

City of Royal Oak, MI Comprehensive Annual Financial Report

Fiscal Year Ending June 30, 2018



City of
Royal Oak,
Michigan



Year Ended
June 30, 2018

Comprehensive
Annual
Financial
Report

City Commission

Mayor

Michael Fournier

Mayor Pro Tem

Sharlan Douglas

Commissioners

Kyle DuBuc

Melanie Macey

Kim Gibbs

Patricia Paruch

Randy LeVasseur

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
Local Streets 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	98
Other Postemployment Benefits Plan	102
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds	108
Combining Statement of Revenues, Expenditures and Changes in Fund	
Balances - Nonmajor Governmental Funds	112
Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Budget and Actual:	
Major Streets Fund	115
Community Development Block Grant Fund	116
Publicity Fund	117
Senior Citizens Program Fund	118
Library Millage Fund	119
State Construction Code Fund	120
ROOTS Fund	121
Grants Fund	122
Nonmajor Enterprise Funds:	
Combining Statement of Net Position - Nonmajor Enterprise Funds	123
Combining Statement of Revenues, Expenses and Changes in Fund Net Position -	
Nonmajor Enterprise Funds	125
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	126
Internal Service Funds:	
Combining Statement of Net Position - Internal Service Funds	128
Combining Statement of Revenues, Expenses and Changes in Fund Net	
Position - Internal Service Funds	129
Combining Statement of Cash Flows - Internal Service Funds	130
Agency Funds:	
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	133
Combining Statement of Changes in Assets and Liabilities - Agency Funds	134
Component Units:	
Balance Sheets - Component Units	136
Reconciliation of Fund Balances of Governmental Funds	
to Net Position of Governmental Activities - Component Units	137
Statements of Revenues, Expenditures and Changes in Fund	
Balances - Component Units	138
Reconciliation of Net Changes in Fund Balances of Governmental Funds	
to Change in Net Position of Governmental Activities - Component Units	139
Schedule of Revenues, Expenditures and Changes in Fund	
Balance - Budget and Actual:	
Tax Incremental Financing Authority	140
Downtown Development Authority	141
Brownfield Redevelopment Authority	142

CITY OF ROYAL OAK, MICHIGAN

Table of Contents

	<u>Page</u>
STATISTICAL SECTION (UNAUDITED)	
Description of Statistical Section	145
Financial Trends:	
Net Position by Component	146
Changes in Net Position	148
Fund Balances - Governmental Funds	152
Changes in Fund Balances - Governmental Funds	154
Revenue Capacity:	
Assessed Value and Actual Value of Taxable Property	156
Property Tax Rates - Direct and Overlapping	158
Principal Property Taxpayers	160
Property Tax Levies and Collections	161
Debt Capacity:	
Ratios of Outstanding Debt	162
Ratios of General Bonded Debt Outstanding	164
Direct and Overlapping Governmental Activities Debt	167
Computation of Legal Debt Margin	168
Pledged Revenue Coverage	171
Demographic and Economic Information:	
Demographic Statistics	172
Principal Employers	174
Operating Information:	
Capital Asset Statistics by Function/Program	175
Operating Indicators by Function/Program	176
Authorized Full-time Employees by Function/Program	180

INTERNAL CONTROL AND COMPLIANCE SECTION

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	181
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INTRODUCTORY SECTION





Finance Department
211 South Williams Street
Royal Oak, MI 48067

December 3, 2018

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, 2018. 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 Robson, Certified Public Accountants. The city has received an unmodified opinion for the June 30, 2018 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.

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.

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 ninth 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, 26 tennis courts, 10 pickleball 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, city treasurer 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 remained flat. However, building permit revenue increased 54 percent due to a handful of very large developments in the City.

The city's assessed taxable value percentage shifted slightly from industrial and commercial to residential. For the fiscal year 2017-18, 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 5.2 percent and 3.6 percent, respectively. In comparison, metro Detroit's office vacancy rate is 9.5 percent and its retail vacancy rate is 5.5 percent. Over fifty creative and technology companies have located to Royal Oak since 2010, including Hulu's Detroit office, Vectorform, Crowdrise, Tome and Gongos, and the new state-of-the-art Henry Ford Health Systems' outpatient medical facility is set to open in April 2020. This will bring over 400 full time employees and thousands of visitors to the City each year. Over 300,000 square-feet of new Class A office space is coming online within the next two years, totaling more than \$100 million in private investment. 2018 saw the opening of the new \$47 million Hyatt Place hotel, and 2019 will bring the opening of Woodward Corners by Beaumont, 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 median income of approximately \$68,504, 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 May was 1.8 percent, which compares favorably to the State's unemployment rate of 4.6 percent for the same period and represents a decrease 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 FY18-19 budget was prepared less conservative than in prior years in an effort to be more accurate. The fiscal year ending 2018 general fund fund balance decreased by \$1.7 million as opposed to \$7.6 million originally budgeted due to revenues coming in approximately 3.7% higher or \$200,000 - \$300,000 higher in nearly all of the revenue classes relative to the original budgeted. Additionally, this variance was due to a reduction in use of fund balance for lower expenditures in general government and recreation functions as well as a \$3.5 million transfer in from the local road fund to pay back the general fund. The year ended with an unassigned general fund fund balance of \$19.5 million or 39 percent of fiscal year 18-19 budgeted expenditures. Approximately \$2 million was transferred to the a capital improvement fund for the cash contribution to the ROCC project with an additional \$3.7 million to be transferred in fiscal year 18-19. And \$5.5 million was expended for developer incentive. There is nearly \$943,000 of PEG monies restricted for future PEG related expenditures in the general fund. The city issued \$32.465 million of capital improvement bonds for a new city hall building, police station building and central park development and \$16.325 million of parking system revenue bonds for the construction of parking garage in the downtown. In addition, the city issued \$8.5 million road bonds in order to have cash flow to move up the timing of the road construction schedule. These bonds will be paid off over a 6.5 year period which is 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 an eighth 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 \$183.5 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. City leaders decided to put a sidewalk millage and transportation millage on the November 2018 ballot. Additionally some of their other objectives are the following: to provide incentives for housing developments that meet gaps identified in a target market analysis, aggressively pursue grant opportunities, and establish ROOTS as a 501(c)3 entity.

Financial Policies

The city commission has financial policies covering attrition, capital assets, capital improvement projects, debt management, fund balance, investments and retirement contributions. The City commission has recently discussed the general fund fund balance policy however to date there has not been an official change to the policy.

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. Four 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. Two years ago 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 budget is established by functional 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 \$622,000 in federal grant revenue, mostly for the Community Development Block Grant which is a significant decrease from prior years.

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, 2017. 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, 2018. 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**

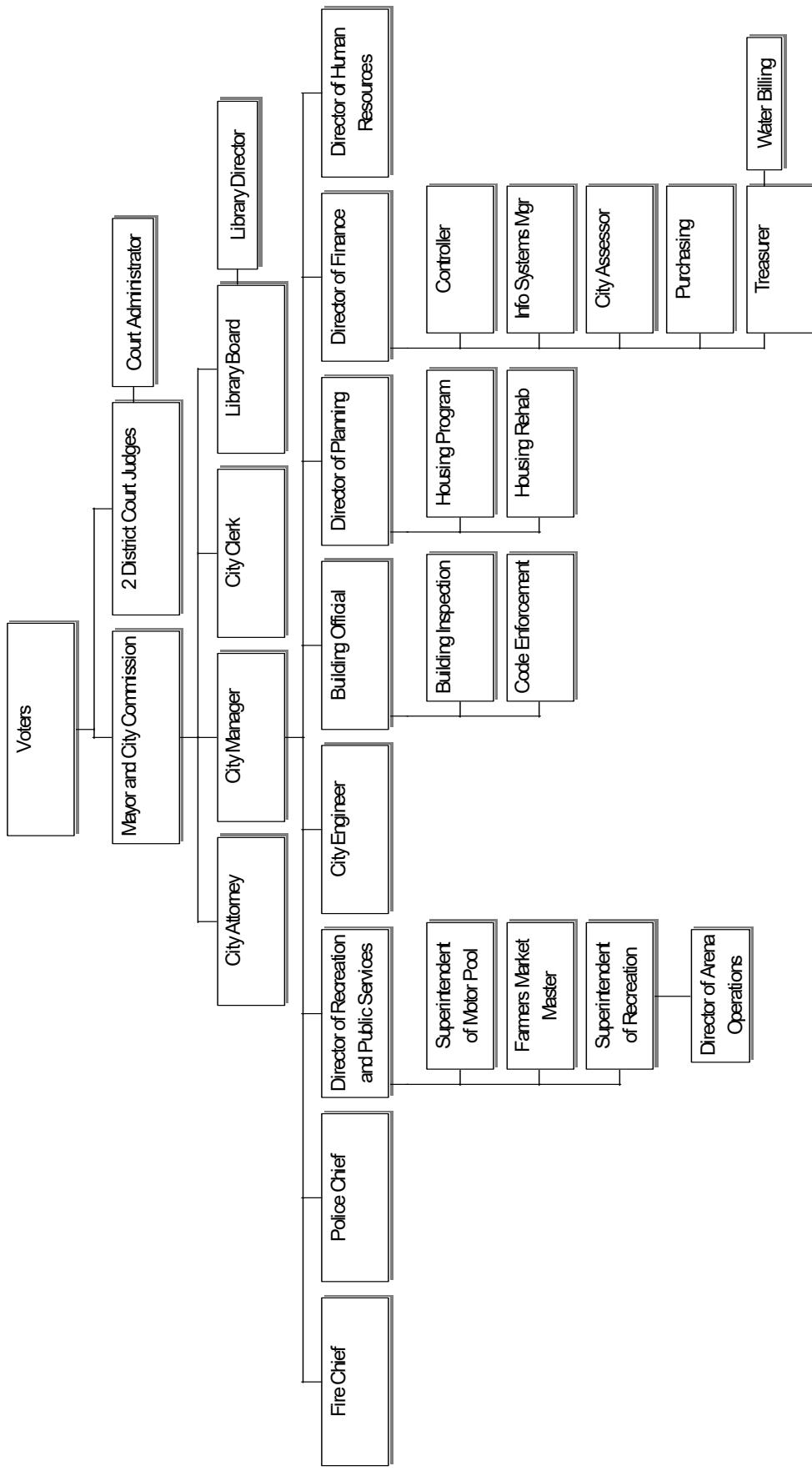
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

CITY OF ROYAL OAK, MICHIGAN
Organization Chart
As of June 30, 2018



CITY OF ROYAL OAK, MICHIGAN

Principal Officials

As of June 30, 2018

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	Jaynmarie Hubanks
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	John Fedele



FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

December 3, 2018

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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated December 3, 2018, on our consideration of the City of Royal Oak, Michigan's internal control over financial reporting and on 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 "Lehman Lohman LLC". The signature is fluid and cursive, with "Lehman" and "Lohman" 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, 2018. 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	\$ 176,348,710
· Change in total net position	14,364,133
· Fund balances, governmental funds	90,916,370
· Change in fund balances, governmental funds	45,167,163
· Unassigned fund balance, general fund	19,445,520
· Change in fund balance, general fund	(1,736,444)
· Installment debt outstanding	227,352,888
· Change in installment debt	45,747,654

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.

CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

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

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

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

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

The city maintains 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, local streets, 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 \$176,348,710, an increase of \$14,364,133, or 8.87 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 (39%) represents resources that are subject to external restrictions on how they may be used. The city's unrestricted net position deficit of \$126,653,858, a decrease of \$16,737,924 over the previous year, occurred primarily in cash and investments in city's business-type activities.

CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 130,863,769	\$ 85,225,132	\$ 43,519,717	\$ 35,423,427	\$ 174,383,486	\$ 120,648,559
Capital assets, net	176,261,305	171,618,669	136,516,303	130,670,361	312,777,608	302,289,030
Total assets	307,125,074	256,843,801	180,036,020	166,093,788	487,161,094	422,937,589
Deferred outflows of resources	8,231,632	10,664,605	1,302,250	1,294,677	9,533,882	11,959,282
Long-term debt outstanding	164,086,128	127,941,381	73,205,295	60,020,549	237,291,423	187,961,930
Other liabilities	78,999,922	77,462,937	3,780,307	7,378,338	82,780,229	84,841,275
Total liabilities	243,086,050	205,404,318	76,985,602	67,398,887	320,071,652	272,803,205
Deferred inflows of resources	251,192	98,027	23,422	11,062	274,614	109,089
Net position:						
Net investment in capital assets	164,150,728	162,548,501	95,264,335	86,510,191	259,415,063	249,058,692
Restricted	42,728,743	22,841,819	858,762	-	43,587,505	22,841,819
Unrestricted (deficit)	(134,860,007)	(123,384,259)	8,206,149	13,468,325	(126,653,858)	(109,915,934)
Total net position	\$ 72,019,464	\$ 62,006,061	\$ 104,329,246	\$ 99,978,516	\$ 176,348,710	\$ 161,984,577

The city's net position increased by \$14,364,133 during the current fiscal year as compared to a \$20,877,702 increase in the previous year. The current year increase is mostly attributed to increases in property tax and state shared revenue and a decrease in public safety expenses.

Governmental Activities

Governmental activities increased the city's net position by \$10,013,403 as compared to a \$10,501,287 increase in the previous year, a difference of \$(487,884) between the two years. This increase in net position is primarily due to increase in charges for services, property tax and state shared revenues and lower net transfers out.

Business-type Activities

Business-type activities increased the city's net position by \$4,350,730 as compared to a \$10,376,415 increase in the previous year, a difference of \$6,025,685. This increase in net position was primarily due to lower operating costs and increased contributions/donations in the auto parking fund.

CITY OF ROYAL OAK, MICHIGAN

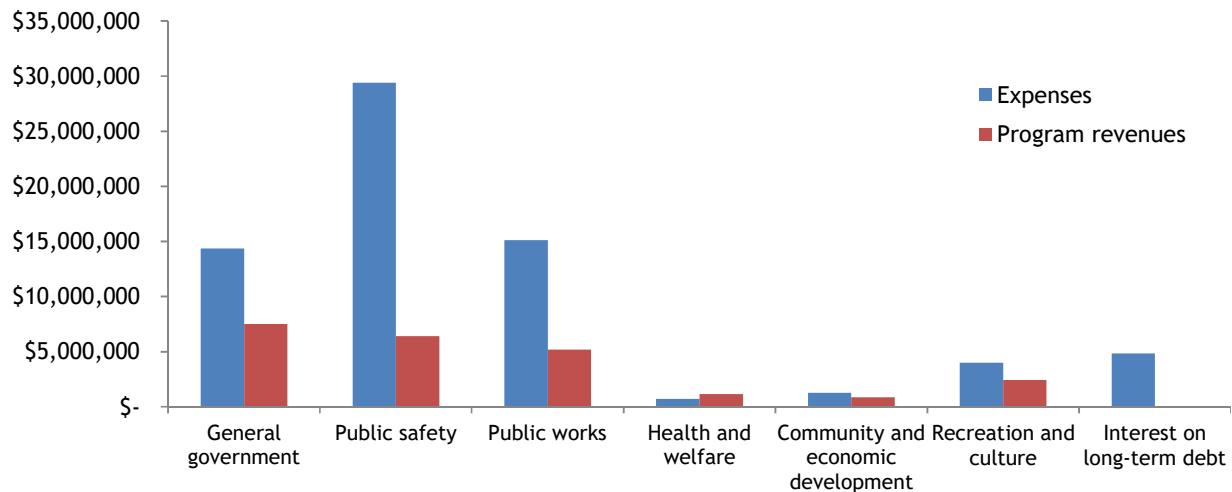
■ Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program revenues:						
Charges for services	\$ 17,127,477	\$ 16,481,627	\$ 38,163,138	\$ 38,690,152	\$ 55,290,615	\$ 55,171,779
Operating grants	4,997,631	5,128,426	968,812	354,180	5,966,443	5,482,606
Capital grants	1,460,071	1,917,700	-	-	1,460,071	1,917,700
General revenues:						
Property taxes	44,105,070	43,475,312	-	-	44,105,070	43,475,312
State shared revenues	11,156,084	10,037,969	-	-	11,156,084	10,037,969
Other	870,833	1,025,550	-	-	870,833	1,025,550
Total revenues	79,717,166	78,066,584	39,131,950	39,044,332	118,849,116	117,110,916
Expenses:						
General government	14,363,323	10,372,611	-	-	14,363,323	10,372,611
Public safety	29,394,734	34,856,261	-	-	29,394,734	34,856,261
Public works	15,108,477	12,216,069	-	-	15,108,477	12,216,069
Health and welfare	727,841	644,426	-	-	727,841	644,426
Community and economic development	1,263,096	2,371,971	-	-	1,263,096	2,371,971
Recreation and culture	4,006,934	3,953,833	-	-	4,006,934	3,953,833
Interest on long-term debt	4,836,981	1,994,475	-	-	4,836,981	1,994,475
Water and sewer	-	-	28,174,579	25,141,329	28,174,579	25,141,329
Parking	-	-	3,269,367	2,223,353	3,269,367	2,223,353
Recreation	-	-	2,764,962	1,927,746	2,764,962	1,927,746
Farmers market	-	-	574,689	531,140	574,689	531,140
Total expenses	69,701,386	66,409,646	34,783,597	29,823,568	104,484,983	96,233,214
Change in net position, before transfers						
	10,015,780	11,656,938	4,348,353	9,220,764	14,364,133	20,877,702
Transfers	(2,377)	(1,155,651)	2,377	1,155,651	-	-
Change in net position	10,013,403	10,501,287	4,350,730	10,376,415	14,364,133	20,877,702
Net position:						
Beginning of year	62,006,061	51,504,774	99,978,516	89,602,101	161,984,577	141,106,875
End of year	\$ 72,019,464	\$ 62,006,061	\$ 104,329,246	\$ 99,978,516	\$ 176,348,710	\$ 161,984,577

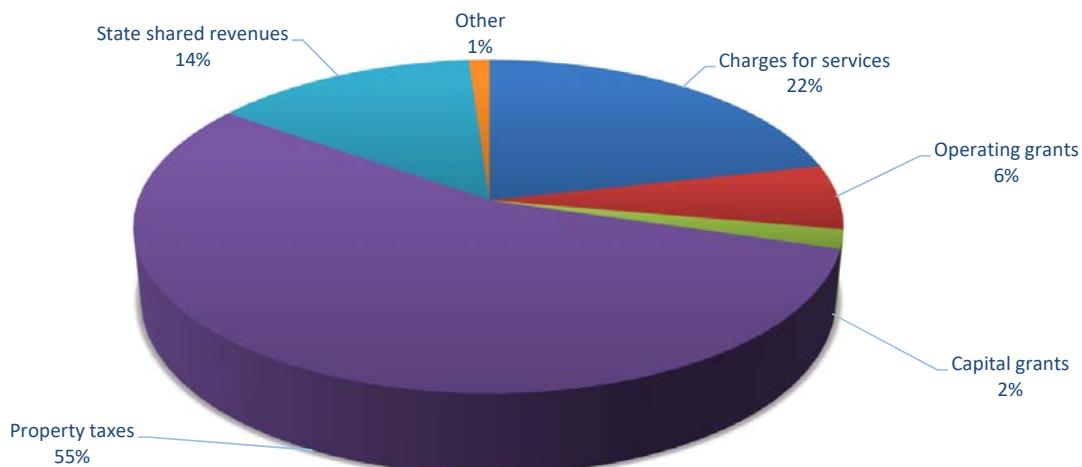
CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

Expenses and Program Revenues - Governmental Activities



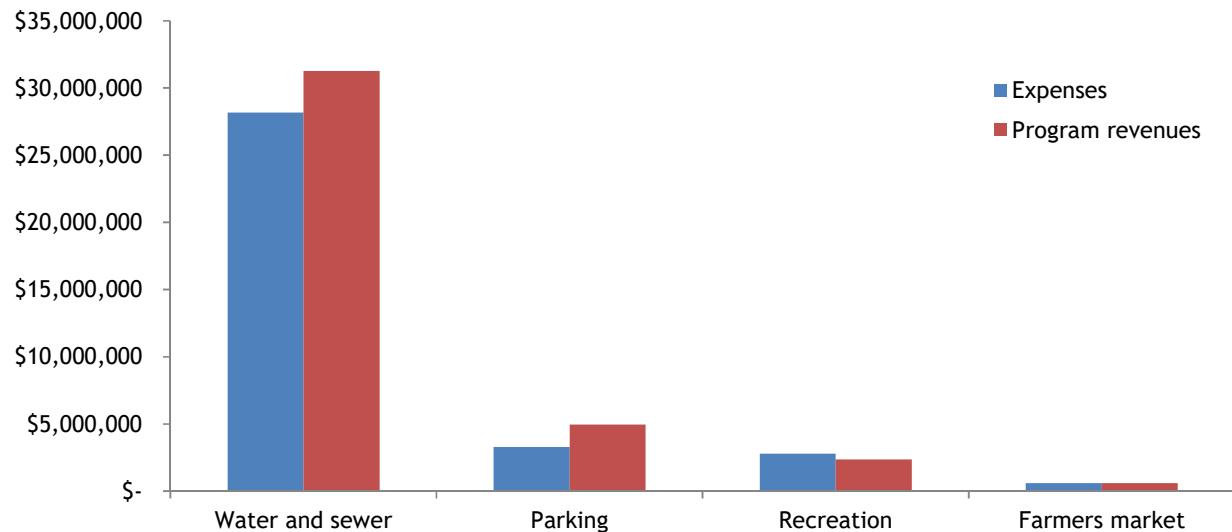
Revenues by Source - Governmental Activities



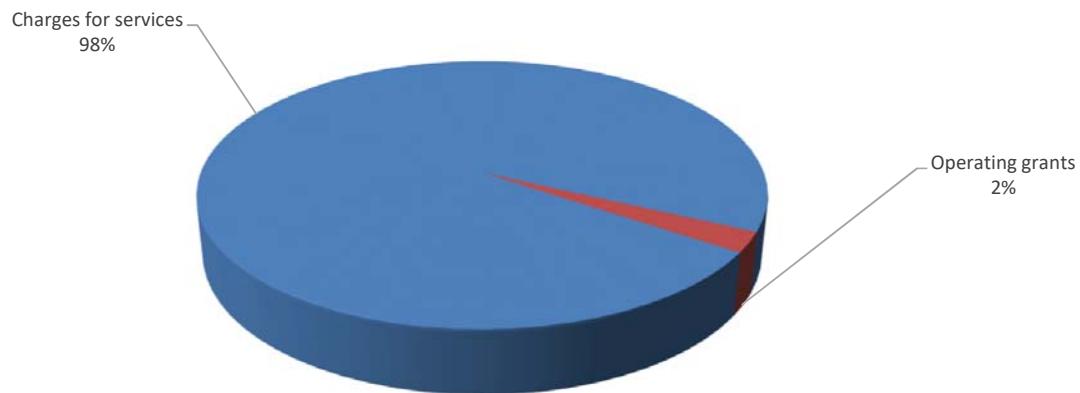
CITY OF ROYAL OAK, MICHIGAN

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 \$90,916,370. Of this, \$69,608,270 is legally restricted and/or unavailable to spend (i.e. amounts tied up in inventories), \$1,862,580 is assigned for designated purposes, leaving \$19,445,520 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 \$1,279,082 over the original budget. The increase is mostly attributed to the major revenue sources (taxes, licenses/permits, state grants, charges for services, fines and forfeitures and interest/rentals each \$200,000 to \$300,000 over budget, as the budget is normally slightly conservative). Expenditures were \$1,837,790 less than the amended budget and \$1,726,940 less than the original budget mostly due to not performing the organization study, master plan, fire station museum roof, less paid for development incentive, ROCC bond payment and due to personnel vacancies.

