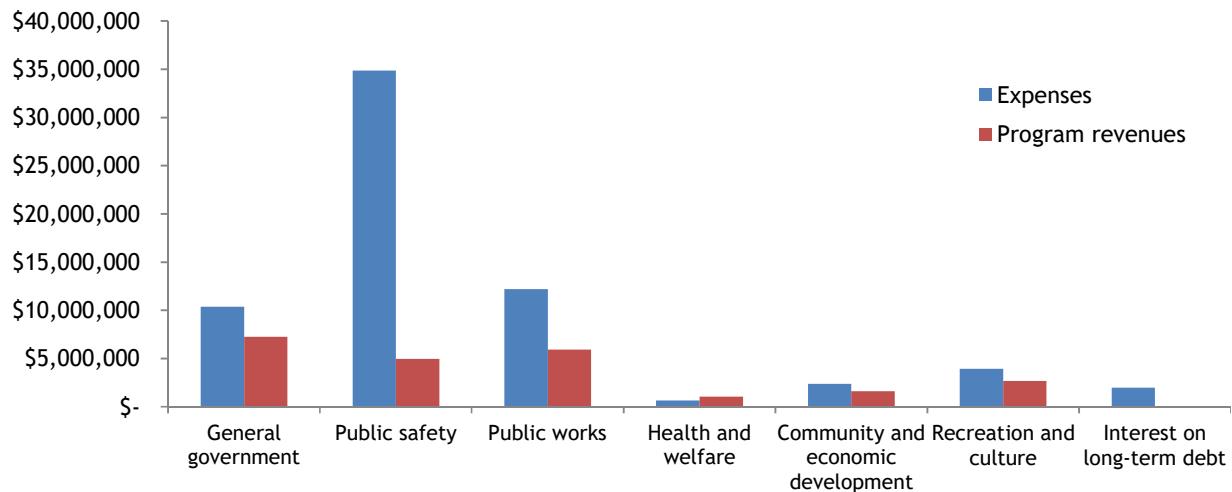
Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program revenues:						
Charges for services	\$ 16,481,627	\$ 18,588,632	\$ 38,690,152	\$ 37,449,868	\$ 55,171,779	\$ 56,038,500
Operating grants	5,128,426	5,531,956	354,180	440,016	5,482,606	5,971,972
Capital grants	1,917,700	148,372	-	-	1,917,700	148,372
General revenues:						
Property taxes	43,475,312	40,810,616	-	-	43,475,312	40,810,616
State shared revenues	10,037,969	9,411,377	-	-	10,037,969	9,411,377
Other	1,025,550	514,225	-	-	1,025,550	514,225
Total revenues	78,066,584	75,005,178	39,044,332	37,889,884	117,110,916	112,895,062
Expenses:						
General government	10,372,611	10,233,170	-	-	10,372,611	10,233,170
Public safety	34,856,261	33,545,346	-	-	34,856,261	33,545,346
Public works	12,216,069	11,803,571	-	-	12,216,069	11,803,571
Health and welfare	644,426	741,945	-	-	644,426	741,945
Community and economic development	2,371,971	1,442,994	-	-	2,371,971	1,442,994
Recreation and culture	3,953,833	4,056,345	-	-	3,953,833	4,056,345
Interest on long-term debt	1,994,475	385,521	-	-	1,994,475	385,521
Water and sewer	-	-	25,141,329	24,989,668	25,141,329	24,989,668
Parking	-	-	2,223,353	3,130,520	2,223,353	3,130,520
Recreation	-	-	1,927,746	2,146,622	1,927,746	2,146,622
Farmers market	-	-	531,140	516,110	531,140	516,110
Total expenses	66,409,646	62,208,892	29,823,568	30,782,920	96,233,214	92,991,812
Change in net position, before transfers						
	11,656,938	12,796,286	9,220,764	7,106,964	20,877,702	19,903,250
Transfers	(1,155,651)	1,001,553	1,155,651	(1,001,553)	-	-
Change in net position	10,501,287	13,797,839	10,376,415	6,105,411	20,877,702	19,903,250
Net position:						
Beginning of year	116,768,915	102,971,076	97,876,284	91,770,873	214,645,199	194,741,949
Restatement for implementation of GASB 75	(65,264,141)	-	(8,274,183)	-	(73,538,324)	-
End of year	\$ 62,006,061	\$ 116,768,915	\$ 99,978,516	\$ 97,876,284	\$ 161,984,577	\$ 214,645,199

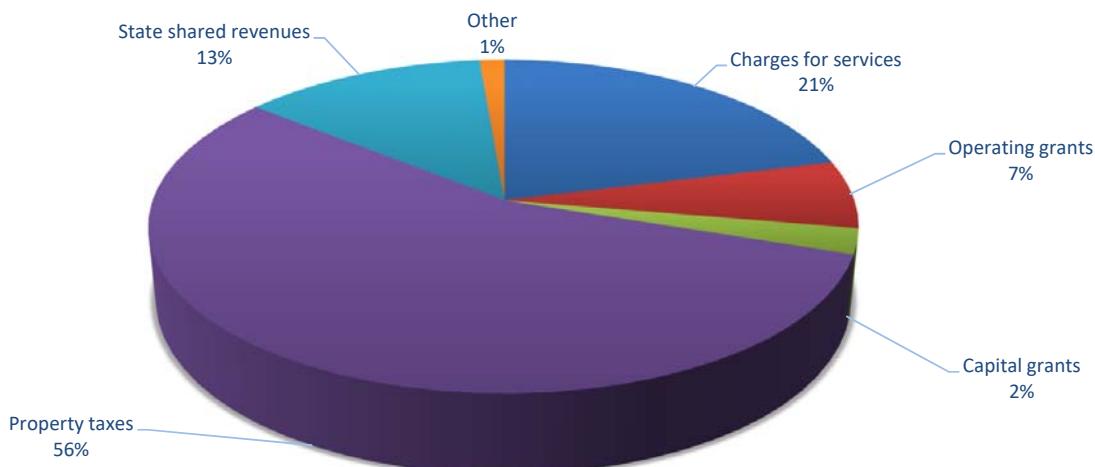
CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

Expenses and Program Revenues - Governmental Activities



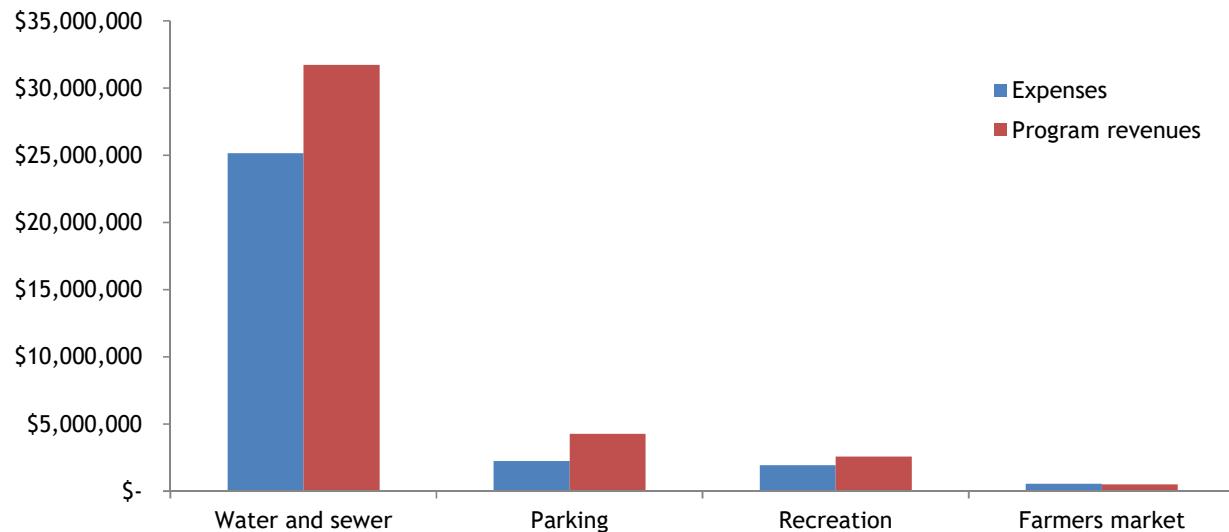
Revenues by Source - Governmental Activities



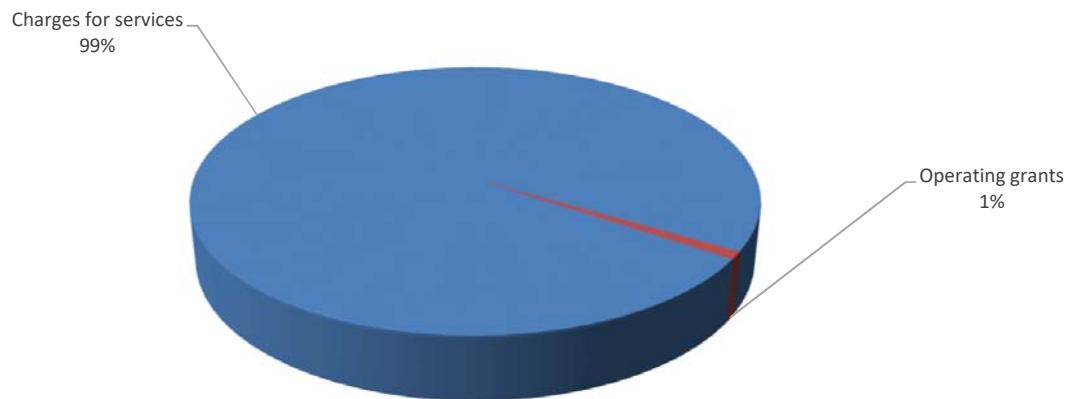
CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

As the City completed the fiscal year, its governmental funds reported combined ending fund balances of \$45,749,207. Of this, \$22,936,247 million is legally restricted and/or unavailable to spend (i.e. amounts tied up in inventories), \$1,491,444 is assigned for designated purposes, leaving \$21,321,516 million unassigned.

CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

General Fund Budgetary Highlights

The general fund is the chief operating fund of the City. Revenues in the general fund were \$875,272 over the final budget and \$1,501,272 under the original budget. The increase is mostly attributed to additional property tax revenue, fines and other miscellaneous revenue. Expenditures were \$3,507,415 less than the amended budget and \$763,625 less than the original budget mostly due to general government personnel savings, contracted services savings and some capital projects far along as budgeted as well as fewer expenditures on park projects.

At the end of the current fiscal year, unassigned fund balance of the general fund was \$21,321,516 while total fund balance was \$22,740,782. 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 57 percent of total general fund expenditures and transfers out, while total fund balance represents 61 percent of general fund expenditures and transfers out.

The fund balance of the City's general fund increased by \$4,461,027 during the current fiscal year. The original budget included approximately \$2.5 million use of fund balance. Slightly higher revenues from most all revenue sources along with lower than budgeted general government expenditures as well as \$6.8 million in transfers related to a look-back adjustment from the city's three (self-insurance) internal service funds caused this variance.

Public Safety Fund

The public safety fund has a total fund balance of \$898,444, all of which is restricted for the sole use of the fund. The net decrease in fund balance during the current year was \$1,147,695. The decrease in fund balance was primarily due to the reduction in transfers from the general fund from \$20 million to \$18.7 million.

Solid Waste Fund

The solid waste fund has a total fund balance of \$6,542,830, all of which is restricted for the sole use of this fund. The net increase in fund balance during the current year in the solid waste fund was \$374,203 as opposed to a use of fund balance of approximately \$1.5 million originally budgeted. This variance was primarily due an internal service fund (self-insurance) look-back transfer of approximately \$400,000 and spreading the recycling cart program costs over three years as opposed to a one-time outlay.

Community Development Block Grant Fund

The community development block grant fund revenue decreased by \$969,914 relative to the prior year's revenue due to a reduction in the City's allocation for the grant during the current year. Expenditures/transfers decreased by \$892,718 due to a decrease in capital projects.

City Capital Projects Fund

Fund balance for the city capital projects fund increased by \$1,878,933 during the year. The increase in fund balance was primarily due to proceeds from the sale of a portion of the Normandy Oaks golf course.

CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

Water and Sewer Fund

Unrestricted net position of the water and sewer system at the end of the year amounted to a deficit of \$1,767,433. The total increase in net position for water and sewer was \$7,221,891. This increase in net position this year was mostly due an increase in revenue related to charges for services and the look-back from the internal service funds. The deficit in unassigned net position was primarily due to recording the City's net other postemployment benefits obligation.

Auto Parking Fund

Unrestricted net position for the auto parking system fund amounted to \$10,490,398. The total increase in net position for this fund was \$2,211,905 mostly due an increase in revenue related to charges for services and a decrease in operating expenses from the entry for GASB 75.

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, 2017, amounts to \$302,289,030 (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 was 9.02 percent and mostly due to construction in process and additions to infrastructure primarily for construction of a new parking structure.

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	
	2017	2016	2017	2016	2017	2016
Land	\$ 66,774,752	\$ 66,774,752	\$ 9,958,656	\$ 9,958,656	\$ 76,733,408	\$ 76,733,408
Buildings	15,074,295	15,678,840	15,063,561	15,698,856	30,137,856	31,377,696
Improvements other than buildings	1,212,974	876,216	1,141,103	1,204,964	2,354,077	2,081,180
Machinery and equipment	6,772,034	6,057,417	472,008	271,017	7,244,042	6,328,434
Infrastructure	58,751,162	49,242,422	86,674,080	84,131,680	145,425,242	133,374,102
Intangibles	55,745	-	-	-	55,745	-
Construction in progress	22,977,707	19,375,820	17,360,953	8,019,620	40,338,660	27,395,440
Total	<u>\$ 171,618,669</u>	<u>\$ 158,005,467</u>	<u>\$ 130,670,361</u>	<u>\$ 119,284,793</u>	<u>\$ 302,289,030</u>	<u>\$ 277,290,260</u>

Additional information on the City of Royal Oak's capital assets can be found in the notes to the financial statements.

CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

Long-term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$187,961,930. Of this amount, \$146,446,967 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 \$2,925,000 of unlimited general obligation debt. Another \$3,237,387 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 \$3,237,387 with the remainder being paid from receipts of the other five communities. Another \$15,495,880 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 and workers compensation claims, and unamortized bond discounts and premiums.

	Outstanding Debt					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Limited general obligation bonds	\$ 119,770,602	\$ 7,167,511	\$ 26,676,365	\$ 14,968,491	\$ 146,446,967	\$ 22,136,002
Unlimited general obligation bonds	2,925,000	3,460,000	-	-	2,925,000	3,460,000
Revenue bonds	-	-	13,500,000	-	13,500,000	-
State revolving fund	-	-	3,237,387	4,007,387	3,237,387	4,007,387
Contractual obligations	-	-	15,495,880	17,648,475	15,495,880	17,648,475
Compensated absences	3,643,344	3,527,409	261,810	281,575	3,905,154	3,808,984
General liability claims	776,160	498,430	-	-	776,160	498,430
Workers compensation claims	542,744	796,050	-	-	542,744	796,050
Less: unamortized discount and premium	283,531	333,100	849,107	689,659	1,132,638	1,022,759
Total	\$ 127,941,381	\$ 15,782,500	\$ 60,020,549	\$ 37,595,587	\$ 187,961,930	\$ 53,378,087

The City's total debt increased by \$134,583,843 (252 percent) during the current fiscal year, primarily due to the issuance of bonds by the city to fund the city's unfunded pension and other postemployment benefits liabilities and the issuance of revenue bonds for the construction of a new parking structure.

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 \$143,434,325 (5 percent of \$2,868,686,490 assessed valuation for purposes of capital improvement bonds). As of June 30, 2017, the City's general obligation debt amounts to 50.6 percent of the legal debt limit. Additional information on the City's long-term debt can be found in the notes to the financial statements.

CITY OF ROYAL OAK, MICHIGAN

■ Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

During the current fiscal year, unassigned fund balance in the general fund increased significantly to \$21.3 million mostly due to a lookback from the internal service funds and reversing the assignment for a potential OPEB trust contribution . Although the year ended with an unassigned fund balance for the general fund of approximately 57 percent, the general fund will be closer to its target range after fiscal year 2017-2018 due to \$11 million contribution toward the development of the civic center project.

For the fiscal year, the quarterly water and sewer rates are \$123.06 per 1,000 cubic feet for the first 2,000 cubic feet and \$141.13 for every 1,000 cubic feet thereafter. In addition, all customers pay a \$11.25 flat fee per billing period to recoup the city's water/sewer billing costs. The water and sewer rates increased by 1.35 percent, passing along a 2 percent Southeastern Oakland County Water Authority ("SOCWA") and a 3 percent increase from the Oakland County Water Resource Commission.

In addition, the building permit rates will continue to remain low as the state construction fund's personnel costs have significantly decreased for FY17-18 due to this fund contributing \$3.4 million to the OPEB and pension trust funds for its share of the unfunded liabilities. Therefore, the state construction fund will not be charged principal and interest for the OPEB and pension bonds. The balance of the city funds' personnel costs are decreased due to the anticipated savings from issuing the OPEB and pension bonds.

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, 2017

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and investments	\$ 71,029,259	\$ 19,733,204	\$ 90,762,463	\$ 2,339,355
Receivables, net	8,786,736	10,673,366	19,460,102	33,288
Deposits and other assets	1,271,982	-	1,271,982	50,000
Internal balances	(3,917,666)	3,917,666	-	-
Inventories	455,182	241,744	696,926	-
Restricted assets, cash	1,000	-	1,000	-
Capital assets not being depreciated	89,752,459	27,319,609	117,072,068	2,895,755
Capital assets being depreciated, net	81,866,210	103,350,752	185,216,962	831,244
Net other postemployment benefit asset	7,598,639	857,447	8,456,086	-
Total assets	256,843,801	166,093,788	422,937,589	6,149,642
Deferred outflows of resources				
Deferred charge on refunding	133,880	1,115,527	1,249,407	-
Deferred pension amounts	8,943,104	-	8,943,104	-
Deferred other postemployment benefit amounts	1,587,621	179,150	1,766,771	-
Total deferred outflows of resources	10,664,605	1,294,677	11,959,282	-
Liabilities				
Accounts payable	4,810,031	5,825,264	10,635,295	45,780
Accrued and other liabilities	3,947,008	1,540,533	5,487,541	4,753
Cash bonds and deposits	3,667,628	12,541	3,680,169	-
Unearned revenue	3,417,574	-	3,417,574	-
Long-term debt:				
Due within one year	7,656,497	5,425,690	13,082,187	8,000
Due in more than one year	120,284,884	54,594,859	174,879,743	8,112
Net pension liability	61,620,696	-	61,620,696	-
Total liabilities	205,404,318	67,398,887	272,803,205	66,645
Deferred inflows of resources				
Deferred other postemployment benefit amounts	98,027	11,062	109,089	-
Net position				
Net investment in capital assets	162,548,501	86,510,191	249,058,692	3,726,999
Restricted for:				
Public, Educational, and Government				
Access ("PEG") fees	823,324	-	823,324	-
Highways and streets	3,501,177	-	3,501,177	-
Solid waste	6,542,830	-	6,542,830	-
Recreation and culture	2,642,427	-	2,642,427	-
Public safety	5,603,295	-	5,603,295	-
Grants	1,141,196	-	1,141,196	-
Capital projects	2,576,039	-	2,576,039	-
Permanent fund:				
Expendable	10,531	-	10,531	-
Non-expendable	1,000	-	1,000	-
Unrestricted (deficit)	(123,384,259)	13,468,325	(109,915,934)	2,355,998
Total net position	\$ 62,006,061	\$ 99,978,516	\$ 161,984,577	\$ 6,082,997

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, 2017

Functions/Programs	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary government					
Governmental activities:					
General government	\$ 10,372,611	\$ 7,179,495	\$ 91,605	\$ -	\$ (3,101,511)
Public safety	34,856,261	3,875,975	1,064,753	35,017	(29,880,516)
Public works	12,216,069	1,733,456	2,324,347	1,882,683	(6,275,583)
Health and welfare	644,426	1,059,388	-	-	414,962
Community and economic development	2,371,971	396,907	1,205,667	-	(769,397)
Recreation and culture	3,953,833	2,236,406	442,054	-	(1,275,373)
Interest on long-term debt	1,994,475	-	-	-	(1,994,475)
Total governmental activities	<u>66,409,646</u>	<u>16,481,627</u>	<u>5,128,426</u>	<u>1,917,700</u>	<u>(42,881,893)</u>
Business-type activities:					
Water and sewer	25,141,329	31,716,708	5,775	-	6,581,154
Parking	2,223,353	3,926,728	333,374	-	2,036,749
Recreation	1,927,746	2,558,056	10,969	-	641,279
Farmers market	531,140	488,660	4,062	-	(38,418)
Total business-type activities	<u>29,823,568</u>	<u>38,690,152</u>	<u>354,180</u>	<u>-</u>	<u>9,220,764</u>
Total primary government	<u><u>\$ 96,233,214</u></u>	<u><u>\$ 55,171,779</u></u>	<u><u>\$ 5,482,606</u></u>	<u><u>\$ 1,917,700</u></u>	<u><u>\$ (33,661,129)</u></u>
Component units					
Tax Increment Financing Authority	\$ 2,513,293	\$ -	\$ 200,750	\$ -	\$ (2,312,543)
Downtown Development Authority	(11,681)	-	3,040	-	14,721
Brownfield Redevelopment Authority	36,751	-	-	-	(36,751)
Total component units	<u>\$ 2,538,363</u>	<u>\$ -</u>	<u>\$ 203,790</u>	<u>\$ -</u>	<u>\$ (2,334,573)</u>

continued...

