



City of
Royal Oak,
Michigan



Year Ended
June 30, 2020

Comprehensive
Annual
Financial
Report

City Commission

Mayor

Michael Fournier

Mayor Pro Tem

Patricia Paruch

Commissioners

Sharlan Douglas

Randy LeVasseur

Kyle DuBuc

Melanie Macey

Kim Gibbs

Administration

City Manager

Paul J. Brake

Director of Finance

Julie Rudd

Assistant Finance Director/Controller

Anthony DeCamp

Prepared by the Finance Department



CITY OF ROYAL OAK, MICHIGAN

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INTRODUCTORY SECTION





Finance Department
203 South Troy Street
Royal Oak, MI 48067

December 4, 2020

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, 2020. 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 LLC. The city has received an unmodified opinion for the June 30, 2020 fiscal year's statements. An unmodified opinion is the most favorable opinion that can be issued. The auditors' opinion does not encompass information in the introductory or the statistical sections of this report. The independent auditors' 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 and medical 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). Annually, the city hosts the annual Arts, Beats & Eats festival during Labor Day weekend, attracting hundreds of thousands of visitors, however in 2020 the festival was scaled down due to the COVID-19 pandemic.

The city's recreational services include over 50 public neighborhood parks, 30 baseball fields, a public ice arena, a public golf course, a mini-course and driving range, 28 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 decreased by twenty-eight percent. However, this decrease is attributed to the impact of the COVID-19 pandemic during the last quarter of the year.

The city's assessed taxable value percentage increased slightly in the commercial property category. For fiscal year 2019-20, residential property value is 77.52 percent of the city's assessed taxable value, 16.61 percent commercial property, 1.44 percent industrial property and 4.43 percent personal property. The industrial, commercial and residential values have vacant values included in the percentages

Even in the midst of the COVID-19 pandemic, Royal Oak continues to be one of Southeast Michigan's most desired cities for new commercial investment. Site work has just begun at Baker College's \$27.6 million, 80,000 square foot facility in downtown Royal Oak. Operations from three Baker campuses in Michigan will be shut down and consolidated into the new Royal Oak campus, which will serve about 1,500 students and 50 staff when it opens in 2022. Also downtown, Bamboo Detroit, a tech-focused coworking incubator, is completing its first project outside of the City of Detroit. Its expansion into a 20,000 square foot building in downtown Royal Oak will open in January 2021. It joins over sixty creative and technology companies who have located to Royal Oak since 2010, including Hulu's Detroit office, Vectorform, Dassault Systems, Gongos, and RPM Logistics, who is projected to increase the number of its employees downtown from 100 to over 600 by 2023.

Beaumont, the city's largest employer, opened two new urgent care facilities in the city in 2020. The first, located at Woodward Corners, was its 13th and largest urgent care facility at 5,400 square feet. The second opened in Fall 2020 in Downtown Royal Oak. These will join Henry Ford Health Systems' new \$70 million, 145,000 square foot outpatient medical center in the heart of the city. Opening in the first quarter of 2021, the Henry Ford facility will focus on women's health, pediatrics, sports medicine, rehabilitation, radiology, primary care and outpatient surgery.

Looking to the future, Oakland County's latest Economic Outlook predicts that Oakland County will enjoy a faster job recovery from the pandemic than the state and the country overall, with an unemployment rate in 2022 that will be nine-tenths of a percentage point lower than the U.S. rate of 6.9% and 0.5% below the Michigan rate of 6.5%.

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. The city's 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 \$74,140, which is higher than the median annual income of the United States, the State of Michigan and Oakland County. Royal Oak's unemployment rate for June 2022 was 9.5 percent, which compares favorably to the State's unemployment rate of 15.0 percent for the same period.

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 mostly by extrapolating 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 FY19-20 budget was prepared less conservative than in prior years in an effort to be more accurate. The fiscal year ending 2020 general fund fund balance decreased by \$2.898 million as opposed to \$2.747 million originally budgeted due to fines/forfeiture and state grant revenues lower than originally anticipated. The revenue variance was offset by expenditures in general governmental and recreation/culture lower than originally budgeted. The year ended with unassigned general fund fund balance of \$13.626 million or 33 percent of expenditures and transfers out; a decline from 40 percent the prior year. Transfers out of the general fund consisted of \$21 million to the public safety fund to cover annual operating costs; \$2.2 million for the second year of Royal Oak Civic Center debt payments; \$600,000 to advance certain development work at the new Normandy Oaks park; \$465,220 for court building debt payments, \$350,000 to subsidize senior center operating costs; \$22,690 for the city's portion of the indigent defense fund and \$22,000 for the commission for the arts and Memorial Day parade.