At the end of the current fiscal year, unassigned fund balance of the general fund was \$19,445,520 while total fund balance was \$21,004,338. 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 47 percent of total general fund expenditures and transfers out, while total fund balance represents 51 percent of general fund expenditures and transfers out.

The fund balance of the city's general fund decreased by \$1,736,444 during the current fiscal year. However, the original budget included approximately \$7.6 million use of fund balance. Higher revenues from most revenue sources, \$3.5 million transfer from local street fund, along with lower than budgeted general government and recreation expenditures and lower transfer out to public safety fund.

Public Safety Fund

The public safety fund has a total fund balance of \$1,246,580. The net increase in fund balance during the current year was \$348,136. The increase in fund balance was primarily due to increased ambulance service revenue and lower expenditures for numerous personnel and operating costs along with significant savings on the station alerting system.

Solid Waste Fund

The solid waste fund has a total fund balance of \$5,523,068, all of which is restricted for the sole use of this fund. The net decrease in fund balance during the current year in the solid waste fund was \$1,019,762 as opposed to a use of fund balance of approximately \$1.4 million originally budgeted. This variance was primarily due to spending less than budgeted for new city-wide recycling carts.

Local Streets Fund

The local streets fund has a total fund balance of \$5,159,617, all of which is restricted for the sole use of the fund. The net increase in fund balance during the current year was \$3,801,118. The increase in fund balance was primarily due to the road capital improvement bond proceeds not being spent as quickly as the city anticipated.

City Capital Projects Fund

Fund balance for the city capital projects fund increased by \$37,924,401 during the year. The increase in fund balance was primarily due to not spending the bond proceeds for the ROCC project, Normandy Oaks Park proceeds and a transfer in from the general fund (portion of cash contribution for ROCC project). This planned that this balance will be expended on a new police station, city hall, central park, and Normandy Oaks Park development.

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 \$397,509, mostly due to recording of retirement benefits. The total increase in net position for water and sewer was \$3,209,493. This increase in net position this year was mostly due to an increase in cash and capital assets and decrease in bonds payable.

Auto Parking Fund

Unrestricted net position for the auto parking system fund amounted to \$4,853,876. The total increase in net position for this fund was \$1,701,275 mostly due to charges for services exceeding operating costs and increased contributions/donations for the transfer from downtown development fund to support a portion of the Center Street parking structure debt payment.

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, 2018, amounts to \$312,777,608 (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 3.47 percent and mostly due to additions to infrastructure primarily for construction of water/sewer lines improvements and road improvements.

Major capital asset costs during the current year included \$6.5 million for road improvements, \$3.3 million for water main improvements, \$1.6 million of sewer system improvements, and \$571,000 for park land improvements.

	Capital Assets					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 66,774,752	\$ 66,774,752	\$ 9,942,865	\$ 9,958,656	\$ 76,717,617	\$ 76,733,408
Buildings	14,563,233	15,074,295	14,379,931	15,063,561	28,943,164	30,137,856
Improvements other than buildings	1,710,739	1,212,974	1,077,240	1,141,103	2,787,979	2,354,077
Machinery and equipment	6,834,427	6,772,034	428,918	472,008	7,263,345	7,244,042
Infrastructure	65,570,856	58,751,162	88,582,415	86,674,080	154,153,271	145,425,242
Intangibles	45,127	55,745	-	-	45,127	55,745
Construction in progress	20,762,171	22,977,707	22,104,934	17,360,953	42,867,105	40,338,660
Total	<u>\$ 176,261,305</u>	<u>\$ 171,618,669</u>	<u>\$ 136,516,303</u>	<u>\$ 130,670,361</u>	<u>\$ 312,777,608</u>	<u>\$ 302,289,030</u>

Additional information on the City of Royal Oak's capital assets can be found in Note 7 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 \$237,291,423. Of this amount, \$180,085,969 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 \$2,375,000 of unlimited general obligation debt for the fire service. Another \$2,452,387 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 \$2,452,387 with the remainder being paid from receipts of the other five communities. Another \$13,289,532 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	
	2018	2017	2018	2017	2018	2017
Limited general obligation bonds	\$ 152,800,396	\$ 119,770,602	\$ 27,285,573	\$ 26,676,365	\$ 180,085,969	\$ 146,446,967
Unlimited general obligation bonds	2,375,000	2,925,000	-	-	2,375,000	2,925,000
Revenue bonds	-	-	29,150,000	13,500,000	29,150,000	13,500,000
State revolving fund	-	-	2,452,387	3,237,387	2,452,387	3,237,387
Contractual obligations	-	-	13,289,532	15,495,880	13,289,532	15,495,880
Compensated absences	3,842,155	3,643,344	256,371	261,810	4,098,526	3,905,154
General liability claims	1,361,890	776,160	-	-	1,361,890	776,160
Workers compensation claims	570,728	542,744	-	-	570,728	542,744
Unamortized premium	3,135,959	283,531	771,432	849,107	3,907,391	1,132,638
Total	<u>\$ 164,086,128</u>	<u>\$ 127,941,381</u>	<u>\$ 73,205,295</u>	<u>\$ 60,020,549</u>	<u>\$ 237,291,423</u>	<u>\$ 187,961,930</u>

The city's total debt increased by \$49,329,493 (26.24 percent) during the current fiscal year, primarily due to the issuance of capital improvement bonds in the amount of \$32.465 million for the ROCC project, \$8.5 million for the advance road improvements and \$16.325 million in parking system 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 confirmed the city's underlying rating in AA+ stable based on the city's very strong economy, adequate budgetary flexibility, very strong budgetary performance, very strong liquidity, very strong management and very weak debt capacity and contingent liabilities profile.

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 \$154,094,554 (5 percent of \$3,081,891,080 assessed valuation for purposes of capital improvement bonds). As of June 30, 2018, the city's general obligation debt amounts to 60.4 percent of the legal debt limit.

Additional information on the City of Royal Oak's long-term debt can be found in Note 8 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 17-18 fiscal year, unassigned fund balance in the general fund decreased significantly to \$19.5 million. Although the year ended with an unassigned fund balance for the general fund of approximately 45 percent of 18-19 expenditures, the general fund will be closer to its target range after fiscal year 2018-2019 due to an additional \$4 million in addition to the new ROCC debt payment of \$2.2 million contribution toward the development of the civic center project.

For the 18-19 fiscal year, the quarterly water and sewer rates are \$105.50 per 1,000 cubic feet for the first 2,000 cubic feet and \$121.30 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 decreased by 14 percent, due to collecting the storm drain debt costs through a drain millage levy. The city is planning to change the millage to a stormwater utility fee for fiscal year 2019-2020.

In addition, the building permit rates will continue to remain low as the state construction fund's personnel costs have significantly decreased due to this fund contributing \$3.4 million to the OPEB and pension trust funds for its share of the unfunded liabilities as well as advance payment for its share of the new city hall building, thereby removing the rent payment from its operating budget. Therefore, the state construction fund will not be charged principal and interest for the OPEB and pension bonds or on the ROCC project 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, 2018

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and investments	\$ 117,090,211	\$ 29,251,841	\$ 146,342,052	\$ 5,723,390
Receivables, net	10,657,011	9,623,512	20,280,523	22,929
Deposits and other assets	191,632	-	191,632	50,000
Internal balances	(3,823,813)	3,823,813	-	-
Inventories	384,063	227,150	611,213	-
Restricted assets, cash	1,000	-	1,000	-
Capital assets not being depreciated	87,536,923	32,047,799	119,584,722	842,975
Capital assets being depreciated, net	88,724,382	104,468,504	193,192,886	748,589
Net other postemployment benefit asset	6,363,665	593,401	6,957,066	-
Total assets	307,125,074	180,036,020	487,161,094	7,387,883
Deferred outflows of resources				
Deferred charge on refunding	117,777	1,013,467	1,131,244	-
Deferred pension amounts	5,016,920	-	5,016,920	-
Deferred other postemployment benefit amounts	3,096,935	288,783	3,385,718	-
Total deferred outflows of resources	8,231,632	1,302,250	9,533,882	-
Liabilities				
Accounts payable	3,382,818	2,945,111	6,327,929	32,456
Accrued and other liabilities	3,883,598	818,330	4,701,928	7,590
Cash bonds and deposits	4,620,233	12,891	4,633,124	-
Unearned revenue	3,539,033	3,975	3,543,008	-
Long-term debt:				
Due within one year	10,702,485	5,540,753	16,243,238	9,000
Due in more than one year	153,383,643	67,664,542	221,048,185	8,770
Net pension liability (due in more than one year)	63,574,240	-	63,574,240	-
Total liabilities	243,086,050	76,985,602	320,071,652	57,816
Deferred inflows of resources				
Deferred other postemployment benefit amounts	251,192	23,422	274,614	-
Net position				
Net investment in capital assets	164,150,728	95,264,335	259,415,063	1,591,564
Restricted for:				
Public, Educational, and Government				
Access ("PEG") fees	942,818	-	942,818	-
Highways and streets	6,771,728	-	6,771,728	-
Solid waste	5,530,102	-	5,530,102	-
Recreation and culture	2,578,159	-	2,578,159	-
Public safety	8,468,816	-	8,468,816	-
Grants	1,436,404	-	1,436,404	-
Capital projects	7,779,696	-	7,779,696	-
Other postemployment benefits	9,209,408	858,762	10,068,170	-
Permanent fund:				
Expendable	10,612	-	10,612	-
Non-expendable	1,000	-	1,000	-
Unrestricted (deficit)	(134,860,007)	8,206,149	(126,653,858)	5,738,503
Total net position	\$ 72,019,464	\$ 104,329,246	\$ 176,348,710	\$ 7,330,067

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, 2018

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	\$ 14,363,323	\$ 7,399,361	\$ 117,641	\$ -	\$ (6,846,321)
Public safety	29,394,734	5,139,458	1,239,120	38,873	(22,977,283)
Public works	15,108,477	1,074,690	2,697,567	1,421,198	(9,915,022)
Health and welfare	727,841	1,145,601	-	-	417,760
Community and economic development	1,263,096	326,964	539,028	-	(397,104)
Recreation and culture	4,006,934	2,041,403	404,275	-	(1,561,256)
Interest on long-term debt	4,836,981	-	-	-	(4,836,981)
Total governmental activities	<u>69,701,386</u>	<u>17,127,477</u>	<u>4,997,631</u>	<u>1,460,071</u>	<u>(46,116,207)</u>
Business-type activities:					
Water and sewer	28,174,579	31,237,079	29,241	-	3,091,741
Parking	3,269,367	4,007,092	925,292	-	1,663,017
Recreation	2,764,962	2,345,541	9,690	-	(409,731)
Farmers market	574,689	573,426	4,589	-	3,326
Total business-type activities	<u>34,783,597</u>	<u>38,163,138</u>	<u>968,812</u>	<u>-</u>	<u>4,348,353</u>
Total primary government	<u><u>\$104,484,983</u></u>	<u><u>\$ 55,290,615</u></u>	<u><u>\$ 5,966,443</u></u>	<u><u>\$ 1,460,071</u></u>	<u><u>\$ (41,767,854)</u></u>
Component units					
Tax Increment Financing Authority	\$ 2,830,660	\$ -	\$ 102,500	\$ -	\$ (2,728,160)
Downtown Development Authority	45,652	-	-	-	(45,652)
Brownfield Redevelopment Authority	324,000	-	-	-	(324,000)
Total component units	<u>\$ 3,200,312</u>	<u>\$ -</u>	<u>\$ 102,500</u>	<u>\$ -</u>	<u>\$ (3,097,812)</u>

continued...

CITY OF ROYAL OAK, MICHIGAN

Statement of Activities For the Year Ended June 30, 2018

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in net position				
Net (expense) revenue	<u>\$ (46,116,207)</u>	<u>\$ 4,348,353</u>	<u>\$ (41,767,854)</u>	<u>\$ (3,097,812)</u>
General revenues:				
Property taxes	44,105,070	-	44,105,070	3,943,531
Unrestricted state shared revenues	11,156,084	-	11,156,084	-
Unrestricted investment earnings	737,720	-	737,720	24,705
Gain on sale of capital assets	65,928	-	65,928	376,646
Miscellaneous	67,185	-	67,185	-
Transfers	<u>(2,377)</u>	<u>2,377</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>56,129,610</u>	<u>2,377</u>	<u>56,131,987</u>	<u>4,344,882</u>
Change in net position	10,013,403	4,350,730	14,364,133	1,247,070
Net position, beginning of year	<u>62,006,061</u>	<u>99,978,516</u>	<u>161,984,577</u>	<u>6,082,997</u>
Net position, end of year	<u>\$ 72,019,464</u>	<u>\$ 104,329,246</u>	<u>\$ 176,348,710</u>	<u>\$ 7,330,067</u>

concluded.

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

CITY OF ROYAL OAK, MICHIGAN

Balance Sheet Governmental Funds June 30, 2018

	General	Public Safety	Solid Waste	Local Streets
Assets				
Cash and investments	\$ 24,812,056	\$ 2,433,584	\$ 5,983,131	\$ 6,157,643
Receivables, net	525,456	191,943	23,009	10,133
Due from other governmental units	950,947	-	-	239,303
Due from other funds	208,819	-	-	-
Inventories	-	-	-	15,545
Restricted assets, cash	-	-	-	-
Total assets	\$ 26,497,278	\$ 2,625,527	\$ 6,006,140	\$ 6,422,624
Liabilities				
Accounts payable	\$ 495,942	\$ 200,857	\$ 449,861	\$ 903,212
Accrued and other liabilities	360,088	1,168,752	26,177	353,932
Due to other funds	-	-	-	-
Cash bonds and deposits	4,619,533	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	5,475,563	1,369,609	476,038	1,257,144
Deferred inflows of resources				
Unavailable revenue - property taxes and special assessments	17,377	9,338	7,034	5,863
Fund balances				
Nonspendable:				
Inventories	-	-	-	15,545
Endowment	-	-	-	-
Restricted:				
PEG fees	942,818	-	-	-
Highways and streets	-	-	-	5,144,072
Solid waste	-	-	5,523,068	-
Recreation and culture	-	-	-	-
Public safety	-	-	-	-
Grants	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Permanent fund	-	-	-	-
Assigned:				
Eligible retiree bank payouts	616,000	428,000	-	-
Public safety	-	818,580	-	-
Unassigned	19,445,520	-	-	-
Total fund balances	21,004,338	1,246,580	5,523,068	5,159,617
Total liabilities, deferred inflows of resources and fund balances	\$ 26,497,278	\$ 2,625,527	\$ 6,006,140	\$ 6,422,624

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

City Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 39,239,668	\$ 17,034,313	\$ 95,660,395
2,024,971	5,302,059	8,077,571
-	1,112,037	2,302,287
-	-	208,819
-	129,176	144,721
-	1,000	1,000
<u><u>\$ 41,264,639</u></u>	<u><u>\$ 23,578,585</u></u>	<u><u>\$106,394,793</u></u>
\$ 524,695	\$ 508,967	\$ 3,083,534
35,667	146,015	2,090,631
-	208,819	208,819
-	700	4,620,233
-	3,539,033	3,539,033
<u><u>560,362</u></u>	<u><u>4,403,534</u></u>	<u><u>13,542,250</u></u>
<u><u>215,687</u></u>	<u><u>1,680,874</u></u>	<u><u>1,936,173</u></u>
-	129,176	144,721
-	1,000	1,000
-	-	942,818
-	4,813,072	9,957,144
-	-	5,523,068
-	2,575,856	2,575,856
-	8,468,816	8,468,816
-	1,436,404	1,436,404
-	47,799	47,799
40,488,590	11,442	40,500,032
-	10,612	10,612
-	-	1,044,000
-	-	818,580
-	-	<u><u>19,445,520</u></u>
<u><u>40,488,590</u></u>	<u><u>17,494,177</u></u>	<u><u>90,916,370</u></u>
<u><u>\$ 41,264,639</u></u>	<u><u>\$ 23,578,585</u></u>	<u><u>\$106,394,793</u></u>



CITY OF ROYAL OAK, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2018

Fund balances for governmental funds	\$ 90,916,370
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	87,536,923
Capital assets being depreciated, net	88,724,382
Less capital assets accounted for in internal service funds	(6,555,732)
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	1,936,173
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	17,205,497
Internal service fund net position accounted for in business-type activities	(3,823,813)
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	(1,175,566)
Bonds payable	(146,367,483)
Unamortized bond premiums	(3,135,959)
Deferred loss on refunding	74,114
Compensated absences	(3,670,940)
Certain pension and other postemployment benefit-related amounts, such as the net pension and other postemployment benefit assets/liabilities 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	(63,574,240)
Net other postemployment benefit asset	6,158,723
Deferred outflows related to the net other postemployment benefit asset	2,997,198
Deferred inflows related to the net other postemployment benefit asset	(243,103)
Deferred outflows related to the net pension liability	<u>5,016,920</u>
Net position of governmental activities	<u>\$ 72,019,464</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, 2018

	General	Public Safety	Solid Waste	Local Streets
Revenues				
Taxes	\$ 18,822,262	\$ 9,376,678	\$ 7,119,758	\$ 5,896,783
Licenses and permits	2,217,291	8,724	-	-
Federal grants	-	-	-	-
State grants	5,567,892	-	-	1,399,206
Charges for services	2,860,696	1,520,587	-	-
Fines and forfeitures	5,298,683	-	-	-
Interest and rentals	986,193	15,428	64,630	57,227
Contributions and donations	-	540,000	-	-
Other revenue	67,185	28,803	51,944	26,663
Total revenues	35,820,202	11,490,220	7,236,332	7,379,879
Expenditures				
Current:				
General government	14,394,391	-	-	-
Public safety	415,939	24,758,327	-	-
Public works	1,387,005	-	8,026,884	7,076,099
Health and welfare	-	725,657	-	-
Community and economic development	359,138	-	-	-
Recreation and culture	1,095,577	-	-	-
Debt service:				
Principal payments	1,059,288	1,618,980	97,030	1,330,900
Interest and paying agent fees	1,400,302	2,139,120	128,180	271,596
Bond issuance costs	-	-	-	-
Total expenditures	20,111,640	29,242,084	8,252,094	8,678,595
Revenues over (under) expenditures	15,708,562	(17,751,864)	(1,015,762)	(1,298,716)
Other financing sources (uses)				
Issuance of long-term debt	-	-	-	8,500,000
Premium on issuance of long-term debt	-	-	-	-
Transfers in	3,504,641	18,100,000	-	1,120,895
Transfers out	(20,949,647)	-	(4,000)	(4,521,061)
Total other financing sources (uses)	(17,445,006)	18,100,000	(4,000)	5,099,834
Net change in fund balances	(1,736,444)	348,136	(1,019,762)	3,801,118
Fund balances, beginning of year	22,740,782	898,444	6,542,830	1,358,499
Fund balances, end of year	\$ 21,004,338	\$ 1,246,580	\$ 5,523,068	\$ 5,159,617

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

STATEMENT OF CASH FLOWS

City Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 2,901,011	\$ 44,116,492
-	4,242,052	6,468,067
-	622,073	622,073
-	5,093,830	12,060,928
189,622	623,903	5,194,808
-	266,799	5,565,482
107,698	223,577	1,454,753
-	1,614,924	2,154,924
<u>1,831,336</u>	<u>104,368</u>	<u>2,110,299</u>
<u>2,128,656</u>	<u>15,692,537</u>	<u>79,747,826</u>
-	63,964	14,458,355
-	1,585,951	26,760,217
2,184,065	2,245,772	20,919,825
-	-	725,657
-	872,416	1,231,554
-	2,694,400	3,789,977
225,000	1,439,287	5,770,485
4,658	532,768	4,476,624
<u>428,849</u>	<u>-</u>	<u>428,849</u>
<u>2,842,572</u>	<u>9,434,558</u>	<u>78,561,543</u>
(713,916)	6,257,979	1,186,283
32,465,000	-	40,965,000
3,018,257	-	3,018,257
3,300,460	1,357,731	27,383,727
(145,400)	(1,765,996)	(27,386,104)
<u>38,638,317</u>	<u>(408,265)</u>	<u>43,980,880</u>
37,924,401	5,849,714	45,167,163
<u>2,564,189</u>	<u>11,644,463</u>	<u>45,749,207</u>
<u>\$ 40,488,590</u>	<u>\$ 17,494,177</u>	<u>\$ 90,916,370</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, 2018