CITY OF ROYAL OAK, MICHIGAN

Statement of Activities For the Year Ended June 30, 2017

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in net position				
Net (expense) revenue	<u>\$ (42,881,893)</u>	<u>\$ 9,220,764</u>	<u>\$ (33,661,129)</u>	<u>\$ (2,334,573)</u>
General revenues:				
Property taxes	43,475,312	-	43,475,312	3,509,453
Unrestricted state shared revenues	10,037,969	-	10,037,969	-
Unrestricted investment earnings	245,423	-	245,423	19,398
Gain on sale of capital assets	97,786	-	97,786	-
Miscellaneous	682,341	-	682,341	93,999
Transfers	<u>(1,155,651)</u>	<u>1,155,651</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>53,383,180</u>	<u>1,155,651</u>	<u>54,538,831</u>	<u>3,622,850</u>
Change in net position	10,501,287	10,376,415	20,877,702	1,288,277
Net position, beginning of year, as restated	<u>51,504,774</u>	<u>89,602,101</u>	<u>141,106,875</u>	<u>4,794,720</u>
Net position, end of year	<u>\$ 62,006,061</u>	<u>\$ 99,978,516</u>	<u>\$ 161,984,577</u>	<u>\$ 6,082,997</u>

concluded.

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

CITY OF ROYAL OAK, MICHIGAN

Balance Sheet Governmental Funds June 30, 2017

	General	Public Safety	Solid Waste	Community Development Block Grant	City Capital Projects
Assets					
Cash and investments	\$ 25,912,431	\$ 2,222,955	\$ 6,959,173	\$ -	\$ 4,070,374
Receivables, net	325,652	180,708	47,388	3,394,569	451,678
Due from other governmental units	906,722	-	-	289,402	-
Due from other funds	233,944	-	-	-	-
Prepaid items	2,942	-	-	-	-
Inventories	-	-	-	-	-
Restricted assets, cash	-	-	-	-	-
Total assets	\$ 27,381,691	\$ 2,403,663	\$ 7,006,561	\$ 3,683,971	\$ 4,522,052
Liabilities					
Accounts payable	\$ 621,851	\$ 284,279	\$ 432,778	\$ 43,295	\$ 1,229,167
Accrued and other liabilities	328,409	1,208,216	21,582	12,163	314,749
Due to other funds	-	-	-	233,944	-
Cash bonds and deposits	3,666,978	-	-	-	-
Unearned revenue	-	-	-	3,394,569	-
Total liabilities	4,617,238	1,492,495	454,360	3,683,971	1,543,916
Deferred inflows of resources					
Unavailable revenue - property taxes and special assessments	23,671	12,724	9,371	-	413,947
Fund balances					
Nonspendable:					
Prepaid items	2,942	-	-	-	-
Inventories	-	-	-	-	-
Endowment	-	-	-	-	-
Restricted:					
PEG fees	823,324	-	-	-	-
Highways and streets	-	-	-	-	-
Solid waste	-	-	6,542,830	-	-
Recreation and culture	-	-	-	-	-
Public safety	-	-	-	-	-
Grants	-	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	2,564,189
Permanent fund	-	-	-	-	-
Assigned:					
Eligible retiree bank payouts	593,000	444,000	-	-	-
Public safety	-	454,444	-	-	-
Unassigned	21,321,516	-	-	-	-
Total fund balances	22,740,782	898,444	6,542,830	-	2,564,189
Total liabilities, deferred inflows of resources and fund balances	\$ 27,381,691	\$ 2,403,663	\$ 7,006,561	\$ 3,683,971	\$ 4,522,052

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

STATEMENT OF CASH FLOWS

Nonmajor Governmental Funds	Total Governmental Funds
-----------------------------------	--------------------------------

\$ 13,630,150	\$ 52,795,083
1,659,626	6,059,621
919,916	2,116,040
-	233,944
-	2,942
206,663	206,663
1,000	1,000
<hr/> <u>\$ 16,417,355</u>	<u>\$ 61,415,293</u>

\$ 1,498,201	\$ 4,109,571
404,655	2,289,774
-	233,944
650	3,667,628
23,005	3,417,574
<hr/> <u>1,926,511</u>	<u>13,718,491</u>

<hr/> <u>1,487,882</u>	<u>1,947,595</u>
------------------------	------------------

-	2,942
206,663	206,663
1,000	1,000
<hr/>	
-	823,324
3,294,514	3,294,514
-	6,542,830
2,642,427	2,642,427
5,603,295	5,603,295
1,141,196	1,141,196
91,486	91,486
11,850	2,576,039
10,531	10,531
<hr/>	
-	1,037,000
-	454,444
-	21,321,516
<hr/>	
<u>13,002,962</u>	<u>45,749,207</u>
<hr/> <u>\$ 16,417,355</u>	<u>\$ 61,415,293</u>



CITY OF ROYAL OAK, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2017

Fund balances for governmental funds	\$ 45,749,207
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	89,752,459
Capital assets being depreciated, net	81,866,210
Less capital assets accounted for in internal service funds	(7,144,460)
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	1,947,595
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	17,243,454
Internal service fund net position accounted for in business-type activities	(3,917,666)
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	(1,244,058)
Bonds payable	(114,420,308)
Unamortized bond premiums	(262,451)
Deferred loss on refunding	86,247
Net other postemployment benefit asset	7,118,334
Deferred outflows related to the net other postemployment benefit asset	1,487,269
Deferred inflows related to the net other postemployment benefit asset	(91,831)
Compensated absences	(3,486,348)
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	(61,620,696)
Deferred outflows related to the net pension liability	8,943,104
Net position of governmental activities	<u>\$ 62,006,061</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 Balances Governmental Funds For the Year Ended June 30, 2017

	General	Public Safety	Solid Waste	Community Development Block Grant	City Capital Projects
Revenues					
Taxes	\$ 18,277,447	\$ 9,086,403	\$ 6,898,567	\$ -	\$ -
Licenses and permits	2,172,563	11,071	-	-	-
Federal grants	-	-	-	807,824	-
State grants	5,373,826	-	-	-	-
Charges for services	2,544,046	1,375,572	257	396,907	927,691
Fines and forfeitures	5,378,553	-	-	-	-
Interest and rentals	582,536	18,542	55,732	-	56,078
Contributions and donations	-	540,000	-	-	286,871
Other revenue	682,341	25,449	62,693	110,006	2,039,693
Total revenues	35,011,312	11,057,037	7,017,249	1,314,737	3,310,333
Expenditures					
Current:					
General government	10,649,704	-	-	-	-
Public safety	646,935	30,058,536	-	-	-
Public works	1,322,747	-	7,044,406	-	7,434,386
Health and welfare	-	675,256	-	-	-
Community and economic development	550,614	-	-	1,353,337	-
Recreation and culture	1,235,635	-	-	-	-
Debt service:					
Principal payments	-	-	-	-	225,000
Interest and paying agent fees	-	-	-	-	7,763
Total expenditures	14,405,635	30,733,792	7,044,406	1,353,337	7,667,149
Revenues over (under) expenditures	20,605,677	(19,676,755)	(27,157)	(38,600)	(4,356,816)
Other financing sources (uses)					
Transfers in	6,911,814	18,700,000	405,860	38,600	7,199,765
Transfers out	(23,056,464)	(170,940)	(4,500)	-	(964,016)
Total other financing sources (uses)	(16,144,650)	18,529,060	401,360	38,600	6,235,749
Net change in fund balances	4,461,027	(1,147,695)	374,203	-	1,878,933
Fund balances, beginning of year	18,279,755	2,046,139	6,168,627	-	685,256
Fund balances, end of year	\$ 22,740,782	\$ 898,444	\$ 6,542,830	\$ -	\$ 2,564,189

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

STATEMENT OF CASH FLOWS

Nonmajor Governmental Funds	Total Governmental Funds
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\$ 8,579,929	\$ 42,842,346
3,083,112	5,266,746
66,235	874,059
5,191,449	10,565,275
329,259	5,573,732
142,943	5,521,496
140,743	853,631
2,059,876	2,886,747
<u>108,392</u>	<u>3,028,574</u>
<u>19,701,938</u>	<u>77,412,606</u>

76,005	10,725,709
5,406,546	36,112,017
10,746,652	26,548,191
-	675,256

489,783	2,393,734
2,910,151	4,145,786
<u>1,255,876</u>	<u>1,480,876</u>
<u>223,357</u>	<u>231,120</u>
<u>21,108,370</u>	<u>82,312,689</u>
<u>(1,406,432)</u>	<u>(4,900,083)</u>

7,003,681	40,259,720
<u>(7,874,860)</u>	<u>(32,070,780)</u>
<u>(871,179)</u>	<u>8,188,940</u>
<u>(2,277,611)</u>	<u>3,288,857</u>
<u>15,280,573</u>	<u>42,460,350</u>
<u>\$ 13,002,962</u>	<u>\$ 45,749,207</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, 2017

Net change in fund balances - total governmental funds	\$ 3,288,857
Amounts reported for <i>governmental activities</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.	
Capital assets purchased/constructed	15,583,885
Depreciation expense	(2,546,842)
Loss on sale of capital assets	(53,624)
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	632,968
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.	
Principal payments on long-term liabilities	1,480,876
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	(1,181,020)
Amortization of bond discount	(264)
Amortization of bond premium	46,806
Amortization of deferred charge on refunding	(12,133)
Change in the net pension liability and related deferred amounts	9,804,471
Contributions to pension funds financed through the issuance of long-term debt	(17,316,850)
Change in other postemployment benefit asset and related deferred amounts	96,599,964
Contributions to other postemployment benefit funds financed through the issuance of long-term debt	(89,269,755)
Change in compensated absences	(95,765)
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	(5,941,227)
Internal service fund change in net position accounted for in business-type activities	<u>(519,060)</u>
Change in net position of governmental activities	<u>\$ 10,501,287</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 - General Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 17,955,000	\$ 17,965,000	\$ 18,277,447	\$ 312,447
Licenses and permits	2,007,200	2,037,200	2,172,563	135,363
State grants	5,508,500	5,268,500	5,373,826	105,326
Charges for services	2,431,440	2,496,440	2,544,046	47,606
Fines and forfeitures	4,935,000	5,135,000	5,378,553	243,553
Interest and rentals	326,900	609,200	582,536	(26,664)
Other revenue	346,000	624,000	682,341	58,341
Total revenues	33,510,040	34,135,340	35,011,312	875,972
Expenditures				
Current:				
General government	11,252,980	13,623,270	10,649,704	(2,973,566)
Public safety	653,360	653,360	646,935	(6,425)
Public works	1,275,320	1,420,320	1,322,747	(97,573)
Community and economic development	484,340	609,840	550,614	(59,226)
Recreation and culture	1,503,260	1,606,260	1,235,635	(370,625)
Total expenditures	15,169,260	17,913,050	14,405,635	(3,507,415)
Revenues over expenditures	18,340,780	16,222,290	20,605,677	4,383,387
Other financing sources (uses)				
Transfers in	-	6,853,390	6,911,814	58,424
Transfers out	(20,883,250)	(23,076,380)	(23,056,464)	(19,916)
Total other financing sources (uses)	(20,883,250)	(16,222,990)	(16,144,650)	78,340
Net change in fund balance	(2,542,470)	(700)	4,461,027	4,461,727
Fund balance, beginning of year	18,279,755	18,279,755	18,279,755	-
Fund balance, end of year	\$ 15,737,285	\$ 18,279,055	\$ 22,740,782	\$ 4,461,727

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 8,933,000	\$ 8,970,000	\$ 9,086,403	\$ 116,403
Licenses and permits	7,000	7,000	11,071	4,071
Charges for services	1,142,620	1,356,620	1,375,572	18,952
Interest and rentals	5,000	30,000	18,542	(11,458)
Contributions and donations	540,000	540,000	540,000	-
Other revenue	40,000	40,000	25,449	(14,551)
 Total revenues	 10,667,620	 10,943,620	 11,057,037	 113,417
 Expenditures				
Current:				
Public safety	30,738,270	30,632,640	30,058,536	(574,104)
Health and welfare	1,026,890	719,270	675,256	(44,014)
 Total expenditures	 31,765,160	 31,351,910	 30,733,792	 (618,118)
 Revenues under expenditures	 (21,097,540)	 (20,408,290)	 (19,676,755)	 731,535
 Other financing sources (uses)				
Transfers in	20,000,000	18,700,000	18,700,000	-
Transfers out	(105,000)	(201,720)	(170,940)	(30,780)
 Total other financing sources (uses)	 19,895,000	 18,498,280	 18,529,060	 (30,780)
 Net change in fund balance	 (1,202,540)	 (1,910,010)	 (1,147,695)	 762,315
 Fund balance, beginning of year	 2,046,139	 2,046,139	 2,046,139	 -
 Fund balance, end of year	 \$ 843,599	 \$ 136,129	 \$ 898,444	 \$ 762,315

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 6,770,000	\$ 6,810,000	\$ 6,898,567	\$ 88,567
Charges for services	2,000	2,000	257	(1,743)
Interest and rentals	28,000	56,000	55,732	(268)
Other revenue	45,000	60,000	62,693	2,693
Total revenues	6,845,000	6,928,000	7,017,249	89,249
Expenditures				
Current -				
Public works	<u>8,359,940</u>	<u>7,329,350</u>	<u>7,044,406</u>	<u>(284,944)</u>
Revenues over (under) expenditures	(1,514,940)	(401,350)	(27,157)	374,193
Other financing sources (uses)				
Transfers in	-	405,850	405,860	(10)
Transfers out	<u>(4,500)</u>	<u>(4,500)</u>	<u>(4,500)</u>	<u>-</u>
Total other financing sources (uses)	(4,500)	401,350	401,360	(10)
Net change in fund balance	(1,519,440)	-	374,203	374,203
Fund balance, beginning of year	6,168,627	6,168,627	6,168,627	-
Fund balance, end of year	\$ 4,649,187	\$ 6,168,627	\$ 6,542,830	\$ 374,203

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal grants	\$ 1,085,570	\$ 1,085,570	\$ 807,824	\$ (277,746)
Charges for services	350,000	385,000	396,907	11,907
Other revenue	-	318,730	110,006	(208,724)
Total revenues	1,435,570	1,789,300	1,314,737	(474,563)
Expenditures				
Current -				
Community and economic development	<u>1,435,570</u>	<u>1,827,900</u>	<u>1,353,337</u>	<u>(474,563)</u>
Revenues under expenditures	-	(38,600)	(38,600)	-
Other financing uses				
Transfer in	-	<u>38,600</u>	<u>38,600</u>	-
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, 2017

	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	\$ 1,539,552	\$ 15,971,468	\$ 2,222,184	\$ 19,733,204	\$ 18,234,176
Receivables, net	8,881,269	30,810	42,545	8,954,624	611,075
Prepaid items	-	-	-	-	1,269,040
Inventories	202,782	38,962	-	241,744	248,519
Total current assets	10,623,603	16,041,240	2,264,729	28,929,572	20,362,810
Noncurrent assets:					
Due from other governmental units	1,718,742	-	-	1,718,742	-
Capital assets	140,305,537	41,780,072	12,267,403	194,353,012	20,029,286
Accumulated depreciation	(45,681,622)	(12,171,930)	(5,829,099)	(63,682,651)	(12,884,826)
Net other postemployment benefit asset	717,922	46,508	93,017	857,447	480,305
Total noncurrent assets	97,060,579	29,654,650	6,531,321	133,246,550	7,624,765
Total assets	107,684,182	45,695,890	8,796,050	162,176,122	27,987,575
Deferred outflows of resources					
Deferred charge on refunding	273,903	841,624	-	1,115,527	47,633
Deferred other postemployment benefit amounts	149,999	9,717	19,434	179,150	100,352
Total deferred outflows of resources	423,902	851,341	19,434	1,294,677	147,985
Liabilities					
Current liabilities:					
Accounts payable	1,919,865	3,802,373	103,026	5,825,264	700,460
Accrued and other liabilities	474,181	1,037,091	29,261	1,540,533	413,176
Cash bonds and deposits	250	12,291	-	12,541	-
Bonds payable, due within one year	3,750,452	1,501,656	42,582	5,294,690	455,913
Other long-term liabilities, current	-	-	-	-	659,452
Compensated absences, current	89,102	29,548	12,350	131,000	78,346
Total current liabilities	6,233,850	6,382,959	187,219	12,804,028	2,307,347
Noncurrent liabilities:					
Bonds payable	30,753,497	22,361,816	1,348,736	54,464,049	7,840,461
Other long-term liabilities	-	-	-	-	659,452
Accrued compensated absences	88,974	29,505	12,331	130,810	78,650
Total noncurrent liabilities	30,842,471	22,391,321	1,361,067	54,594,859	8,578,563
Total liabilities	37,076,321	28,774,280	1,548,286	67,398,887	10,885,910
Deferred inflows of resources					
Deferred other postemployment benefit amounts	9,262	600	1,200	11,062	6,196
Net position					
Net investment in capital assets	72,789,934	7,281,953	6,438,304	86,510,191	6,084,198
Unrestricted (deficit)	(1,767,433)	10,490,398	827,694	9,550,659	11,159,256
Total net position	\$ 71,022,501	\$ 17,772,351	\$ 7,265,998	\$ 96,060,850	\$ 17,243,454

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, 2017

Net position - total enterprise funds	\$ 96,060,850
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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

3,917,666

Net position of business-type activities	\$ 99,978,516
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99,978,516

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, 2017

	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	\$ 31,596,988	\$ 3,911,291	\$ 3,036,530	\$ 38,544,809	\$ 17,517,276
Other	119,720	15,437	10,186	145,343	750,544
Total operating revenues	31,716,708	3,926,728	3,046,716	38,690,152	18,267,820
Operating expenses					
Salaries and benefits	541,055	(162,779)	150,025	528,301	9,869,379
Supplies	554,607	24,241	120,151	698,999	708,044
Water purchases	4,164,790	-	-	4,164,790	-
Sewage disposal services	12,400,772	-	-	12,400,772	-
Other services and charges	4,244,753	976,316	1,951,928	7,172,997	2,856,184
Depreciation	2,890,216	555,905	265,935	3,712,056	1,419,931
Total operating expenses	24,796,193	1,393,683	2,488,039	28,677,915	14,853,538
Operating income	6,920,515	2,533,045	558,677	10,012,237	3,414,282
Nonoperating revenues (expenses)					
Federal grants	-	-	216	216	-
Interest income	5,775	44,261	14,815	64,851	-
Contributions and donations	-	289,113	-	289,113	-
Interest expense	(770,365)	(871,211)	(23,137)	(1,664,713)	(162,328)
Gain on sale of capital assets	-	-	-	-	151,410
Total nonoperating revenues (expenses)	(764,590)	(537,837)	(8,106)	(1,310,533)	(10,918)
Income before transfers	6,155,925	1,995,208	550,571	8,701,704	3,403,364
Transfers					
Transfers in	2,477,976	217,970	103,820	2,799,766	705,834
Transfers out	(1,412,010)	(1,273)	(230,832)	(1,644,115)	(10,050,425)
Net transfers	1,065,966	216,697	(127,012)	1,155,651	(9,344,591)
Change in net position	7,221,891	2,211,905	423,559	9,857,355	(5,941,227)
Net position, beginning of year, as restated	63,800,610	15,560,446	6,842,439	86,203,495	23,184,681
Net position, end of year	\$ 71,022,501	\$ 17,772,351	\$ 7,265,998	\$ 96,060,850	\$ 17,243,454

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, 2017

Change in net position - total enterprise funds	\$ 9,857,355
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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 loss from business-type activities accounted
for in governmental-type internal service funds

519,060

Change in net position of business-type activities	\$ 10,376,415
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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, 2017

	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	\$ 32,067,108	\$ 3,904,465	\$ 3,111,595	\$ 39,083,168	\$ -
Internal activity - receipts from other funds	-	-	-	-	17,517,276
Other operating receipts	119,720	15,437	10,186	145,343	750,544
Payments to vendors	(21,872,691)	(1,187,133)	(1,969,458)	(25,029,282)	(3,811,440)
Payments to employees	(2,803,447)	224,540	(507,031)	(3,085,938)	(11,525,967)
Net cash provided by (used in) operating activities	7,510,690	2,957,309	645,292	11,113,291	2,930,413
Cash flows from noncapital financing activities					
Federal operating grants	-	-	216	216	-
Contributions and donations	-	289,113	-	289,113	-
Transfers from other funds	2,477,976	217,970	103,820	2,799,766	705,834
Transfers to other funds	(1,412,010)	(1,273)	(230,832)	(1,644,115)	(10,050,425)
Net cash provided by (used in) noncapital financing activities	1,065,966	505,810	(126,796)	1,444,980	(9,344,591)
Cash flows from capital and related financing activities					
Purchase of capital assets	(5,540,139)	(5,771,779)	(46,488)	(11,358,406)	(2,094,661)
Proceeds from issuance of long-term debt	-	13,737,122	-	13,737,122	-
Principal paid on long-term debt	(3,320,140)	(729,492)	-	(4,049,632)	(226,118)
Interest paid on long-term debt	(774,817)	(842,374)	(23,137)	(1,640,328)	(140,554)
Proceeds from sale of capital assets	-	-	-	-	196,357
Net cash provided by (used in) capital and related financing activities	(9,635,096)	6,393,477	(69,625)	(3,311,244)	(2,264,976)
Cash flows from investing activities					
Interest received on investments	5,775	44,261	14,815	64,851	-
Net change in cash and investments	(1,052,665)	9,900,857	463,686	9,311,878	(8,679,154)
Cash and investments balances, beginning of year	2,592,217	6,070,611	1,758,498	10,421,326	26,913,330
Cash and investments balances, end of year	\$ 1,539,552	\$ 15,971,468	\$ 2,222,184	\$ 19,733,204	\$ 18,234,176

continued...