Long-term Financial Planning

Not only did the city prepare a four year projection during the budget preparation process, for a tenth year, the city administration prepared a comprehensive six-year capital improvement plan (CIP). The CIP was unanimously adopted by the planning commission prior to the end of the fiscal year budget process. Information from the capital improvement plan is also included in the budget document's 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 \$156 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 resulting in a millage proposal and helps to coordinate water utility projects.

The city commission conducts strategic planning sessions each year prior to the administration's budget preparation. At the latest session, the city leaders resolved to focus on the following infrastructure tasks: work with the Oakland County Water Resources Commission to reduce stormwater sewer flows from neighboring communities to the city, private lead water service line replacement, improve the PASER ratings for the local roads, and develop a strategy for major road improvements. In addition, objectives include focusing on succession planning of the city's human resources along with compensation studies and to improve upon satisfaction survey data. The leaders are also focusing on operating the city in an environmentally sustainable manner and to improve upon protecting the environment by completing a sustainability study in the near future. The plan is to reduce the city's greenhouse gas emissions, reduce energy costs and specify climate and energy action goals.

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. Six 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. Four 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. Currently, the finance department is in the process of filling a new position that will improve upon safeguarding city assets while performing tasks such as city payroll processing.

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 \$1,265,000 in federal grant revenue, mostly for the Community Development Block Grant which is a significant increase 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, 2019. 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, 2020. 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,



Paul J. Brake
City Manager



Government Finance Officers Association

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

Presented to

**City of Royal Oak
Michigan**

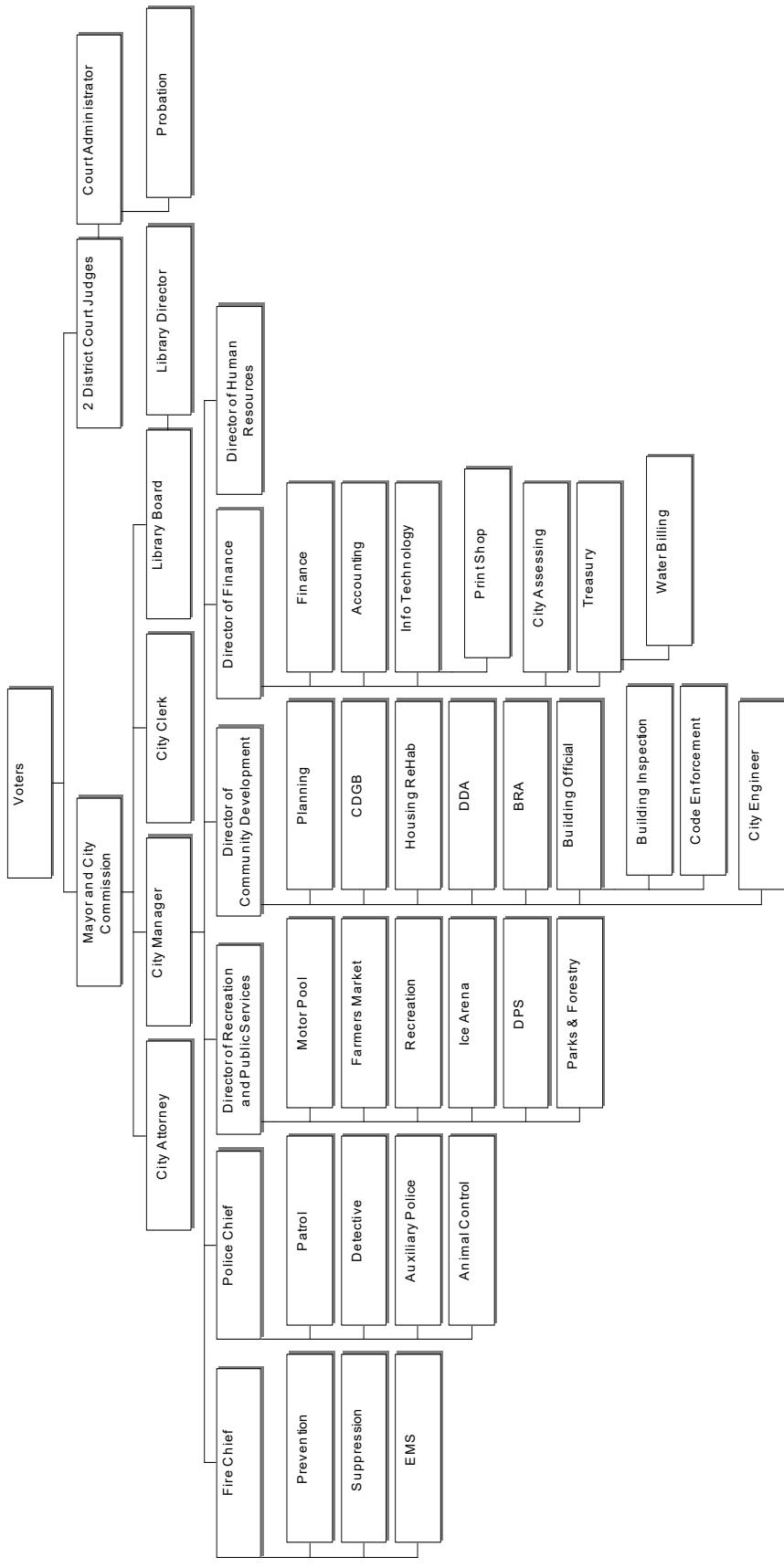
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