Net change in fund balances - total governmental funds	\$ 45,167,163
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	8,048,329
Depreciation expense	(2,816,960)
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	(11,422)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Issuance of long-term debt	(40,965,000)
Premium on issuance of long-term debt	(3,018,257)
Principal payments on long-term liabilities	5,770,485
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	68,492
Amortization of bond premium	162,889
Amortization of deferred charge on refunding	(12,133)
Change in the net pension liability and related deferred amounts	(5,879,728)
Transfers of long-term debt	3,229,195
Change in other postemployment benefit asset and related deferred amounts	399,046
Change in compensated absences	(184,592)
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	(37,957)
Internal service fund change in net position accounted for in business-type activities	93,853
Change in net position of governmental activities	<u>\$ 10,013,403</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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 18,585,500	\$ 18,950,500	\$ 18,822,262	\$ (128,238)
Licenses and permits	2,007,300	2,202,300	2,217,291	14,991
State grants	5,258,500	5,558,500	5,567,892	9,392
Charges for services	2,691,620	2,771,620	2,860,696	89,076
Fines and forfeitures	5,058,000	5,338,000	5,298,683	(39,317)
Interest and rentals	653,200	983,200	986,193	2,993
Other revenue	287,000	119,000	67,185	(51,815)
Total revenues	34,541,120	35,923,120	35,820,202	(102,918)
Expenditures				
Current:				
General government	15,723,310	15,807,840	14,394,391	(1,413,449)
Public safety	452,410	452,410	415,939	(36,471)
Public works	1,395,800	1,458,800	1,387,005	(71,795)
Community and economic development	530,570	390,570	359,138	(31,432)
Recreation and culture	1,296,670	1,380,210	1,095,577	(284,633)
Debt service:				
Principal payments	1,051,200	1,059,290	1,059,288	(2)
Interest and paying agent fees	1,388,620	1,400,310	1,400,302	(8)
Total expenditures	21,838,580	21,949,430	20,111,640	(1,837,790)
Revenues over expenditures	12,702,540	13,973,690	15,708,562	1,734,872
Other financing sources (uses)				
Transfers in	-	3,500,000	3,504,641	4,641
Transfers out	(20,328,500)	(20,949,750)	(20,949,647)	(103)
Total other financing sources (uses)	(20,328,500)	(17,449,750)	(17,445,006)	4,744
Net change in fund balance	(7,625,960)	(3,476,060)	(1,736,444)	1,739,616
Fund balance, beginning of year	22,740,782	22,740,782	22,740,782	-
Fund balance, end of year	\$ 15,114,822	\$ 19,264,722	\$ 21,004,338	\$ 1,739,616

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 9,355,000	\$ 9,425,000	\$ 9,376,678	\$ (48,322)
Licenses and permits	9,000	9,000	8,724	(276)
Charges for services	1,308,920	1,401,920	1,520,587	118,667
Interest and rentals	10,000	10,000	15,428	5,428
Contributions and donations	540,000	540,000	540,000	-
Other revenue	35,000	35,000	28,803	(6,197)
Total revenues	11,257,920	11,420,920	11,490,220	69,300
Expenditures				
Current:				
Public safety	25,509,280	25,246,760	24,758,327	(488,433)
Health and welfare	690,540	746,860	725,657	(21,203)
Debt service:				
Principal payments	1,618,980	1,618,980	1,618,980	-
Interest and paying agent fees	2,139,120	2,139,120	2,139,120	-
Total expenditures	29,957,920	29,751,720	29,242,084	(509,636)
Revenues under expenditures	(18,700,000)	(18,330,800)	(17,751,864)	578,936
Other financing sources				
Transfers in	18,700,000	18,100,000	18,100,000	-
Net change in fund balance	-	(230,800)	348,136	578,936
Fund balance, beginning of year	898,444	898,444	898,444	-
Fund balance, end of year	\$ 898,444	\$ 667,644	\$ 1,246,580	\$ 578,936

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 7,010,000	\$ 7,010,000	\$ 7,119,758	\$ 109,758
Charges for services	2,000	2,000	-	(2,000)
Interest and rentals	60,000	60,000	64,630	4,630
Other revenue	45,000	45,000	51,944	6,944
Total revenues	7,117,000	7,117,000	7,236,332	119,332
Expenditures				
Current -				
Public works	8,292,180	8,295,860	8,026,884	(268,976)
Debt service:				
Principal payments	97,030	97,030	97,030	-
Interest and paying agent fees	128,180	128,180	128,180	-
Total expenditures	8,517,390	8,521,070	8,252,094	(268,976)
Revenues under expenditures	(1,400,390)	(1,404,070)	(1,015,762)	388,308
Other financing uses				
Transfers out	(4,000)	(4,000)	(4,000)	-
Net change in fund balance	(1,404,390)	(1,408,070)	(1,019,762)	388,308
Fund balance, beginning of year	6,542,830	6,542,830	6,542,830	-
Fund balance, end of year	\$ 5,138,440	\$ 5,134,760	\$ 5,523,068	\$ 388,308

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 - Local Streets Fund
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 5,815,000	\$ 5,915,000	\$ 5,896,783	\$ (18,217)
State grants	1,305,000	1,365,000	1,399,206	34,206
Interest and rentals	1,000	61,000	57,227	(3,773)
Other revenue	-	26,000	26,663	663
Total revenues	7,121,000	7,367,000	7,379,879	12,879
Expenditures				
Current -				
Public works	7,577,050	9,575,160	7,076,099	(2,499,061)
Debt service:				
Principal payments	72,780	1,330,900	1,330,900	-
Interest and paying agent fees	96,130	272,940	271,596	(1,344)
Total expenditures	7,745,960	11,179,000	8,678,595	(2,500,405)
Revenues under expenditures	(624,960)	(3,812,000)	(1,298,716)	2,513,284
Other financing sources (uses)				
Issuance of long-term debt	-	8,500,000	8,500,000	-
Transfers in	240,000	240,000	1,120,895	880,895
Transfers out	(1,753,000)	(4,928,000)	(4,521,061)	(406,939)
Total other financing sources (uses)	(1,513,000)	3,812,000	5,099,834	1,287,834
Net change in fund balance	(2,137,960)	-	3,801,118	3,801,118
Fund balance, beginning of year	6,042,319	1,358,499	1,358,499	-
Fund balance, end of year	\$ 3,904,359	\$ 1,358,499	\$ 5,159,617	\$ 3,801,118

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

CITY OF ROYAL OAK, MICHIGAN

Statement of Net Position

Proprietary Funds
June 30, 2018

	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	\$ 5,071,475	\$ 21,957,067	\$ 2,223,299	\$ 29,251,841	\$ 21,429,816
Receivables, net	8,158,931	2,319	64,870	8,226,120	277,153
Prepaid items	-	-	-	-	191,632
Inventories	197,342	29,808	-	227,150	239,342
Total current assets	13,427,748	21,989,194	2,288,169	37,705,111	22,137,943
Noncurrent assets:					
Due from other governmental units	1,397,392	-	-	1,397,392	-
Capital assets	142,140,629	49,088,708	12,118,605	203,347,942	20,068,193
Accumulated depreciation	(48,675,450)	(12,212,531)	(5,943,658)	(66,831,639)	(13,512,461)
Net other postemployment benefit asset	442,392	110,466	40,543	593,401	204,942
Total noncurrent assets	95,304,963	36,986,643	6,215,490	138,507,096	6,760,674
Total assets	108,732,711	58,975,837	8,503,659	176,212,207	28,898,617
Deferred outflows of resources					
Deferred charge on refunding	250,310	763,157	-	1,013,467	43,663
Deferred other postemployment benefit amounts	215,294	53,759	19,730	288,783	99,737
Total deferred outflows of resources	465,604	816,916	19,730	1,302,250	143,400
Liabilities					
Current liabilities:					
Accounts payable	1,679,100	1,125,431	140,580	2,945,111	299,284
Accrued and other liabilities	454,678	335,410	28,242	818,330	617,401
Cash bonds and deposits	250	12,641	-	12,891	-
Unearned revenue	-	-	3,975	3,975	-
Bonds payable, due within one year	3,804,410	1,552,613	55,730	5,412,753	519,356
Other long-term liabilities, current	-	-	-	-	966,309
Compensated absences, current	91,460	30,236	6,304	128,000	86,445
Total current liabilities	6,029,898	3,056,331	234,831	9,321,060	2,488,795
Noncurrent liabilities:					
Bonds payable	28,827,234	37,228,112	1,480,824	67,536,170	8,288,557
Other long-term liabilities	-	-	-	-	966,309
Accrued compensated absences	91,727	30,324	6,321	128,372	84,770
Total noncurrent liabilities	28,918,961	37,258,436	1,487,145	67,664,542	9,339,636
Total liabilities	34,948,859	40,314,767	1,721,976	76,985,602	11,828,431
Deferred inflows of resources					
Deferred other postemployment benefit amounts	17,462	4,360	1,600	23,422	8,089
Net position					
Net investment in capital assets	74,629,503	14,459,885	6,174,947	95,264,335	5,730,344
Restricted for other postemployment benefits	640,224	159,865	58,673	858,762	296,590
Unrestricted (deficit)	(1,037,733)	4,853,876	566,193	4,382,336	11,178,563
Total net position	\$ 74,231,994	\$ 19,473,626	\$ 6,799,813	\$ 100,505,433	\$ 17,205,497

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, 2018

Net position - total enterprise funds	\$ 100,505,433
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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

3,823,813

Net position of business-type activities	\$ 104,329,246
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3,823,813

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, 2018

	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	\$ 31,134,415	\$ 4,007,092	\$ 2,909,504	\$ 38,051,011	\$ 18,170,172
Other	102,664	-	9,463	112,127	499,796
Total operating revenues	31,237,079	4,007,092	2,918,967	38,163,138	18,669,968
Operating expenses					
Salaries and benefits	4,028,750	482,483	560,141	5,071,374	12,879,364
Supplies	523,891	183,658	150,534	858,083	787,890
Water purchases	4,207,672	-	-	4,207,672	-
Sewage disposal services	12,731,358	-	-	12,731,358	-
Other services and charges	2,582,150	1,047,257	2,309,505	5,938,912	3,173,222
Depreciation	3,001,828	547,968	263,357	3,813,153	1,575,104
Total operating expenses	27,075,649	2,261,366	3,283,537	32,620,552	18,415,580
Operating income (loss)	4,161,430	1,745,726	(364,570)	5,542,586	254,388
Nonoperating revenues (expenses)					
Interest income	29,241	122,797	14,279	166,317	-
Contributions and donations	-	802,495	-	802,495	-
Interest expense	(1,011,755)	(831,789)	(62,894)	(1,906,438)	(358,273)
Bond issuance costs	-	(146,963)	-	(146,963)	-
Gain (loss) on sale of capital assets	-	(15,791)	-	(15,791)	65,928
Total nonoperating revenues (expenses)	(982,514)	(69,251)	(48,615)	(1,100,380)	(292,345)
Income (loss) before transfers	3,178,916	1,676,475	(413,185)	4,442,206	(37,957)
Transfers					
Transfers in	122,783	24,800	-	147,583	-
Transfers out	(92,206)	-	(53,000)	(145,206)	-
Net transfers	30,577	24,800	(53,000)	2,377	-
Change in net position	3,209,493	1,701,275	(466,185)	4,444,583	(37,957)
Net position, beginning of year	71,022,501	17,772,351	7,265,998	96,060,850	17,243,454
Net position, end of year	\$ 74,231,994	\$ 19,473,626	\$ 6,799,813	\$ 100,505,433	\$ 17,205,497

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, 2018

Change in net position - total enterprise funds	\$ 4,444,583
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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

(93,853)

Change in net position of business-type activities	\$ 4,350,730
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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, 2018

	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	\$ 32,178,103	\$ 4,035,933	\$ 2,891,155	\$ 39,105,191	\$ -
Internal activity - receipts from other funds	-	-	-	-	18,170,172
Other operating receipts	102,664	-	9,463	112,127	499,796
Payments to vendors	(20,280,396)	(3,898,703)	(2,422,084)	(26,601,183)	(2,356,051)
Payments to employees	(3,824,707)	(1,286,897)	(521,038)	(5,632,642)	(12,348,869)
Net cash provided by (used in) operating activities	8,175,664	(1,149,667)	(42,504)	6,983,493	3,965,048
Cash flows from noncapital financing activities					
Contributions and donations	-	802,495	-	802,495	-
Transfers from other funds	122,783	24,800	-	147,583	-
Transfers to other funds	(92,206)	-	(53,000)	(145,206)	-
Transfers of long-term debt	1,937,520	96,878	193,750	2,228,148	1,001,051
Net cash provided by (used in) noncapital financing activities	1,968,097	924,173	140,750	3,033,020	1,001,051
Cash flows from capital and related financing activities					
Purchase of capital assets	(1,843,090)	(7,831,796)	-	(9,674,886)	(992,033)
Proceeds from issuance of long-term debt	-	16,325,000	-	16,325,000	-
Principal paid on long-term debt	(3,781,779)	(1,454,993)	(48,516)	(5,285,288)	(486,573)
Interest paid on long-term debt	(1,016,210)	(949,915)	(62,894)	(2,029,019)	(363,443)
Proceeds from sale of capital assets	-	-	-	-	71,590
Net cash provided by (used in) capital and related financing activities	(6,641,079)	6,088,296	(111,410)	(664,193)	(1,770,459)
Cash flows from investing activities					
Interest received on investments	29,241	122,797	14,279	166,317	-
Net change in cash and investments	3,531,923	5,985,599	1,115	9,518,637	3,195,640
Cash and investments balances, beginning of year	1,539,552	15,971,468	2,222,184	19,733,204	18,234,176
Cash and investments balances, end of year	\$ 5,071,475	\$ 21,957,067	\$ 2,223,299	\$ 29,251,841	\$ 21,429,816

continued...

CITY OF ROYAL OAK, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Sewer	Automobile Parking System	Nonmajor Enterprise Funds	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 4,161,430	\$ 1,745,726	\$ (364,570)	\$ 5,542,586	\$ 254,388
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities -					
Depreciation	3,001,828	547,968	263,357	3,813,153	1,575,104
Changes in assets and liabilities:					
Receivables, net	722,338	28,491	(22,324)	728,505	333,922
Prepaid items	-	-	-	-	1,077,408
Inventories	5,440	9,154	-	14,594	9,177
Due from other governmental units	321,350	-	-	321,350	-
Net other postemployment benefits asset	275,530	(63,958)	52,474	264,046	275,363
Deferred outflows related to the net other postemployment benefit asset	(65,295)	(44,042)	(296)	(109,633)	615
Accounts payable	(240,765)	(2,676,942)	37,555	(2,880,152)	(401,176)
Accrued and other liabilities	(19,503)	(701,681)	(1,019)	(722,203)	204,225
Cash bonds and deposits	-	350	-	350	-
Other long-term liabilities	-	-	-	-	613,714
Unearned revenue	-	-	3,975	3,975	-
Accrued compensated absences	5,111	1,507	(12,056)	(5,438)	14,219
Deferred inflows related to the net other postemployment benefit asset	8,200	3,760	400	12,360	8,089
Net cash provided by (used in) operating activities	\$ 8,175,664	\$ (1,149,667)	\$ (42,504)	\$ 6,983,493	\$ 3,965,048

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, 2018

	Pension and Other Employee Benefit Trust Funds	Agency Funds
Assets		
Cash and investments	\$ 168,867	\$ 395,855
Retirement investments, at fair value:		
Mutual funds	210,753,359	-
Equities	77,769,039	-
Government obligations	836,308	-
Receivables, net	<u>594,181</u>	<u>-</u>
Total assets	290,121,754	\$ 395,855
Liabilities		
Accounts payable	1,174,104	-
Undistributed receipts	-	170,936
Accrued and other liabilities	1,407	-
Due to City of Berkley	-	27,882
Due to other governmental units	-	290
Bonds and deposits	<u>-</u>	<u>196,747</u>
Total liabilities	1,175,511	\$ 395,855
Net position		
Restricted for pension and other postemployment benefits	<u>\$ 288,946,243</u>	

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

CITY OF ROYAL OAK, MICHIGAN

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2018

Pension and Other
Employee Benefit
Trust Funds

Additions

Contributions:

Employer	\$ 6,594,705
Plan members	937,300
Employee service purchases	170,616
Total contributions	<u>7,702,621</u>

Investment earnings:

Net change in fair value of investments	13,105,248
Interest	154,023
Dividends	6,203,708
Other investment revenues	512,278
Total investment gain	<u>19,975,257</u>
Less investment expenses	<u>1,030,693</u>
Net investment gain	<u>18,944,564</u>

Total additions

26,647,185

Deductions

Benefits	23,911,975
Refund of contributions	996,481
Administrative expenses	<u>87,075</u>

Total deductions

24,995,531

Change in net position

1,651,654

Net position, beginning of year

287,294,589

Net position, end of year

\$ 288,946,243

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, 2018

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Assets				
Cash and investments	\$ 5,292,001	\$ 139,946	\$ 291,443	\$ 5,723,390
Receivables, net	22,907	22	-	22,929
Prepaid items	50,000	-	-	50,000
Capital assets not being depreciated	842,975	-	-	842,975
Capital assets being depreciated, net	748,589	-	-	748,589
Total assets	6,956,472	139,968	291,443	7,387,883
Liabilities				
Accounts payable	31,994	462	-	32,456
Accrued and other liabilities	6,474	1,116	-	7,590
Long-term debt:				
Due within one year	7,290	1,710	-	9,000
Due in more than one year	7,101	1,669	-	8,770
Total liabilities	52,859	4,957	-	57,816
Net position				
Investment in capital assets	1,591,564	-	-	1,591,564
Unrestricted	5,312,049	135,011	291,443	5,738,503
Total net position	\$ 6,903,613	\$ 135,011	\$ 291,443	\$ 7,330,067

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, 2018

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Expenses				
Tax Increment Financing Authority	\$ 2,830,660	\$ -	\$ -	\$ 2,830,660
Downtown Development Authority	-	45,652	-	45,652
Brownfield Redevelopment Authority	-	-	324,000	324,000
Total expenses	2,830,660	45,652	324,000	3,200,312
Program revenues				
Operating grants and contributions	102,500	-	-	102,500
Net revenue (expense)	(2,728,160)	(45,652)	(324,000)	(3,097,812)
General revenues				
Property taxes	3,458,937	50,143	434,451	3,943,531
Unrestricted investment earnings	19,368	1,153	4,184	24,705
Gain on sale of capital assets	376,646	-	-	376,646
Total general revenues	3,854,951	51,296	438,635	4,344,882
Change in net position	1,126,791	5,644	114,635	1,247,070
Net position, beginning of year	5,776,822	129,367	176,808	6,082,997
Net position, end of year	\$ 6,903,613	\$ 135,011	\$ 291,443	\$ 7,330,067

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, 2018, the City expensed approximately \$4,921,000 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, 2018, the City expensed approximately \$4,208,000 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 *local streets fund* receives allocations of State collected gasoline taxes and license fees to be used for the maintenance, repair, and construction of streets and bridges within the City.

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 the Royal Oak Nature Society.

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. In other funds, the unassigned classification should be only used to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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.

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 City Commission adopts the budget at the functional level for the general fund and at the fund level for special revenue funds.

CITY OF ROYAL OAK, MICHIGAN

■ Notes to Financial Statements

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

During the year ended June 30, 2018, the City did not incur expenditures in excess of the amounts appropriated at the legal level of budgetary control for any required budgetary funds.

Deficit Fund Equity

The water and sewer enterprise fund reported a deficit in unrestricted net position in the amount of \$1,037,733 at June 30, 2018. The fund had total net position of \$74,231,994, as well as a positive working capital reserve at year end.

The recreation administration enterprise fund reported a deficit in unrestricted net position in the amount of \$781,534 at June 30, 2018. The fund had total net position of \$2,337,328, as well as a positive working capital reserve at year end.

The liability insurance internal service fund reported a deficit in net position in the amount of \$187,883 at June 30, 2018.