CITY OF ROYAL OAK, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2017

	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	\$ 6,920,515	\$ 2,533,045	\$ 558,677	\$ 10,012,237	\$ 3,414,282
Adjustments to reconcile operating income to net cash provided by (used in) operating activities -					
Depreciation	2,890,216	555,905	265,935	3,712,056	1,419,931
Changes in assets and liabilities:					
Receivables, net	(77,447)	(7,176)	75,065	(9,558)	(544,259)
Prepaid items	-	-	-	-	(306,789)
Inventories	16,353	(29,661)	-	(13,308)	22,864
Long-term receivables	2,040,130	-	-	2,040,130	-
Due from other governmental units	(1,492,563)	-	-	(1,492,563)	-
Accounts payable	(524,122)	(156,915)	(26,402)	(707,439)	303,242
Accrued and other liabilities	89,880	949,189	17,536	1,056,605	(429,855)
Cash bonds and deposits	-	350	-	350	-
Other long-term liabilities	-	-	-	-	24,424
Accrued compensated absences	(12,726)	(7,978)	939	(19,765)	20,170
Net pension liability and deferred amounts	(3,344,861)	(943,962)	(375,481)	(4,664,304)	(1,643,217)
Net other postemployment benefit asset and deferred amounts	1,005,315	64,512	129,023	1,198,850	649,620
Net cash provided by (used in) operating activities	<u>\$ 7,510,690</u>	<u>\$ 2,957,309</u>	<u>\$ 645,292</u>	<u>\$ 11,113,291</u>	<u>\$ 2,930,413</u>
Noncash noncapital financing activities					
Contributions to pension and other postemployment benefit funds financed through the issuance of long-term debt	<u>\$ 10,747,934</u>	<u>\$ 695,659</u>	<u>\$ 1,391,318</u>	<u>\$ 12,834,911</u>	<u>\$ 7,167,649</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, 2017

	Pension and Other Employee Benefit Trust Funds	Agency Funds
Assets		
Cash and investments	\$ 7,262,778	\$ 484,532
Retirement investments, at fair value:		
Mutual funds	165,333,869	-
Equities	33,290,350	-
Money market funds	11,384,324	-
Government obligations	62,184,158	-
Other assets	8,109,945	-
Receivables, net	106,376	-
Total assets	287,671,800	\$ 484,532
Liabilities		
Accounts payable	374,108	-
Undistributed receipts	-	172,480
Accrued and other liabilities	3,103	-
Due to City of Berkley	-	30,665
Due to other governmental units	-	320
Bonds and deposits	-	281,067
Total liabilities	377,211	\$ 484,532
Net position		
Restricted for pension and other postemployment benefits	\$ 287,294,589	

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, 2017

Pension and Other
Employee Benefit
Trust Funds

Additions

Contributions:

Employer	\$ 147,989,291
Plan members	952,984
Plan members' buybacks	111,902
Total contributions	<u>149,054,177</u>

Investment earnings:

Net change in fair value of investments	18,243,330
Interest	193,355
Dividends	2,583,817
Other investment revenues	22,819
Total investment gain	<u>21,043,321</u>
Less investment expenses	837,863
Net investment gain	<u>20,205,458</u>

Total additions

169,259,635

Deductions

Benefits	23,044,102
Refund of contributions	688,075
Administrative expenses	<u>96,160</u>

Total deductions

23,828,337

Change in net position

145,431,298

Net position, beginning of year

141,863,291

Net position, end of year

\$ 287,294,589

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, 2017

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Assets				
Cash and investments	\$ 2,029,750	\$ 133,503	\$ 176,102	\$ 2,339,355
Receivables, net	32,031	551	706	33,288
Prepaid items	50,000	-	-	50,000
Capital assets not being depreciated	2,895,755	-	-	2,895,755
Capital assets being depreciated, net	831,244	-	-	831,244
Total assets	5,838,780	134,054	176,808	6,149,642
Liabilities				
Accounts payable	45,601	179	-	45,780
Accrued and other liabilities	3,907	846	-	4,753
Long-term debt:				
Due within one year	6,184	1,816	-	8,000
Due in more than one year	6,266	1,846	-	8,112
Total liabilities	61,958	4,687	-	66,645
Net position				
Investment in capital assets	3,726,999	-	-	3,726,999
Unrestricted	2,049,823	129,367	176,808	2,355,998
Total net position	\$ 5,776,822	\$ 129,367	\$ 176,808	\$ 6,082,997

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, 2017

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Expenses				
Tax Increment Financing Authority	\$ 2,513,293	\$ -	\$ -	\$ 2,513,293
Downtown Development Authority	-	(11,681)	-	(11,681)
Brownfield Redevelopment Authority	-	-	36,751	36,751
Total expenses	2,513,293	(11,681)	36,751	2,538,363
Program revenues				
Operating grants and contributions	200,750	3,040	-	203,790
Net revenue (expense)	(2,312,543)	14,721	(36,751)	(2,334,573)
General revenues				
Property taxes	3,339,996	49,752	119,705	3,509,453
Unrestricted investment earnings	16,985	988	1,425	19,398
Miscellaneous revenue	93,999	-	-	93,999
Total general revenues	3,450,980	50,740	121,130	3,622,850
Change in net position	1,138,437	65,461	84,379	1,288,277
Net position, beginning of year, as restated	4,638,385	63,906	92,429	4,794,720
Net position, end of year	\$ 5,776,822	\$ 129,367	\$ 176,808	\$ 6,082,997

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, 2017, the City expensed approximately \$4,781,000 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, 2017, the City expensed approximately \$4,165,000 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 and other postemployment benefit plans as well as for the deferred charge on refunding. A deferred refunding charge 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 City reports deferred inflows of resources for change in expected and actual investment returns, assumptions, and benefits provided in its other postemployment benefit plan. The governmental funds also 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.

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension liability, net other postemployment benefit asset, deferred outflows of resources and deferred inflows of resources related to pension and other postemployment benefit plans, and pension and other postemployment benefit expenses, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. 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, activity, (e.g. general government, public safety, etc.) and department. Budget amendments are submitted for Commission approval on a quarterly basis. The Commission makes supplemental budgetary appropriations throughout the year mostly a result of the mid-year review.

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. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Expenditures in Excess of Appropriations

For the year ended June 30, 2017, the City incurred expenditures in certain budgeted funds which were in excess of the amount appropriated, as follows:

	Budget Appropriation	Actual Expenditure	Variance
Local streets fund -			
Public works	\$ 6,860,550	\$ 6,945,409	\$ 84,859

Deficit Fund Equity

The Water and Sewer fund reported a deficit in unrestricted net position in the amount of \$1,767,434 at June 30, 2017. The fund had total net position of \$71,022,501, as well as a positive working capital reserve at year end.

The Recreation Administration fund reported a deficit in unrestricted net position in the amount of \$592,006 at June 30, 2017. The fund had total net position of \$2,560,233, as well as a positive working capital reserve at year end.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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. Retiree healthcare investments are held in a trust fund by Fifth Third Bank.

At year-end the City's 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	\$ 90,762,463	\$ 2,339,355	\$ 93,101,818
Restricted assets (endowments cash)	1,000	-	1,000
	<u>90,763,463</u>	<u>2,339,355</u>	<u>93,102,818</u>
Statement of Fiduciary Net Position			
Pension and OPEB trust funds:			
Cash and investments	7,262,778	-	7,262,778
Retirement investments	280,302,646	-	280,302,646
Agency funds -			
Cash and investments	484,532	-	484,532
	<u>288,049,956</u>	<u>-</u>	<u>288,049,956</u>
Total	\$ 378,813,419	\$ 2,339,355	\$ 381,152,774

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Deposits and investments

Bank deposits (checking and savings accounts, certificates of deposit)	\$ 100,845,027
Investments:	
Equities:	
Large cap domestic equities	19,171,064
Small and mid cap equities	4,662,315
Developed international equities	7,056,157
Emerging markets equities	2,400,814
Money market funds	11,384,324
Bond mutual funds	19,267,711
Equity mutual funds	88,756,396
Real estate mutual funds	8,109,945
Other mutual funds	57,309,762
Government obligations	62,184,158
Cash on hand	5,101
<hr/>	
Total	\$ 381,152,774

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	\$ 8,398,472	9.24
Vanguard Total Bond Market	8,781,056	8.40
Templeton Global Total Return	2,088,183	3.80
Money market funds -		
SEI Daily Income Govt Fund	11,384,324	1.10
Government obligations		
Federated Government Obligations Fund	<u>62,184,158</u>	1.07
Total	<u>\$ 30,652,035</u>	

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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, government obligations and money market funds were 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, 2017, \$97,917,855 of the City's bank balance of \$101,174,881 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. As of June 30, 2017, the City's pooled investments consisted of equities, mutual funds, government obligations and money market funds totaling \$280,302,646. 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, 2017, 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. Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

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, 2017:

	Level 1	Level 2	Level 3	Total
Equities	\$ 33,290,350	\$ -	\$ -	\$ 33,290,350
Money market funds	-	11,384,324	-	11,384,324
Bond mutual funds	19,267,711	-	-	19,267,711
Equity mutual funds	88,756,396	-	-	88,756,396
Real estate mutual funds	-	-	8,109,945	8,109,945
Other mutual funds	38,019,407	19,290,355	-	57,309,762
Government obligations	62,184,158	-	-	62,184,158
Total investments at fair value	<u>\$ 241,518,022</u>	<u>\$ 30,674,679</u>	<u>\$ 8,109,945</u>	<u>\$ 280,302,646</u>

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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	\$ 1,174,693	\$ 9,036,139	\$ -	\$ -
Loans	3,394,569	-	-	3,394,569
Taxes (current)	49,486	-	-	-
Taxes (delinquent)	67,054	-	60,928	-
Special assessments	1,889,816	-	-	1,044,235
Intergovernmental	2,116,040	1,718,742	-	1,718,742
Interest and other	279,575	21,558	9,379	-
Less: allowance for uncollectibles	(184,497)	(103,073)	(37,019)	-
	<u>\$ 8,786,736</u>	<u>\$ 10,673,366</u>	<u>\$ 33,288</u>	<u>\$ 6,157,546</u>

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2017, was as follows:

	Due from Other Funds	Due to Other Funds
General	\$ 233,944	\$ -
Community development block grant	-	<u>233,944</u>
	<u>\$ 233,944</u>	<u>\$ 233,944</u>

In addition, an interfund balance existed between governmental activities and business-type activities in the amount of \$3,917,666. 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.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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

Transfers Out	Transfers In			
	General	Public Safety	Solid Waste	Community Development Block Grant
General fund	\$ -	\$ 18,700,000	\$ -	\$ -
Public safety fund	-	-	-	-
Solid waste fund	-	-	-	-
City capital projects	53,627	-	-	-
Nonmajor governmental funds	4,777	-	-	-
Water and sewer fund	-	-	-	-
Automobile parking system fund	-	-	-	-
Nonmajor enterprise funds	-	-	-	-
Internal service funds	<u>6,853,410</u>	-	405,860	38,600
	<u>\$ 6,911,814</u>	<u>\$ 18,700,000</u>	<u>\$ 405,860</u>	<u>\$ 38,600</u>

Transfers Out	Transfers In			
	City Capital Projects	Nonmajor Governmental Funds	Water & Sewer Fund	Automobile Parking System
General fund	\$ -	\$ 4,353,464	\$ -	\$ -
Public safety fund	-	65,940	-	-
Solid waste fund	-	4,500	-	-
City capital projects	-	910,389	-	-
Nonmajor governmental funds	7,001,366	685,848	35,525	-
Water and sewer fund	399	4,500	1,407,111	-
Automobile parking system fund	-	1,273	-	-
Nonmajor enterprise funds	198,000	32,832	-	-
Internal service funds	-	944,935	1,035,340	217,970
	<u>\$ 7,199,765</u>	<u>\$ 7,003,681</u>	<u>\$ 2,477,976</u>	<u>\$ 217,970</u>

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Transfers Out	Transfers In			Total
	Nonmajor Enterprise Funds	Internal Service Funds		
General fund	\$ -	\$ 3,000	\$ 23,056,464	
Public safety fund	-	105,000	170,940	
Solid waste fund	-	-	4,500	
City capital projects	-	-	964,016	
Nonmajor governmental funds	-	147,344	7,874,860	
Water and sewer fund	-	-	1,412,010	
Automobile parking system fund	-	-	1,273	
Nonmajor enterprise funds	-	-	230,832	
Internal service funds	<u>103,820</u>	<u>450,490</u>	<u>10,050,425</u>	
	<u>\$ 103,820</u>	<u>\$ 705,834</u>	<u>\$ 43,765,320</u>	

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.

During the year, the City transferred funds primarily to: (1) move unrestricted revenues from the general fund to finance activities of the public safety fund and other nonmajor funds (2) transfer resources to the capital projects fund to finance ongoing construction and (3) transfer unrestricted funds from the excess working capital reserve in internal service funds to refund the City funds originally charged.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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	19,375,820	15,835,582	-	(12,233,695)	22,977,707
	<u>86,150,572</u>	<u>15,835,582</u>	<u>-</u>	<u>(12,233,695)</u>	<u>89,752,459</u>
Capital assets, being depreciated:					
Buildings	30,761,481	-	(87,645)	-	30,673,836
Improvements other than buildings	4,622,968	39,094	-	377,450	5,039,512
Machinery and equipment	21,986,366	1,803,870	(1,283,733)	584,033	23,090,536
Infrastructure	114,022,425	-	(53,627)	11,208,504	125,177,302
Intangibles	354,608	-	-	63,708	418,316
	<u>171,747,848</u>	<u>1,842,964</u>	<u>(1,425,005)</u>	<u>12,233,695</u>	<u>184,399,502</u>
Less accumulated depreciation for:					
Buildings	(15,082,641)	(604,545)	87,645	-	(15,599,541)
Improvements other than buildings	(3,746,752)	(89,630)	9,844	-	(3,826,538)
Machinery and equipment	(15,928,949)	(1,618,498)	1,228,945	-	(16,318,502)
Infrastructure	(64,780,003)	(1,646,137)	-	-	(66,426,140)
Intangibles	(354,608)	(7,963)	-	-	(362,571)
	<u>(99,892,953)</u>	<u>(3,966,773)</u>	<u>1,326,434</u>	<u>-</u>	<u>(102,533,292)</u>
Total capital assets being depreciated, net					
	<u>71,854,895</u>	<u>(2,123,809)</u>	<u>(98,571)</u>	<u>12,233,695</u>	<u>81,866,210</u>
Governmental activities capital assets, net					
	<u>\$ 158,005,467</u>	<u>\$ 13,711,773</u>	<u>\$ (98,571)</u>	<u>\$ -</u>	<u>\$ 171,618,669</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	8,019,620	14,840,369	-	(5,499,036)	17,360,953
	<u>17,978,276</u>	<u>14,840,369</u>	<u>-</u>	<u>(5,499,036)</u>	<u>27,319,609</u>
Capital assets, being depreciated:					
Buildings	30,428,365	46,487	-	-	30,474,852
Improvements other than buildings	1,453,612	-	-	-	1,453,612
Machinery and equipment	1,627,998	210,768	-	36,160	1,874,926
Infrastructure	127,769,860	-	(2,723)	5,462,876	133,230,013
	<u>161,279,835</u>	<u>257,255</u>	<u>(2,723)</u>	<u>5,499,036</u>	<u>167,033,403</u>
Less accumulated depreciation for:					
Buildings	(14,729,509)	(681,782)	-	-	(15,411,291)
Improvements other than buildings	(248,648)	(63,861)	-	-	(312,509)
Machinery and equipment	(1,356,981)	(45,937)	-	-	(1,402,918)
Infrastructure	(43,638,180)	(2,920,476)	2,723	-	(46,555,933)
	<u>(59,973,318)</u>	<u>(3,712,056)</u>	<u>2,723</u>	<u>-</u>	<u>(63,682,651)</u>
Total capital assets being depreciated, net	<u>101,306,517</u>	<u>(3,454,801)</u>	<u>-</u>	<u>5,499,036</u>	<u>103,350,752</u>
Business-type activities capital assets, net	<u>\$ 119,284,793</u>	<u>\$ 11,385,568</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,670,361</u>

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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

Depreciation of governmental activities by function	
General government	\$ 444,943
Public safety	253,163
Public works	1,546,186
Recreation and culture	302,550
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>1,419,931</u>
 Total depreciation expense - governmental activities	<u>\$ 3,966,773</u>
 Depreciation of business-type activities by function	
Water and sewer	\$ 2,890,216
Parking	555,905
Ice arena	108,226
Recreation	87,765
Farmers market	<u>69,944</u>
 Total depreciation expense - business-type activities	<u>\$ 3,712,056</u>

Construction Commitments

The City has active construction projects as of June 30, 2017. The projects include infrastructure improvements. At year end, the City's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Buildings	\$ 8,543,392	\$ 6,191,018
Roads	11,327,905	4,109,371
Water projects	2,131,476	2,275,752
Sewer projects	4,017,520	239,084
Sidewalks	<u>2,855,316</u>	<u>768,987</u>
 Total	<u>\$ 28,875,609</u>	<u>\$ 13,584,212</u>

Oakland County has a major contract on the George W. Kuhn project. Of the amount spent to date, approximately \$38,946,000 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	(785,968)	(18,568)	-	(804,536)
Infrastructure	(338,379)	(75,247)	-	(413,626)
	<u>(1,124,347)</u>	<u>(93,815)</u>	<u>-</u>	<u>(1,218,162)</u>
Total capital assets being depreciated, net	<u>925,059</u>	<u>(93,815)</u>	<u>-</u>	<u>831,244</u>
Component unit - TIFA capital assets, net	<u>\$ 3,820,814</u>	<u>\$ (93,815)</u>	<u>\$ -</u>	<u>\$ 3,726,999</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, as well as to finance unfunded pension and other postemployment liabilities. 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	\$ 10,627,511	\$ 113,775,085	\$ (1,706,994)	\$ 122,695,602	\$ 5,125,299
Unamortized discount	(264)	-	264	-	-
Unamortized premium	333,364	-	(49,833)	283,531	49,746
Compensated absences	3,527,409	2,355,387	(2,239,452)	3,643,344	1,822,000
General liability claims	498,430	543,232	(265,502)	776,160	388,080
Workers compensation	796,050	66,122	(319,428)	542,744	271,372
Total governmental activities	\$ 15,782,500	\$ 116,739,826	\$ (4,580,945)	\$ 127,941,381	\$ 7,656,497
Business-type Activities					
Bonds payable, contractual obligations and State revolving fund	\$ 36,624,353	\$ 26,334,911	\$ (4,049,632)	\$ 58,909,632	\$ 5,217,015
Unamortized premium	689,659	237,122	(77,674)	849,107	77,675
Compensated absences	281,575	177,850	(197,615)	261,810	131,000
Total business-type activities	\$ 37,595,587	\$ 26,749,883	\$ (4,324,921)	\$ 60,020,549	\$ 5,425,690
Component Units					
Compensated absences	\$ 16,618	\$ 9,638	\$ (10,144)	\$ 16,112	\$ 8,000

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, \$156,996 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.

Pledged Revenues

Parking. The City has pledged future parking revenues, net of specified operating expenses, to repay \$13.5 million in parking revenue bonds issued in December 2016. Proceeds from the bonds provided financing for the construction of the Parking Structure. The bonds are payable solely from electric customer net revenues and are payable through October 2031. Annual principal and interest payments on the bonds are expected to require less than 14% of net revenues. The total principal and interest paid for the current year and total customer net revenues were \$137,363 and \$1,000,824 respectively.

CITY OF ROYAL OAK, MICHIGAN

■ Notes to Financial Statements

Governmental activities - bonds payable

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	\$ 605,000
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	55,000
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	2,925,000
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	450,000
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	1,582,000
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	2,876,702
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	426,815
2017 Series A Other Postemployment Benefits Bonds; \$95,290,341 at issuance; payable in annual installments of \$2,916,043 to \$6,618,383; interest payable semi-annually at 1.163% to 4.524% through October 2037	95,290,341
2017 Series B Pension Bonds; \$18,484,744 at issuance; payable in annual installments of \$566,134 to \$1,285,035; interest payable semi-annually at 1.163% to 4.524% through October 2037	<u>18,484,744</u>
Total governmental activities bonds payable	<u>\$ 122,695,602</u>

CITY OF ROYAL OAK, MICHIGAN

■ Notes to Financial Statements

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	\$ 645,000
* 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	290,000
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	2,280,000
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	4,855,103
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	2,193,051
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	3,578,298
2016 Series B Parking Bonds; \$13,500,000 at issuance; payable in annual installments of \$675,000 to \$1,165,000; interest payable semi-annually at 3.700% through October 2031	13,500,000
2017 Series A Other Postemployment Benefits Bonds; \$10,749,659 at issuance; payable in annual installments of \$328,957 to \$746,617; interest payable semi-annually at 1.163% to 4.524% through October 2037	10,749,659
2017 Series B Pension Bonds; \$2,085,254 at issuance; payable in annual installments of \$63,866 to \$144,967; interest payable semi-annually at 1.163% to 4.524% through October 2037	2,085,254
	<u>40,176,365</u>

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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	\$ 135,411
* 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	1,543,073
* 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	9,691,248
* 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	255,541
* 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	216,553
* 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	1,861,531
* 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	305,861
* 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	1,486,662
	<hr/>
	15,495,880
	<hr/>
<u>Business-type activities - State revolving fund</u>	
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	3,237,387
	<hr/>
Total business-type activities bonds payable, contractual obligations and State revolving fund	\$ 58,909,632
	<hr/>

* Debt related to financing George W. Kuhn Drainage District capital improvements project.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Defeased bonds

In previous years, 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, 2017, \$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
2018	\$ 5,125,299	\$ 4,834,478	\$ 5,217,015	\$ 1,868,226
2019	5,658,439	4,277,683	5,256,546	1,662,229
2020	5,551,655	4,164,726	5,388,592	1,516,165
2021	5,469,681	4,042,469	5,513,240	1,382,468
2022	5,612,611	3,903,849	4,821,570	1,244,339
2023-2027	24,697,130	17,164,018	17,519,646	4,260,227
2028-2032	28,084,744	12,427,344	10,399,055	1,973,842
2033-2037	34,592,623	5,830,300	3,902,379	657,716
2038	7,903,420	178,775	891,589	20,167
	<u>\$ 122,695,602</u>	<u>\$ 56,823,642</u>	<u>\$ 58,909,632</u>	<u>\$ 14,585,379</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.