CITY OF ROYAL OAK, MICHIGAN
Organization Chart
As of June 30, 2020



CITY OF ROYAL OAK, MICHIGAN

Principal Officials

As of June 30, 2020

City Manager	Paul J. Brake
Finance Director	Julie Jenuwine Rudd
Assistant Finance Director	Anthony DeCamp
Assistant City Manager / Chief of Police	Corrigan O'Donohue
Building Official	Jason Craig
City Assessor	James Geiermann
City Attorney	David W. Gillam
City Clerk	Melanie Halas
City Engineer	Holly Donoghue
City Treasurer	Jaynmarie Hubanks
Court Administrator	Tami Bone
Community Development Director	Timothy Thwing
Fire Chief	David Cummins
Human Resources Director	Dennis Van de Laar
Information Technology Manager	Mike Kirby
Library Director	Emily Dumas
Recreation and Public Services Director	Aaron Filipski



FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

December 4, 2020

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, 2020, 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.

Rehmann is an independent member of Nexia International.



📍 675 Robinson Road, Jackson, MI 49203

📞 517.787.6503

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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund and the 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 introductory section, combining and individual fund financial statements and schedules, and statistical section 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 4, 2020, 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.

Rehmann Loham LLC



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, 2020. 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	\$ 179,577,344
• Change in total net position	(3,151,402)
• Fund balances, governmental funds	66,094,528
• Change in fund balances, governmental funds	(23,335,872)
• Unassigned fund balance, general fund	13,625,862
• Change in fund balance, general fund	(2,897,694)
• Installment debt outstanding	200,647,687
• Change in installment debt	(13,720,244)

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 two other major funds: public safety 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 \$179,577,344, a decrease of \$3,151,402, or 1.72 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 (25%) represents resources that are subject to external restrictions on how they may be used. The city's unrestricted net position deficit of \$153,422,245, an increase of \$20,480,926 over the previous year, occurred primarily due to the increased liability for both pension and healthcare retirement benefits from the lack of investment earning due to funding deficit in city's governmental-type activities, and the use of cash increasing net investment in capital assets in the automobile parking system fund and the water and sewer fund.

CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 106,593,343	\$ 128,029,352	\$ 23,589,862	\$ 28,676,917	\$ 130,183,205	\$ 156,706,269
Capital assets, net	219,982,797	190,281,355	150,705,162	151,355,732	370,687,959	341,637,087
Total assets	326,576,140	318,310,707	174,295,024	180,032,649	500,871,164	498,343,356
Deferred outflows of resources	23,458,726	32,066,094	2,087,285	2,409,883	25,546,011	34,475,977
Long-term debt outstanding	148,400,669	155,830,720	61,377,997	67,819,948	209,778,666	223,650,668
Other liabilities	129,910,690	114,342,693	6,862,896	7,252,894	136,773,586	121,595,587
Total liabilities	278,311,359	270,173,413	68,240,893	75,072,842	346,552,252	345,246,255
Deferred inflows of resources	258,223	4,448,861	29,356	395,471	287,579	4,844,332
Net position:						
Net investment in capital assets	183,352,675	172,140,496	104,316,911	99,639,992	287,669,586	271,780,488
Restricted	45,330,003	43,889,577	-	-	45,330,003	43,889,577
Unrestricted (deficit)	(157,217,394)	(140,275,546)	3,795,149	7,334,227	(153,422,245)	(132,941,319)
Total net position	\$ 71,465,284	\$ 75,754,527	\$ 108,112,060	\$ 106,974,219	\$ 179,577,344	\$ 182,728,746

The city's net position decreased by \$3,151,402 during the current fiscal year as compared to a \$6,380,036 increase in the previous year. The current year decrease is mostly attributed to the decrease of program revenues (charges for services and capital grants) in both governmental and business-type activities as well as higher governmental activities expenses.

Governmental Activities

Governmental activities decreased the city's net position by \$4,289,243 as compared to a \$3,735,063 increase in the previous year, a difference of \$8,024,306 between the two years. This decrease in net position is primarily due to increased public safety and public works expenses and decreased general government, public safety, and recreation and culture charges for services.