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.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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	\$ 146,342,052	\$ 5,723,390	\$ 152,065,442
Restricted assets (endowments cash)	1,000	-	1,000
	<hr/>	<hr/>	<hr/>
	146,343,052	5,723,390	152,066,442
Statement of Fiduciary Net Position			
Pension and OPEB trust funds:			
Cash and investments	168,867	-	168,867
Retirement investments	289,358,706	-	289,358,706
Agency funds -			
Cash and investments	395,855	-	395,855
	<hr/>	<hr/>	<hr/>
	289,923,428	-	289,923,428
Total	<hr/>	<hr/>	<hr/>
	\$ 436,266,480	\$ 5,723,390	\$ 441,989,870
Deposits and investments			
Bank deposits (checking and savings accounts, certificates of deposit)			\$ 152,626,063
Investments:			
Equities:			
Large cap domestic equities	39,770,248		
Small and mid cap equities	12,064,358		
Developed international equities	19,158,558		
Emerging markets equities	6,775,875		
Bond mutual funds	36,070,477		
Equity mutual funds	97,272,587		
Real estate mutual funds	9,013,030		
Other mutual funds	68,397,265		
Government obligations	836,308		
Cash on hand	5,101		
	<hr/>	<hr/>	<hr/>
Total	<hr/>	<hr/>	<hr/>
			\$ 441,989,870

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Investment and Deposit Risk

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

	Fair Value	Weighted Average Maturity (Years)
Bond mutual funds:		
SEI Emerging Markets Debt	\$ 8,323,021	9.73
Baird FDS Inc International Bond	21,943,500	4.43
Templeton Global Total Return	5,803,956	2.84
Government obligations		
Federated Government Obligations Fund	<u>836,308</u>	0.06
Total	<u>\$ 36,906,785</u>	

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investments. Commercial paper must be rated within the two highest classifications established by not less than two standard rating services. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The City's investments in mutual funds and government obligations 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, 2018, \$148,862,705 of the City's bank balance of \$152,114,708 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. As of June 30, 2018, the City's investments consisted of equities, mutual funds and government obligations totaling \$289,358,706. 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, 2018, none of the City's investments were exposed to risk since the securities are held in the City's name by the counterparty.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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. Certain mutual funds are classified as Level 2 of the fair value hierarchy as the investments are traded only in secondary markets. 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, 2018:

	Level 1	Level 2	Level 3	Total
Equities	\$ 77,769,039	\$ -	\$ -	\$ 77,769,039
Bond mutual funds	36,070,477	-	-	36,070,477
Equity mutual funds	97,272,587	-	-	97,272,587
Real estate mutual funds	-	-	9,013,030	9,013,030
Other mutual funds	47,565,813	20,831,452	-	68,397,265
Government obligations	836,308	-	-	836,308
 Total investments at fair value	 \$ 259,514,224	 \$ 20,831,452	 \$ 9,013,030	 \$ 289,358,706

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	\$ 2,527,956	\$ 8,329,193	\$ -	\$ -
Loans	3,500,650	-	-	3,500,650
Taxes (current)	43,074	-	-	-
Taxes (delinquent)	59,802	-	65,433	-
Special assessments	1,893,664	-	-	1,259,076
Intergovernmental	2,302,287	1,397,392	-	1,397,392
Interest and other	515,681	-	-	-
Less: allowance for uncollectibles	(186,103)	(103,073)	(42,504)	-
	<u>\$ 10,657,011</u>	<u>\$ 9,623,512</u>	<u>\$ 22,929</u>	<u>\$ 6,157,118</u>

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2018, was as follows:

	Due from Other Funds	Due to Other Funds
General	\$ 208,819	\$ -
Nonmajor governmental funds	-	<u>208,819</u>
	<u>\$ 208,819</u>	<u>\$ 208,819</u>

In addition, an interfund balance existed between governmental activities and business-type activities in the amount of \$3,823,813. 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	Local Streets	City Capital Projects
General fund	\$ -	\$ 18,100,000	\$ -	\$ 2,014,000
Solid waste fund	-	-	-	-
Local streets fund	3,500,000	-	-	1,021,061
City capital projects fund	-	-	-	-
Nonmajor governmental funds	4,641	-	1,120,895	216,161
Water and sewer fund	-	-	-	238
Nonmajor enterprise funds	-	-	-	49,000
	<u>\$ 3,504,641</u>	<u>\$ 18,100,000</u>	<u>\$ 1,120,895</u>	<u>\$ 3,300,460</u>

Transfers Out	Transfers In			
	Nonmajor Governmental Funds	Water & Sewer Fund	Automobile Parking System	Total
General fund	\$ 835,647	\$ -	\$ -	\$ 20,949,647
Solid waste fund	4,000	-	-	4,000
Local streets fund	-	-	-	4,521,061
City capital projects fund	145,400	-	-	145,400
Nonmajor governmental funds	360,684	38,815	24,800	1,765,996
Water and sewer fund	8,000	83,968	-	92,206
Nonmajor enterprise funds	4,000	-	-	53,000
	<u>\$ 1,357,731</u>	<u>\$ 122,783</u>	<u>\$ 24,800</u>	<u>\$ 27,531,310</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) reimburse the general fund for capital expenditures financed in prior years due to a timing issue in the issuance of related bonds.

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	22,977,707	7,726,201	-	(9,941,737)	20,762,171
	<u>89,752,459</u>	<u>7,726,201</u>	<u>-</u>	<u>(9,941,737)</u>	<u>87,536,923</u>
Capital assets, being depreciated:					
Buildings	30,673,836	110,703	(49,003)	-	30,735,536
Improvements other than buildings	5,039,512	-	(28,136)	571,686	5,583,062
Machinery and equipment	23,090,536	1,203,458	(1,410,240)	657,161	23,540,915
Infrastructure	125,177,302	-	(3,465)	8,712,890	133,886,727
Intangibles	418,316	-	-	-	418,316
	<u>184,399,502</u>	<u>1,314,161</u>	<u>(1,490,844)</u>	<u>9,941,737</u>	<u>194,164,556</u>
Less accumulated depreciation for:					
Buildings	(15,599,541)	(621,765)	49,003	-	(16,172,303)
Improvements other than buildings	(3,826,538)	(73,921)	28,136	-	(3,872,323)
Machinery and equipment	(16,318,502)	(1,792,564)	1,404,578	-	(16,706,488)
Infrastructure	(66,426,140)	(1,893,196)	3,465	-	(68,315,871)
Intangibles	(362,571)	(10,618)	-	-	(373,189)
	<u>(102,533,292)</u>	<u>(4,392,064)</u>	<u>1,485,182</u>	<u>-</u>	<u>(105,440,174)</u>
Total capital assets being depreciated, net					
	<u>81,866,210</u>	<u>(3,077,903)</u>	<u>(5,662)</u>	<u>9,941,737</u>	<u>88,724,382</u>
Governmental activities capital assets, net					
	<u>\$ 171,618,669</u>	<u>\$ 4,648,298</u>	<u>\$ (5,662)</u>	<u>\$ -</u>	<u>\$ 176,261,305</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	\$ -	\$ (15,791)	\$ -	\$ 9,942,865
Construction in progress	17,360,953	9,674,886	-	(4,930,905)	22,104,934
	<u>27,319,609</u>	<u>9,674,886</u>	<u>(15,791)</u>	<u>(4,930,905)</u>	<u>32,047,799</u>
Capital assets, being depreciated:					
Buildings	30,474,852	-	-	-	30,474,852
Improvements other than buildings	1,453,612	-	-	-	1,453,612
Machinery and equipment	1,874,926	-	(183,698)	-	1,691,228
Infrastructure	133,230,013	-	(480,467)	4,930,905	137,680,451
	<u>167,033,403</u>	<u>-</u>	<u>(664,165)</u>	<u>4,930,905</u>	<u>171,300,143</u>
Less accumulated depreciation for:					
Buildings	(15,411,291)	(683,630)	-	-	(16,094,921)
Improvements other than buildings	(312,509)	(63,863)	-	-	(376,372)
Machinery and equipment	(1,402,918)	(43,090)	183,698	-	(1,262,310)
Infrastructure	(46,555,933)	(3,022,570)	480,467	-	(49,098,036)
	<u>(63,682,651)</u>	<u>(3,813,153)</u>	<u>664,165</u>	<u>-</u>	<u>(66,831,639)</u>
Total capital assets being depreciated, net	<u>103,350,752</u>	<u>(3,813,153)</u>	<u>-</u>	<u>4,930,905</u>	<u>104,468,504</u>
Business-type activities capital assets, net	<u>\$ 130,670,361</u>	<u>\$ 5,861,733</u>	<u>\$ (15,791)</u>	<u>\$ -</u>	<u>\$ 136,516,303</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	\$ 587,514
Public safety	137,478
Public works	1,861,392
Recreation and culture	230,576
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>1,575,104</u>
 Total depreciation expense - governmental activities	<u>\$ 4,392,064</u>
 Depreciation of business-type activities by function	
Water and sewer	\$ 3,001,828
Parking	547,968
Ice arena	103,371
Recreation	87,765
Farmers market	<u>72,221</u>
 Total depreciation expense - business-type activities	<u>\$ 3,813,153</u>

Construction Commitments

The City has active construction projects as of June 30, 2018. The projects include infrastructure improvements. At year end, the City's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Buildings	\$ 126,679	\$ 17,886
Parking Structure	1,372,483	44,496,041
Roads	17,701,431	5,706,211
Water and Sewer projects	7,681,592	1,404,631
Sidewalks	<u>4,386,680</u>	<u>689,713</u>
 Total	<u>\$ 31,268,864</u>	<u>\$ 52,314,483</u>

Oakland County has a major contract on the George W. Kuhn project. Of the amount spent to date, approximately \$38,950,000 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	\$ -	\$ (2,052,780)	\$ 842,975
Capital assets, being depreciated:				
Improvements other				
than buildings	1,609,877	-	(84,056)	1,525,821
Infrastructure	439,529	-	-	439,529
	<u>2,049,406</u>	<u>-</u>	<u>(84,056)</u>	<u>1,965,350</u>
Less accumulated depreciation for:				
Improvements other				
than buildings	(804,536)	(65,269)	84,056	(785,749)
Infrastructure	(413,626)	(17,386)	-	(431,012)
	<u>(1,218,162)</u>	<u>(82,655)</u>	<u>84,056</u>	<u>(1,216,761)</u>
Total capital assets being depreciated, net	<u>831,244</u>	<u>(82,655)</u>	<u>-</u>	<u>748,589</u>
Component unit - TIFA capital assets, net	<u>\$ 3,726,999</u>	<u>\$ (82,655)</u>	<u>\$ (2,052,780)</u>	<u>\$ 1,591,564</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	Transfers	Ending Balance	Due Within One Year
Governmental Activities						
Bonds payable	\$ 122,695,602	\$ 40,965,000	\$ (6,257,062)	\$ (2,228,144)	\$ 155,175,396	\$ 7,649,908
Unamortized premium	283,531	3,018,257	(165,829)	-	3,135,959	165,268
Compensated absences	3,643,344	2,480,353	(2,281,542)	-	3,842,155	1,921,000
General liability claims	776,160	792,264	(206,534)	-	1,361,890	680,945
Workers compensation	542,744	86,567	(58,583)	-	570,728	285,364
Total governmental activities	<u>\$ 127,941,381</u>	<u>\$ 47,342,441</u>	<u>\$ (8,969,550)</u>	<u>\$ (2,228,144)</u>	<u>\$ 164,086,128</u>	<u>\$ 10,702,485</u>
Business-type Activities						
Bonds payable, contractual obligations and State revolving fund	\$ 58,909,632	\$ 16,325,000	\$ (5,285,284)	\$ 2,228,144	\$ 72,177,492	\$ 5,335,078
Unamortized premium	849,107	-	(77,675)	-	771,432	77,675
Compensated absences	261,810	174,020	(179,459)	-	256,371	128,000
Total business-type activities	<u>\$ 60,020,549</u>	<u>\$ 16,499,020</u>	<u>\$ (5,542,418)</u>	<u>\$ 2,228,144</u>	<u>\$ 73,205,295</u>	<u>\$ 5,540,753</u>
Component Units						
Compensated absences	\$ 16,112	\$ 11,133	\$ (9,475)	\$ -	\$ 17,770	\$ 9,000

During the 2017 fiscal year, the City issued pension bonds. The bonds were allocated to departments based on the number of employees. Subsequent to the issuance of the report, the allocation of the liability was updated to reflect updated assumptions related to the composition of the employee groups for which liabilities were incurred. This change has therefore been disclosed above through a transfer of \$2,228,148 in bonds payable from governmental activities to business-type activities.

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, \$171,215 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.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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 and \$16.325 million in parking revenue bonds issued in May 2018. Proceeds from the bonds provided financing for the construction of the Parking Structure. The bonds are payable solely from parking customer net revenues and are payable through October 2031 for the 2016 bonds and October 2026 for the 2018 bonds. The total principal and interest paid for the current year and total customer net revenues were \$1,162,013 and \$2,293,694 respectively.

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	\$ 400,000
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	30,000
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	2,375,000
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	225,000
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	1,336,000
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	2,490,484
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	420,911
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	92,374,298
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	15,758,703
2018 Road Improvements Bonds; \$8,500,000 at issuance; payable in annual installments of \$1,1500,000 to \$1,250,000; interest payable semi-annually at 2.100% through May 2024	7,300,000
2018 Capital Improvement Bonds; \$32,465,000 at issuance; payable in annual installments of \$740,000 to \$2,105,000; interest payable semi-annually at 3.625% to 5.000% through June 2043	32,465,000
Total governmental activities bonds payable	<u>\$155,175,396</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	\$ 330,000
* 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	150,000
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	2,049,970
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	4,783,150
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	2,160,939
2016 Capital Improvement 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	3,209,516
2016 Series B Parking System Revenue 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	12,825,000
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	10,420,702
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	4,181,296
2018 Parking System Revenue Bonds; \$16,325,000 at issuance; payable in annual installments of \$840,000 to \$1,375,000; interest payable semi-annually at 3.551% through October 2026	<u>16,325,000</u>
	<u>56,435,573</u>

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Business-type activities - contractual obligations

* 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	\$ 1,249,223
* 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	8,407,285
* 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	222,248
* 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	194,496
* 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	1,556,101
* 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	280,863
* 2008 George W. Kuhn Drainage District, Series H; \$7,450,000 at issuance; payable in annual installments of \$88,229 to \$141,167; interest payable semi-annually at 2.50% through April 2029	<u>1,379,316</u>
	<u>13,289,532</u>

Business-type activities - State revolving fund

1998 North Arm Relief Drain Revenue Bonds; \$13,877,387 at issuance; payable in annual installments of \$575,000 to \$822,387; interest payable semi-annually at 2.25% through October 2020	<u>2,452,387</u>
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Total business-type activities bonds payable, contractual obligations and State revolving fund

\$ 72,177,492

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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
2019	\$ 7,649,908	\$ 5,380,563	\$ 5,335,078	\$ 1,665,408
2020	7,412,037	5,429,922	6,308,179	2,015,377
2021	7,358,440	5,260,467	6,464,479	1,950,611
2022	7,579,205	5,074,883	5,809,978	1,782,221
2023	7,124,800	4,871,529	5,492,064	1,607,989
2024-2028	30,463,054	21,178,093	21,229,499	5,729,240
2029-2033	34,843,717	15,187,337	15,372,450	2,665,494
2034-2038	43,189,235	7,267,593	6,165,765	593,293
2039-2043	9,555,000	1,480,000	-	-
	<u>\$155,175,396</u>	<u>\$ 71,130,387</u>	<u>\$ 72,177,492</u>	<u>\$ 18,009,633</u>

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, 2018, \$7,005,000 of defeased bonds remain outstanding.

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 \$38,950,000 with an interest rate of 1.63-4.38%. As of June 30, 2018, the City's obligation is \$13,769,532 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 \$500,000 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 2017 and 2018 are as follows:

Fiscal Year	Liability at Beginning of Year	Current-Year Claims and Changes in Estimates	Claim Payments	Liability at End of Year
2017	\$ 498,430	\$ 543,232	\$ (265,502)	\$ 776,160
2018	776,160	792,264	(206,534)	1,361,890

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 2017 and 2018 are as follows:

Fiscal Year	Liability at Beginning of Year	Current-Year Claims and Changes in Estimates	Claim Payments	Liability at End of Year
2017	\$ 796,050	\$ 66,122	\$ (319,428)	\$ 542,744
2018	542,744	86,567	(58,583)	570,728

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 2017 and 2018 are as follows:

Fiscal Year	Liability at Beginning of Year	Current-Year Claims and Changes in Estimates	Claim Payments	Liability at End of Year
2017	\$ 750,839	\$ 8,991,722	\$ (9,491,561)	\$ 251,000
2018	251,000	9,939,305	(9,713,583)	476,722

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.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.75 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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 \$21,427,286.

Membership. At June 30, 2018 (the date of the most recent actuarial report), membership consisted of:

Retirees and beneficiaries currently receiving benefits	541
Terminated employees entitled to benefits but not yet receiving them	22
Current full-time employees	230
<hr/>	
Total members	793
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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, 2018 is as follows:

Reserve / Group	Balance
Police and fire members benefit fund	\$ 100,791,636
General members benefit fund	93,392,571
Undistributed investment income fund	(37,985,615)

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Net Pension Liability. The City's net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2017 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

The actuarial assumptions used in the June 30, 2017 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, 2018, 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%	6.82%	1.30%
Core fixed income	13.00%	4.04%	0.53%
Opportunistic income fund	12.00%	3.02%	0.36%
S&P 500	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%		5.55%
Inflation			2.50%
Risk adjustments			-0.30%
Investment rate of return			7.75%

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 216,591,581	\$ 154,970,885	\$ 61,620,696
Changes for the year:			
Service cost	2,591,005	-	2,591,005
Interest	16,218,308	-	16,218,308
Changes in benefit terms	238,261	-	238,261
Differences between expected and actual experience	1,332,879	-	1,332,879
Employer contributions	-	5,878,213	(5,878,213)
Employee contributions	-	937,300	(937,300)
Employee service purchases	-	170,616	(170,616)
Net investment income (loss)	-	11,535,933	(11,535,933)
Benefit payments, including refunds of employee contributions	(17,237,196)	(17,237,196)	-
Administrative expense	-	(57,159)	57,159
Other changes	37,994	-	37,994
Net changes	<u>3,181,251</u>	<u>1,227,707</u>	<u>1,953,544</u>
Balances at June 30, 2018	<u>\$ 219,772,832</u>	<u>\$ 156,198,592</u>	<u>\$ 63,574,240</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	\$ 86,085,893	\$ 63,574,240	\$ 44,409,553

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, 2018, the City recognized pension expense of \$11,757,942. At June 30, 2018, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 2,252,768
Net difference between projected and actual earnings on pension plan investments	<u>2,764,152</u>
 Total	 <u>\$ 5,016,920</u>

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

Year Ended June 30,	Amount
2019	\$ 4,431,286
2020	1,856,199
2021	(1,285,540)
2022	<u>14,975</u>
 Total	 <u>\$ 5,016,920</u>

Payable to the Pension Plan. At June 30, 2018, the City had no amount payable to the pension plan.

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.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Employees Covered by Benefit Terms. At June 30, 2016 (the date of the most recent actuarial report), 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	<u>177</u>
Total membership	<u><u>613</u></u>

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, 2018. The plan's financial statements include contributions received and benefits paid through that date. At June 30, 2018, 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, 2018, the City contributed \$716,492. During the year ended June 30, 2017, the City issued other postemployment benefit bonds to finance the net other postemployment benefit 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, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 5.52%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2016.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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.

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, 2018 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%	7.50%	0.75%
Real estate	10.00%	4.50%	0.45%
	<u>100.00%</u>		6.66%
Inflation			2.75%
Risk adjustments			-1.66%
Investment rate of return			7.75%

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Discount Rate. The discount rate used to measure the total OPEB liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that Plan does not require 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.

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, 2017	\$ 123,867,618	\$ 132,323,704	\$ (8,456,086)
Changes for the year:			
Service cost	703,060	-	703,060
Interest on total OPEB asset	9,329,723	-	9,329,723
Differences between expected and actual experience	(438,850)	-	(438,850)
Employer contributions	-	716,492	(716,492)
Net investment income	-	7,408,631	(7,408,631)
Benefit payments	(7,671,260)	(7,671,260)	-
Administrative expense	-	(29,916)	29,916
Other changes	294	-	294
Net changes	1,922,967	423,947	1,499,020
Balances at June 30, 2018	\$ 125,790,585	\$ 132,747,651	\$ (6,957,066)

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

Governmental activities	\$ 6,363,665
Business-type activities	593,401
Total net OPEB asset	\$ 6,957,066

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	\$ 6,010,494	\$ (6,957,066)	\$ (17,974,282)

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	\$ (19,869,011)	\$ (6,957,066)	\$ 8,049,021

OPEB 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, 2018, the City recognized OPEB expense of \$816,038. At June 30, 2018, the City reported deferred outflows/inflows 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	\$ -	\$ (274,614)	\$ (274,614)
Net difference between projected and actual earnings on OPEB plan investments	<u>3,385,718</u>	<u>-</u>	<u>3,385,718</u>
Total	\$ 3,385,718	\$ (274,614)	\$ 3,111,104

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

Year Ended June 30,	Amount
2019	\$ 741,051
2020	898,041
2021	956,852
2022	<u>515,160</u>
Total	<u>\$ 3,111,104</u>

Payable to the OPEB Plan. At June 30, 2018, 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	\$ 168,867	\$ -	\$ 168,867
Retirement investments, at fair value:			
Mutual funds	156,408,765	54,344,594	210,753,359
Equities	-	77,769,039	77,769,039
Government obligations	-	836,308	836,308
Receivables, net	74,355	519,826	594,181
Total assets	<u>156,651,987</u>	<u>133,469,767</u>	<u>290,121,754</u>
Liabilities			
Accounts payable	451,988	722,116	1,174,104
Accrued and other liabilities	1,407	-	1,407
Total liabilities	<u>453,395</u>	<u>722,116</u>	<u>1,175,511</u>
Net position			
Restricted for:			
Employees' pension benefits	156,198,592	-	156,198,592
Other postemployment benefits	-	132,747,651	132,747,651
Total net position	<u>\$ 156,198,592</u>	<u>\$ 132,747,651</u>	<u>\$ 288,946,243</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	\$ 5,878,213	\$ 716,492	\$ 6,594,705
Plan members	937,300	-	937,300
Employee service purchases	170,616	-	170,616
 Total contributions	 6,986,129	 716,492	 7,702,621
Investment earnings:			
Net change in fair value of investments	8,208,423	4,896,825	13,105,248
Interest	4	154,019	154,023
Dividends	4,126,087	2,077,621	6,203,708
Other investment revenues	4,163	508,115	512,278
 Total investment gain	 12,338,677	 7,636,580	 19,975,257
Less: investment expense	802,744	227,949	1,030,693
 Net investment gain	 11,535,933	 7,408,631	 18,944,564
 Total additions	 18,522,062	 8,125,123	 26,647,185
 Deductions			
Benefits	16,240,715	7,671,260	23,911,975
Refund of contributions	996,481	-	996,481
Administrative expenses	57,159	29,916	87,075
 Total deductions	 17,294,355	 7,701,176	 24,995,531
 Change in net position	 1,227,707	 423,947	 1,651,654
 Net position, beginning of year	 154,970,885	 132,323,704	 287,294,589
 Net position, end of year	 \$ 156,198,592	 \$ 132,747,651	 \$ 288,946,243

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 the employees 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, 2018, there were 99 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, 2018, were \$234,514 by the employees and \$410,357 by the City.

15. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2018, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Capital assets not being depreciated	\$ 87,536,923	\$ 32,047,799	\$ 842,975
Capital assets being depreciated, net	88,724,382	104,468,504	748,589
	<u>176,261,305</u>	<u>136,516,303</u>	<u>1,591,564</u>
Related debt:			
General obligation bonds	155,175,396	56,435,573	-
Contractual obligations	-	13,289,532	-
State revolving fund	-	2,452,387	-
Less: amounts owed from other communities	-	(1,248,491)	-
Less: pension and OPEB bonds	(108,133,001)	(14,601,998)	-
Bond premium	3,135,959	771,432	-
Unspent bond proceeds	(37,950,000)	(14,833,000)	-
Deferred charge on refunding	(117,777)	(1,013,467)	-
	<u>12,110,577</u>	<u>41,251,968</u>	<u>-</u>
Net investment in capital assets	\$ 164,150,728	\$ 95,264,335	\$ 1,591,564

CITY OF ROYAL OAK, MICHIGAN

■ Notes to Financial Statements

■ 16. TAX ABATEMENTS

The City received reduced property tax revenues during 2018 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 \$55,000 in reduced tax revenues for 2018.