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 \$38,946,000 with an interest rate of 1.63-4.38%. As of June 30, 2017, the City's obligation is \$16,295,469 in principal.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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 2016 and 2017 are as follows:

Fiscal Year	Liability at Beginning of Year	Current-Year Claims and Changes in Estimates	Claim Payments	Liability at End of Year
2016	\$ 609,590	\$ 131,627	\$ (242,787)	\$ 498,430
2017	498,430	543,232	(265,502)	776,160

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.

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.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Changes in the reported liability for the fiscal years 2016 and 2017 are as follows:

Fiscal Year	Liability at Beginning of Year	Current-Year Claims and Changes in Estimates	Claim Payments	Liability at End of Year
2016	\$ 1,015,259	\$ 128,645	\$ (347,854)	\$ 796,050
2017	796,050	66,122	(319,428)	542,744

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 2016 and 2017 are as follows:

Fiscal Year	Liability at Beginning of Year	Current-Year Claims and Changes in Estimates	Claim Payments	Liability at End of Year
2016	\$ 530,092	\$ 9,061,145	\$ (8,840,398)	\$ 750,839
2017	750,839	8,991,722	(9,491,561)	251,000

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, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.09 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.

Final Average Compensation (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.

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	2.8%	6.0%	80%
Detectives	2.8%	6.0%	75%
Police and Fire Department Heads	2.8%	6.0%	75%

During the year ended June 30, 2017, the City issued pension obligation bonds to finance the net pension liability attributable to the closed portion of the plan. Total additional contributions were \$21,427,826.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Membership. At June 30, 2017 (the date of the most recent actuarial report), membership consisted of:

Retirees and beneficiaries currently receiving benefits	548
Terminated employees entitled to benefits but not yet receiving them	25
Current full-time employees	<u>231</u>
Total members	<u><u>804</u></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, 2017 is as follows:

Reserve / Group	Balance
Police and fire members benefit fund	\$ 97,456,316
General members benefit fund	92,129,118
Undistributed investment income fund	(34,614,549)

Net Pension Liability. The City's net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2016 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, set forward 10 years for Disabled Life Mortality

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

The actuarial assumptions used in the June 30, 2016 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. 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, 2017, 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
World equity	19.00%	6.83%	1.30%
Core fixed income	13.00%	4.04%	0.53%
Opportunistic income fund	12.00%	3.39%	0.41%
Large cap index	20.00%	5.50%	1.10%
Dynamic asset allocation	8.00%	7.82%	0.63%
Small cap	8.00%	5.50%	0.44%
Emerging markets debt	6.00%	6.25%	0.38%
Core property	5.00%	4.80%	0.24%
Emerging markets equity	5.00%	7.17%	0.36%
High yield	4.00%	5.32%	0.21%
	100.00%		5.60%
Inflation			2.50%
Risk adjustments			-0.35%
Investment rate of return			7.75%

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, 2016	<u>\$ 210,669,256</u>	<u>\$ 124,994,849</u>	<u>\$ 85,674,407</u>
Changes for the year:			
Service cost	2,517,235	-	2,517,235
Interest	15,789,346	-	15,789,346
Differences between expected and actual experience	3,951,131	-	3,951,131
Employer contributions	-	28,605,368	(28,605,368)
Employee contributions	-	952,984	(952,984)
Employee service purchases	-	111,902	(111,902)
Net investment income (loss)	-	16,766,006	(16,766,006)
Benefit payments, including			
refunds of employee contributions	(16,388,754)	(16,388,754)	-
Administrative expense	-	(71,470)	71,470
Other changes	53,367	-	53,367
Net changes	<u>5,922,325</u>	<u>29,976,036</u>	<u>(24,053,711)</u>
Balances at June 30, 2017	<u>\$ 216,591,581</u>	<u>\$ 154,970,885</u>	<u>\$ 61,620,696</u>

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	\$ 83,879,379	\$ 61,620,696	\$ 42,680,920

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, 2017, the City recognized pension expense of \$12,283,380. At June 30, 2017, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 3,622,413
Net difference between projected and actual earnings on pension plan investments	<u>5,320,691</u>
 Total	 <u>\$ 8,943,104</u>

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

Year Ended June 30,	Amount
2018	\$ 4,878,961
2019	3,976,317
2020	1,401,230
2021	<u>(1,313,404)</u>
 Total	 <u>\$ 8,943,104</u>

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

12. OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan

Plan Description. The City administers a defined-benefit other postemployment benefits plan (the "Retiree Health Fund" or RHF), established under State of Michigan Public Act 149 of 1999. All divisions of the plan are closed to new hires in years 2006 to 2009, based on bargaining unit/group. The City Commission has the authority to establish and amend the benefit terms.

Benefits Provided. 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. 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.

Employees Covered by Benefit Terms. At June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees/beneficiaries receiving benefits	435
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<hr/> 177
Total membership	<hr/> 613

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, 2017. The plan's financial statements include contributions received and benefits paid through that date. At June 30, 2017, 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. Annual contribution rates are actuarially determined. Active service members and retired members or their beneficiaries are not required to contribute to the plan. For the year ended June 30, 2017, the City contributed \$119,383,923. During the year ended June 30, 2017, the City issued other postemployment benefit bonds to finance the net pension liability attributable to the closed portion of the plan. Total additional contributions were \$107,971,563.

Rate of Return. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 5.73%. 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

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2016.

Actuarial Assumptions. The total OPEB asset in the June 30, 2016 valuation was determined using the following actuarial assumptions, applied consistently to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.5% to 5.9%, including inflation
Investment rate of return	7.75%, net of OPEB plan investment expense, including inflation
Retirement age	Experience-based tables that are specific to the type of eligibility condition
Healthcare cost trend rate	9.0% and gradually decreasing to an ultimate trend rate of 3.0%
Aging factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"

Mortality rates were based on the RP-2000 Mortality Table, projected 20 years (multiplied by 110%), rates set-forward 10 years for disabled members.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 2006 through 2012.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Money-Weighted Rate of Return
Domestic fixed income	15.00%	2.50%	0.38%
Domestic equity	45.00%	7.50%	3.38%
International equity	20.00%	8.50%	1.70%
Private equity	10.00%	8.00%	0.80%
Real estate	10.00%	4.50%	0.45%
	<u>100.00%</u>		<u>6.71%</u>
Inflation			2.75%
Risk adjustments			<u>-1.71%</u>
Investment rate of return			<u>7.75%</u>

Discount Rate. The discount rate used to measure the total OPEB asset 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 those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Changes in the Net OPEB Asset. The components of the change in the net OPEB asset are summarized as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (a) - (b)
Balances at June 30, 2016	<u>\$ 121,508,728</u>	<u>\$ 16,868,442</u>	<u>\$ 104,640,286</u>
Changes for the year:			
Service cost	733,901	-	733,901
Interest on total OPEB asset	9,160,807	-	9,160,807
Differences between expected and actual experience	(192,395)	-	(192,395)
Employer contributions	-	119,383,923	(119,383,923)
Net investment income	-	3,439,452	(3,439,452)
Benefit payments	(7,343,423)	(7,343,423)	-
Administrative expense	-	(24,690)	24,690
Net changes	<u>2,358,890</u>	<u>115,455,262</u>	<u>(113,096,372)</u>
Balances at June 30, 2017	<u>\$ 123,867,618</u>	<u>\$ 132,323,704</u>	<u>\$ (8,456,086)</u>

The City's net OPEB asset is presented in the government-wide statement of net position as follows:

Governmental activities	<u>\$ 7,598,639</u>
Business-type activities	<u>857,447</u>
Total net OPEB asset	<u><u>\$ 8,456,086</u></u>

Sensitivity of the Net OPEB (Asset) Liability to Changes in the Discount Rate. The following presents the net OPEB (asset) liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net OPEB (asset) liability would be if it were calculated using a discount rate that is 1% lower (6.75%) or 1% higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's net OPEB (asset) liability	\$ 4,624,547	\$ (8,456,086)	\$ (19,545,688)

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Sensitivity of the Net OPEB (Asset) Liability to Changes in the Healthcare Cost Trend Rate Assumption. The following presents the net OPEB (asset) liability of the City, as well as what the City's net OPEB (asset) liability would be if it were calculated using healthcare cost trend rates that are 1% lower (8.0% decreasing to 2.0%) or 1% higher (10.0% decreasing to 4.0%) than the current healthcare cost trend rates:

	1% Decrease (8.0% Decreasing to 2.0%)	Healthcare Cost Trend Rates (9.0% Decreasing to 3.0%)	1% Increase (10.0% Decreasing to 4.0%)
City's net OPEB (asset) liability	\$ (20,312,005)	\$ (8,456,086)	\$ 5,257,618

Pension Plan Fiduciary Net Position. Detailed information about the OPEB plan's fiduciary net position is available in the combining statements for the pension and other postemployment benefit trust funds in Note 13.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2017, the City recognized OPEB expense of \$4,629,869. At June 30, 2017, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ (109,089)	\$ (109,089)
Net difference between projected and actual earnings on OPEB plan investments	<u>1,766,771</u>	<u>-</u>	<u>1,766,771</u>
Total	\$ 1,766,771	\$ (109,089)	\$ 1,657,682

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

Year Ended June 30,	Amount
2018	\$ 358,387
2019	415,910
2020	441,693
2021	<u>441,692</u>
Total	<u>\$ 1,657,682</u>

Payable to the OPEB Plan. At June 30, 2017, the City had no amount payable to the OPEB plan.

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	\$ 836,307	\$ 6,426,471	\$ 7,262,778
Retirement investments, at fair value:			
Mutual funds	135,177,100	30,156,769	165,333,869
Equities	-	33,290,350	33,290,350
Money market funds	11,384,324	-	11,384,324
Government obligations	-	62,184,158	62,184,158
Other assets	7,841,523	268,422	8,109,945
Receivables, net	<u>77,781</u>	<u>28,595</u>	<u>106,376</u>
Total assets	<u>155,317,035</u>	<u>132,354,765</u>	<u>287,671,800</u>
Liabilities			
Accounts payable	343,799	30,309	374,108
Accrued and other liabilities	<u>2,351</u>	<u>752</u>	<u>3,103</u>
Total liabilities	<u>346,150</u>	<u>31,061</u>	<u>377,211</u>
Net position			
Restricted for:			
Employees' pension benefits	154,970,885	-	154,970,885
Other postemployment benefits	<u>-</u>	<u>132,323,704</u>	<u>132,323,704</u>
Total net position	<u>\$ 154,970,885</u>	<u>\$ 132,323,704</u>	<u>\$ 287,294,589</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	\$ 28,605,368	\$ 119,383,923	\$ 147,989,291
Plan members	952,984	-	952,984
Plan members' buyback	111,902	-	111,902
 Total contributions	 29,670,254	 119,383,923	 149,054,177
 Investment earnings:			
Net change in fair value of investments	15,052,537	3,190,793	18,243,330
Interest	19,404	173,951	193,355
Dividends	2,421,589	162,228	2,583,817
Other investment revenues	22,819	-	22,819
 Total investment gain	 17,516,349	 3,526,972	 21,043,321
Less: investment expense	750,343	87,520	837,863
 Net investment gain	 16,766,006	 3,439,452	 20,205,458
 Total additions	 46,436,260	 122,823,375	 169,259,635
 Deductions			
Benefits	15,700,679	7,343,423	23,044,102
Refund of contributions	688,075	-	688,075
Administrative expenses	71,470	24,690	96,160
 Total deductions	 16,460,224	 7,368,113	 23,828,337
 Change in net position	 29,976,036	 115,455,262	 145,431,298
 Net position, beginning of year	 124,994,849	 16,868,442	 141,863,291
 Net position, end of year	 \$ 154,970,885	 \$ 132,323,704	 \$ 287,294,589

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, 2017, there were 80 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, 2017, were \$189,245 by the employees and \$273,258 by the City.

15. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2017, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Capital assets not being depreciated	\$ 89,752,459	\$ 27,319,609	\$ 2,895,755
Capital assets being depreciated, net	81,866,210	103,350,752	831,244
	<u>171,618,669</u>	<u>130,670,361</u>	<u>3,726,999</u>
Related debt:			
General obligation bonds	122,695,602	40,176,365	-
Contractual obligations	-	15,495,880	-
State revolving fund	-	3,237,387	-
Less: amounts owed from other communities	-	(1,648,129)	-
Less: pension and OPEB bonds	(113,775,085)	(12,834,913)	-
Bond premium	283,531	849,107	-
Deferred charge on refunding	(133,880)	(1,115,527)	-
	<u>9,070,168</u>	<u>44,160,170</u>	<u>-</u>
Net investment in capital assets	\$ 162,548,501	\$ 86,510,191	\$ 3,726,999

CITY OF ROYAL OAK, MICHIGAN

■ Notes to Financial Statements

16. TAX ABATEMENTS

The City received reduced property tax revenues during 2017 as a result of industrial facilities tax exemptions (IFT's) and brownfield redevelopment agreements entered into by the City.

The IFT's were entered into based upon the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property in the City. The abatements amounted to approximately \$56,000 in reduced tax revenues for 2017.

Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. These agreements were entered into based upon the Brownfield Redevelopment Act, PA 381 of 1996, as amended. Under this act, a municipality may create a brownfield redevelopment authority to develop and implement brownfield projects. Tax increment financing may be used as a tool for property redevelopment. The abatements amounted to approximately \$120,000 in reduced City tax revenues for 2017.

17. SUBSEQUENT EVENT

On September 12, 2017, the City issued \$8,500,000 of Limited Tax General Obligation bonds to finance all or part of the capital costs of maintaining, repairing, constructing and reconstructing roads and right-of-ways in the City. The bonds are payable annually over a 7 year period beginning on April 1, 2018 with interest charged on the outstanding balance at 2.10%.

18. RESTATEMENTS

For the year ended June 30, 2017, the City implemented GASB Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 75 eliminated the existing net other postemployment benefits obligation (an amount representing the cumulative deficiency of actual plan contributions compared to the actuarially-calculated annual required contribution) and replaced it with the net other postemployment liability (an amount representing the full actuarial accrued liability of the plan, less the resources held in trust). This resulted in a decrease in net position as of July 1, 2016 of \$65,264,141 for governmental activities (including \$4,872,554 for internal service funds), Business-type activities net position decreased by \$8,274,183 (\$126,132 in the Automobile Parking fund, \$7,191,471 in the water/sewer fund, and \$956,580 in nonmajor enterprise funds). Beginning net position of component units was increased by \$132,002.



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,			
	2017	2016	2015	2014
Change in total pension liability				
Service cost	\$ 2,517,235	\$ 2,542,348	\$ 2,555,924	\$ 2,485,567
Interest	15,789,346	15,445,529	15,214,726	15,021,782
Changes of benefit terms	-	-	96,556	-
Differences between expected and actual experience	3,951,131	2,710,293	903,595	-
Benefit payments, including refunds of member contributions	(16,388,754)	(16,109,768)	(15,462,071)	(14,643,773)
Other changes	53,367	-	-	-
Net change in total pension liability	5,922,325	4,588,402	3,308,730	2,863,576
Total pension liability, beginning	210,669,256	206,080,854	202,772,124	199,908,548
Total pension liability, ending (a)	216,591,581	210,669,256	206,080,854	202,772,124
Change in plan fiduciary net position				
Contributions - employer	28,605,368	7,034,692	7,098,292	6,539,504
Contributions - member	952,984	1,157,297	981,785	1,603,847
Net investment income (loss)	16,766,006	(3,312,904)	4,465,722	21,788,939
Employee service purchases	111,902	-	-	-
Benefit payments, including refunds of member contributions	(16,388,754)	(16,109,768)	(15,462,070)	(14,644,935)
Administrative expense	(71,470)	(99,672)	(71,374)	(49,691)
Net change in plan fiduciary net position	29,976,036	(11,330,355)	(2,987,645)	15,237,664
Plan fiduciary net position, beginning	124,994,849	136,325,204	139,312,849	124,075,185
Plan fiduciary net position, ending (b)	154,970,885	124,994,849	136,325,204	139,312,849
City's net pension liability, ending (a)-(b)	\$ 61,620,696	\$ 85,674,407	\$ 69,755,650	\$ 63,459,275
Plan fiduciary net position as a percentage of the total pension liability	71.55%	59.33%	66.15%	68.70%
Covered payroll	\$ 16,079,024	\$ 15,845,062	\$ 15,391,242	\$ 15,296,167
City's net pension liability as a percentage of covered payroll	383.24%	540.70%	453.22%	414.87%

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 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%
2017	216,591,581	154,970,885	61,620,696	71.5%	16,079,024	383.24%

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 Payroll	Contributions as Percentage of Covered 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%
2017	7,178,082	28,605,368	(21,427,286)	16,079,024	177.9%

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 (for determination of employer contributions for the 2017 fiscal year)
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, set-forward 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%
2017	13.09%

⁽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 Other Postemployment Benefits Plan

Schedule of Changes in Net OPEB Asset and Related Ratios

Fiscal Year
Ended
June 30, 2017

Total OPEB liability	
Service cost	\$ 733,901
Interest on total OPEB liability	9,160,807
Difference between expected and actual experience	(192,395)
Benefit payments	(7,343,423)
Net change in total OPEB liability	<u>2,358,890</u>
 Total OPEB liability, beginning of year	 <u>121,508,728</u>
 Total OPEB liability, end of year	 <u>123,867,618</u>
 Plan fiduciary net position	
Employer contributions	119,383,923
OPEB plan net investment income	3,439,452
Benefit payments	(7,343,423)
Administrative expense	(24,690)
Net change in plan fiduciary net position	<u>115,455,262</u>
 Plan fiduciary net position, beginning of year	 <u>16,868,442</u>
 Plan fiduciary net position, end of year	 <u>132,323,704</u>
 Net OPEB asset	 <u>\$ (8,456,086)</u>
 Plan fiduciary net position as a percentage of total OPEB liability	 106.83%
 Covered payroll	 \$ 14,971,828
 Net OPEB asset as a percentage of covered payroll	 -56.48%

Note: GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF ROYAL OAK, MICHIGAN

Required Supplementary Information Other Postemployment Benefits Plan

Schedule of the Net OPEB Asset

Fiscal Year Ending June 30,	Total OPEB Liability	Plan Net Position	Net OPEB Asset	Plan Net Position as Percentage of Total OPEB Liability	Covered Payroll	Net OPEB Asset as Percentage of Covered Payroll
2017	\$123,867,618	\$132,323,704	\$ (8,456,086)	106.83%	\$ 14,971,828	-56.48%

Note: GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF ROYAL OAK, MICHIGAN

Required Supplementary Information Other Postemployment Benefits Plan

Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
2017	\$ 11,412,360	\$119,383,923	\$ (107,971,563)	\$ 14,971,828	797.39%

Note: GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to Schedule of Contributions

Valuation Date	June 30, 2016
Notes	Actuarially determined contribution amounts are calculated as of June 30 of even numbered years. The valuation date is 12 months prior to the fiscal year end of odd numbered fiscal years and 24 months prior to the fiscal year end of even numbered fiscal years.

Methods and assumptions used to determine contribution rates for 2017 (Based on the June 30, 2014 Valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level dollar, closed
Remaining amortization period	23 years
Asset valuation method	Market value
Inflation	2.75%
Salary increases	3.0% to 5.9%, including inflation
Investment rate of return	7.75%, net of OPEB plan investment expense, including inflation
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Mortality Table, projected 20 years (multiplied by 110%), rates set-forward 10 years for disabled members
Health care trend rates	9.0% trend for the first year, gradually decreasing to 3.0% in year 10
Aging factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"
Expenses	Investment expenses are net of the investment returns; administrative expenses are included in the premium costs
Other information	There were no benefit changes during the year

CITY OF ROYAL OAK, MICHIGAN

Required Supplementary Information Other Postemployment Benefits Plan

Schedule of Investment Returns

Fiscal Year Ending June 30,	Annual Return ⁽¹⁾
2017	5.73%

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

Note: GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.



COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

CITY OF ROYAL OAK, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2017

Special Revenue Funds				
	Major Streets	Local Streets	Publicity	
Assets				
Cash and investments	\$ 1,276,677	\$ 2,667,819	\$ 19,574	
Receivables, net	47,671	19,307	3,103	
Due from other governmental units	694,147	225,769	-	
Inventories	184,337	22,326	-	
Restricted assets, cash	-	-	-	
Total assets	\$ 2,202,832	\$ 2,935,221	\$ 22,677	
Liabilities				
Accounts payable	\$ 42,371	\$ 1,280,769	\$ -	
Accrued and other liabilities	17,783	287,951	708	
Cash bonds and deposits	-	-	-	
Unearned revenue	-	-	-	
Total liabilities	60,154	1,568,720	708	
Deferred inflows of resources				
Unavailable revenue - property taxes and special assessments	-	8,002	67	
Fund balances				
Nonspendable:				
Inventories	184,337	22,326	-	
Endowment	-	-	-	
Restricted	1,958,341	1,336,173	21,902	
Total fund balances	2,142,678	1,358,499	21,902	
Total liabilities, deferred inflows of resources and fund balances	\$ 2,202,832	\$ 2,935,221	\$ 22,677	

Special Revenue Funds									
Senior Citizens Program	Library Millage	State Construction Code	ROOTS	Grants	Total Nonmajor Special Revenue Funds				
\$ 644,399	\$ 1,559,671	\$ 5,617,264	\$ 515,907	\$ 1,215,434	\$ 13,516,745				
32,583	9,325	24,272	2,038	44,124	182,423				
-	-	-	-	-	919,916				
-	-	-	-	-	206,663				
-	-	-	-	-	-				
\$ 676,982	\$ 1,568,996	\$ 5,641,536	\$ 517,945	\$ 1,259,558	\$ 14,825,747				
\$ 34,212	\$ 32,246	\$ 7,454	\$ 19,136	\$ 82,013	\$ 1,498,201				
12,089	42,643	30,787	-	12,694	404,655				
-	-	-	-	650	650				
-	-	-	-	23,005	23,005				
46,301	74,889	38,241	19,136	118,362	1,926,511				
-	3,072	-	-	-	11,141				
									206,663
630,681	1,491,035	5,603,295	498,809	1,141,196	12,681,432				
630,681	1,491,035	5,603,295	498,809	1,141,196	12,888,095				
\$ 676,982	\$ 1,568,996	\$ 5,641,536	\$ 517,945	\$ 1,259,558	\$ 14,825,747				

continued...

CITY OF ROYAL OAK, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2017

	Capital Projects				
	Debt Service Fund	Special Assessments	Permanent Fund	Total Nonmajor Governmental Funds	
Assets					
Cash and investments	\$ 91,121	\$ 11,798	\$ 10,486	\$ 13,630,150	
Receivables, net	1,237	1,475,921	45	1,659,626	
Due from other governmental units	-	-	-	919,916	
Inventories	-	-	-	206,663	
Restricted assets, cash	-	-	1,000	1,000	
Total assets	\$ 92,358	\$ 1,487,719	\$ 11,531	\$ 16,417,355	
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 1,498,201	
Accrued and other liabilities	-	-	-	404,655	
Cash bonds and deposits	-	-	-	650	
Unearned revenue	-	-	-	23,005	
Total liabilities	-	-	-	-	1,926,511
Deferred inflows of resources					
Unavailable revenue - property taxes and special assessments	872	1,475,869	-	1,487,882	
Fund balances					
Nonspendable:					
Inventories	-	-	-	206,663	
Endowment	-	-	1,000	1,000	
Restricted	91,486	11,850	10,531	12,795,299	
Total fund balances	91,486	11,850	11,531	13,002,962	
Total liabilities, deferred inflows of resources and fund balances	\$ 92,358	\$ 1,487,719	\$ 11,531	\$ 16,417,355	

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, 2017

	Special Revenue Funds		
	Major Streets	Local Streets	Publicity
Revenues			
Taxes	\$ -	\$ 5,714,548	\$ 47,730
Licenses and permits	202,259	-	-
Federal grants	-	-	-
State grants	3,588,464	1,167,127	-
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Interest and rentals	2,743	14,536	157
Contributions and donations	94,731	-	-
Other revenue	30,129	4,576	-
Total revenues	3,918,326	6,900,787	47,887
Expenditures			
Current:			
General government	-	-	76,005
Public safety	-	-	-
Public works	3,801,007	6,945,409	-
Community and economic development	-	-	-
Recreation and culture	-	-	-
Debt service:			
Principal payments	-	-	-
Interest and paying agent fees	-	-	-
Total expenditures	3,801,007	6,945,409	76,005
Revenues over (under) expenditures	117,319	(44,622)	(28,118)
Other financing sources (uses)			
Transfers in	693,359	4,434,820	27,730
Transfers out	(2,226,141)	(3,616,779)	-
Total other financing sources (uses)	(1,532,782)	818,041	27,730
Net change in fund balances	(1,415,463)	773,419	(388)
Fund balances, beginning of year	3,558,141	585,080	22,290
Fund balances, end of year	\$ 2,142,678	\$ 1,358,499	\$ 21,902

Special Revenue Funds						Total Nonmajor Special Revenue Funds
Senior Citizens Program	Library Millage	State Construction Code	ROOTS	Grants		
\$ -	\$ 2,197,664	\$ -	\$ -	\$ 49,408	\$ 7,959,942	
-	-	2,831,445	-	66,235	3,083,112	66,235
141,690	158,489	-	-	135,679	5,191,449	
256,743	59,255	-	-	13,261	329,259	
-	2,257	-	-	140,686	142,943	
4,042	14,213	35,550	3,349	7,319	81,909	
48,222	3,445	-	71,838	53,633	271,869	
-	8,339	64,798	-	550	108,392	
450,697	2,443,662	2,931,793	75,187	466,771	17,235,110	
-	-	-	-	-	76,005	
-	-	5,118,492	7,243	280,811	5,406,546	
-	-	-	-	-	10,746,416	
-	-	-	-	489,783	489,783	
784,041	2,079,695	-	46,412	-	2,910,148	
-	239,000	-	-	-	239,000	
-	41,883	-	-	-	41,883	
784,041	2,360,578	5,118,492	53,655	770,594	19,909,781	
(333,344)	83,084	(2,186,699)	21,532	(303,823)	(2,674,671)	
397,870	263,480	183,500	15,000	420,459	6,436,218	
(4,500)	-	(4,500)	(41,559)	(134,344)	(6,027,823)	
393,370	263,480	179,000	(26,559)	286,115	408,395	
60,026	346,564	(2,007,699)	(5,027)	(17,708)	(2,266,276)	
570,655	1,144,471	7,610,994	503,836	1,158,904	15,154,371	
\$ 630,681	\$ 1,491,035	\$ 5,603,295	\$ 498,809	\$ 1,141,196	\$ 12,888,095	

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, 2017

	Capital Projects				Total Nonmajor Governmental Funds
	Debt Service Fund	Special Assessments	Permanent Fund		
Revenues					
Taxes	\$ 619,987	\$ -	\$ -	\$ -	\$ 8,579,929
Licenses and permits	-	-	-	-	3,083,112
Federal grants	-	-	-	-	66,235
State grants	-	-	-	-	5,191,449
Charges for services	-	-	-	-	329,259
Fines and forfeitures	-	-	-	-	142,943
Interest and rentals	598	58,166	70	-	140,743
Contributions and donations	55	1,787,952	-	-	2,059,876
Other revenue	-	-	-	-	108,392
Total revenues	620,640	1,846,118	70		19,701,938
Expenditures					
Current:					
General government	-	-	-	-	76,005
Public safety	-	-	-	-	5,406,546
Public works	-	236	-	-	10,746,652
Community and economic development	-	-	-	-	489,783
Recreation and culture	-	-	3	-	2,910,151
Debt service:					
Principal payments	1,016,876	-	-	-	1,255,876
Interest and paying agent fees	181,474	-	-	-	223,357
Total expenditures	1,198,350	236	3		21,108,370
Revenue over (under) expenditures	(577,710)	1,845,882	67		(1,406,432)
Other financing sources (uses)					
Transfers in	567,463	-	-	-	7,003,681
Transfers out	-	(1,847,037)	-	-	(7,874,860)
Total other financing sources (uses)	567,463	(1,847,037)			(871,179)
Net change in fund balances	(10,247)	(1,155)	67		(2,277,611)
Fund balances, beginning of year	101,733	13,005	11,464		15,280,573
Fund balances, end of year	\$ 91,486	\$ 11,850	\$ 11,531		\$ 13,002,962

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Licenses and permits	\$ 153,000	\$ 153,000	\$ 202,259	\$ 49,259
State grants	3,786,000	3,536,000	3,588,464	52,464
Interest and rentals	7,000	7,000	2,743	(4,257)
Contributions and donations	909,000	94,000	94,731	731
Other revenue	20,000	31,900	30,129	(1,771)
Total revenues	4,875,000	3,821,900	3,918,326	96,426
Expenditures				
Current -				
Public works	5,029,920	4,653,720	3,801,007	(852,713)
Revenues over (under) expenditures	(154,920)	(831,820)	117,319	949,139
Other financing sources (uses)				
Transfers in	-	162,410	693,359	530,949
Transfers out	(47,350)	(2,482,350)	(2,226,141)	(256,209)
Total other financing sources (uses)	(47,350)	(2,319,940)	(1,532,782)	787,158
Net change in fund balance	(202,270)	(3,151,760)	(1,415,463)	1,736,297
Fund balance, beginning of year	3,558,141	3,558,141	3,558,141	-
Fund balance, end of year	\$ 3,355,871	\$ 406,381	\$ 2,142,678	\$ 1,736,297

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 5,618,000	\$ 5,645,000	\$ 5,714,548	\$ 69,548
State grants	1,231,000	1,231,000	1,167,127	(63,873)
Interest and rentals	5,000	5,000	14,536	9,536
Other revenue	1,600,000	-	4,576	4,576
Total revenues	8,454,000	6,881,000	6,900,787	19,787
Expenditures				
Current -				
Public works	14,054,000	6,860,550	6,945,409	84,859
Revenues over (under) expenditures	(5,600,000)	20,450	(44,622)	(65,072)
Other financing sources (uses)				
Issuance of long-term debt	5,600,000	-	-	-
Transfers in	-	3,797,630	4,434,820	637,190
Transfers out	-	(4,378,000)	(3,616,779)	(761,221)
Total other financing sources (uses)	5,600,000	(580,370)	818,041	1,398,411
Net change in fund balance	-	(559,920)	773,419	1,333,339
Fund balance, beginning of year	585,080	585,080	585,080	-
Fund balance, end of year	\$ 585,080	\$ 25,160	\$ 1,358,499	\$ 1,333,339

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 46,500	\$ 47,150	\$ 47,730	\$ 580
Interest and rentals	150	150	157	7
Total revenues	46,650	47,300	47,887	587
Expenditures				
Current -				
General government	73,070	77,770	76,005	(1,765)
Revenues over (under) expenditures	(26,420)	(30,470)	(28,118)	2,352
Other financing uses				
Transfers in	22,500	27,730	27,730	-
Net change in fund balance	(3,920)	(2,740)	(388)	2,352
Fund balance, beginning of year	22,290	22,290	22,290	-
Fund balance, end of year	\$ 18,370	\$ 19,550	\$ 21,902	\$ 2,352

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State grants	\$ 137,810	\$ 137,810	\$ 141,690	\$ 3,880
Charges for services	236,500	251,500	256,743	5,243
Interest and rentals	2,400	2,400	4,042	1,642
Contributions and donations	47,430	47,430	48,222	792
Total revenues	424,140	439,140	450,697	11,557
Expenditures				
Current -				
Recreation and culture	829,370	850,670	784,041	(66,629)
Revenues over (under) expenditures	(405,230)	(411,530)	(333,344)	78,186
Other financing sources (uses)				
Transfers in	350,000	397,870	397,870	-
Transfers out	(4,500)	(4,500)	(4,500)	-
Total other financing sources (uses)	345,500	393,370	393,370	-
Net change in fund balance	(59,730)	(18,160)	60,026	78,186
Fund balance, beginning of year	570,655	570,655	570,655	-
Fund balance, end of year	\$ 510,925	\$ 552,495	\$ 630,681	\$ 78,186

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 2,156,000	\$ 2,175,000	\$ 2,197,664	\$ 22,664
State grants	133,000	154,000	158,489	4,489
Charges for services	64,500	64,500	59,255	(5,245)
Fines and forfeitures	3,500	3,500	2,257	(1,243)
Interest and rentals	8,200	8,200	14,213	6,013
Contributions and donations	3,000	3,000	3,445	445
Other revenue	6,500	6,500	8,339	1,839
Total revenues	2,374,700	2,414,700	2,443,662	28,962
Expenditures				
Current -				
Recreation and culture	2,154,840	2,397,170	2,079,695	(317,475)
Debt service:				
Principal payments	239,000	239,000	239,000	-
Interest and paying agent fees	42,000	42,000	41,883	(117)
Total expenditures	2,435,840	2,678,170	2,360,578	(317,592)
Revenues over (under) expenditures	(61,140)	(263,470)	83,084	346,554
Other financing sources				
Transfers in	20,000	263,470	263,480	10
Net change in fund balance	(41,140)	-	346,564	346,564
Fund balance, beginning of year	1,144,471	1,144,471	1,144,471	-
Fund balance, end of year	\$ 1,103,331	\$ 1,144,471	\$ 1,491,035	\$ 346,564

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Licenses and permits	\$ 1,794,000	\$ 2,794,500	\$ 2,831,445	\$ 36,945
Interest and rentals	10,000	23,500	35,550	12,050
Other revenue	40,000	60,000	64,798	4,798
Total revenues	1,844,000	2,878,000	2,931,793	53,793
Expenditures				
Current -				
Public safety	1,871,090	5,190,140	5,118,492	(71,648)
Revenues over (under) expenditures	(27,090)	(2,312,140)	(2,186,699)	125,441
Other financing sources (uses)				
Transfers in	-	183,480	183,500	20
Transfers out	(4,500)	(4,500)	(4,500)	-
Total other financing sources (uses)	(4,500)	178,980	179,000	20
Net change in fund balance	(31,590)	(2,133,160)	(2,007,699)	125,461
Fund balance, beginning of year	7,610,994	7,610,994	7,610,994	-
Fund balance, end of year	\$ 7,579,404	\$ 5,477,834	\$ 5,603,295	\$ 125,461

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Interest and rentals	\$ 2,200	\$ 2,200	\$ 3,349	\$ 1,149
Contributions and donations	102,100	128,720	71,838	(56,882)
Total revenues	104,300	130,920	75,187	(55,733)
Expenditures				
Current:				
Public safety	250	8,210	7,243	(967)
Recreation and culture	158,260	173,030	46,412	(126,618)
Total expenditures	158,510	181,240	53,655	(127,585)
Revenues over (under) expenditures	(54,210)	(50,320)	21,532	71,852
Other financing sources (uses)				
Transfers in	15,000	15,000	15,000	-
Transfers out	(30,000)	(43,720)	(41,559)	(2,161)
Total other financing sources (uses)	(15,000)	(28,720)	(26,559)	(2,161)
Net change in fund balance	(69,210)	(79,040)	(5,027)	74,013
Fund balance, beginning of year	503,836	503,836	503,836	-
Fund balance, end of year	\$ 434,626	\$ 424,796	\$ 498,809	\$ 74,013

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Licenses and permits	\$ 60,000	\$ 60,000	\$ 49,408	\$ (10,592)
Federal grants	89,550	210,750	66,235	(144,515)
State grants	26,800	117,800	135,679	17,879
Charges for services	17,000	17,000	13,261	(3,739)
Fines and forfeitures	90,000	90,000	140,686	50,686
Interest and rentals	2,100	2,100	7,319	5,219
Contributions and donations	44,500	51,500	53,633	2,133
Other revenue	-	-	550	550
Total revenues	329,950	549,150	466,771	(82,379)
Expenditures				
Current:				
Public safety	381,100	543,730	280,811	(262,919)
Community and economic development	100,000	551,000	489,783	(61,217)
Total expenditures	481,100	1,094,730	770,594	(324,136)
Revenues over (under) expenditures	(151,150)	(545,580)	(303,823)	241,757
Other financing sources (uses)				
Transfers in	10,000	421,130	420,459	(671)
Transfers out	-	(134,350)	(134,344)	(6)
Total other financing sources (uses)	10,000	286,780	286,115	(665)
Net change in fund balance	(141,150)	(258,800)	(17,708)	241,092
Fund balance, beginning of year	1,158,904	1,158,904	1,158,904	-
Fund balance, end of year	\$ 1,017,754	\$ 900,104	\$ 1,141,196	\$ 241,092

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds
June 30, 2017

	Arts, Beats & Eats	Recreation Administration	Ice Arena	Farmers Market	Total Nonmajor Enterprise Funds
Assets					
Current assets:					
Cash and investments	\$ 64,249	\$ 509,500	\$ 1,007,053	\$ 641,382	\$ 2,222,184
Receivables, net	258	30,198	3,949	8,140	42,545
Total current assets	<u>64,507</u>	<u>539,698</u>	<u>1,011,002</u>	<u>649,522</u>	<u>2,264,729</u>
Noncurrent assets:					
Capital assets	-	4,471,882	5,210,198	2,585,323	12,267,403
Accumulated depreciation	-	(1,319,643)	(3,362,268)	(1,147,188)	(5,829,099)
Net other postemployment benefits asset	-	77,796	15,221	-	93,017
Total noncurrent assets	<u>-</u>	<u>3,230,035</u>	<u>1,863,151</u>	<u>1,438,135</u>	<u>6,531,321</u>
Total assets	<u>64,507</u>	<u>3,769,733</u>	<u>2,874,153</u>	<u>2,087,657</u>	<u>8,796,050</u>
Deferred outflows of resources					
Deferred other postemployment benefits amounts	<u>-</u>	<u>16,254</u>	<u>3,180</u>	<u>-</u>	<u>19,434</u>
Liabilities					
Current liabilities:					
Accounts payable	-	19,238	62,458	21,330	103,026
Accrued and other liabilities	-	24,224	3,680	1,357	29,261
Bonds payable, due within one year	-	35,485	7,097	-	42,582
Compensated absences, current	-	10,936	986	428	12,350
Total current liabilities	<u>-</u>	<u>89,883</u>	<u>74,221</u>	<u>23,115</u>	<u>187,219</u>
Noncurrent liabilities:					
Bonds payable	-	1,123,947	224,789	-	1,348,736
Accrued compensated absences	-	10,920	984	427	12,331
Total noncurrent liabilities	<u>-</u>	<u>1,134,867</u>	<u>225,773</u>	<u>427</u>	<u>1,361,067</u>
Total liabilities	<u>-</u>	<u>1,224,750</u>	<u>299,994</u>	<u>23,542</u>	<u>1,548,286</u>
Deferred inflows of resources					
Deferred other postemployment benefits amounts	<u>-</u>	<u>1,004</u>	<u>196</u>	<u>-</u>	<u>1,200</u>
Net position					
Investment in capital assets	-	3,152,239	1,847,930	1,438,135	6,438,304
Unrestricted (deficit)	<u>64,507</u>	<u>(592,006)</u>	<u>729,213</u>	<u>625,980</u>	<u>827,694</u>
Total net position	<u>\$ 64,507</u>	<u>\$ 2,560,233</u>	<u>\$ 2,577,143</u>	<u>\$ 2,064,115</u>	<u>\$ 7,265,998</u>



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, 2017

	Arts, Beats & Eats	Recreation Administration	Ice Arena	Farmers Market	Total Nonmajor Enterprise Funds
Operating revenues					
Charges for services	\$ 369,481	\$ 600,975	\$ 1,587,063	\$ 479,011	\$ 3,036,530
Other	<u>-</u>	<u>-</u>	<u>537</u>	<u>9,649</u>	<u>10,186</u>
Total operating revenues	<u>369,481</u>	<u>600,975</u>	<u>1,587,600</u>	<u>488,660</u>	<u>3,046,716</u>
Operating expenses					
Salaries and benefits	67,541	73,613	13,122	(4,251)	150,025
Supplies	-	16,189	75,495	28,467	120,151
Other services and charges	196,494	216,322	1,093,777	445,335	1,951,928
Depreciation	<u>-</u>	<u>87,765</u>	<u>108,226</u>	<u>69,944</u>	<u>265,935</u>
Total operating expenses	<u>264,035</u>	<u>393,889</u>	<u>1,290,620</u>	<u>539,495</u>	<u>2,488,039</u>
Operating income (loss)	<u>105,446</u>	<u>207,086</u>	<u>296,980</u>	<u>(50,835)</u>	<u>558,677</u>
Nonoperating revenues (expenses)					
Federal grants	-	-	-	216	216
Interest income	1,442	3,188	6,339	3,846	14,815
Interest expense	<u>-</u>	<u>(19,281)</u>	<u>(3,856)</u>	<u>-</u>	<u>(23,137)</u>
Total nonoperating revenues (expenses)	<u>1,442</u>	<u>(16,093)</u>	<u>2,483</u>	<u>4,062</u>	<u>(8,106)</u>
Income (loss) before transfers	<u>106,888</u>	<u>190,993</u>	<u>299,463</u>	<u>(46,773)</u>	<u>550,571</u>
Transfers					
Transfers in	9,730	63,930	22,770	7,390	103,820
Transfers out	<u>(198,000)</u>	<u>-</u>	<u>(32,832)</u>	<u>-</u>	<u>(230,832)</u>
Net transfers	<u>(188,270)</u>	<u>63,930</u>	<u>(10,062)</u>	<u>7,390</u>	<u>(127,012)</u>
Change in net position	<u>(81,382)</u>	<u>254,923</u>	<u>289,401</u>	<u>(39,383)</u>	<u>423,559</u>
Net position, beginning of year, as restated	<u>145,889</u>	<u>2,305,310</u>	<u>2,287,742</u>	<u>2,103,498</u>	<u>6,842,439</u>
Net position, end of year	<u>\$ 64,507</u>	<u>\$ 2,560,233</u>	<u>\$ 2,577,143</u>	<u>\$ 2,064,115</u>	<u>\$ 7,265,998</u>

CITY OF ROYAL OAK, MICHIGAN

■ **Combining Statement of Cash Flows**

Nonmajor Enterprise Funds
For the Year Ended June 30, 2017

	Arts, Beats & Eats	Recreation Administration	Ice Arena	Farmers Market	Total Nonmajor Enterprise Funds
Cash flows from operating activities					
Receipts from customers	\$ 369,618	\$ 636,677	\$ 1,586,018	\$ 519,282	\$ 3,111,595
Other operating receipts	-	-	537	9,649	10,186
Payments to vendors	(196,494)	(117,487)	(1,167,969)	(487,508)	(1,969,458)
Payments to employees	(67,541)	(387,002)	(42,198)	(10,290)	(507,031)
Net cash provided by (used in) operating activities	105,583	132,188	376,388	31,133	645,292
Cash flows from noncapital financing activities					
Federal operating grants	-	-	-	216	216
Transfers from other funds	9,730	63,930	22,770	7,390	103,820
Transfers to other funds	(198,000)	-	(32,832)	-	(230,832)
Net cash provided by (used in) noncapital financing activities	(188,270)	63,930	(10,062)	7,606	(126,796)
Cash flows from capital and related financing activities					
Purchase of capital assets	-	-	-	(46,488)	(46,488)
Interest paid on long-term debt	-	(19,281)	(3,856)	-	(23,137)
Net cash provided by (used in) noncapital financing activities	-	(19,281)	(3,856)	(46,488)	(69,625)
Cash flows from investing activities					
Interest received on investments	1,442	3,188	6,339	3,846	14,815
Net change in cash and investments	(81,245)	180,025	368,809	(3,903)	463,686
Cash and investments balances, beginning of year	145,494	329,475	638,244	645,285	1,758,498
Cash and investments balances, end of year	\$ 64,249	\$ 509,500	\$ 1,007,053	\$ 641,382	\$ 2,222,184

continued...