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 \$434,000 in reduced City tax revenues for 2018.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROYAL OAK, MICHIGAN

Required Supplementary Information Employees' Retirement System

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

	Fiscal Year Ended June 30,				
	2018	2017	2016	2015	2014
Change in total pension liability					
Service cost	\$ 2,591,005	\$ 2,517,235	\$ 2,542,348	\$ 2,555,924	\$ 2,485,567
Interest	16,218,308	15,789,346	15,445,529	15,214,726	15,021,782
Changes of benefit terms	238,261	-	-	96,556	-
Differences between expected and actual experience	1,332,879	3,951,131	2,710,293	903,595	-
Benefit payments, including refunds of member contributions	(17,237,196)	(16,388,754)	(16,109,768)	(15,462,071)	(14,643,773)
Other changes	37,994	53,367	-	-	-
Net change in total pension liability	<u>3,181,251</u>	<u>5,922,325</u>	<u>4,588,402</u>	<u>3,308,730</u>	<u>2,863,576</u>
Total pension liability, beginning	<u>216,591,581</u>	<u>210,669,256</u>	<u>206,080,854</u>	<u>202,772,124</u>	<u>199,908,548</u>
Total pension liability, ending (a)	<u>219,772,832</u>	<u>216,591,581</u>	<u>210,669,256</u>	<u>206,080,854</u>	<u>202,772,124</u>
Change in plan fiduciary net position					
Contributions - employer	5,878,213	28,605,368	7,034,692	7,098,292	6,539,504
Contributions - member	937,300	952,984	1,157,297	981,785	1,603,847
Net investment income (loss)	11,535,933	16,766,006	(3,312,904)	4,465,722	21,788,939
Employee service purchases	170,616	111,902	-	-	-
Benefit payments, including refunds of member contributions	(17,237,196)	(16,388,754)	(16,109,768)	(15,462,070)	(14,644,935)
Administrative expense	(57,159)	(71,470)	(99,672)	(71,374)	(49,691)
Net change in plan fiduciary net position	<u>1,227,707</u>	<u>29,976,036</u>	<u>(11,330,355)</u>	<u>(2,987,645)</u>	<u>15,237,664</u>
Plan fiduciary net position, beginning	<u>154,970,885</u>	<u>124,994,849</u>	<u>136,325,204</u>	<u>139,312,849</u>	<u>124,075,185</u>
Plan fiduciary net position, ending (b)	<u>156,198,592</u>	<u>154,970,885</u>	<u>124,994,849</u>	<u>136,325,204</u>	<u>139,312,849</u>
City's net pension liability, ending (a)-(b)	<u>\$ 63,574,240</u>	<u>\$ 61,620,696</u>	<u>\$ 85,674,407</u>	<u>\$ 69,755,650</u>	<u>\$ 63,459,275</u>
Plan fiduciary net position as a percentage of the total pension liability	71.07%	71.55%	59.33%	66.15%	68.70%
Covered payroll	\$ 18,885,808	\$ 16,079,024	\$ 15,845,062	\$ 15,391,242	\$ 15,296,167
City's net pension liability as a percentage of covered payroll	336.62%	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	68.70%	\$ 15,296,167	414.87%
2015	206,080,854	136,325,204	69,755,650	66.15%	15,391,242	453.22%
2016	210,669,256	124,994,849	85,674,407	59.33%	15,845,062	540.70%
2017	216,591,581	154,970,885	61,620,696	71.55%	16,079,024	383.24%
2018	219,772,832	156,198,592	63,574,240	71.07%	18,885,808	336.62%

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%
2018	5,878,213	5,878,213	-	18,885,808	31.1%

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, 2016 (for determination of employer contributions for the 2018 fiscal year)
Notes	Actuarially determined contribution rates are calculated as of June 30, 2016, 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: 22 years, closed Police and Fire: 27 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%
2018	7.75%

⁽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,	
	2018	2017
Total OPEB liability		
Service cost	\$ 703,060	\$ 733,901
Interest on total OPEB liability	9,329,723	9,160,807
Difference between expected and actual experience	(438,850)	(192,395)
Benefit payments	(7,671,260)	(7,343,423)
Other changes	294	-
Net change in total OPEB liability	<u>1,922,967</u>	<u>2,358,890</u>
 Total OPEB liability, beginning of year	<u>123,867,618</u>	<u>121,508,728</u>
 Total OPEB liability, end of year	<u>125,790,585</u>	<u>123,867,618</u>
 Plan fiduciary net position		
Employer contributions	716,492	119,383,923
OPEB plan net investment income	7,408,631	3,439,452
Benefit payments	(7,671,260)	(7,343,423)
Administrative expense	(29,916)	(24,690)
Net change in plan fiduciary net position	<u>423,947</u>	<u>115,455,262</u>
 Plan fiduciary net position, beginning of year	<u>132,323,704</u>	<u>16,868,442</u>
 Plan fiduciary net position, end of year	<u>132,747,651</u>	<u>132,323,704</u>
 Net OPEB asset	<u>\$ (6,957,066)</u>	<u>\$ (8,456,086)</u>
 Plan fiduciary net position as a percentage of total OPEB liability	105.53%	106.83%
 Covered payroll	\$ 14,183,345	\$ 14,971,828
 Net OPEB asset as a percentage of covered payroll	-49.05%	-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%
2018	125,790,585	132,747,651	(6,957,066)	105.53%	14,183,345	-49.05%

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%
2018	389,082	716,492	(327,410)	14,183,345	5.05%

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 2018 (Based on the June 30, 2016 Valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level dollar, closed
Remaining amortization period	22 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%
2018	5.52%

⁽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, 2018

	Special Revenue Funds		
	Major Streets	Community Development Block Grant	Publicity
Assets			
Cash and investments	\$ 4,281,890	\$ -	\$ 28,202
Receivables, net	49,109	3,500,650	48
Due from other governmental units	736,697	375,340	-
Inventories	129,176	-	-
Restricted assets, cash	-	-	-
 Total assets	 \$ 5,196,872	 \$ 3,875,990	 \$ 28,250
 Liabilities			
Accounts payable	\$ 226,125	\$ 187,501	\$ 2,161
Accrued and other liabilities	28,499	13,176	601
Due to other funds	-	174,653	-
Cash bonds and deposits	-	-	-
Unearned revenue	-	3,500,660	-
 Total liabilities	 254,624	 3,875,990	 2,762
 Deferred inflows of resources			
Unavailable revenue - property taxes and special assessments	-	-	48
 Fund balances			
Nonspendable:			
Inventories	129,176	-	-
Endowment	-	-	-
Restricted	4,813,072	-	25,440
 Total fund balances	 4,942,248	 -	 25,440
 Total liabilities, deferred inflows of resources and fund balances	 \$ 5,196,872	 \$ 3,875,990	 \$ 28,250

Special Revenue Funds

Special Revenue Funds							Total Nonmajor Special Revenue Funds
Senior Citizens Program	Library Millage	State Construction Code	ROOTS	Grants			
\$ 609,197	\$ 1,568,637	\$ 8,516,410	\$ 502,910	\$ 1,468,659	\$ 16,975,905		
-	2,255	-	-	25,151	3,577,213		
-	-	-	-	-	1,112,037		
-	-	-	-	-	129,176		
-	-	-	-	-	-		
\$ 609,197	\$ 1,570,892	\$ 8,516,410	\$ 502,910	\$ 1,493,810	\$ 21,794,331		
\$ 20,047	\$ 43,665	\$ 10,068	\$ 7,406	\$ 11,330	\$ 508,303		
11,781	47,429	37,526	-	7,003	146,015		
-	-	-	-	-	174,653		
-	-	-	-	700	700		
-	-	-	-	38,373	3,539,033		
31,828	91,094	47,594	7,406	57,406	4,368,704		
-	2,255	-	-	-	2,303		
-	-	-	-	-	129,176		
577,369	1,477,543	8,468,816	495,504	1,436,404	17,294,148		
577,369	1,477,543	8,468,816	495,504	1,436,404	17,423,324		
\$ 609,197	\$ 1,570,892	\$ 8,516,410	\$ 502,910	\$ 1,493,810	\$ 21,794,331		

continued...

CITY OF ROYAL OAK, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2018

	Capital Projects				Total Nonmajor Governmental Funds
	Debt Service Fund	Special Assessments	Permanent Fund		
Assets					
Cash and investments	\$ 47,799	\$ -	\$ 10,609	\$ 17,034,313	
Receivables, net	594	1,724,249	3	5,302,059	
Due from other governmental units	-	-	-	1,112,037	
Inventories	-	-	-	129,176	
Restricted assets, cash	-	-	1,000	1,000	
Total assets	\$ 48,393	\$ 1,724,249	\$ 11,612	\$ 23,578,585	
Liabilities					
Accounts payable	\$ -	\$ 664	\$ -	\$ 508,967	
Accrued and other liabilities	-	-	-	146,015	
Due to other funds	-	34,166	-	208,819	
Cash bonds and deposits	-	-	-	700	
Unearned revenue	-	-	-	3,539,033	
Total liabilities	-	34,830	-	4,403,534	
Deferred inflows of resources					
Unavailable revenue - property taxes and special assessments	594	1,677,977	-	1,680,874	
Fund balances					
Nonspendable:					
Inventories	-	-	-	129,176	
Endowment	-	-	1,000	1,000	
Restricted	47,799	11,442	10,612	17,364,001	
Total fund balances	47,799	11,442	11,612	17,494,177	
Total liabilities, deferred inflows of resources and fund balances	\$ 48,393	\$ 1,724,249	\$ 11,612	\$ 23,578,585	

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, 2018

	Special Revenue Funds		
	Major Streets	Community Development Block Grant	Publicity
Revenues			
Taxes	\$ -	\$ -	\$ 47,196
Licenses and permits	203,040	-	-
Federal grants	-	524,371	-
State grants	4,723,313	-	-
Charges for services	-	326,964	-
Fines and forfeitures	-	-	-
Interest and rentals	26,120	-	306
Contributions and donations	17,850	-	-
Other revenue	16,270	13,789	-
Total revenues	4,986,593	865,124	47,502
Expenditures			
Current:			
General government	-	-	63,964
Public safety	-	-	-
Public works	2,245,364	-	-
Community and economic development	-	865,124	-
Recreation and culture	-	-	-
Debt service:			
Principal payments	79,180	-	-
Interest and paying agent fees	104,602	-	-
Total expenditures	2,429,146	865,124	63,964
Revenues over (under) expenditures	2,557,447	-	(16,462)
Other financing sources (uses)			
Transfers in	483,084	-	20,000
Transfers out	(240,961)	-	-
Total other financing sources (uses)	242,123	-	20,000
Net change in fund balances	2,799,570	-	3,538
Fund balances, beginning of year	2,142,678	-	21,902
Fund balances, end of year	\$ 4,942,248	\$ -	\$ 25,440

Special Revenue Funds						Total Nonmajor Special Revenue Funds
Senior Citizens Program	Library Millage	State Construction Code	ROOTS	Grants		
\$ -	\$ 2,268,051	\$ -	\$ -	\$ 50,225	\$ 2,315,247	
-	-	3,988,787	-	50,225	4,242,052	
-	-	-	-	97,702	622,073	
134,390	155,633	-	-	80,494	5,093,830	
237,937	47,658	-	-	11,344	623,903	
-	2,612	-	-	264,187	266,799	
5,250	20,477	59,836	3,309	9,355	124,653	
48,240	2,307	-	45,847	97,332	211,576	
-	2,279	71,025	-	1,005	104,368	
<u>425,817</u>	<u>2,499,017</u>	<u>4,119,648</u>	<u>49,156</u>	<u>611,644</u>	<u>13,604,501</u>	
-	-	-	-	-	63,964	
-	-	1,250,127	430	335,394	1,585,951	
-	-	-	-	-	2,245,364	
-	-	-	-	7,292	872,416	
768,825	1,873,541	-	52,031	-	2,694,397	
24,259	399,630	-	-	-	503,069	
<u>32,045</u>	<u>239,338</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>375,985</u>	
<u>825,129</u>	<u>2,512,509</u>	<u>1,250,127</u>	<u>52,461</u>	<u>342,686</u>	<u>8,341,146</u>	
<u>(399,312)</u>	<u>(13,492)</u>	<u>2,869,521</u>	<u>(3,305)</u>	<u>268,958</u>	<u>5,263,355</u>	
350,000	-	-	15,000	26,250	894,334	
<u>(4,000)</u>	<u>-</u>	<u>(4,000)</u>	<u>(15,000)</u>	<u>-</u>	<u>(263,961)</u>	
<u>346,000</u>	<u>-</u>	<u>(4,000)</u>	<u>-</u>	<u>26,250</u>	<u>630,373</u>	
(53,312)	(13,492)	2,865,521	(3,305)	295,208	5,893,728	
<u>630,681</u>	<u>1,491,035</u>	<u>5,603,295</u>	<u>498,809</u>	<u>1,141,196</u>	<u>11,529,596</u>	
<u>\$ 577,369</u>	<u>\$ 1,477,543</u>	<u>\$ 8,468,816</u>	<u>\$ 495,504</u>	<u>\$ 1,436,404</u>	<u>\$ 17,423,324</u>	

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CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Capital Projects				Total Nonmajor Governmental Funds
	Debt Service Fund	Special Assessments	Permanent Fund		
Revenues					
Taxes	\$ 585,764	\$ -	\$ -	\$ -	\$ 2,901,011
Licenses and permits	-	-	-	-	4,242,052
Federal grants	-	-	-	-	622,073
State grants	-	-	-	-	5,093,830
Charges for services	-	-	-	-	623,903
Fines and forfeitures	-	-	-	-	266,799
Interest and rentals	153	98,687	84		223,577
Contributions and donations	-	1,403,348	-		1,614,924
Other revenue	-	-	-	-	104,368
Total revenues	585,917	1,502,035	84		15,692,537
Expenditures					
Current:					
General government	-	-	-	-	63,964
Public safety	-	-	-	-	1,585,951
Public works	-	408	-	-	2,245,772
Community and economic development	-	-	-	-	872,416
Recreation and culture	-	-	3	-	2,694,400
Debt service:					
Principal payments	936,218	-	-	-	1,439,287
Interest and paying agent fees	156,783	-	-	-	532,768
Total expenditures	1,093,001	408	3		9,434,558
Revenue over (under) expenditures	(507,084)	1,501,627	81		6,257,979
Other financing sources (uses)					
Transfers in	463,397	-	-	-	1,357,731
Transfers out	-	(1,502,035)	-	-	(1,765,996)
Total other financing sources (uses)	463,397	(1,502,035)	-		(408,265)
Net change in fund balances	(43,687)	(408)	81		5,849,714
Fund balances, beginning of year	91,486	11,850	11,531		11,644,463
Fund balances, end of year	\$ 47,799	\$ 11,442	\$ 11,612		\$ 17,494,177

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Licenses and permits	\$ 207,000	\$ 207,000	\$ 203,040	\$ (3,960)
State grants	4,010,000	4,617,000	4,723,313	106,313
Interest and rentals	1,000	1,000	26,120	25,120
Contributions and donations	17,500	17,500	17,850	350
Other revenue	16,000	37,000	16,270	(20,730)
Total revenues	4,251,500	4,879,500	4,986,593	107,093
Expenditures				
Current -				
Public works	4,020,660	4,493,040	2,245,364	(2,247,676)
Debt service:				
Principal payments	40,440	79,190	79,180	(10)
Interest and paying agent fees	53,400	105,470	104,602	(868)
Total expenditures	4,114,500	4,677,700	2,429,146	(2,248,554)
Revenues over (under) expenditures	137,000	201,800	2,557,447	2,355,647
Other financing sources (uses)				
Transfers in	70,000	70,000	483,084	413,084
Transfers out	(207,000)	(271,800)	(240,961)	(30,839)
Total other financing sources (uses)	(137,000)	(201,800)	242,123	443,923
Net change in fund balance	-	-	2,799,570	2,799,570
Fund balance, beginning of year	2,142,678	2,142,678	2,142,678	-
Fund balance, end of year	\$ 2,142,678	\$ 2,142,678	\$ 4,942,248	\$ 2,799,570

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal grants	\$ 1,000,000	\$ 1,000,000	\$ 524,371	\$ (475,629)
Charges for services	250,000	250,000	326,964	76,964
Other revenue	300,000	368,260	13,789	(354,471)
Total revenues	1,550,000	1,618,260	865,124	(753,136)
Expenditures				
Current -				
Community and economic development	1,531,240	1,599,500	865,124	(734,376)
Net change in fund balance	18,760	18,760	-	(18,760)
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ 18,760	\$ 18,760	\$ -	\$ (18,760)

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 48,700	\$ 48,700	\$ 47,196	\$ (1,504)
Interest and rentals	160	160	306	146
Total revenues	48,860	48,860	47,502	(1,358)
Expenditures				
Current -				
General government	68,860	68,860	63,964	(4,896)
Revenues over (under) expenditures	(20,000)	(20,000)	(16,462)	3,538
Other financing sources				
Transfers in	20,000	20,000	20,000	-
Net change in fund balance	-	-	3,538	3,538
Fund balance, beginning of year	21,902	21,902	21,902	-
Fund balance, end of year	\$ 21,902	\$ 21,902	\$ 25,440	\$ 3,538

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State grants	\$ 137,810	\$ 137,810	\$ 134,390	\$ (3,420)
Charges for services	235,000	235,000	237,937	2,937
Interest and rentals	3,000	3,000	5,250	2,250
Contributions and donations	47,430	47,430	48,240	810
Total revenues	423,240	423,240	425,817	2,577
Expenditures				
Current -				
Recreation and culture	812,980	812,980	768,825	(44,155)
Debt service:				
Principal payments	24,260	24,260	24,259	(1)
Interest and paying agent fees	32,050	32,050	32,045	(5)
Total expenditures	869,290	869,290	825,129	(44,161)
Revenues over (under) expenditures	(446,050)	(446,050)	(399,312)	46,738
Other financing sources (uses)				
Transfers in	350,000	350,000	350,000	-
Transfers out	(4,000)	(4,000)	(4,000)	-
Total other financing sources (uses)	346,000	346,000	346,000	-
Net change in fund balance	(100,050)	(100,050)	(53,312)	46,738
Fund balance, beginning of year	630,681	630,681	630,681	-
Fund balance, end of year	\$ 530,631	\$ 530,631	\$ 577,369	\$ 46,738

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 2,230,000	\$ 2,230,000	\$ 2,268,051	\$ 38,051
State grants	143,000	143,000	155,633	12,633
Charges for services	39,000	39,000	47,658	8,658
Fines and forfeitures	3,000	3,000	2,612	(388)
Interest and rentals	20,000	20,000	20,477	477
Contributions and donations	3,500	3,500	2,307	(1,193)
Other revenue	6,500	6,500	2,279	(4,221)
Total revenues	2,445,000	2,445,000	2,499,017	54,017
Expenditures				
Current -				
Recreation and culture	1,860,930	1,920,930	1,873,541	(47,389)
Debt service:				
Principal payments	399,630	399,630	399,630	-
Interest and paying agent fees	239,450	239,450	239,338	(112)
Total expenditures	2,500,010	2,560,010	2,512,509	(47,501)
Revenues over (under) expenditures	(55,010)	(115,010)	(13,492)	101,518
Other financing sources				
Transfers in	25,000	25,000	-	(25,000)
Net change in fund balance	(30,010)	(90,010)	(13,492)	76,518
Fund balance, beginning of year	1,491,035	1,491,035	1,491,035	-
Fund balance, end of year	\$ 1,461,025	\$ 1,401,025	\$ 1,477,543	\$ 76,518

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Licenses and permits	\$ 1,840,000	\$ 3,940,000	\$ 3,988,787	\$ 48,787
Interest and rentals	20,000	20,000	59,836	39,836
Other revenue	50,000	50,000	71,025	21,025
Total revenues	1,910,000	4,010,000	4,119,648	109,648
Expenditures				
Current -				
Public safety	1,906,000	4,006,000	1,250,127	(2,755,873)
Revenues over (under) expenditures	4,000	4,000	2,869,521	2,865,521
Other financing uses				
Transfers out	(4,000)	(4,000)	(4,000)	-
Net change in fund balance	-	-	2,865,521	2,865,521
Fund balance, beginning of year	5,603,295	5,603,295	5,603,295	-
Fund balance, end of year	\$ 5,603,295	\$ 5,603,295	\$ 8,468,816	\$ 2,865,521

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Interest and rentals	\$ 3,000	\$ 3,000	\$ 3,309	\$ 309
Contributions and donations	<u>45,600</u>	<u>45,600</u>	<u>45,847</u>	<u>247</u>
Total revenues	48,600	48,600	49,156	556
Expenditures				
Current:				
Public safety	2,500	2,500	430	(2,070)
Recreation and culture	<u>46,100</u>	<u>54,560</u>	<u>52,031</u>	<u>(2,529)</u>
Total expenditures	48,600	57,060	52,461	(4,599)
Revenues over (under) expenditures	-	(8,460)	(3,305)	5,155
Other financing sources (uses)				
Transfers in	15,000	15,000	15,000	-
Transfers out	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	(8,460)	(3,305)	5,155
Fund balance, beginning of year	498,809	498,809	498,809	-
Fund balance, end of year	\$ 498,809	\$ 490,349	\$ 495,504	\$ 5,155

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Licenses and permits	\$ 60,000	\$ 60,000	\$ 50,225	\$ (9,775)
Federal grants	111,000	145,230	97,702	(47,528)
State grants	72,000	72,000	80,494	8,494
Charges for services	16,000	16,000	11,344	(4,656)
Fines and forfeitures	70,000	101,000	264,187	163,187
Interest and rentals	3,800	3,800	9,355	5,555
Contributions and donations	45,000	93,000	97,332	4,332
Other revenue	350	350	1,005	655
Total revenues	378,150	491,380	611,644	120,264
Expenditures				
Current:				
Public safety	450,350	539,670	335,394	(204,276)
Community and economic development	-	19,280	7,292	(11,988)
Total expenditures	450,350	558,950	342,686	(216,264)
Revenues over (under) expenditures	(72,200)	(67,570)	268,958	336,528
Other financing sources				
Transfers in	15,000	26,250	26,250	-
Net change in fund balance	(57,200)	(41,320)	295,208	336,528
Fund balance, beginning of year	1,141,196	1,141,196	1,141,196	-
Fund balance, end of year	\$ 1,083,996	\$ 1,099,876	\$ 1,436,404	\$ 336,528