CITY OF ROYAL OAK, MICHIGAN

■ **Combining Statement of Cash Flows**

Nonmajor Enterprise Funds
For the Year Ended June 30, 2017

	Arts, Beats & Eats	Recreation Administration	Ice Arena	Farmers Market	Total Nonmajor Enterprise Funds
Reconciliation of operating income (loss)					
to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 105,446	\$ 207,086	\$ 296,980	\$ (50,835)	\$ 558,677
Adjustments to reconcile operating income (loss)					
to net cash provided by (used in) operating activities:					
Depreciation	-	87,765	108,226	69,944	265,935
Changes in assets and liabilities:					
Receivables, net	137	35,702	(1,045)	40,271	75,065
Accounts payable	-	11,329	(24,025)	(13,706)	(26,402)
Accrued and other liabilities	-	14,926	2,689	(79)	17,536
Unearned revenue	-	-	-	-	-
Accrued compensated absences	-	820	78	41	939
Net pension liability and deferred amounts	-	(329,135)	(31,843)	(14,503)	(375,481)
Net other postemployment benefit asset and deferred amounts	-	103,695	25,328	-	129,023
Net cash provided by (used in) operating activities	\$ 105,583	\$ 132,188	\$ 376,388	\$ 31,133	\$ 645,292
Noncash noncapital financing activities					
Contributions to other pension and other postemployment benefit funds financed through the issuance of long-term debt	\$ -	\$ 1,159,432	\$ 231,886	\$ -	\$ 1,391,318

concluded.

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

June 30, 2017

	Information Systems	Motor Pool	Workers Compensation	Medical Self-Insurance	Liability Insurance	Total
Assets						
Current assets:						
Cash and investments	\$ 2,120,648	\$ 9,569,052	\$ 2,013,960	\$ 3,587,104	\$ 943,412	\$ 18,234,176
Receivables, net	8,502	44,981	8,054	14,319	535,219	611,075
Prepaid items	-	-	-	1,269,040	-	1,269,040
Inventories	-	248,519	-	-	-	248,519
Total current assets	<u>2,129,150</u>	<u>9,862,552</u>	<u>2,022,014</u>	<u>4,870,463</u>	<u>1,478,631</u>	<u>20,362,810</u>
Noncurrent assets:						
Capital assets	1,934,267	18,095,019	-	-	-	20,029,286
Accumulated depreciation	(1,235,640)	(11,649,186)	-	-	-	(12,884,826)
Net other postemployment benefits asset	61,729	418,576	-	-	-	480,305
Total noncurrent assets	<u>760,356</u>	<u>6,864,409</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,624,765</u>
Total assets	<u>2,889,506</u>	<u>16,726,961</u>	<u>2,022,014</u>	<u>4,870,463</u>	<u>1,478,631</u>	<u>27,987,575</u>
Deferred outflows of resources						
Deferred charge on refunding	-	47,633	-	-	-	47,633
Deferred other postemployment benefits amounts	12,897	87,455	-	-	-	100,352
Total deferred outflows of resources	<u>12,897</u>	<u>135,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,985</u>
Liabilities						
Current liabilities:						
Accounts payable	130,998	472,115	75,837	21,510	-	700,460
Accrued and other liabilities	49,908	112,268	-	251,000	-	413,176
Bonds payable, due within one year	28,388	427,525	-	-	-	455,913
Other long-term liabilities, current	-	-	271,372	-	388,080	659,452
Compensated absences, current	30,974	47,372	-	-	-	78,346
Total current liabilities	<u>240,268</u>	<u>1,059,280</u>	<u>347,209</u>	<u>272,510</u>	<u>388,080</u>	<u>2,307,347</u>
Noncurrent liabilities:						
Bonds payable	899,158	6,941,303	-	-	-	7,840,461
Other long-term liabilities	-	-	271,372	-	388,080	659,452
Accrued compensated absences	31,038	47,612	-	-	-	78,650
Total noncurrent liabilities	<u>930,196</u>	<u>6,988,915</u>	<u>271,372</u>	<u>-</u>	<u>388,080</u>	<u>8,578,563</u>
Total liabilities	<u>1,170,464</u>	<u>8,048,195</u>	<u>618,581</u>	<u>272,510</u>	<u>776,160</u>	<u>10,885,910</u>
Deferred inflows of resources						
Deferred other postemployment benefits amounts	796	5,400	-	-	-	6,196
Net position						
Net investment in capital assets	698,627	5,385,571	-	-	-	6,084,198
Unrestricted	1,032,516	3,422,883	1,403,433	4,597,953	702,471	11,159,256
Total net position	<u>\$ 1,731,143</u>	<u>\$ 8,808,454</u>	<u>\$ 1,403,433</u>	<u>\$ 4,597,953</u>	<u>\$ 702,471</u>	<u>\$ 17,243,454</u>

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, 2017

	Information Systems	Motor Pool	Workers Compensation	Medical Self-Insurance	Liability Insurance	Total
Operating revenues						
Charges for services	\$ 1,745,788	\$ 4,297,195	\$ 717,271	\$ 9,830,463	\$ 926,559	\$ 17,517,276
Other revenue	15,200	149,516	18,430	29,772	537,626	750,544
Total operating revenues	1,760,988	4,446,711	735,701	9,860,235	1,464,185	18,267,820
Operating expenses						
Salaries and benefits	185,392	612,897	79,368	8,991,722	-	9,869,379
Supplies	57,951	650,093	-	-	-	708,044
Other services and charges	613,648	579,935	134,462	2,127	1,526,012	2,856,184
Depreciation	139,223	1,280,708	-	-	-	1,419,931
Total operating expenses	996,214	3,123,633	213,830	8,993,849	1,526,012	14,853,538
Operating income (loss)	764,774	1,323,078	521,871	866,386	(61,827)	3,414,282
Nonoperating revenues (expenses)						
Interest expense	(15,424)	(146,904)	-	-	-	(162,328)
Gain on sale of capital assets	-	151,410	-	-	-	151,410
Total nonoperating revenue (expenses)	(15,424)	4,506	-	-	-	(10,918)
Income (loss) before transfers	749,350	1,327,584	521,871	866,386	(61,827)	3,403,364
Transfers						
Transfers in	105,640	600,194	-	-	-	705,834
Transfers out	-	(27,275)	(2,104,050)	(5,181,440)	(2,737,660)	(10,050,425)
Net transfers	105,640	572,919	(2,104,050)	(5,181,440)	(2,737,660)	(9,344,591)
Change in net position	854,990	1,900,503	(1,582,179)	(4,315,054)	(2,799,487)	(5,941,227)
Net position, beginning of year, as restated	876,153	6,907,951	2,985,612	8,913,007	3,501,958	23,184,681
Net position, end of year	\$ 1,731,143	\$ 8,808,454	\$ 1,403,433	\$ 4,597,953	\$ 702,471	\$ 17,243,454

CITY OF ROYAL OAK, MICHIGAN

■ Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2017

	Information Systems	Motor Pool	Workers Compensation	Medical Self-Insurance	Liability Insurance	Total
Cash flows from operating activities						
Internal activity - receipts from other funds	\$ 1,745,788	\$ 4,297,195	\$ 717,271	\$ 9,830,463	\$ 926,559	\$ 17,517,276
Other operating receipts	15,200	149,516	18,430	29,772	537,626	750,544
Payments to vendors	(625,620)	(1,042,380)	(62,643)	(301,744)	(1,779,053)	(3,811,440)
Payments to employees	(540,288)	(1,161,444)	(332,674)	(9,491,561)	-	(11,525,967)
 Net cash provided by (used in) operating activities	 595,080	 2,242,887	 340,384	 66,930	 (314,868)	 2,930,413
 Cash flows from noncapital financing activities						
Transfers from other funds	105,640	600,194	-	-	-	705,834
Transfers to other funds	-	(27,275)	(2,104,050)	(5,181,440)	(2,737,660)	(10,050,425)
 Net cash provided by (used in) noncapital financing activities	 105,640	 572,919	 (2,104,050)	 (5,181,440)	 (2,737,660)	 (9,344,591)
 Cash flows from capital and related financing activities						
Purchase of capital assets	(10,664)	(2,083,997)	-	-	-	(2,094,661)
Principal paid on long-term debt	-	(226,118)	-	-	-	(226,118)
Interest paid on long-term debt	(13,127)	(127,427)	-	-	-	(140,554)
Proceeds from sale of capital assets	-	196,357	-	-	-	196,357
 Net cash provided by (used in) capital and related financing activities	 (23,791)	 (2,241,185)	 -	 -	 -	 (2,264,976)
 Net change in cash and investments	 676,929	 574,621	 (1,763,666)	 (5,114,510)	 (3,052,528)	 (8,679,154)
 Cash and investments balances, beginning of year	 1,443,719	 8,994,431	 3,777,626	 8,701,614	 3,995,940	 26,913,330
 Cash and investments balances, end of year	 \$ 2,120,648	 \$ 9,569,052	 \$ 2,013,960	 \$ 3,587,104	 \$ 943,412	 \$ 18,234,176

continued...

CITY OF ROYAL OAK, MICHIGAN

■ **Combining Statement of Cash Flows**

Internal Service Funds

For the Year Ended June 30, 2017

	Information Systems	Motor Pool	Workers Compensation	Medical Self-Insurance	Liability Insurance	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 764,774	\$ 1,323,078	\$ 521,871	\$ 866,386	\$ (61,827)	\$ 3,414,282
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:						
Depreciation	139,223	1,280,708	-	-	-	1,419,931
Changes in assets and liabilities:						
Receivables, net	(4,593)	(20,470)	2,189	9,386	(530,771)	(544,259)
Prepaid items	-	-	-	(306,789)	-	(306,789)
Inventories	-	22,864	-	-	-	22,864
Accounts payable	50,572	185,254	69,630	(2,214)	-	303,242
Accrued and other liabilities	(4,649)	74,633	-	(499,839)	-	(429,855)
Other long-term liabilities	-	-	(253,306)	-	277,730	24,424
Accrued compensated absences	11,934	8,236	-	-	-	20,170
Net pension liability and deferred amounts	(449,726)	(1,193,491)	-	-	-	(1,643,217)
Net other postemployment benefits asset and deferred amounts	87,545	562,075	-	-	-	649,620
Net cash provided by (used in) operating activities	\$ 595,080	\$ 2,242,887	\$ 340,384	\$ 66,930	\$ (314,868)	\$ 2,930,413
Noncash noncapital financing activities						
Contributions to other pension and other postemployment benefit funds financed through the issuance of long-term debt	\$ 925,249	\$ 6,242,400	\$ -	\$ -	\$ -	\$ 7,167,649

concluded.



CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2017

	Agency	Tax Collection Fund	44th District Court	Total
Assets				
Cash and investments	\$ 97,086	\$ 69,168	\$ 318,278	\$ 484,532
Liabilities				
Undistributed receipts	\$ 8,574	\$ 41,370	\$ 122,536	\$ 172,480
Due to City of Berkley	-	-	30,665	30,665
Due to other governmental units	320	-	-	320
Bonds and deposits	88,192	27,798	165,077	281,067
Total liabilities	\$ 97,086	\$ 69,168	\$ 318,278	\$ 484,532

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Agency Fund				
Assets				
Cash and investments	\$ 89,888	\$ 149,825	\$ (142,627)	\$ 97,086
	<hr/>	<hr/>	<hr/>	<hr/>
Liabilities				
Undistributed receipts	\$ 120	\$ 141,698	\$ (133,244)	\$ 8,574
Due to other governmental units	200	1,380	(1,260)	320
Bonds and deposits	89,568	148,428	(149,804)	88,192
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	\$ 89,888	\$ 291,506	\$ (284,308)	\$ 97,086
	<hr/>	<hr/>	<hr/>	<hr/>
Tax Collection Fund				
Assets				
Cash and investments	\$ 83,870	\$ 7,333,025	\$ (7,347,727)	\$ 69,168
	<hr/>	<hr/>	<hr/>	<hr/>
Liabilities				
Undistributed receipts	\$ 32,713	\$ 341,312	\$ (332,655)	\$ 41,370
Bonds and deposits	51,157	49,770,936	(49,794,295)	27,798
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	\$ 83,870	\$ 50,112,249	\$ (50,126,951)	\$ 69,168
	<hr/>	<hr/>	<hr/>	<hr/>
44th District Court				
Assets				
Cash and investments	\$ 361,051	\$ 1,924,617	\$ (1,967,390)	\$ 318,278
	<hr/>	<hr/>	<hr/>	<hr/>
Liabilities				
Undistributed receipts	\$ 125,605	\$ 3,811,694	\$ (3,814,763)	\$ 122,536
Due to the City of Berkley	45,988	338,593	(353,916)	30,665
Bonds and deposits	189,458	87,113	(111,494)	165,077
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	\$ 361,051	\$ 4,237,400	\$ (4,280,173)	\$ 318,278
	<hr/>	<hr/>	<hr/>	<hr/>

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CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Totals - All Agency Funds				
Assets				
Cash and investments	\$ 534,809	\$ 9,407,467	\$ (9,457,744)	\$ 484,532
Liabilities				
Undistributed receipts	\$ 158,438	\$ 4,294,704	\$ (4,280,662)	\$ 172,480
Due to the City of Berkley	45,988	338,593	(353,916)	30,665
Due to other governmental units	200	1,380	(1,260)	320
Bonds and deposits	330,183	50,006,477	(50,055,593)	281,067
Total liabilities	\$ 534,809	\$ 54,641,155	\$ (54,691,432)	\$ 484,532

concluded.

CITY OF ROYAL OAK, MICHIGAN

Balance Sheets

Component Units
June 30, 2017

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total Component Units
Assets				
Cash and investments	\$ 2,029,750	\$ 133,503	\$ 176,102	\$ 2,339,355
Receivables, net	32,031	551	706	33,288
Prepaid items	<u>50,000</u>	-	-	<u>50,000</u>
Total assets	<u><u>\$ 2,111,781</u></u>	<u><u>\$ 134,054</u></u>	<u><u>\$ 176,808</u></u>	<u><u>\$ 2,422,643</u></u>
Liabilities				
Accounts payable	\$ 45,601	\$ 179	\$ -	\$ 45,780
Accrued and other liabilities	<u>3,907</u>	<u>846</u>	<u>-</u>	<u>4,753</u>
Total liabilities	<u><u>49,508</u></u>	<u><u>1,025</u></u>	<u><u>-</u></u>	<u><u>50,533</u></u>
Deferred inflows of resources				
Unavailable revenue - property taxes	<u>23,893</u>	<u>16</u>	<u>-</u>	<u>23,909</u>
Fund balances				
Nonspendable	50,000	-	-	50,000
Unassigned	<u>1,988,380</u>	<u>133,013</u>	<u>176,808</u>	<u>2,298,201</u>
Total fund balances	<u><u>2,038,380</u></u>	<u><u>133,013</u></u>	<u><u>176,808</u></u>	<u><u>2,348,201</u></u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 2,111,781</u></u>	<u><u>\$ 134,054</u></u>	<u><u>\$ 176,808</u></u>	<u><u>\$ 2,422,643</u></u>

CITY OF ROYAL OAK, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
Component Units
June 30, 2017

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total Component Units
Fund balances for component units	\$ 2,038,380	\$ 133,013	\$ 176,808	\$ 2,348,201
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	3,726,999	-	-	3,726,999
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	23,893	16	-	23,909
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	(12,450)	(3,662)	-	(16,112)
Net position for component units	<u>\$ 5,776,822</u>	<u>\$ 129,367</u>	<u>\$ 176,808</u>	<u>\$ 6,082,997</u>

CITY OF ROYAL OAK, MICHIGAN

Statements of Revenues, Expenditures and Changes in Fund Balances

Component Units

For the Year Ended June 30, 2017

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total Component Units
Revenues				
Taxes	\$ 3,341,503	\$ 49,927	\$ 119,705	\$ 3,511,135
Interest and rentals	16,985	988	1,425	19,398
Contributions and donations	200,750	3,040	-	203,790
Other revenues	93,999	-	-	93,999
Total revenues	3,653,237	53,955	121,130	3,828,322
Expenditures				
Current -				
Community and economic development	2,580,528	37,771	36,751	2,655,050
Change in fund balances	1,072,709	16,184	84,379	1,173,272
Fund balances, beginning of year	965,671	116,829	92,429	1,174,929
Fund balances, end of year	\$ 2,038,380	\$ 133,013	\$ 176,808	\$ 2,348,201

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, 2017

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total Component Units
Net change in fund balances - component units	\$ 1,072,709	\$ 16,184	\$ 84,379	\$ 1,173,272
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	(93,815)	-	-	(93,815)
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.	(1,507)	(175)	-	(1,682)
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	440	66	-	506
Change in the net pension liability and the related deferred amounts	<u>160,610</u>	<u>49,386</u>	<u>-</u>	<u>209,996</u>
Change in net position of component units	<u><u>\$ 1,138,437</u></u>	<u><u>\$ 65,461</u></u>	<u><u>\$ 84,379</u></u>	<u><u>\$ 1,288,277</u></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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 3,140,000	\$ 3,340,000	\$ 3,341,503	\$ 1,503
Interest and rentals	11,000	11,000	16,985	5,985
Contributions and donations	115,000	193,300	200,750	7,450
Other revenue	-	92,000	93,999	1,999
 Total revenues	 3,266,000	 3,636,300	 3,653,237	 16,937
 Expenditures	 	 	 	
Community and economic development	3,683,850	3,768,290	2,580,528	(1,187,762)
 Net change in fund balance	 (417,850)	 (131,990)	 1,072,709	 1,204,699
 Fund balance, beginning of year	 965,671	 965,671	 965,671	 -
 Fund balance, end of year	 \$ 547,821	 \$ 833,681	 \$ 2,038,380	 \$ 1,204,699

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 50,000	\$ 56,000	\$ 49,927	\$ (6,073)
Interest and rentals	500	500	988	488
Contributions and donations	-	3,040	3,040	-
Total revenues	50,500	59,540	53,955	(5,585)
Expenditures				
Community and economic development	50,500	59,540	37,771	(21,769)
Net change in fund balance	-	-	16,184	16,184
Fund balance, beginning of year	116,829	116,829	116,829	-
Fund balance, end of year	\$ 116,829	\$ 116,829	\$ 133,013	\$ 16,184

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, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 25,620	\$ 118,630	\$ 119,705	\$ 1,075
Interest and rentals	500	500	1,425	925
Total revenues	26,120	119,130	121,130	2,000
Expenditures				
Community and economic development	26,120	119,130	36,751	(82,379)
Net change in fund balance	-	-	84,379	84,379
Fund balance, beginning of year	92,429	92,429	92,429	-
Fund balance, end of year	\$ 92,429	\$ 92,429	\$ 176,808	\$ 84,379

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.	148
Revenue Capacity These schedules contain trend information to help the reader assess the factors affecting the City's ability to generate its property taxes.	158
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.	164
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.	178
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.	179

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			
	2008	2009	2010	2011
Governmental activities:				
Net investment in capital assets	\$ 118,921,341	\$ 119,486,155	\$ 121,736,526	\$ 120,155,093
Restricted	24,253,884	14,365,234	15,097,992	15,782,199
Unrestricted (deficit)	4,242,843	14,347,188	9,385,034	3,434,111
Total governmental activities net position	147,418,068	148,198,577	146,219,552	139,371,403
Business-type activities:				
Net investment in capital assets	61,366,065	61,051,630	64,238,153	67,776,260
Restricted	2,653	2,653	-	-
Unrestricted	10,061,309	15,584,666	12,260,677	13,490,313
Total business-type activities net position	71,430,027	76,638,949	76,498,830	81,266,573
Primary government:				
Net investment in capital assets	180,287,406	180,537,785	185,974,679	187,931,353
Restricted	24,256,537	14,367,887	15,097,992	15,782,199
Unrestricted (deficit)	14,304,152	29,931,854	21,645,711	16,924,424
Total primary government net position	\$ 218,848,095	\$ 224,837,526	\$ 222,718,382	\$ 220,637,976

Note: GASB statement 68 was implemented in fiscal year 2015, and prior years were not restated.

Note: GASB statement 75 was implemented in fiscal year 2017, and prior years were not restated.

Schedule 1
UNAUDITED

Fiscal Year Ended June 30					
2012	2013	2014	2015	2016	2017
\$ 122,759,313	\$ 124,348,655	\$ 126,120,881	\$ 132,341,007	\$ 147,194,839	\$ 162,548,501
15,573,852	21,020,880	17,742,703	22,551,701	22,766,807	22,841,819
(741,153)	(904,202)	5,117,615	(51,921,632)	(53,192,731)	(123,384,259)
<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>	<u>62,006,061</u>
 68,690,716	 71,310,977	 74,792,125	 78,110,713	 85,228,498	 86,510,191
16,926,698	18,986,638	19,884,780	13,660,160	12,647,786	13,468,325
<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>	<u>99,978,516</u>
 191,450,029	 195,659,632	 200,913,006	 210,451,720	 232,423,337	 249,058,692
15,573,852	21,020,880	17,742,703	22,551,701	22,766,807	22,841,819
16,185,545	18,082,436	25,002,395	(38,261,472)	(40,544,945)	(109,915,934)
<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>	<u>\$ 161,984,577</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			
	2008	2009	2010	2011
Expenses				
Governmental activities:				
General government	\$ 9,081,988	\$ 9,178,697	\$ 10,658,475	\$ 8,904,081
Public safety	24,228,222	25,340,432	27,808,076	27,846,183
Public works	11,647,910	12,008,559	11,323,281	11,568,038
Health and welfare	602,645	720,452	1,045,227	1,578,078
Community and economic development	2,301,776	1,382,073	1,855,557	1,829,671
Recreation and culture	4,212,541	4,101,371	3,988,900	4,012,061
Interest on long-term debt	784,438	720,676	697,975	674,965
Total governmental activities expenses	<u>52,859,520</u>	<u>53,452,260</u>	<u>57,377,491</u>	<u>56,413,077</u>
Business-type activities:				
Water and sewer	16,457,830	17,426,976	19,727,621	22,677,293
Parking	2,325,819	2,665,056	3,105,564	3,176,310
Recreation	1,960,279	1,866,341	1,788,792	1,676,691
Farmers market	327,228	344,946	350,918	365,470
Total business-type activities expenses	<u>21,071,156</u>	<u>22,303,319</u>	<u>24,972,895</u>	<u>27,895,764</u>
Total primary government expenses	<u>73,930,676</u>	<u>75,755,579</u>	<u>82,350,386</u>	<u>84,308,841</u>
Program Revenues				
Governmental activities:				
General government	4,786,182	5,032,372	4,985,949	4,450,270
Public safety	2,302,388	1,981,677	2,376,002	2,492,540
Public works	550,375	496,673	458,669	519,279
Health and welfare	865,648	959,100	934,114	959,793
Community and economic development	383,077	249,152	226,376	281,061
Recreation and culture	1,494,866	1,644,549	1,559,571	2,131,507
Charges for services	10,382,536	10,363,523	10,540,681	10,834,450
Operating grants and contributions	3,930,593	3,186,231	3,576,342	3,859,876
Capital grants and contributions	1,163,612	873,030	626,971	455,132
Total governmental activities program revenues	<u>15,476,741</u>	<u>14,422,784</u>	<u>14,743,994</u>	<u>15,149,458</u>
Business-type activities:				
Water and sewer	20,989,462	20,039,667	21,429,384	25,940,143
Parking	2,516,001	2,570,487	2,659,002	2,985,064
Recreation	1,850,882	1,747,139	1,779,515	1,764,707
Farmers market	290,194	295,731	309,329	350,632
Charges for services	25,646,539	24,653,024	26,177,230	31,040,546
Operating grants and contributions	5,090	6,870	617,778	617,198
Capital grants and contributions	719,412	2,753,092	70,713	-
Total business-type activities program revenues	<u>26,371,041</u>	<u>27,412,986</u>	<u>26,865,721</u>	<u>31,657,744</u>
Total primary government program revenues	<u>67,494,321</u>	<u>66,488,794</u>	<u>41,609,715</u>	<u>77,847,748</u>
Net (Expense)/Revenue				
Governmental activities	(37,382,779)	(39,029,476)	(42,633,497)	(41,263,619)
Business-type activities	<u>5,299,885</u>	<u>5,109,667</u>	<u>1,892,826</u>	<u>3,761,980</u>
Total primary government net expense	<u>(32,082,894)</u>	<u>(33,919,809)</u>	<u>(40,740,671)</u>	<u>(37,501,639)</u>

Schedule 2
UNAUDITED

Fiscal Year Ended June 30						
2012	2013	2014	2015	2016	2017	
\$ 9,235,905	\$ 8,685,580	\$ 8,823,978	\$ 9,017,535	\$ 10,233,170	\$ 10,372,611	
26,655,378	27,661,032	29,807,897	29,965,336	33,545,346	34,856,261	
11,501,518	11,471,347	11,870,834	13,295,707	11,803,571	12,216,069	
1,228,451	1,206,154	1,235,631	834,244	741,945	644,426	
1,914,032	1,384,747	1,381,937	1,444,432	1,442,994	2,371,971	
3,497,548	3,465,650	3,612,171	3,762,240	4,056,345	3,953,833	
616,539	536,155	445,709	431,845	385,521	1,994,475	
<u>54,649,371</u>	<u>54,410,665</u>	<u>57,178,157</u>	<u>58,751,339</u>	<u>62,208,892</u>	<u>66,409,646</u>	
 22,473,658	 22,905,058	 22,560,736	 23,658,591	 24,989,668	 25,141,329	
3,081,880	3,117,172	2,968,028	2,857,366	3,130,520	2,223,353	
2,159,028	2,229,831	2,195,258	2,229,514	2,146,622	1,927,746	
380,262	383,635	426,141	471,484	516,110	531,140	
<u>28,094,828</u>	<u>28,635,696</u>	<u>28,150,163</u>	<u>29,216,955</u>	<u>30,782,920</u>	<u>29,823,568</u>	
<u>82,744,199</u>	<u>83,046,361</u>	<u>85,328,320</u>	<u>87,968,294</u>	<u>92,991,812</u>	<u>96,233,214</u>	
 5,045,872	 5,607,879	 5,723,862	 5,862,692	 7,009,130	 7,179,495	
2,753,964	3,534,643	4,151,795	4,563,491	5,474,015	3,875,975	
490,576	1,176,769	942,340	1,802,601	2,395,568	1,733,456	
955,698	1,054,639	1,053,817	891,010	1,108,659	1,059,388	
381,889	427,787	516,728	380,257	478,678	396,907	
<u>2,155,539</u>	<u>1,921,743</u>	<u>2,001,488</u>	<u>2,031,676</u>	<u>2,122,582</u>	<u>2,236,406</u>	
<u>11,783,538</u>	<u>13,723,460</u>	<u>14,390,030</u>	<u>15,531,727</u>	<u>18,588,632</u>	<u>16,481,627</u>	
4,673,144	4,596,773	4,852,240	4,232,338	5,531,956	5,128,426	
277,644	81,630	299,977	162,263	148,372	1,917,700	
<u>16,734,326</u>	<u>18,401,863</u>	<u>19,542,247</u>	<u>19,926,328</u>	<u>24,268,960</u>	<u>23,527,753</u>	
 27,426,573	 26,532,412	 25,349,015	 25,772,888	 30,672,689	 31,716,708	
3,444,725	3,348,553	3,492,617	3,806,662	3,921,394	3,926,728	
2,053,167	2,326,020	2,189,652	2,275,535	2,373,123	2,558,056	
<u>372,646</u>	<u>393,081</u>	<u>477,974</u>	<u>495,244</u>	<u>482,662</u>	<u>488,660</u>	
<u>33,297,111</u>	<u>32,600,066</u>	<u>31,509,258</u>	<u>32,350,329</u>	<u>37,449,868</u>	<u>38,690,152</u>	
501,299	747,570	634,047	635,612	440,016	354,180	
-	150,919	-	-	-	-	
<u>33,798,410</u>	<u>33,498,555</u>	<u>32,143,305</u>	<u>32,985,941</u>	<u>37,889,884</u>	<u>39,044,332</u>	
<u>83,829,847</u>	<u>84,500,484</u>	<u>83,194,810</u>	<u>85,262,598</u>	<u>99,608,712</u>	<u>101,262,237</u>	
 (37,915,045)	 (36,008,802)	 (37,635,910)	 (38,825,011)	 (37,939,932)	 (42,881,893)	
5,703,582	4,862,859	3,993,142	3,768,986	7,106,964	9,220,764	
<u>(32,211,463)</u>	<u>(31,145,943)</u>	<u>(33,642,768)</u>	<u>(35,056,025)</u>	<u>(30,832,968)</u>	<u>(33,661,129)</u>	

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			
	2008	2009	2010	2011
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	\$ 27,578,249	\$ 27,744,049	\$ 28,573,797	\$ 26,152,857
State-shared revenues	9,251,499	8,873,213	8,228,312	8,280,285
Unrestricted investment earnings	2,068,262	998,889	449,343	300,004
Gain on sale of capital assets	-	-	-	-
Reimbursements	676,770	-	-	-
Miscellaneous	287,712	1,562,187	862,817	477,906
Transfers	689,516	631,647	2,540,203	(795,582)
Total governmental activities	40,552,008	39,809,985	40,654,472	34,415,470
Business-type activities:				
Unrestricted investment earnings	368,647	147,023	228,934	182,910
Gain on sale of capital assets	-	-	-	-
Miscellaneous	28,197	583,880	278,324	27,271
Transfers	(689,516)	(631,647)	(2,540,203)	795,582
Total business-type activities	(292,672)	99,256	(2,032,945)	1,005,763
Total primary government	40,259,336	39,909,241	38,621,527	35,421,233
Change in Net Position				
Governmental activities	3,169,229	780,509	(1,979,025)	(6,848,149)
Business-type activities	5,007,213	5,208,923	(140,119)	4,767,743
Total primary government	\$ 8,176,442	\$ 5,989,432	\$ (2,119,144)	\$ (2,080,406)

Schedule 2
UNAUDITED

Fiscal Year Ended June 30						
2012	2013	2014	2015	2016	2017	
\$ 25,576,233	\$ 34,016,290	\$ 32,605,336	\$ 39,990,264	\$ 40,810,616	\$ 43,475,312	
8,392,881	8,542,746	9,043,725	8,953,377	9,411,377	10,037,969	
254,940	153,669	184,685	72,513	119,498	245,423	
28,303	-	14,246	31,381	57,705	97,786	
-	-	-	-	-	-	
478,914	287,116	663,855	316,812	337,022	682,341	
1,568,859	(117,698)	(360,071)	2,380,968	1,001,553	(1,155,651)	
<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>	<u>53,383,180</u>	
159,675	-	-	-	-	-	
-	-	26,077	272	-	-	
56,443	-	-	-	-	-	
(1,568,859)	117,698	360,071	(2,380,968)	(1,001,553)	1,155,651	
(1,352,741)	117,698	386,148	(2,380,696)	(1,001,553)	1,155,651	
<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>	<u>54,538,831</u>	
(1,614,915)	6,873,321	4,515,866	12,920,304	13,797,839	10,501,287	
4,350,841	4,980,557	4,379,290	1,388,290	6,105,411	10,376,415	
<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>	<u>\$ 20,877,702</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			
	2008	2009	2010	2011
General fund				
Nonspendable	\$ 129,315	\$ 131,224	\$ 164,319	\$ -
Restricted	-	-	-	-
Assigned	-	-	-	1,300,000
Unassigned	8,232,519	9,675,674	6,721,096	5,221,748
Total general fund	8,361,834	9,806,898	6,885,415	6,521,748
All other governmental funds				
Nonspendable	405,082	1,000	1,000	157,957
Restricted, reported in:				
Special revenue funds	15,105,248	14,189,386	15,339,796	15,178,562
Debt service funds	1,385,001	34,911	30,222	33,163
Capital projects funds	278,527	163,965	246,066	402,587
Permanent fund	21,158	10,278	9,924	9,930
Assigned	-	-	-	-
Total all other governmental funds	17,195,016	14,399,540	15,627,008	15,782,199
Total governmental funds	\$ 25,556,850	\$ 24,206,438	\$ 22,512,423	\$ 22,303,947

Schedule 3
UNAUDITED

Fiscal Year Ended June 30						
2012	2013	2014	2015	2016	2017	
\$ -	\$ 37,402	\$ -	\$ 10,974	\$ 11,007	\$ 2,942	
445,542	529,726	644,917	768,682	695,389	823,324	
3,075,000	2,950,000	2,855,000	3,092,000	3,092,000	593,000	
4,374,352	7,391,788	11,149,199	13,085,091	14,481,359	21,321,516	
<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>	<u>22,740,782</u>	
 156,209	 179,085	 147,066	 172,509	 190,679	 207,663	
14,145,088	14,456,669	16,225,088	20,856,866	21,133,319	19,224,262	
37,897	102,301	108,875	109,435	101,733	91,486	
118,466	189,317	606,395	633,802	698,261	2,576,039	
10,034	10,347	10,362	10,407	10,464	10,531	
-	2,277,340	3,101,828	2,317,454	2,046,139	898,444	
<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>23,008,425</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>	 <u>\$ 45,749,207</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			
	2008	2009	2010	2011
Revenues				
Taxes	\$ 27,791,327	\$ 27,894,711	\$ 28,247,608	\$ 26,381,439
Licenses and permits	2,561,656	2,455,968	2,926,558	2,691,023
Federal grants	2,907,622	1,787,930	1,830,199	2,001,554
State grants	9,661,102	9,261,154	8,676,226	8,703,584
Charges for services	3,735,014	3,806,309	3,688,251	4,281,063
Fines and forfeitures	4,396,589	4,175,074	3,929,759	4,129,803
Interest and rentals	2,304,081	1,320,563	675,657	498,883
Contributions and donations	1,541,430	1,811,555	1,736,650	1,255,738
Other revenue	964,482	1,562,187	862,817	477,906
Total revenues	55,863,303	54,075,451	52,573,725	50,420,993
Expenditures				
General government	8,630,729	9,004,224	8,925,132	8,331,615
Public safety	24,646,113	25,414,070	26,624,516	24,534,124
Public works	13,086,601	14,057,676	13,873,005	12,460,296
Health and welfare	597,709	712,703	688,640	765,013
Community and economic development	2,307,383	1,405,210	1,864,821	1,843,800
Recreation and culture	3,986,566	3,912,795	3,670,704	3,549,926
Debt service:				
Principal payments	830,000	865,000	910,000	945,000
Interest and paying agent fees	776,549	710,111	689,500	666,865
Bond issuance costs	-	-	-	-
Total expenditures	54,861,650	56,081,789	57,246,318	53,096,639
Revenue over (under) expenditures	1,001,653	(2,006,338)	(4,672,593)	(2,675,646)
Other financing sources (uses)				
Issuance of long-term debt	-	-	-	-
Premium on issuance of long-term debt	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	3,445,684	6,058,933	9,250,201	7,427,440
Transfers out	(2,693,004)	(5,403,007)	(6,271,623)	(4,960,270)
Proceeds from sale of assets	-	-	-	-
Total other financing sources (uses)	752,680	655,926	2,978,578	2,467,170
Net change in fund balances	\$ 1,754,333	\$ (1,350,412)	\$ (1,694,015)	\$ (208,476)
Debt service as a percentage of noncapital expenditures	3.10%	2.98%	3.01%	3.17%

Schedule 4
UNAUDITED

Fiscal Year Ended June 30						
2012	2013	2014	2015	2016	2017	
\$ 25,741,884	\$ 32,657,464	\$ 33,040,104	\$ 40,327,885	\$ 40,812,298	\$ 42,842,346	
3,468,967	4,231,944	4,838,254	5,346,516	6,629,135	5,266,746	
3,117,674	2,536,488	2,216,600	1,840,046	1,677,378	874,059	
8,774,561	9,021,184	9,492,853	9,675,169	10,362,532	10,565,275	
4,168,570	5,303,604	4,973,544	5,606,654	6,513,571	5,573,732	
4,010,892	4,057,370	4,425,958	4,546,629	5,399,533	5,521,496	
499,497	525,311	557,892	465,430	571,454	853,631	
1,486,024	1,338,658	2,077,707	1,272,088	2,217,097	2,886,747	
478,914	408,205	884,467	583,449	876,644	3,028,574	
<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>	<u>77,412,606</u>	
8,807,176	7,999,871	8,195,123	8,805,147	10,259,300	10,725,709	
23,449,671	24,773,584	26,703,494	30,347,526	31,858,670	36,112,017	
13,506,755	13,547,204	14,049,998	18,827,277	24,544,700	26,548,191	
708,524	769,483	805,658	858,501	735,301	675,256	
1,901,247	1,426,415	1,413,899	1,416,767	1,396,557	2,393,734	
3,223,250	3,262,250	3,602,859	3,815,200	4,042,879	4,145,786	
985,000	1,020,000	1,095,000	1,356,000	1,423,000	1,480,876	
609,981	520,597	437,427	401,704	399,159	231,120	
-	-	-	32,838	-	-	
<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>82,312,689</u>	
(1,444,621)	6,760,824	6,203,921	3,802,906	400,076	(4,900,083)	
-	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)	-	
5,898,961	20,175,143	21,563,760	25,286,037	31,612,692	40,259,720	
(4,376,101)	(21,392,144)	(22,169,926)	(22,913,344)	(30,668,047)	(32,070,780)	
-	-	-	53	-	-	
<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>8,188,940</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>	<u>\$ 3,288,857</u>	

3.18%

3.18%

2.90%

2.98%

3.03%

2.57%

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
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
2016	2017	1,879,373,700	393,810,370	39,070,030	123,548,190	5,724,260

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
\$ 2,439,636,660	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	18.1551	2,505,604,540	90.9%
2,366,199,380	17.6807	2,693,722,050	87.8%
2,441,526,550	17.8761	2,868,686,490	85.1%

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	Roads	Voted Debt	Total Direct Taxes
		Charter	Publications	Refuse-State	Refuse-Voted					
2007	2008	7.3947	0.0214	2.0164	0.7500	0.9597	n/a	n/a	0.2944	11.4366
2008	2009	7.3947	0.0213	2.0164	0.7500	0.9597	n/a	n/a	0.2912	11.4333
2009	2010	7.3947	0.0216	2.0164	0.9965	0.9597	n/a	n/a	0.2971	11.6860
2010	2011	7.3947	0.0234	2.0164	0.9965	0.9597	n/a	n/a	0.3224	11.7131
2011	2012	7.3947	0.0239	2.0164	0.9965	0.9597	n/a	n/a	0.3338	11.7250
2012	2013	7.3947	0.0225	2.0164	0.9965	0.9597	3.475	n/a	0.3363	15.2011
2013	2014	7.3947	0.0223	2.0164	0.9965	0.9597	3.475	n/a	0.3006	15.1652
2014	2015	7.3947	0.0218	2.0164	0.9965	0.9597	3.975	2.5000	0.2910	18.1551
2015	2016	7.3695	0.0223	2.0095	0.5931	0.9564	3.961	2.4915	0.2770	17.6807
2016	2017	7.2899	0.0206	1.9877	0.9823	0.9460	3.919	2.4645	0.2665	17.8761

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		
2016	2017	7.2899	0.0206	1.9877	0.9823	0.9460	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.

Schedule 6
UNAUDITED

Overlapping Taxes				Total Tax Rate	Overlapping Taxes Royal Oak Schools		Total (4)		Downtown Development Authority (DDA) (5)
County Taxes (2)	Interme- diate School District	Oakland Commu- nity 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	27.6261	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	35.0546	7.1928	22.7500	42.2474	57.8046	1.6477
5.8448	3.3633	1.5819	6.0000	34.4707	7.3842	22.7466	41.8549	57.2173	1.6409
5.7850	3.3398	1.5707	6.0000	34.5716	7.2911	22.7363	41.8627	57.3079	1.6146

CITY OF ROYAL OAK, MICHIGAN

Schedule 7
UNAUDITED

Revenue Capacity Information

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	Assessment Year					
	2008			2017		
	Taxable Value	Rank	Percentage of Total	Taxable Value	Rank	Percentage of Total
Consumers Energy Company	\$ 9,636,920	6	0.99%	\$ 27,932,140	1	1.14%
DTE Electric Company	24,131,770	1	0.40%	24,519,980	2	1.00%
WM Beaumont Hospital	15,069,880	3	0.99%	9,567,600	3	0.35%
Meijer, Inc.	7,592,030	9	0.31%	8,524,140	4	0.39%
Comcast				7,905,060	5	0.32%
The Kroger Company				6,776,130	6	0.28%
H2 Royal Oak, LLC				6,220,910	7	0.25%
Garber Family Partnership				6,003,790	8	0.25%
Woodland Gardens				5,660,270	9	0.23%
Alidade Main North LLC				5,107,330	10	0.21%
Sprint Holdings/Form Tech	23,664,650	2	0.97%			
Amber Equities	14,535,200	4	0.60%			
Co-op Services	9,562,570	7	0.39%			
National City Bank	8,047,980	8	0.33%			
Woodland Gardens	5,612,700	10	0.23%			
Flex-N-Gate	13,784,850	5	0.57%			
Total taxable value of ten largest taxpayers	131,638,550		5.77%	108,217,350		4.43%
Total taxable value of all other taxpayers	2,307,998,110		94.60%	2,333,309,200		95.57%
Total taxable value of all taxpayers	<u><u>\$ 2,439,636,660</u></u>		<u><u>100.00%</u></u>	<u><u>\$ 2,441,526,550</u></u>		<u><u>100.00%</u></u>

Source: City Assessor

CITY OF ROYAL OAK, MICHIGAN

Schedule 8
UNAUDITED

Revenue Capacity Information

Property 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			Total Collections to Date	
			Amount (1)	Percent of Levy	Collections in Subsequent Years	Amount	Percent of Levy
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%
2016	2017	44,457,247	44,292,016	99.63%	3,927	44,295,943	99.64%

(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

	Fiscal Year Ended June 30,			
	2008	2009	2010	2011
Governmental Activities				
General obligation bonds	\$ 19,625,000	\$ 19,850,000	\$ 18,610,000	\$ 17,335,000
Business-type Activities				
General obligation bonds	21,047,387	30,132,387	28,317,387	26,437,387
Loans and contractual obligations	29,946,268	30,149,462	29,280,006	27,504,922
Total	50,993,655	60,281,849	57,597,393	53,942,309
Total debt of the City	\$ 70,618,655	\$ 80,131,849	\$ 76,207,393	\$ 71,277,309
Total personal income	\$ 3,014,174,700	\$ 2,736,407,910	\$ 2,801,990,961	\$ 2,859,295,677
Ratio of total debt to personal income	2.34%	2.93%	2.72%	2.49%
Total population	54,903	54,365	56,133	57,281
Total debt per capita	\$1,286	\$1,474	\$1,358	\$1,244