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds
June 30, 2018

	Arts, Beats & Eats	Recreation Administration	Ice Arena	Farmers Market	Total Nonmajor Enterprise Funds
Assets					
Current assets:					
Cash and investments	\$ 67,042	\$ 493,742	\$ 946,436	\$ 716,079	\$ 2,223,299
Receivables, net	-	54,506	1,873	8,491	64,870
Total current assets	<u>67,042</u>	<u>548,248</u>	<u>948,309</u>	<u>724,570</u>	<u>2,288,169</u>
Noncurrent assets:					
Capital assets	-	4,471,882	5,061,400	2,585,323	12,118,605
Accumulated depreciation	-	(1,407,407)	(3,316,841)	(1,219,410)	(5,943,658)
Net other postemployment benefits asset	-	37,581	2,962	-	40,543
Total noncurrent assets	<u>-</u>	<u>3,102,056</u>	<u>1,747,521</u>	<u>1,365,913</u>	<u>6,215,490</u>
Total assets	<u>67,042</u>	<u>3,650,304</u>	<u>2,695,830</u>	<u>2,090,483</u>	<u>8,503,659</u>
Deferred outflows of resources					
Deferred other postemployment benefits amounts	<u>-</u>	<u>18,289</u>	<u>1,441</u>	<u>-</u>	<u>19,730</u>
Liabilities					
Current liabilities:					
Accounts payable	-	13,608	107,659	19,313	140,580
Accrued and other liabilities	-	24,032	3,306	904	28,242
Unearned revenue	-	-	-	3,975	3,975
Bonds payable, due within one year	-	46,442	9,288	-	55,730
Compensated absences, current	-	5,832	28	444	6,304
Total current liabilities	<u>-</u>	<u>89,914</u>	<u>120,281</u>	<u>24,636</u>	<u>234,831</u>
Noncurrent liabilities:					
Bonds payable	-	1,234,020	246,804	-	1,480,824
Accrued compensated absences	-	5,848	28	445	6,321
Total noncurrent liabilities	<u>-</u>	<u>1,239,868</u>	<u>246,832</u>	<u>445</u>	<u>1,487,145</u>
Total liabilities	<u>-</u>	<u>1,329,782</u>	<u>367,113</u>	<u>25,081</u>	<u>1,721,976</u>
Deferred inflows of resources					
Deferred other postemployment benefits amounts	<u>-</u>	<u>1,483</u>	<u>117</u>	<u>-</u>	<u>1,600</u>
Net position					
Investment in capital assets	-	3,064,475	1,744,559	1,365,913	6,174,947
Restricted for other postemployment benefits	-	54,387	4,286	-	58,673
Unrestricted (deficit)	<u>67,042</u>	<u>(781,534)</u>	<u>581,196</u>	<u>699,489</u>	<u>566,193</u>
Total net position	<u>\$ 67,042</u>	<u>\$ 2,337,328</u>	<u>\$ 2,330,041</u>	<u>\$ 2,065,402</u>	<u>\$ 6,799,813</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, 2018

	Arts, Beats & Eats	Recreation Administration	Ice Arena	Farmers Market	Total Nonmajor Enterprise Funds
Operating revenues					
Charges for services	\$ 293,792	\$ 577,308	\$ 1,474,441	\$ 563,963	\$ 2,909,504
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,463</u>	<u>9,463</u>
Total operating revenues	<u>293,792</u>	<u>577,308</u>	<u>1,474,441</u>	<u>573,426</u>	<u>2,918,967</u>
Operating expenses					
Salaries and benefits	64,773	432,468	57,733	5,167	560,141
Supplies	<u>-</u>	<u>29,392</u>	<u>90,926</u>	<u>30,216</u>	<u>150,534</u>
Other services and charges	179,383	201,050	1,459,948	469,124	2,309,505
Depreciation	<u>-</u>	<u>87,765</u>	<u>103,371</u>	<u>72,221</u>	<u>263,357</u>
Total operating expenses	<u>244,156</u>	<u>750,675</u>	<u>1,711,978</u>	<u>576,728</u>	<u>3,283,537</u>
Operating income (loss)	<u>49,636</u>	<u>(173,367)</u>	<u>(237,537)</u>	<u>(3,302)</u>	<u>(364,570)</u>
Nonoperating revenues (expenses)					
Interest income	1,899	2,874	4,917	4,589	14,279
Interest expense	<u>-</u>	<u>(52,412)</u>	<u>(10,482)</u>	<u>-</u>	<u>(62,894)</u>
Total nonoperating revenues (expenses)	<u>1,899</u>	<u>(49,538)</u>	<u>(5,565)</u>	<u>4,589</u>	<u>(48,615)</u>
Income (loss) before transfers	51,535	(222,905)	(243,102)	1,287	(413,185)
Transfers					
Transfers out	<u>(49,000)</u>	<u>-</u>	<u>(4,000)</u>	<u>-</u>	<u>(53,000)</u>
Change in net position	2,535	(222,905)	(247,102)	1,287	(466,185)
Net position, beginning 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>
Net position, end of year	<u>\$ 67,042</u>	<u>\$ 2,337,328</u>	<u>\$ 2,330,041</u>	<u>\$ 2,065,402</u>	<u>\$ 6,799,813</u>

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds
For the Year Ended June 30, 2018

	Arts, Beats & Eats	Recreation Administration	Ice Arena	Farmers Market	Total Nonmajor Enterprise Funds
Cash flows from operating activities					
Receipts from customers	\$ 294,050	\$ 553,000	\$ 1,476,517	\$ 567,588	\$ 2,891,155
Other operating receipts	-	-	-	9,463	9,463
Payments to vendors	(179,383)	(235,593)	(1,505,751)	(501,357)	(2,422,084)
Payments to employees	(64,773)	(404,656)	(46,023)	(5,586)	(521,038)
Net cash provided by (used in) operating activities	49,894	(87,249)	(75,257)	70,108	(42,504)
Cash flows from noncapital financing activities					
Transfers to other funds	(49,000)	-	(4,000)	-	(53,000)
Transfers of long-term debt	-	161,458	32,292	-	193,750
Net cash provided by (used in) noncapital financing activities	(49,000)	161,458	28,292	-	140,750
Cash flows from capital and related financing activities					
Principal paid on long-term debt	-	(40,429)	(8,087)	-	(48,516)
Interest paid on long-term debt	-	(52,412)	(10,482)	-	(62,894)
Net cash provided by noncapital financing activities	-	(92,841)	(18,569)	-	(111,410)
Cash flows from investing activities					
Interest received on investments	1,899	2,874	4,917	4,589	14,279
Net change in cash and investments	2,793	(15,758)	(60,617)	74,697	1,115
Cash and investments balances, beginning of year	64,249	509,500	1,007,053	641,382	2,222,184
Cash and investments balances, end of year	\$ 67,042	\$ 493,742	\$ 946,436	\$ 716,079	\$ 2,223,299

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CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds
For the Year Ended June 30, 2018

	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)	\$ 49,636	\$ (173,367)	\$ (237,537)	\$ (3,302)	\$ (364,570)
Adjustments to reconcile operating income (loss)					
to net cash provided by (used in) operating activities:					
Depreciation	-	87,765	103,371	72,221	263,357
Changes in assets and liabilities:					
Receivables, net	258	(24,308)	2,076	(350)	(22,324)
Net other postemployment benefits asset	-	40,215	12,259	-	52,474
Deferred outflows related to the net other postemployment benefit asset	-	(2,035)	1,739	-	(296)
Accounts payable	-	(5,630)	45,202	(2,017)	37,555
Accrued and other liabilities	-	(192)	(374)	(453)	(1,019)
Unearned revenue	-	-	-	3,975	3,975
Accrued compensated absences	-	(10,176)	(1,914)	34	(12,056)
Deferred inflows related to the net other postemployment benefit asset	-	479	(79)	-	400
Net cash provided by (used in) operating activities	\$ 49,894	\$ (87,249)	\$ (75,257)	\$ 70,108	\$ (42,504)

concluded.

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

June 30, 2018

	Information Systems	Motor Pool	Workers Compensation	Medical Self-Insurance	Liability Insurance	Total
Assets						
Current assets:						
Cash and investments	\$ 2,553,725	\$ 10,360,410	\$ 2,010,552	\$ 5,594,365	\$ 910,764	\$ 21,429,816
Receivables, net	-	13,910	-	-	263,243	277,153
Prepaid items	-	-	-	191,632	-	191,632
Inventories	-	239,342	-	-	-	239,342
Total current assets	<u>2,553,725</u>	<u>10,613,662</u>	<u>2,010,552</u>	<u>5,785,997</u>	<u>1,174,007</u>	<u>22,137,943</u>
Noncurrent assets:						
Capital assets	1,963,383	18,104,810	-	-	-	20,068,193
Accumulated depreciation	(1,379,737)	(12,132,724)	-	-	-	(13,512,461)
Net other postemployment benefits asset	63,570	141,372	-	-	-	204,942
Total noncurrent assets	<u>647,216</u>	<u>6,113,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,760,674</u>
Total assets	<u>3,200,941</u>	<u>16,727,120</u>	<u>2,010,552</u>	<u>5,785,997</u>	<u>1,174,007</u>	<u>28,898,617</u>
Deferred outflows of resources						
Deferred charge on refunding	-	43,663	-	-	-	43,663
Deferred other postemployment benefits amounts	30,937	68,800	-	-	-	99,737
Total deferred outflows of resources	<u>30,937</u>	<u>112,463</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,400</u>
Liabilities						
Current liabilities:						
Accounts payable	72,265	210,543	8,553	7,923	-	299,284
Accrued and other liabilities	32,411	108,268	-	476,722	-	617,401
Bonds payable, due within one year	37,153	482,203	-	-	-	519,356
Other long-term liabilities, current	-	-	285,364	-	680,945	966,309
Compensated absences, current	36,499	49,946	-	-	-	86,445
Total current liabilities	<u>178,328</u>	<u>850,960</u>	<u>293,917</u>	<u>484,645</u>	<u>680,945</u>	<u>2,488,795</u>
Noncurrent liabilities:						
Bonds payable	987,216	7,301,341	-	-	-	8,288,557
Other long-term liabilities	-	-	285,364	-	680,945	966,309
Accrued compensated absences	35,098	49,672	-	-	-	84,770
Total noncurrent liabilities	<u>1,022,314</u>	<u>7,351,013</u>	<u>285,364</u>	<u>-</u>	<u>680,945</u>	<u>9,339,636</u>
Total liabilities	<u>1,200,642</u>	<u>8,201,973</u>	<u>579,281</u>	<u>484,645</u>	<u>1,361,890</u>	<u>11,828,431</u>
Deferred inflows of resources						
Deferred other postemployment benefits amounts	2,509	5,580	-	-	-	8,089
Net position						
Net investment in capital assets	583,646	5,146,698	-	-	-	5,730,344
Restricted for other postemployment benefits	91,998	204,592	-	-	-	296,590
Unrestricted (deficit)	1,353,083	3,280,740	1,431,271	5,301,352	(187,883)	11,178,563
Total net position	<u>\$ 2,028,727</u>	<u>\$ 8,632,030</u>	<u>\$ 1,431,271</u>	<u>\$ 5,301,352</u>	<u>\$ (187,883)</u>	<u>\$ 17,205,497</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, 2018

	Information Systems	Motor Pool	Workers Compensation	Medical Self-Insurance	Liability Insurance	Total
Operating revenues						
Charges for services	\$ 1,745,230	\$ 4,661,361	\$ 354,702	\$ 10,604,013	\$ 804,866	\$ 18,170,172
Other revenue	18,126	159,552	15,101	39,913	267,104	499,796
Total operating revenues	<u>1,763,356</u>	<u>4,820,913</u>	<u>369,803</u>	<u>10,643,926</u>	<u>1,071,970</u>	<u>18,669,968</u>
Operating expenses						
Salaries and benefits	614,511	2,106,391	219,157	9,939,305	-	12,879,364
Supplies	71,810	716,080	-	-	-	787,890
Other services and charges	593,425	493,443	122,808	1,222	1,962,324	3,173,222
Depreciation	144,097	1,431,007	-	-	-	1,575,104
Total operating expenses	<u>1,423,843</u>	<u>4,746,921</u>	<u>341,965</u>	<u>9,940,527</u>	<u>1,962,324</u>	<u>18,415,580</u>
Operating income (loss)	<u>339,513</u>	<u>73,992</u>	<u>27,838</u>	<u>703,399</u>	<u>(890,354)</u>	<u>254,388</u>
Nonoperating revenues (expenses)						
Interest expense	(41,929)	(316,344)	-	-	-	(358,273)
Gain on sale of capital assets	-	65,928	-	-	-	65,928
Total nonoperating revenue (expenses)	<u>(41,929)</u>	<u>(250,416)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(292,345)</u>
Change in net position	<u>297,584</u>	<u>(176,424)</u>	<u>27,838</u>	<u>703,399</u>	<u>(890,354)</u>	<u>(37,957)</u>
Net position, beginning of year	<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>
Net position, end of year	<u><u>\$ 2,028,727</u></u>	<u><u>\$ 8,632,030</u></u>	<u><u>\$ 1,431,271</u></u>	<u><u>\$ 5,301,352</u></u>	<u><u>\$ (187,883)</u></u>	<u><u>\$ 17,205,497</u></u>

CITY OF ROYAL OAK, MICHIGAN

■ Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2018

	Information Systems	Motor Pool	Workers Compensation	Medical Self-Insurance	Liability Insurance	Total
Cash flows from operating activities						
Internal activity - receipts from other funds	\$ 1,745,230	\$ 4,661,361	\$ 354,702	\$ 10,604,013	\$ 804,866	\$ 18,170,172
Other operating receipts	18,126	159,552	15,101	39,913	267,104	499,796
Payments to vendors	(715,466)	(1,430,847)	(182,038)	1,076,918	(1,104,618)	(2,356,051)
Payments to employees	(639,795)	(1,804,318)	(191,173)	(9,713,583)	-	(12,348,869)
Net cash provided by (used in) operating activities	408,095	1,585,748	(3,408)	2,007,261	(32,648)	3,965,048
Cash flows from noncapital financing activities						
Transfers of long-term debt	129,168	871,883	-	-	-	1,001,051
Cash flows from capital and related financing activities						
Purchase of capital assets	(29,115)	(962,918)	-	-	-	(992,033)
Principal paid on long-term debt	(32,344)	(454,229)	-	-	-	(486,573)
Interest paid on long-term debt	(42,727)	(320,716)	-	-	-	(363,443)
Proceeds from sale of capital assets	-	71,590	-	-	-	71,590
Net cash provided by (used in) capital and related financing activities	(104,186)	(1,666,273)	-	-	-	(1,770,459)
Net change in cash and investments	433,077	791,358	(3,408)	2,007,261	(32,648)	3,195,640
Cash and investments balances, beginning of year	2,120,648	9,569,052	2,013,960	3,587,104	943,412	18,234,176
Cash and investments balances, end of year	\$ 2,553,725	\$ 10,360,410	\$ 2,010,552	\$ 5,594,365	\$ 910,764	\$ 21,429,816

continued...

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2018

	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)	\$ 339,513	\$ 73,992	\$ 27,838	\$ 703,399	\$ (890,354)	\$ 254,388
Adjustments to reconcile operating income						
to net cash provided by (used in)						
operating activities:						
Depreciation	144,097	1,431,007	-	-	-	1,575,104
Changes in assets and liabilities:						
Receivables, net	8,502	31,071	8,054	14,319	271,976	333,922
Prepaid items	-	-	-	1,077,408	-	1,077,408
Inventories	-	9,177	-	-	-	9,177
Net other postemployment						
benefits asset	(1,841)	277,204	-	-	-	275,363
Deferred outflows related to the						
net other postemployment						
benefit asset	(18,040)	18,655	-	-	-	615
Accounts payable	(58,733)	(261,572)	(67,284)	(13,587)	-	(401,176)
Accrued and other liabilities	(17,497)	(4,000)	-	225,722	-	204,225
Other long-term liabilities	-	-	27,984	-	585,730	613,714
Accrued compensated						
absences	9,585	4,634	-	-	-	14,219
Deferred inflows related to the						
net other postemployment						
benefit asset	2,509	5,580	-	-	-	8,089
Net cash provided by (used in)						
operating activities	<u>\$ 408,095</u>	<u>\$ 1,585,748</u>	<u>\$ (3,408)</u>	<u>\$ 2,007,261</u>	<u>\$ (32,648)</u>	<u>\$ 3,965,048</u>

concluded.



CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2018

	Agency	Tax Collection Fund	44th District Court	Total
Assets				
Cash and investments	\$ 52,510	\$ 41,455	\$ 301,890	\$ 395,855
Liabilities				
Undistributed receipts	\$ 90	\$ 41,455	\$ 129,391	\$ 170,936
Due to City of Berkley	-	-	27,882	27,882
Due to other governmental units	290	-	-	290
Bonds and deposits	52,130	-	144,617	196,747
Total liabilities	\$ 52,510	\$ 41,455	\$ 301,890	\$ 395,855

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Agency Fund				
Assets				
Cash and investments	\$ 97,086	\$ 131,859	\$ (176,435)	\$ 52,510
Liabilities				
Undistributed receipts	\$ 8,574	\$ 154,614	\$ (163,098)	\$ 90
Due to other governmental units	320	1,260	(1,290)	290
Bonds and deposits	88,192	131,969	(168,031)	52,130
Total liabilities	\$ 97,086	\$ 287,843	\$ (332,419)	\$ 52,510
Tax Collection Fund				
Assets				
Cash and investments	\$ 69,168	\$ 153,875,864	\$ (153,903,577)	\$ 41,455
Liabilities				
Undistributed receipts	\$ 69,168	\$ 134,105,303	\$ (134,133,016)	\$ 41,455
44th District Court				
Assets				
Cash and investments	\$ 318,278	\$ 2,637,197	\$ (2,653,585)	\$ 301,890
Liabilities				
Undistributed receipts	\$ 122,536	\$ 3,775,622	\$ (3,768,767)	\$ 129,391
Due to the City of Berkley	30,665	432,181	(434,964)	27,882
Bonds and deposits	165,077	-	(20,460)	144,617
Total liabilities	\$ 318,278	\$ 4,207,803	\$ (4,224,191)	\$ 301,890

continued...

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Totals - All Agency Funds				
Assets				
Cash and investments	\$ 484,532	\$ 156,644,920	\$ (156,733,597)	\$ 395,855
Liabilities				
Undistributed receipts	\$ 200,278	\$ 138,035,539	\$ (138,064,881)	\$ 170,936
Due to the City of Berkley	30,665	432,181	(434,964)	27,882
Due to other governmental units	320	1,260	(1,290)	290
Bonds and deposits	253,269	131,969	(188,491)	196,747
Total liabilities	\$ 484,532	\$ 138,600,949	\$ (138,689,626)	\$ 395,855

concluded.