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

Source: City Finance Department

Schedule 9
UNAUDITED

Fiscal Year Ended June 30,					
2012	2013	2014	2015	2016	2017
\$ 16,005,000	\$ 14,670,478	14,302,563	\$ 12,634,354	\$ 10,960,611	\$ 122,979,133
24,957,387	23,147,426	21,597,831	15,475,000	15,658,150	41,025,472
25,650,523	23,739,452	21,778,969	24,281,284	21,655,862	18,733,267
50,607,910	46,886,878	43,376,800	39,756,284	37,314,012	59,758,739
\$ 66,612,910	\$ 61,557,356	\$ 57,679,363	\$ 52,390,638	\$ 48,274,623	\$ 182,737,872
\$ 2,863,438,788	\$ 3,169,998,966	\$ 3,316,943,085	\$ 3,365,977,560	\$ 3,508,809,444	\$ 3,744,166,724
2.33%	1.94%	2.58%	1.56%	1.38%	4.88%
54,903	59,478	59,485	59,016	58,716	59,006
\$1,213	\$1,035	\$970	\$888	\$822	\$3,097

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)		
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
2017	120,054,133	2,925,000	91,486	41,025,472		163,913,119

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
\$ 2,439,636,660	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
2,441,526,550	6.71%	59,006	2,778



CITY OF ROYAL OAK, MICHIGAN

Schedule 11
UNAUDITED

■ Debt Capacity Information

Direct and Overlapping Governmental Activities Debt
June 30, 2017

Government Unit	Gross	Self-Supporting	Net	Net Debt	
				Capita	% of Taxable Value
Direct Debt - City of Royal Oak	\$ 182,737,872	\$ 37,641,318	\$ 145,096,554	\$2,471	6.13%
Overlapping Debt:					
Royal Oak School District	\$ 26,260,000	96.91%	\$ 25,448,566		
Berkley School District	60,685,000	1.84%	1,116,604		
Clawson School District	25,414,485	93.00%	23,635,471		
Oakland County at large	372,198,081	4.61%	17,158,332		
Oakland Intermediate School District	45,495,000	4.63%	2,106,419		
Oakland County Community College	<u>820,000</u>	4.65%	<u>38,130</u>		
Total Overlapping Debt	<u>530,872,566</u>		<u>69,503,521</u>	<u>1,183.72</u>	<u>2.94%</u>
Total Direct and Overlapping Debt	<u><u>\$ 713,610,438</u></u>		<u><u>\$ 214,600,075</u></u>	<u><u>\$3,655</u></u>	<u><u>9.07%</u></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 tax payer 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	2008	2009	2010	2011
Valuation base				
State equalized valuation - excluding IFT values	\$ 3,114,268,450	\$ 2,986,475,590	\$ 2,808,167,535	\$ 2,462,441,170
Plus: equivalent valuation of Act 198 exemptions	4,931,860	4,893,960	4,908,820	5,712,590
Total valuation	<u>\$ 3,119,200,310</u>	<u>\$ 2,991,369,550</u>	<u>\$ 2,813,076,355</u>	<u>\$ 2,468,153,760</u>
Legal debt limitation - 10% of total valuation	\$ 311,920,031	\$ 299,136,955	\$ 281,307,636	\$ 246,815,376
Calculation of debt subject to limit:				
Debt outstanding	70,918,655	76,207,393	71,277,309	66,612,910
Less: bonds not subject to limit	(43,878,655)	(46,396,849)	(44,452,393)	(26,437,387)
Net debt subject to limit	<u>27,040,000</u>	<u>29,810,544</u>	<u>26,824,916</u>	<u>40,175,523</u>
Additional debt which can be legally incurred	<u>\$ 284,880,031</u>	<u>\$ 269,326,411</u>	<u>\$ 254,482,720</u>	<u>\$ 206,639,853</u>
Non-exempt debt as a percent of debt limit	8.67%	9.97%	9.54%	16.28%

Source: City Finance Department

Note:

Section 21 of Article VII of the Michigan Constitution authorizes the enactment of laws for the incorporation of cities and grants cities the power to levy taxes for public purposes, subject to statutory and constitutional limitation:

"The legislature shall provide by general laws for the incorporation of cities and villages. Such laws shall limit their range of ad valorem 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 public purposes, subject to limitations and prohibitions provided by the constitution or by law."

In accordance with the foregoing, the Home Rule City Act, Act 279, Michigan Public Acts, 1909, as amended, limits the amount of debt a home rule city may have outstanding at any time. Section 4-a of the Home Rule City Act provides, in pertinent part:

"Notwithstanding a charter provision to the contrary the net indebtedness incurred for all public purposes shall not exceed the greater of the following:

(a) Ten percent of the assessed value of all the real and personal property in the city.

(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 10% is or has been used solely for the construction or renovation of hospital facilities."

"The provision of the Home Rule City Act cited above overrides the city's charter provision which limits city indebtedness to five percent of the "assessed valuation" (SEV) of all real and personal property in the city. Other limitations may apply, however, if specifically set forth in a statute authorizing a particular kind of borrowing.

Certain types of indebtedness are not subject to the 10% limitation of the Home Rule City Act, including: special assessment bonds, Michigan transportation fund bonds and revenue bonds, whether secured by a mortgage or not; bonds issued or contract obligations or assessment 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, or refuse disposal or resource recovery projects necessary to protect the public

Schedule 12
UNAUDITED

2012	2013	2014	2015	2016	2017
\$ 2,349,535,700	\$ 2,335,410,970	\$ 2,320,467,120	\$ 2,496,528,450	\$ 2,685,865,760	\$ 2,862,962,230
14,124,730	9,577,040	9,507,670	9,076,090	7,856,290	5,724,260
<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>\$ 2,868,686,490</u>
\$ 236,366,043	\$ 234,498,801	\$ 232,997,479	\$ 250,560,454	\$ 269,372,205	\$ 286,868,649
66,612,910	61,696,839	57,679,363	52,390,638	48,274,623	182,737,872
(38,897,910)	(35,986,839)	(33,001,356)	(29,925,435)	(25,246,458)	(37,641,318)
<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>145,096,554</u>
<u>\$ 208,651,043</u>	<u>\$ 208,788,801</u>	<u>\$ 91,820,733</u>	<u>\$ 102,815,024</u>	<u>\$ 246,344,040</u>	<u>\$ 141,772,095</u>
11.73%	10.96%	21.18%	8.97%	8.55%	50.58%

Debt Capacity Information

Computation of Legal Debt Margin

Last Ten Fiscal Years

Pursuant to the statutory and constitutional debt provisions set forth above, the following table reflects the amount of additional debt the city may legally incur as of May 2017.

	10% SEV	5% SEV*
FY 16-17 State Equalized Value (SEV)	\$ 2,868,686,490	\$ 2,868,686,490
Debt limit	286,868,649	143,434,325
Debt outstanding	182,737,872	182,737,872
Less: exempt obligations	(37,641,318)	(164,251,316)
Debt subject to SEV limitation	144,819,776	18,209,778
Additional debt which may be legally incurred	142,048,873	125,224,547
Non-exempt debt outstanding as a percentage of SEV	5.05%	0.63%

* In accordance with the Revised Municipal Finance Act

CITY OF ROYAL OAK, MICHIGAN

Schedule 13
UNAUDITED

Debt Capacity Information

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water/Sewer Bonds and Contractual Obligations								Coverage	
	Water & Sewer Operating Revenue	Less: Applicable Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirement			Total			
				Principal	Interest					
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%	
2017	31,596,988	21,905,977	9,691,011	3,320,140	774,817		4,094,957		237%	
Parking Revenue Bonds										
Fiscal Year	Parking Operating Revenue	Less: Applicable Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirement			Total	Coverage		
				Principal	Interest					
2017	3,926,728	2,925,904	1,000,824	-			137,363	137,363	729%	

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)
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	4,053
2017	29,016	59,006	63,454	3,744,167	39.8	*

Source:

- (1) U.S. Census and SEMCOG
- (2) 2008-2010 U.S. Department of Commerce, Bureau of Economic Analysis, Regional Bearfacts for Oakland County, MI. 2011-2012 Estimated using last year available.
- (3) Retail Coach estimate
- (4) Royal Oak Schools Fall enrollment count. (estimate, excludes Alternative Education)
- (5) Retail Coach estimate
- (6) Bureau of Labor Statistics, June 2017 Estimates

* Unavailable for current fiscal year

Schedule 14
UNAUDITED

Royal Oak (5)		Michigan (5)	
Labor Force	Unemployment Rate	Labor Force (000)	Unemployment Rate
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%
41,641	3.6%	4,865	3.8%

CITY OF ROYAL OAK, MICHIGAN
**Schedule 15
UNAUDITED**
Demographic and Economic Information
Principal Employers
Current Year and Nine Years Ago

Company Name	Product/Service	2008			2017		
		Employees	Rank	Percentage of Total	Employees	Rank	Percentage of Total
William Beaumont Hospital	Hospital	8,700	1	25.22%	13,298	1	31.94%
City of Royal Oak	Municipality	339	3	0.98%	507	2	1.22%
Royal Oak School District	Education	639	2	1.85%	462	3	1.11%
Detroit Zoological Society	Zoo	208	8	0.60%	413	4	0.99%
Consumers Energy	Utility	220	6	0.64%	374	5	0.90%
Flex-N-Gate Royal Oak	Automotive supplier	200	9	0.58%	355	6	0.85%
Comau LLC	Manufacturer			0.00%	315	7	0.76%
Holiday Market	Grocery store	160	10	0.46%	308	8	0.74%
Kroger	Grocery store	260	4	0.75%	291	9	0.70%
Meijer, Inc.	Retailer/grocery store	250	5	0.72%	251	10	0.60%
Form Tech Industries LLC		214	7	0.62%			-
Total		11,190		32.43%	16,574		39.80%

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	29	29	27	20	20	26	24	26	26	29
Other police vehicles	16	16	13	15	15	15	25	24	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	0	0	0	0	0	0	0
Other fire vehicles	*	*	*	*	*	*	10	10	10	10
Public Parking										
Spaces	3,424	3,678	3,678	3,678	3,678	3,678	3,730	3,815	3,815	3,465
Decks	1,532	1,532	1,532	1,532	1,532	1,532	1,532	1,532	1,532	1,532
Lots	1,092	1,244	1,380	1,380	1,380	1,380	1,380	1,473	1,473	1,195
Streets	750	766	766	766	766	766	818	810	810	738
Meters	1,950	2,010	2,151	2,151	2,210	2,210	2,203	2,203	2,203	1,352
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	51	51	51
Park acreage	310	310	310	310	310	310	310	352	352	352
Golf courses/holes	2 / 9 ea.	2 / 9 ea.	1 / 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	32/ 1 pickle	32/ 1 pickle	31/ 2 pickle	31/ 2 pickle	31/ 2 pickle
Library										
Branches	1	1	1	1	1	1	1	1	1	1
Collection -number of items	153,499	175,713	185,301	177,803	181,523	181,474	186,223	184,362	179,393	162,945
Public computers	36	36	36	47	44	44	38	38	37	36
Roads and Sidewalks										
Miles of major streets	64.40	64.40	64.40	64.40	64.40	63.96	63.96	63.96	63.96	63.96
Miles of local streets	148.27	148.27	148.27	148.27	148.27	148.24	148.41	148.41	148.63	148.63
Miles of sidewalk	420	420	420	420.5	420.6	421.3	422	423	423	425
Utilities										
Water										
Miles of water main	215	215.50	215.50	217.00	217	217.60	218	219	219	219
Miles of sewer	357	357.70	357.70	358.50	359	358.65	359	361	361	362
Number of hydrants	2,064	2,070	2,070	2,111	2,115	2,127	2,138	2,138	2,138	2,159
Forestry										
Number of trees in rights-of-way	23,121	23,121	23,121	20,781	22,048	20,541	20,262	27,149	26,456	18,983

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	2008	2009	2010	2011
Election data (calendar year)				
Registered voters	47,881	47,374	48,167	48,167
Elections held	3	1	1	1
Voters (at the polls or absentee)	35,357	8,553	7,456	7,456
Percent voting	73.8%	17.7%	15.5%	15.5%
Vital Records (calendar year)				
Birth	5,975	8,404	5,053	5,070
Death	2,046	2,017	1,870	1,823
District Court (calendar year)				
Number of court cases by judges/magistrates	17,615	15,879	17,263	15,636
Number of traffic tickets disposed	24,626	20,692	18,797	13,906
Number of criminal cases disposed	4,376	3,354	4,743	4,503
Number of civil cases disposed	3,138	3,288	3,358	3,024
Number of parking tickets disposed	91,226	77,403	87,650	98,003
Assessing				
Parcels (tax / calendar year)	27,867	27,754	27,632	27,608
Documents processed (prior to 2008 PTAs only)	3,344	1,254	1,194	4,479
Building and Safety				
Permits issued	1,289	564	1,636	1,741
Estimated permit value (\$000)	\$53,075	\$6,859	\$34,772	\$30,539
Police (calendar year, 2009 through June 30)				
Calls for service	32,140	31,602	31,111	29,887
Group A offenses	3,616	3,242	2,949	2,963
Group B offenses	2,590	2,478	2,199	1,948
Traffic violations issued	20,934	17,212	15,221	13,659
Parking violations issued	79,776	86,322	88,830	97,391
Fire				
Fire runs	1,869	1,532	1,625	1,806
Emergency medical runs	3,951	3,828	3,537	3,711
Inspections	271	291	513	435
Human Resources				
Employment applications - full & part-time	329	548	332	333
Hires, position changes, retirements, terminations	61	49	78	202
Workers' comp. claims filed - medical & indemnity	83	64	66	61
Health insurance enrollees - Employees	300	287	293	242
Health insurance enrollees - Retirees	380	379	391	408

Source: City Departments
 Note: * Information not available

Schedule 17
UNAUDITED

2012	2013	2014	2015	2016	2017
49,034	49,080	49,124	48,202	48,898	*
3	1	2	2	3	*
34,607	12,555	23,734	12,305	35,350	*
70.6%	25.6%	48.3%	25.5%	72.3%	*
5,983	5,072	5,384	5,958	6,703	*
1,693	1,767	1,435	1,763	1,693	*
14,701	13,140	15,223	18,969	32,027	29,386
13,836	12,835	14,495	15,095	25,158	22,390
1,968	3,913	3,141	4,269	2,604	2,456
2,879	2,945	2,561	2,349	3,254	4,540
97,425	93,388	95,643	93,115	92,658	80,281
27,641	27,641	27,693	27,791	27,857	27,904
4,061	4,284	9,561	8,190	11,849	15,209
1,601	1,779	2,030	2,374	2,194	2,402
\$33,116	\$70,480	\$81,609	\$77,778	\$167,991	\$121,953
37,297	40,744	44,616	48,051	46,563	*
2,601	2,305	2,205	2,320	2,309	*
1,179	1,271	1,228	1,296	1,333	*
13,035	12,317	14,147	13,178	16,003	*
93,661	96,385	92,454	86,955	75,627	*
1,824	2,020	2,158	2,277	2,179	2,121
3,898	3,993	3,789	3,778	3,976	3,883
515	448	464	590	611	702
822	1,007	901	1,142	688	2,374
107	154	290	383	176	322
61	63	57	41	44	50
254	266	225	242	245	321
438	440	420	434	431	461

continued...

CITY OF ROYAL OAK, MICHIGAN

Operating Information

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

Function / Program	2008	2009	2010	2011
Library (The library was closed for eight months in FY 2006 during remodeling.)				
Cardholders - new registrations	4,415	4,860	4,620	4,064
Cardholders - total registrations	25,771	28,166	30,700	31,762
Circulation - number of transactions	360,333	405,067	423,356	455,847
Number of visitors	481,986	618,279	653,482	651,552
Number of computer uses	97,482	77,910	65,858	64,075
Number of programs/events offered	435	549	532	510
Number of program/event attendees	13,180	15,862	14,664	16,172
Parks and recreation				
Ice rental and other use (hours per calendar year)	7,496	7,820	7,459	7,511
Recreation program participants	15,756	16,208	16,548	16,560
Golf Course				
Rounds of Golf - Normandy Oaks	17,230	16,136	14,224	10,275
Rounds of Golf - Royal Oak	27,140	26,017	24,354	17,970
Senior Programs				
Senior activity sessions	3,794	3,879	4,019	4,147
Senior activity participants	93,275	95,832	96,549	90,641
Senior meals served on-site and delivered	42,168	34,010	34,496	28,208
Senior transportation trips	18,120	18,690	16,755	15,249
Senior AGE program - Service Hours	24,000	24,000	19,675	24,000
Senior ROSES program in-home support jobs	2,045	2,542	2,617	3,164
Public Works / Engineering				
Miles of street resurfaced	2.11	3.00	3.38	2.60
Square feet of sidewalk - removed & replaced	22,364	31,000	43,465	29,583
Square feet of sidewalk - new	9,973	1,000	2,069	1,100
Curbside refuse collected (tons)	28,690	24,939	23,587	23,226
Curbside compost collected (tons)	10,829	10,432	10,337	9,943
Curbside recyclables collected (tons)	3,415	3,654	3,754	3,940
Leaf collection (tons)	5,125	3,643	3,256	10,340
Feet of watermain - replaced	8,373	9,765	6,048	8,270
Feet of watermain - new	1,160	2,333	2,527	499
Feet of sewer - replaced	1,625	1,967	0	0
Feet of sewer - new	2,155	989	0	0
Utilities - Water and Sewer				
Number of customers billed	23,873	23,894	23,892	23,907
Water units purchased (100 cubic feet)	293,807,500	278,193,100	260,659,900	266,638,900
Water units billed (100 cubic feet)	288,715,060	261,780,300	247,389,000	264,545,100
Wastewater units disposed (100 cubic feet)	293,592,500	277,958,800	264,178,600	266,435,300

Source: City Departments
 Note: * Information not available

Schedule 17
UNAUDITED

2012	2013	2014	2015	2016	2017
3,677	3,648	3,667	3,697	3,634	3,785
32,262	32,367	30,855	32,914	33,140	24,317
451,097	405,101	393,843	378,252	372,934	403,009
572,957	519,595	341,951	213,784	347,223	369,996
74,560	66,234	55,699	42,871	36,782	38,387
704	521	483	439	425	513
16,323	15,441	14,093	10,885	13,518	15,503
 *	 7,888	 7,932	 8,087	 8,193	 8,300
16,600	16,688	16,320	16,055	16,222	16,300
 9,536	 9,127	 8,432	 0	 0	 0
17,340	16,240	16,187	20,760	18,225	18,700
 4,176	 4,214	 3,994	 3,981	 3,888	 3,742
95,742	87,787	84,614	74,266	72,007	73,472
24,052	13,429	11,378	11,340	10,839	10,563
14,101	12,611	12,571	13,559	12,863	13,095
24,000	24,000	24,000	24,000	24,000	24,000
3,839	2,090	2,073	2,074	2,066	2,081
 2.52	 2.33	 1	 1	 5.61	 6.50
242,330	299,618	365,765	287,645	500,991	330,551
1,989	19,363	23,533	18,952	14,256	55,994
22,780	22,145	20,717	29,341	23,565	24,444
7,770	7,730	11,143	11,115	10,551	7,089
3,908	4,690	3,655	3,906	4,035	4,229
3,677	3,330	3,550	3,260	unavailable	2,397
5,323	10,160	10,127	11,838	9,709	13,532
892	840	0	2,781	1,174	4,883
0	0	60	635	0	785
801	801	3,265	2	0	5,703
 23,912	 23,929	 23,264	 23,159	 23,646	 24,335
275,758,400	262,629,400	250,522,400	247,902,200	253,900,000	247,413,200
248,509,201	246,613,100	233,014,700	215,800,400	228,319,400	242,515,739
275,555,200	262,378,200	232,943,600	215,790,000	228,296,800	239,653,661

concluded.

CITY OF ROYAL OAK, MICHIGAN

Schedule 18
UNAUDITED

Operating Information

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

Function/Program	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
44th District Court/Probation	22	22	22	20	20	20	20	22	27	28
Administrative Services										
Manager	2	2	2	2	2	3	3	5	5	5
Attorney	5	4	4	3	3	3	4	4	4	3
City Clerk	4	4	5	4	4	4	5	5	5	5
Human Resources	4	4	4	2	2	2	2	3	3	3
Building	11	11	8	5	5	5	6	11	11	11
Code Enforcement	5	4	6	4	2	2	5	5	5	5
Engineering	10	10	10	7	9	7	7	8	13	13
Planning	5	5	4	4	4	3	4	3	4	4
Block Grant	3	2	1	1	1	1	1	-	-	-
Housing	2	1	2	1	1	-	-	1	1	1
Finance Group	6	6	6	6	5	5	5	6	6	7
Assessing	4	4	4	4	3	3	3	4	4	4
Purchasing	1	1	-	-	-	-	-	-	-	-
Treasurer	5	5	4	4	4	4	3	3	3	4
Water Billing	2	1	1	1	1	1	1	1	1	1
Information Systems	6	4	4	4	4	4	4	4	4	5
Economic Development	-	-	-	-	-	-	-	1	1	1
Subtotal	75	68	65	51	49	46	52	63	68	71
Library	13	13	12	12	11	10	10	9	8	8
Public Safety										
Police	107	103	98	82	77	81	96	97	98	98
Fire	63	63	62	56	56	56	56	56	56	56
Subtotal	170	166	160	138	133	137	152	153	154	154
Recreation & Public Services										
Public Service										
Parks & Forestry	8	8	8	2	8	7	7	7	7	7
CH Building Maintenance	2	2	2	2	2	2	2	2	2	2
Highway	16	14	14	-	-	-	-	-	2	2
Motor Pool	12	11	11	10	9	9	9	9	9	9
Electrical	1	1	1	1	-	-	-	-	1	1
Solid Waste	1	1	2	15	13	14	14	14	14	14
Water Maintenance	9	9	8	12	8	7	7	7	8	8
Water Meter Services	6	6	6	5	5	4	4	4	4	4
Sewer Maintenance	9	9	8	9	8	7	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	-	-	-	-	-	-
Senior Services	2	2	2	2	1	1	1	1	1	1
Subtotal	72	69	68	64	59	56	56	56	59	59
Total	352	338	327	285	272	269	290	303	316	320

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

Source: City Finance Department