CITY OF ROYAL OAK, MICHIGAN

■ Balance Sheets

Component Units
June 30, 2018

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total Component Units
Assets				
Cash and investments	\$ 5,292,001	\$ 139,946	\$ 291,443	\$ 5,723,390
Receivables, net	22,907	22	-	22,929
Prepaid items	<u>50,000</u>	-	-	<u>50,000</u>
Total assets	<u><u>\$ 5,364,908</u></u>	<u><u>\$ 139,968</u></u>	<u><u>\$ 291,443</u></u>	<u><u>\$ 5,796,319</u></u>
Liabilities				
Accounts payable	\$ 31,994	\$ 462	\$ -	\$ 32,456
Accrued and other liabilities	<u>6,474</u>	<u>1,116</u>	<u>-</u>	<u>7,590</u>
Total liabilities	<u><u>38,468</u></u>	<u><u>1,578</u></u>	<u><u>-</u></u>	<u><u>40,046</u></u>
Deferred inflows of resources				
Unavailable revenue - property taxes	<u>22,907</u>	<u>23</u>	<u>-</u>	<u>22,930</u>
Fund balances				
Nonspendable	50,000	-	-	50,000
Unassigned	<u>5,253,533</u>	<u>138,367</u>	<u>291,443</u>	<u>5,683,343</u>
Total fund balances	<u><u>5,303,533</u></u>	<u><u>138,367</u></u>	<u><u>291,443</u></u>	<u><u>5,733,343</u></u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 5,364,908</u></u>	<u><u>\$ 139,968</u></u>	<u><u>\$ 291,443</u></u>	<u><u>\$ 5,796,319</u></u>

CITY OF ROYAL OAK, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
Component Units
June 30, 2018

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total Component Units
Fund balances for component units	\$ 5,303,533	\$ 138,367	\$ 291,443	\$ 5,733,343
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	1,591,564	-	-	1,591,564
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	22,907	23	-	22,930
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	(14,391)	(3,379)	-	(17,770)
Net position for component units	<u>\$ 6,903,613</u>	<u>\$ 135,011</u>	<u>\$ 291,443</u>	<u>\$ 7,330,067</u>

CITY OF ROYAL OAK, MICHIGAN

Statements of Revenues, Expenditures and Changes in Fund Balances

Component Units

For the Year Ended June 30, 2018

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total Component Units
Revenues				
Taxes	\$ 3,459,923	\$ 50,136	\$ 434,451	\$ 3,944,510
Interest and rentals	19,368	1,153	4,184	24,705
Contributions and donations	102,500	-	-	102,500
Total revenues	3,581,791	51,289	438,635	4,071,715
Expenditures				
Current -				
Community and economic development	2,746,064	45,935	324,000	3,115,999
Revenues over expenditures	835,727	5,354	114,635	955,716
Other financing sources				
Proceeds from sale of capital assets	2,429,426	-	-	2,429,426
Change in fund balances	3,265,153	5,354	114,635	3,385,142
Fund balances, beginning of year	2,038,380	133,013	176,808	2,348,201
Fund balances, end of year	\$ 5,303,533	\$ 138,367	\$ 291,443	\$ 5,733,343

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, 2018

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total Component Units
Net change in fund balances - component units	\$ 3,265,153	\$ 5,354	\$ 114,635	\$ 3,385,142
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	(82,655)	-	-	(82,655)
Gain on sale of capital assets	376,646	-	-	376,646
Proceeds from sale of capital assets	(2,429,426)	-	-	(2,429,426)
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.	(986)	7	-	(979)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.				
Change in compensated absences	(1,941)	283	-	(1,658)
Change in net position of component units	<u>\$ 1,126,791</u>	<u>\$ 5,644</u>	<u>\$ 114,635</u>	<u>\$ 1,247,070</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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 3,405,000	\$ 3,405,000	\$ 3,459,923	\$ 54,923
Interest and rentals	20,000	20,000	19,368	(632)
Contributions and donations	100,000	100,000	102,500	2,500
Total revenues	3,525,000	3,525,000	3,581,791	56,791
Expenditures				
Community and economic development	3,525,000	5,955,000	2,746,064	(3,208,936)
Revenues over (under) expenditures	-	(2,430,000)	835,727	3,265,727
Other financing sources				
Proceeds from sale of capital assets	-	2,430,000	2,429,426	(574)
Net change in fund balance	-	-	3,265,153	3,265,153
Fund balance, beginning of year	2,038,380	2,038,380	2,038,380	-
Fund balance, end of year	\$ 2,038,380	\$ 2,038,380	\$ 5,303,533	\$ 3,265,153

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 57,000	\$ 57,000	\$ 50,136	\$ (6,864)
Interest and rentals	500	500	1,153	653
Total revenues	57,500	57,500	51,289	(6,211)
Expenditures				
Community and economic development	57,500	64,840	45,935	(18,905)
Net change in fund balance	-	(7,340)	5,354	12,694
Fund balance, beginning of year	133,013	133,013	133,013	-
Fund balance, end of year	\$ 133,013	\$ 125,673	\$ 138,367	\$ 12,694

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, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 357,230	\$ 357,230	\$ 434,451	\$ 77,221
Interest and rentals	2,000	2,000	4,184	2,184
Total revenues	359,230	359,230	438,635	79,405
Expenditures				
Community and economic development	359,230	359,230	324,000	(35,230)
Net change in fund balance	-	-	114,635	114,635
Fund balance, beginning of year	176,808	176,808	176,808	-
Fund balance, end of year	\$ 176,808	\$ 176,808	\$ 291,443	\$ 114,635

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.	146
Revenue Capacity These schedules contain trend information to help the reader assess the factors affecting the City's ability to generate its property taxes.	156
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.	162
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.	172
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.	175

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			
	2009	2010	2011	2012
Governmental activities:				
Net investment in capital assets	\$ 119,486,155	\$ 121,736,526	\$ 120,155,093	\$ 122,759,313
Restricted	14,365,234	15,097,992	15,782,199	15,573,852
Unrestricted (deficit)	14,347,188	9,385,034	3,434,111	(741,153)
Total governmental activities net position	148,198,577	146,219,552	139,371,403	137,592,012
Business-type activities:				
Net investment in capital assets	61,051,630	64,238,153	67,776,260	68,690,716
Restricted	2,653	-	-	-
Unrestricted	15,584,666	12,260,677	13,490,313	16,926,698
Total business-type activities net position	76,638,949	76,498,830	81,266,573	85,617,414
Primary government:				
Net investment in capital assets	180,537,785	185,974,679	187,931,353	191,450,029
Restricted	14,367,887	15,097,992	15,782,199	15,573,852
Unrestricted (deficit)	29,931,854	21,645,711	16,924,424	16,185,545
Total primary government net position	\$ 224,837,526	\$ 222,718,382	\$ 220,637,976	\$ 223,209,426

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					
2013	2014	2015	2016	2017	2018
\$ 124,348,655	\$ 126,120,881	\$ 132,341,007	\$ 147,194,839	\$ 162,548,501	\$ 164,150,728
21,020,880	17,742,703	22,551,701	22,766,807	22,841,819	42,728,743
(904,202)	5,117,615	(51,921,632)	(53,192,731)	(123,384,259)	(134,860,007)
<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>	<u>72,019,464</u>
 71,310,977	 74,792,125	 78,110,713	 85,228,498	 86,510,191	 95,264,335
 18,986,638	 19,884,780	 13,660,160	 12,647,786	 13,468,325	 858,762
 <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>	 <u>8,206,149</u>
 195,659,632	 200,913,006	 210,451,720	 232,423,337	 249,058,692	 259,415,063
 21,020,880	 17,742,703	 22,551,701	 22,766,807	 22,841,819	 43,587,505
 18,082,436	 25,002,395	 (38,261,472)	 (40,544,945)	 (109,915,934)	 (126,653,858)
 <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>	 <u>\$ 176,348,710</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			
	2009	2010	2011	2012
Expenses				
Governmental activities:				
General government	\$ 9,178,697	\$ 10,658,475	\$ 8,904,081	\$ 9,235,905
Public safety	25,340,432	27,808,076	27,846,183	26,655,378
Public works	12,008,559	11,323,281	11,568,038	11,501,518
Health and welfare	720,452	1,045,227	1,578,078	1,228,451
Community and economic development	1,382,073	1,855,557	1,829,671	1,914,032
Recreation and culture	4,101,371	3,988,900	4,012,061	3,497,548
Interest on long-term debt	720,676	697,975	674,965	616,539
Total governmental activities expenses	<u>53,452,260</u>	<u>57,377,491</u>	<u>56,413,077</u>	<u>54,649,371</u>
Business-type activities:				
Water and sewer	17,426,976	19,727,621	22,677,293	22,473,658
Parking	2,665,056	3,105,564	3,176,310	3,081,880
Recreation	1,866,341	1,788,792	1,676,691	2,159,028
Farmers market	344,946	350,918	365,470	380,262
Total business-type activities expenses	<u>22,303,319</u>	<u>24,972,895</u>	<u>27,895,764</u>	<u>28,094,828</u>
Total primary government expenses	<u>75,755,579</u>	<u>82,350,386</u>	<u>84,308,841</u>	<u>82,744,199</u>
Program Revenues				
Governmental activities:				
General government	5,032,372	4,985,949	4,450,270	5,045,872
Public safety	1,981,677	2,376,002	2,492,540	2,753,964
Public works	496,673	458,669	519,279	490,576
Health and welfare	959,100	934,114	959,793	955,698
Community and economic development	249,152	226,376	281,061	381,889
Recreation and culture	1,644,549	1,559,571	2,131,507	2,155,539
Charges for services	10,363,523	10,540,681	10,834,450	11,783,538
Operating grants and contributions	3,186,231	3,576,342	3,859,876	4,673,144
Capital grants and contributions	873,030	626,971	455,132	277,644
Total governmental activities program revenues	<u>14,422,784</u>	<u>14,743,994</u>	<u>15,149,458</u>	<u>16,734,326</u>
Business-type activities:				
Water and sewer	20,039,667	21,429,384	25,940,143	27,426,573
Parking	2,570,487	2,659,002	2,985,064	3,444,725
Recreation	1,747,139	1,779,515	1,764,707	2,053,167
Farmers market	295,731	309,329	350,632	372,646
Charges for services	24,653,024	26,177,230	31,040,546	33,297,111
Operating grants and contributions	6,870	617,778	617,198	501,299
Capital grants and contributions	2,753,092	70,713	-	-
Total business-type activities program revenues	<u>27,412,986</u>	<u>26,865,721</u>	<u>31,657,744</u>	<u>33,798,410</u>
Total primary government program revenues	<u>66,488,794</u>	<u>41,609,715</u>	<u>77,847,748</u>	<u>83,829,847</u>
Net (Expense)/Revenue				
Governmental activities	(39,029,476)	(42,633,497)	(41,263,619)	(37,915,045)
Business-type activities	5,109,667	1,892,826	3,761,980	5,703,582
Total primary government net expense	<u>(33,919,809)</u>	<u>(40,740,671)</u>	<u>(37,501,639)</u>	<u>(32,211,463)</u>

Schedule 2
UNAUDITED

Fiscal Year Ended June 30					
2013	2014	2015	2016	2017	2018
\$ 8,685,580	\$ 8,823,978	\$ 9,017,535	\$ 10,233,170	\$ 10,372,611	\$ 14,363,323
27,661,032	29,807,897	29,965,336	33,545,346	34,856,261	29,394,734
11,471,347	11,870,834	13,295,707	11,803,571	12,216,069	15,108,477
1,206,154	1,235,631	834,244	741,945	644,426	727,841
1,384,747	1,381,937	1,444,432	1,442,994	2,371,971	1,263,096
3,465,650	3,612,171	3,762,240	4,056,345	3,953,833	4,006,934
536,155	445,709	431,845	385,521	1,994,475	4,836,981
<u>54,410,665</u>	<u>57,178,157</u>	<u>58,751,339</u>	<u>62,208,892</u>	<u>62,208,892</u>	<u>69,701,386</u>
22,905,058	22,560,736	23,658,591	24,989,668	25,141,329	28,174,579
3,117,172	2,968,028	2,857,366	3,130,520	2,223,353	3,269,367
2,229,831	2,195,258	2,229,514	2,146,622	1,927,746	2,764,962
383,635	426,141	471,484	516,110	531,140	574,689
<u>28,635,696</u>	<u>28,150,163</u>	<u>29,216,955</u>	<u>30,782,920</u>	<u>30,782,920</u>	<u>34,783,597</u>
83,046,361	85,328,320	87,968,294	92,991,812	92,991,812	104,484,983
5,607,879	5,723,862	5,862,692	7,009,130	7,179,495	7,399,361
3,534,643	4,151,795	4,563,491	5,474,015	3,875,975	5,139,458
1,176,769	942,340	1,802,601	2,395,568	1,733,456	1,074,690
1,054,639	1,053,817	891,010	1,108,659	1,059,388	1,145,601
427,787	516,728	380,257	478,678	396,907	326,964
<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>2,041,403</u>
13,723,460	14,390,030	15,531,727	18,588,632	16,481,627	17,127,477
4,596,773	4,852,240	4,232,338	5,531,956	5,128,426	4,997,631
81,630	299,977	162,263	148,372	1,917,700	1,460,071
<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>	<u>23,585,179</u>
26,532,412	25,349,015	25,772,888	30,672,689	31,716,708	31,237,079
3,348,553	3,492,617	3,806,662	3,921,394	3,926,728	4,007,092
2,326,020	2,189,652	2,275,535	2,373,123	2,558,056	2,345,541
<u>393,081</u>	<u>477,974</u>	<u>495,244</u>	<u>482,662</u>	<u>488,660</u>	<u>573,426</u>
32,600,066	31,509,258	32,350,329	37,449,868	38,690,152	38,163,138
747,570	634,047	635,612	440,016	354,180	968,812
150,919	-	-	-	-	-
<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>39,131,950</u>
84,500,484	83,194,810	85,262,598	99,608,712	101,262,237	100,880,267
(36,008,802)	(37,635,910)	(38,825,011)	(37,939,932)	(42,881,893)	(46,116,207)
4,862,859	3,993,142	3,768,986	7,106,964	9,220,764	4,348,353
<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>	<u>(41,767,854)</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			
	2009	2010	2011	2012
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	\$ 27,744,049	\$ 28,573,797	\$ 26,152,857	\$ 25,576,233
State-shared revenues	8,873,213	8,228,312	8,280,285	8,392,881
Unrestricted investment earnings	998,889	449,343	300,004	254,940
Gain on sale of capital assets	-	-	-	28,303
Miscellaneous	1,562,187	862,817	477,906	478,914
Transfers	631,647	2,540,203	(795,582)	1,568,859
Total governmental activities	39,809,985	40,654,472	34,415,470	36,300,130
Business-type activities:				
Unrestricted investment earnings	147,023	228,934	182,910	159,675
Gain on sale of capital assets	-	-	-	-
Miscellaneous	583,880	278,324	27,271	56,443
Transfers	(631,647)	(2,540,203)	795,582	(1,568,859)
Total business-type activities	99,256	(2,032,945)	1,005,763	(1,352,741)
Total primary government	39,909,241	38,621,527	35,421,233	34,947,389
Change in Net Position				
Governmental activities	780,509	(1,979,025)	(6,848,149)	(1,614,915)
Business-type activities	5,208,923	(140,119)	4,767,743	4,350,841
Total primary government	\$ 5,989,432	\$ (2,119,144)	\$ (2,080,406)	\$ 2,735,926

Schedule 2
UNAUDITED

Fiscal Year Ended June 30					
2013	2014	2015	2016	2017	2018
\$ 34,016,290	\$ 32,605,336	\$ 39,990,264	\$ 40,810,616	\$ 43,475,312	\$ 44,105,070
8,542,746	9,043,725	8,953,377	9,411,377	10,037,969	11,156,084
153,669	184,685	72,513	119,498	245,423	737,720
-	14,246	31,381	57,705	97,786	65,928
287,116	663,855	316,812	337,022	682,341	67,185
(117,698)	(360,071)	2,380,968	1,001,553	(1,155,651)	(2,377)
<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>	<u>56,129,610</u>
-	-	-	-	-	-
-	26,077	272	-	-	-
-	-	-	-	-	-
117,698	360,071	(2,380,968)	(1,001,553)	1,155,651	2,377
<u>117,698</u>	<u>386,148</u>	<u>(2,380,696)</u>	<u>(1,001,553)</u>	<u>1,155,651</u>	<u>2,377</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>	<u>56,131,987</u>
6,873,321	4,515,866	12,920,304	13,797,839	10,501,287	10,013,403
4,980,557	4,379,290	1,388,290	6,105,411	10,376,415	4,350,730
<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>	<u>\$ 14,364,133</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			
	2009	2010	2011	2012
General fund				
Nonspendable	\$ 131,224	\$ 164,319	\$ -	\$ -
Restricted	-	-	-	445,542
Assigned	-	-	1,300,000	3,075,000
Unassigned	9,675,674	6,721,096	5,221,748	4,374,352
Total general fund	9,806,898	6,885,415	6,521,748	7,894,894
All other governmental funds				
Nonspendable	1,000	1,000	157,957	156,209
Restricted	14,398,540	15,626,008	15,624,242	14,311,485
Assigned	-	-	-	-
Total all other governmental funds	14,399,540	15,627,008	15,782,199	14,467,694
Total governmental funds	\$ 24,206,438	\$ 22,512,423	\$ 22,303,947	\$ 22,362,588

Schedule 3
UNAUDITED

Fiscal Year Ended June 30						
2013	2014	2015	2016	2017	2018	
\$ 37,402	\$ -	\$ 10,974	\$ 11,007	\$ 2,942	\$ -	
529,726	644,917	768,682	695,389	823,324	942,818	
2,950,000	2,855,000	3,092,000	3,092,000	593,000	616,000	
7,391,788	11,149,199	13,085,091	14,481,359	21,321,516	19,445,520	
<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>	<u>21,004,338</u>	
179,085	147,066	172,509	190,679	207,663	145,721	
14,758,634	16,950,720	21,610,510	21,943,777	21,902,318	68,519,731	
2,277,340	3,101,828	2,317,454	2,046,139	898,444	1,246,580	
<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>69,912,032</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>	<u>\$ 90,916,370</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			
	2009	2010	2011	2012
Revenues				
Taxes	\$ 27,894,711	\$ 28,247,608	\$ 26,381,439	\$ 25,741,884
Licenses and permits	2,455,968	2,926,558	2,691,023	3,468,967
Federal grants	1,787,930	1,830,199	2,001,554	3,117,674
State grants	9,261,154	8,676,226	8,703,584	8,774,561
Charges for services	3,806,309	3,688,251	4,281,063	4,168,570
Fines and forfeitures	4,175,074	3,929,759	4,129,803	4,010,892
Interest and rentals	1,320,563	675,657	498,883	499,497
Contributions and donations	1,811,555	1,736,650	1,255,738	1,486,024
Other revenue	1,562,187	862,817	477,906	478,914
Total revenues	54,075,451	52,573,725	50,420,993	51,746,983
Expenditures				
General government	9,004,224	8,925,132	8,331,615	8,807,176
Public safety	25,414,070	26,624,516	24,534,124	23,449,671
Public works	14,057,676	13,873,005	12,460,296	13,506,755
Health and welfare	712,703	688,640	765,013	708,524
Community and economic development	1,405,210	1,864,821	1,843,800	1,901,247
Recreation and culture	3,912,795	3,670,704	3,549,926	3,223,250
Debt service:				
Principal payments	865,000	910,000	945,000	985,000
Interest and paying agent fees	710,111	689,500	666,865	609,981
Bond issuance costs	-	-	-	-
Total expenditures	56,081,789	57,246,318	53,096,639	53,191,604
Revenue over (under) expenditures	(2,006,338)	(4,672,593)	(2,675,646)	(1,444,621)
Other financing sources (uses)				
Issuance of long-term debt	-	-	-	-
Premium on issuance of long-term debt	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	6,058,933	9,250,201	7,427,440	5,898,961
Transfers out	(5,403,007)	(6,271,623)	(4,960,270)	(4,376,101)
Proceeds from sale of assets	-	-	-	-
Total other financing sources (uses)	655,926	2,978,578	2,467,170	1,522,860
Net change in fund balances	\$ (1,350,412)	\$ (1,694,015)	\$ (208,476)	\$ 78,239
Debt service as a percentage of noncapital expenditures	2.98%	3.01%	3.17%	3.18%

Schedule 4
UNAUDITED

Fiscal Year Ended June 30					
2013	2014	2015	2016	2017	2018
\$ 32,657,464	\$ 33,040,104	\$ 40,327,885	\$ 40,812,298	\$ 42,842,346	\$ 44,116,492
4,231,944	4,838,254	5,346,516	6,629,135	5,266,746	6,468,067
2,536,488	2,216,600	1,840,046	1,677,378	874,059	622,073
9,021,184	9,492,853	9,675,169	10,362,532	10,565,275	12,060,928
5,303,604	4,973,544	5,606,654	6,513,571	5,573,732	5,194,808
4,057,370	4,425,958	4,546,629	5,399,533	5,521,496	5,565,482
525,311	557,892	465,430	571,454	853,631	1,454,753
1,338,658	2,077,707	1,272,088	2,217,097	2,886,747	2,154,924
408,205	884,467	583,449	876,644	3,028,574	2,110,299
<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>	<u>79,747,826</u>
 7,999,871	 8,195,123	 8,805,147	 10,259,300	 10,725,709	 14,458,355
24,773,584	26,703,494	30,347,526	31,858,670	36,112,017	26,760,217
13,547,204	14,049,998	18,827,277	24,544,700	26,548,191	20,919,825
769,483	805,658	858,501	735,301	675,256	725,657
1,426,415	1,413,899	1,416,767	1,396,557	2,393,734	1,231,554
3,262,250	3,602,859	3,815,200	4,042,879	4,145,786	3,789,977
 1,020,000	 1,095,000	 1,356,000	 1,423,000	 1,480,876	 5,770,485
520,597	437,427	401,704	399,159	231,120	4,476,624
 -	 -	 32,838	 -	 -	 -
<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>	<u>78,132,694</u>
 6,760,824	 6,203,921	 3,802,906	 400,076	 (4,900,083)	 1,615,132
 4,965,000	 1,127,000	 2,053,000	 3,258,578	 -	 40,965,000
292,966	-	-	153,451	-	3,018,257
(5,060,000)	-	(2,020,162)	(3,353,620)	-	-
20,175,143	21,563,760	25,286,037	31,612,692	40,259,720	27,383,727
(21,392,144)	(22,169,926)	(22,913,344)	(30,668,047)	(32,070,780)	(27,386,104)
 -	 -	 53	 -	 -	 -
<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>43,980,880</u>
 \$ 5,741,789	 \$ 6,724,755	 \$ 6,208,490	 \$ 1,403,130	 \$ 3,288,857	 \$ 45,596,012
 3.18%	 2.90%	 2.98%	 3.03%	 2.57%	 14.62%

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
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
2017	2018	1,974,284,140	405,165,090	38,888,620	131,044,220	5,264,590

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
\$ 2,460,287,390	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%
2,554,646,660	17.6389	3,081,891,080	82.9%

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					
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
2017	2018	7.2031	0.0195	1.9640	0.9706	0.9347	3.872	2.4351	0.2400	17.6389

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 (reduced by Headlee) 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		
2017	2018	7.2031	0.0195	1.9640	0.9706	0.9347	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 97.06% 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)	Inter-mediate School District	Oakland Community College	State Education Tax (SET)	Before School Taxes	School P.R.E. (3)	School Non-P.R.E. (3)	Tax Rate for P.R.E.	Tax Rate for Non-P.R.E.	
5.3361	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
5.7712	3.3079	1.5555	6.0000	34.2735	6.6965	22.2263	40.9700	56.4998	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					
	2009			2018		
	Taxable Value	Rank	Percentage of Total	Taxable Value	Rank	Percentage of Total
Consumers Energy Company	\$ 9,845,680	8	0.40%	\$ 29,809,690	1	1.17%
DTE Electric Company	18,446,510	2	0.75%	24,014,930	2	0.94%
Amber Equities	12,614,880	4	0.51%	16,733,110	3	0.41%
WM Beaumont Hospital	17,371,970	3	0.71%	10,543,720	4	0.66%
Co-op Services	10,248,050	6	0.42%	8,830,600	5	0.35%
Meijer, Inc.	8,523,330	10	0.35%	8,351,370	6	0.33%
Flex-N-Gate	10,460,210	5	0.43%	7,775,820	7	0.30%
National City Bank				6,562,890	8	0.26%
The Kroger Company				6,336,220	9	0.25%
H2 Royal Oak, LLC	10,083,590	7	0.41%	6,263,420	10	0.25%
Sprint Holdings/Form Tech	20,030,990	1	0.81%			
Main Eleven R.O.	8,720,800	9	0.35%			
 Total taxable value of ten largest taxpayers	 126,346,010		 5.14%	 125,221,770		 4.90%
Total taxable value of all other taxpayers	2,333,941,380		94.86%	2,429,424,890		95.10%
 Total taxable value of all taxpayers	 \$ 2,460,287,390		 100.00%	 \$ 2,554,646,660		 100.00%

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
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%
2017	2018	46,295,048	46,234,701	99.87%	16,534	46,251,236	99.90%

(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,			
	2009	2010	2011	2012
Governmental Activities				
General obligation bonds	\$ 19,850,000	\$ 18,610,000	\$ 17,335,000	\$ 16,005,000
Business-type Activities				
General obligation bonds	30,132,387	28,317,387	26,437,387	24,957,387
Revenue bonds, loans, and contractual obligations	<u>30,149,462</u>	<u>29,280,006</u>	<u>27,504,922</u>	<u>25,650,523</u>
Total	<u>60,281,849</u>	<u>57,597,393</u>	<u>53,942,309</u>	<u>50,607,910</u>
Total debt of the City	<u>\$ 80,131,849</u>	<u>\$ 76,207,393</u>	<u>\$ 71,277,309</u>	<u>\$ 66,612,910</u>
Total personal income	\$ 2,736,407,910	\$ 2,801,990,961	\$ 2,859,295,677	\$ 2,863,438,788
Ratio of total debt to personal income	2.93%	2.72%	2.49%	2.33%
Total population	54,365	56,133	57,281	54,903
Total debt per capita	\$1,474	\$1,358	\$1,244	\$1,213

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,					
2013	2014	2015	2016	2017	2018
\$ 14,670,478	14,302,563	\$ 12,634,354	\$ 10,960,611	\$ 122,979,133	\$ 158,311,355
23,147,426	21,597,831	15,475,000	15,658,150	27,525,472	28,057,005
23,739,452	21,778,969	24,281,284	21,655,862	32,233,267	44,891,919
46,886,878	43,376,800	39,756,284	37,314,012	59,758,739	72,948,924
\$ 61,557,356	\$ 57,679,363	\$ 52,390,638	\$ 48,274,623	\$ 182,737,872	\$ 231,260,279
\$ 3,169,998,966 1.94%	\$ 3,316,943,085 2.58%	\$ 3,365,977,560 1.56%	\$ 3,508,809,444 1.38%	\$ 3,744,166,724 4.88%	\$ 2,413,247,400 9.58%
59,478 \$1,035	59,485 \$970	59,016 \$888	58,716 \$822	59,006 \$3,097	59,112 \$3,912

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)		
2009	\$ 10,635,000	\$ 6,700,000	\$ 34,911	\$ 28,317,387		\$ 45,617,476
2010	9,690,000	6,315,000	30,222	26,437,387		42,412,165
2011	8,755,478	5,915,000	33,163	24,957,387		39,594,702
2012	8,807,563	5,495,000	37,897	23,147,426		37,412,092
2013	9,337,563	4,965,000	176,120	21,597,831		35,724,274
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	27,525,472		150,413,119
2018	155,936,355	2,375,000	47,799	28,057,005		186,320,561

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
\$ 2,460,287,390	1.85%	54,365	\$ 839
2,446,695,995	1.73%	56,133	756
2,268,380,950	1.75%	57,281	691
2,222,375,760	1.68%	57,364	652
2,205,933,330	1.62%	59,478	601
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
2,554,646,660	7.29%	59,112	3,152



CITY OF ROYAL OAK, MICHIGAN

Schedule 11
UNAUDITED

Debt Capacity Information

Direct and Overlapping Governmental Activities Debt
June 30, 2018

Government Unit	Gross	Self-Supporting	Net	Net Debt	
				Per Capita	% of Taxable Value
Direct Debt - City of Royal Oak	\$ 231,260,279	\$ 45,150,494	\$ 186,109,785	\$3,148	7.29%
Overlapping Debt:					
	Gross (1)	City share as % of Gross (1)	Net City Share		
Royal Oak School District	\$ 42,230,000	97.06%	\$ 40,988,438		
Berkley School District	57,390,000	1.87%	1,073,193		
Clawson School District	23,012,741	0.90%	207,115		
Oakland County at large	340,795,795	4.66%	15,881,084		
Oakland Intermediate School District	44,695,000	4.68%	2,091,726		
Oakland County Community College	-	0.00%	-		
Total Overlapping Debt	508,123,536		60,241,556	1,025.98	2.55%
Total Direct and Overlapping Debt	\$ 739,383,815		\$ 246,351,341	\$4,174	9.84%

(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	2009	2010	2011	2012
Valuation base				
State equalized valuation - excluding IFT values	\$ 2,986,475,590	\$ 2,808,167,535	\$ 2,462,441,170	\$ 2,349,535,700
Plus: equivalent valuation of Act 198 exemptions	4,893,960	4,908,820	5,712,590	14,124,730
Total valuation	<u>\$ 2,991,369,550</u>	<u>\$ 2,813,076,355</u>	<u>\$ 2,468,153,760</u>	<u>\$ 2,363,660,430</u>
Legal debt limitation - 10% of total valuation	\$ 299,136,955	\$ 281,307,636	\$ 246,815,376	\$ 236,366,043
Calculation of debt subject to limit:				
Debt outstanding	76,207,393	71,277,309	66,612,910	66,612,910
Less: bonds not subject to limit	(46,396,849)	(44,452,393)	(26,437,387)	(38,897,910)
Net debt subject to limit	<u>29,810,544</u>	<u>26,824,916</u>	<u>40,175,523</u>	<u>27,715,000</u>
Additional debt which can be legally incurred	<u>\$ 269,326,411</u>	<u>\$ 254,482,720</u>	<u>\$ 206,639,853</u>	<u>\$ 208,651,043</u>
Non-exempt debt as a percent of debt limit	9.97%	9.54%	16.28%	11.73%

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 health by abating pollution; and bonds issued for construction, improvements and replacement of a combined sewer overflow abatement facility. The resources of a sinking fund pledged for the retirement of outstanding bonds shall also be excluded in computing the debt limitation."

Schedule 12
UNAUDITED

2013	2014	2015	2016	2017	2018
\$ 2,335,410,970	\$ 2,320,467,120	\$ 2,496,528,450	\$ 2,685,865,760	\$ 2,862,962,230	\$ 3,076,626,490
9,577,040	9,507,670	9,076,090	7,856,290	5,724,260	5,264,590
<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>	<u>\$ 3,081,891,080</u>
\$ 234,498,801	\$ 232,997,479	\$ 250,560,454	\$ 269,372,205	\$ 286,868,649	\$ 308,189,108
61,696,839	57,679,363	52,390,638	48,274,623	182,737,872	231,260,279
(35,986,839)	(33,001,356)	(29,925,435)	(25,246,458)	(32,379,766)	(45,150,494)
<u>25,710,000</u>	<u>24,678,007</u>	<u>22,465,203</u>	<u>23,028,165</u>	<u>150,358,106</u>	<u>186,109,785</u>
<u>\$ 208,788,801</u>	<u>\$ 208,319,472</u>	<u>\$ 228,095,251</u>	<u>\$ 246,344,040</u>	<u>\$ 136,510,543</u>	<u>\$ 122,079,323</u>
10.96%	10.59%	8.97%	8.55%	52.41%	60.39%

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 June 2018.

	10% SEV	5% SEV*
FY 17-18 State Equalized Value (SEV)	\$ 3,081,891,080	\$ 3,081,891,080
Debt limit	308,189,108	154,094,554
Debt outstanding	231,260,279	231,260,279
Less: exempt obligations	(45,150,494)	(170,364,506)
Debt subject to SEV limitation	186,109,785	60,895,773
Additional debt which may be legally incurred	122,079,323	93,198,781
Non-exempt debt outstanding as a percentage of SEV	6.04%	1.98%

* 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					
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%	
2018	31,237,079	23,046,899	8,190,180	3,781,779	1,016,210		4,797,989		171%	
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%	
2018	4,007,092	1,713,398	2,293,694	675,000	487,013		1,162,013		197%	

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)
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	4,975
2018	30,421	59,112	40,825	2,413,247	36.5	4,952

Source:

- (1) U.S. Census/city website
- (2) Bureau of Economic Analysis

Bearfacts for Oakland County, MI. 2011-2015 Estimated using last year available.

**prior years show median income, per capita personal income will be shown going forward based on 2000 US Census data using 2004-2007 Business Analyst ESRI estimates.

- (4) Royal Oak Schools Fall enrollment count
- (5) Bureau of Labor Statistics/city website
- (6) Bureau of Labor Statistics, June 2018 Estimates

Schedule 14
UNAUDITED

Royal Oak (5)		Michigan (5)	
Labor Force	Unemployment Rate	Labor Force (000)	Unemployment Rate
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%
38,317	2.1%	4,911	4.4%

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

Company Name	Product/Service	2009			2018		
		Employees	Rank	Percentage of Total	Employees	Rank	Percentage of Total
William Beaumont Hospital	Hospital	10,362	1	31.32%	13,176	1	34.39%
Royal Oak Public Schools	Education	582	2	1.76%	580	2	1.51%
City of Royal Oak	Municipality	312	4	0.94%	505	3	1.32%
Detroit Zoo	Zoo	210	8	0.63%	420	4	1.10%
Holiday Market	Retailer/grocery store	300	5	0.91%	300	5	0.78%
Consumers Energy	Utility	270	6	0.82%	368	6	0.96%
Flex-n-Gate	Automotive supplier	180	10	0.54%	352	7	0.92%
Meijer	Retailer/grocery store	250	7	0.76%	256	8	0.67%
Oakland Community College	Education				119	9	0.31%
Comau LLC	Automotive supplier				100	10	0.26%
Howard & Howard	Legal	317	3	0.96%			-
HHI-Form Tech Industries	Automotive supplier	200	9				
Total		<u>12,983</u>		<u>39.24%</u>	<u>16,176</u>		<u>42.22%</u>

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	27	20	20	26	24	26	26	29	29
Other police vehicles	16	13	15	15	15	25	24	24	24	26
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	0	0	0	0	0	0	0	-
Other fire vehicles	*	*	*	*	*	10	10	10	10	10
Public Parking										
Spaces	3,678	3,678	3,678	3,678	3,678	3,730	3,815	3,815	3,465	3,785
Decks	1,532	1,532	1,532	1,532	1,532	1,532	1,532	1,532	1,532	1,983
Lots	1,244	1,380	1,380	1,380	1,380	1,380	1,473	1,473	1,195	974
Streets	766	766	766	766	766	818	810	810	738	783
Meters	2,010	2,151	2,151	2,210	2,210	2,203	2,203	2,203	1,352	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	51	51	51	51
Park acreage	310	310	310	310	310	310	352	352	352	352
Golf courses/holes	2 / 9 ea.	2 / 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	32/1	32/1	31/2	31/2	31/2	31/2
					pickleball	pickleball	pickleball	pickleball	pickleball	pickleball
Library										
Branches	1	1	1	1	1	1	1	1	1	1
Collection -number of items	175,713	185,301	177,803	181,523	181,474	186,223	184,362	179,393	162,945	154,781
Public computers	36	36	47	44	44	38	38	37	36	36
Roads and Sidewalks										
Miles of major streets	64.40	64.40	64.40	64.40	63.96	63.96	63.96	63.96	63.96	63.96
Miles of local streets	148.27	148.27	148.27	148.27	148.24	148.41	148.41	148.63	148.63	148.63
Miles of sidewalk	420	420	421	420.6	421.3	422.2	423	423	425	428
Utilities										
Water										
Miles of water main	216	215.50	217.00	217.43	218	217.59	219	219	219	219
Miles of sewer	358	357.70	358.50	358.65	359	359.27	361	361	362	363
Number of hydrants	2,070	2,070	2,111	2,115	2,127	2,138	2,138	2,138	2,159	2,167
Forestry										
Number of trees in rights-of-way	23,121	23,121	20,781	22,048	20,541	20,262	27,149	26,456	18,983	18,922

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	2009	2010	2011	2012
Election data (calendar year)				
Registered voters	47,374	48,167	48,167	49,034
Elections held	1	1	1	3
Voters (at the polls or absentee)	8,553	7,456	7,456	34,607
Percent voting	17.7%	15.5%	15.5%	70.6%
Vital Records (calendar year)				
Birth	8,404	5,053	5,070	5,983
Death	2,017	1,870	1,823	1,693
District Court (calendar year)				
Number of court cases by judges/magistrates	15,879	17,263	15,636	14,701
Number of traffic tickets disposed	20,692	18,797	13,906	13,836
Number of criminal cases disposed	3,354	4,743	4,503	1,968
Number of civil cases disposed	3,288	3,358	3,024	2,879
Number of parking tickets disposed	77,403	87,650	98,003	97,425
Assessing				
Parcels (tax / calendar year)	27,754	27,632	27,608	27,641
Documents processed (prior to 2008 PTAs only)	1,254	1,194	4,479	4,061
Building and Safety				
Permits issued	564	1,636	1,741	1,601
Estimated permit value (\$000)	\$6,859	\$34,772	\$30,539	\$33,116
Police (calendar year, 2009 through June 30)				
Calls for service	31,602	31,111	29,887	37,297
Group A offenses	3,242	2,949	2,963	2,601
Group B offenses	2,478	2,199	1,948	1,179
Traffic violations issued	17,212	15,221	13,659	13,035
Parking violations issued	86,322	88,830	97,391	93,661
Fire				
Fire runs	1,532	1,625	1,806	1,824
Emergency medical runs	3,828	3,537	3,711	3,898
Inspections	291	513	435	515
Human Resources				
Employment applications - full & part-time	548	332	333	822
Hires, position changes, retirements, terminations	49	78	202	107
Workers' comp. claims filed - medical & indemnity	64	66	61	61
Health insurance enrollees - Employees	287	293	242	254
Health insurance enrollees - Retirees	379	391	408	438

Source: City Departments
 Note: * Information not available

Schedule 17
UNAUDITED

2013	2014	2015	2016	2017	2018
49,080	49,124	48,202	48,898	48,314	*
1	2	2	3	1	*
12,555	23,734	12,305	35,350	12,419	*
25.6%	48.3%	25.5%	72.3%	25.8%	*
5,072	5,384	5,958	6,703	6,903	*
1,767	1,435	1,763	1,693	1,736	*
13,140	15,223	18,969	32,027	29,386	30,805
12,835	14,495	15,095	25,158	22,390	23,379
3,913	3,141	4,269	2,604	2,456	2,746
2,945	2,561	2,349	3,254	4,540	4,835
93,388	95,643	93,115	92,658	80,281	71,024
27,641	27,693	27,791	27,857	27,904	28,049
4,284	9,561	8,190	11,849	15,209	14,529
1,779	2,030	2,374	2,194	2,402	2,399
\$70,480	\$81,609	\$77,778	\$167,991	\$121,953	\$214,660
40,744	44,616	48,051	46,563	49,139	*
2,305	2,205	2,320	2,309	1,962	*
1,271	1,228	1,296	1,333	1,400	*
12,317	14,147	13,178	16,003	15,827	*
96,385	92,454	86,955	75,627	67,537	*
2,020	2,158	2,277	2,179	2,121	2,112
3,993	3,789	3,778	3,976	3,883	4,104
448	464	590	611	702	496
1,007	901	1,142	688	2,374	1,205
154	290	383	176	322	107
63	57	41	44	50	25
266	225	242	245	321	263
440	420	434	431	461	379

continued...

CITY OF ROYAL OAK, MICHIGAN

Operating Information

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

Function / Program	2009	2010	2011	2012
Library (The library was closed for eight months in FY 2006 during remodeling.)				
Cardholders - new registrations	4,860	4,620	4,064	3,677
Cardholders - total registrations	28,166	30,700	31,762	32,262
Circulation - number of transactions	405,067	423,356	455,847	451,097
Number of visitors	618,279	653,482	651,552	572,957
Number of computer uses	77,910	65,858	64,075	74,560
Number of programs/events offered	549	532	510	704
Number of program/event attendees	15,862	14,664	16,172	16,323
Parks and recreation				
Ice rental and other use (hours per calendar year)	7,820	7,459	7,511	*
Recreation program participants	16,208	16,548	16,560	16,600
Golf Course				
Rounds of Golf - Normandy Oaks	16,136	14,224	10,275	9,536
Rounds of Golf - Royal Oak	26,017	24,354	17,970	17,340
Senior Programs				
Senior activity sessions	3,879	4,019	4,147	4,176
Senior activity participants	95,832	96,549	90,641	95,742
Senior meals served on-site and delivered	34,010	34,496	28,208	24,052
Senior transportation trips	18,690	16,755	15,249	14,101
Senior AGE program - Service Hours	24,000	19,675	24,000	24,000
Senior ROSES program in-home support jobs	2,542	2,617	3,164	3,839
Public Works / Engineering				
Miles of street resurfaced	3	3	3	3
Square feet of sidewalk - removed & replaced	31,000	43,465	29,583	242,330
Square feet of sidewalk - new	1,000	2,069	1,100	1,989
Curbside refuse collected (tons)	24,939	23,587	23,226	22,780
Curbside compost collected (tons)	10,432	10,337	9,943	7,770
Curbside recyclables collected (tons)	3,654	3,754	3,940	3,908
Leaf collection (tons)	3,643	3,256	10,340	3,677
Feet of watermain - replaced	9,765	6,048	8,270	5,323
Feet of watermain - new	2,333	2,527	499	892
Feet of sewer - replaced	1,967	-	-	-
Feet of sewer - new	989	-	-	801
Utilities - Water and Sewer				
Number of customers billed	23,894	23,892	23,907	23,912
Water units purchased (100 cubic feet)	278,193,100	260,659,900	266,638,900	275,758,400
Water units billed (100 cubic feet)	261,780,300	247,389,000	264,545,100	248,509,201
Wastewater units disposed (100 cubic feet)	277,958,800	264,178,600	266,435,300	275,555,200

Source: City Departments
 Note: * Information not available

Schedule 17
UNAUDITED

2013	2014	2015	2016	2017	2018
3,648	3,667	3,697	3,634	3,785	3,816
32,367	30,855	32,914	33,140	24,317	24,262
405,101	393,843	378,252	372,934	403,009	399,759
519,595	341,951	213,784	347,223	369,996	193,697
66,234	55,699	42,871	36,782	38,387	36,139
521	483	439	425	513	507
15,441	14,093	10,885	13,518	15,503	16,794
7,888	7,932	8,087	8,193	8,300	8,296
16,688	16,320	16,055	16,222	16,300	16,290
9,127	8,432	-	-	-	-
16,240	16,187	20,760	18,225	18,700	15,327
4,214	3,994	3,981	3,888	3,742	3,859
87,787	84,614	74,266	72,007	73,472	73,362
13,429	11,378	11,340	10,839	10,563	10,498
12,611	12,571	13,559	12,863	13,095	11,302
24,000	24,000	24,000	24,000	24,000	24,000
2,090	2,073	2,074	2,066	2,081	2,457
2	1	1	6	7	5
299,618	365,765	287,645	500,991	330,551	161,514
19,363	23,533	18,952	14,256	55,994	73,732
22,145	20,717	29,341	23,565	24,444	22,334
7,730	11,143	11,115	10,551	7,089	9,991
4,690	3,655	3,906	4,035	4,229	5,410
3,330	3,550	3,260	unavailable	2,397	5,547
10,160	10,127	11,838	9,709	13,532	-
840	-	2,781	1,174	4,883	2,933
-	60	635	-	785	-
801	3,265	2	-	5,703	3,055
23,929	23,264	23,159	23,646	24,335	24,435
262,629,400	250,522,400	247,902,200	253,900,000	247,413,200	245,776,500
246,613,100	233,014,700	215,800,400	228,319,400	242,515,739	237,825,100
262,378,200	232,943,600	215,790,000	228,296,800	239,653,661	237,423,300

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
44th District Court/Probation	22	22	20	20	20	20	22	27	28	28
Administrative Services										
Manager	2	2	2	2	3	3	5	5	5	5
Attorney	4	4	3	3	3	4	4	4	3	4
City Clerk	4	5	4	4	4	5	5	5	5	5
Human Resources	4	4	2	2	2	2	3	3	3	4
Building	11	8	5	5	5	6	11	11	11	14
Code Enforcement	4	6	4	2	2	5	5	5	5	5
Engineering	10	10	7	9	7	7	8	13	13	13
Planning	5	4	4	4	3	4	3	4	4	4
Block Grant	2	1	1	1	1	1	-	-	-	-
Housing	1	2	1	1	-	-	1	1	1	1
Finance Group	6	6	6	5	5	5	6	6	7	7
Assessing	4	4	4	3	3	3	4	4	4	4
Purchasing	1	-	-	-	-	-	-	-	-	-
Treasurer	5	4	4	4	4	3	3	3	4	5
Water Billing	1	1	1	1	1	1	1	1	1	1
Information Systems	4	4	4	4	4	4	4	4	5	5
Economic Development	-	-	-	-	-	-	1	1	1	1
Subtotal	68	65	51	49	46	52	63	68	71	76
Library	13	12	12	11	10	10	9	8	8	8
Public Safety										
Police	103	98	82	77	81	96	97	98	98	98
Fire	63	62	56	56	56	56	56	56	56	56
Subtotal	166	160	138	133	137	152	153	154	154	154
Recreation & Public Services										
Public Service										
Parks & Forestry	8	8	2	8	7	7	7	7	7	7
CH Building Maintenance	2	2	2	2	2	2	2	2	2	2
Highway	14	14	-	-	-	-	-	2	2	3
Motor Pool	11	11	10	9	9	9	9	9	9	9
Electrical	1	1	1	-	-	-	-	1	1	1
Solid Waste	1	2	15	13	14	14	14	14	14	15
Water Maintenance	9	8	12	8	7	7	7	8	8	8
Water Meter Services	6	6	5	5	4	4	4	4	4	4
Sewer Maintenance	9	8	9	8	7	7	7	7	7	9
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	-	-	-	-	-	-	-
Senior Services	2	2	2	1	1	1	1	1	1	1
Subtotal	69	68	64	59	56	56	56	59	59	63
Total	338	327	285	272	269	290	303	316	320	329

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

Source: City Finance Department

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

December 3, 2018

Honorable Mayor and City Council
City of Royal Oak, Michigan

We have audited, in accordance with the 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, the 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* (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 3, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lehmann Johnson LLC