Business-type Activities

Business-type activities increased the city's net position by \$1,137,841 as compared to a \$2,644,973 increase in the previous year, a difference of \$1,507,132. The reduced increase in net position in comparison to last year is largely due to both a reduction in charges for services in the parking fund and a loss on the disposal of capital assets.

CITY OF ROYAL OAK, MICHIGAN

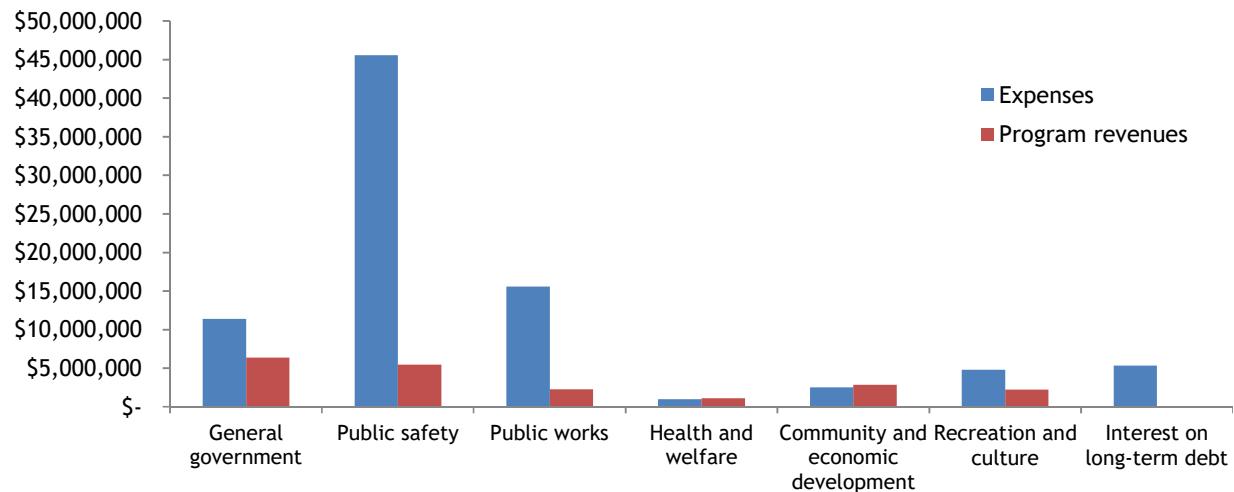
Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program revenues:						
Charges for services	\$ 14,232,681	\$ 16,942,479	\$ 32,631,356	\$ 34,141,410	\$ 46,864,037	\$ 51,083,889
Operating grants	5,739,450	6,650,018	790,924	1,022,784	6,530,374	7,672,802
Capital grants	306,117	1,372,826	-	-	306,117	1,372,826
General revenues:						
Property taxes	46,697,585	44,701,037	2,889,836	2,849,306	49,587,421	47,550,343
State shared revenues	13,379,442	12,873,364	73,081	-	13,452,523	12,873,364
Other	1,243,639	1,235,460	-	-	1,243,639	1,235,460
Total revenues	81,598,914	83,775,184	36,385,197	38,013,500	117,984,111	121,788,684
Expenses:						
General government	11,382,087	11,074,646	-	-	11,382,087	11,074,646
Public safety	45,580,867	40,636,081	-	-	45,580,867	40,636,081
Public works	15,575,908	14,389,451	-	-	15,575,908	14,389,451
Health and welfare	962,860	764,584	-	-	962,860	764,584
Community and economic development	2,507,284	2,789,079	-	-	2,507,284	2,789,079
Recreation and culture	4,780,355	5,204,465	-	-	4,780,355	5,204,465
Interest on long-term debt	5,340,663	5,497,483	-	-	5,340,663	5,497,483
Water and sewer	-	-	27,084,061	27,746,374	27,084,061	27,746,374
Parking	-	-	5,298,493	4,466,562	5,298,493	4,466,562
Recreation	-	-	2,066,368	2,258,175	2,066,368	2,258,175
Farmers market	-	-	556,567	581,748	556,567	581,748
Total expenses	86,130,024	80,355,789	35,005,489	35,052,859	121,135,513	115,408,648
Change in net position, before transfers						
	(4,531,110)	3,419,395	1,379,708	2,960,641	(3,151,402)	6,380,036
Transfers	241,867	315,668	(241,867)	(315,668)	-	-
Change in net position	(4,289,243)	3,735,063	1,137,841	2,644,973	(3,151,402)	6,380,036
Net position:						
Beginning of year	75,754,527	72,019,464	106,974,219	104,329,246	182,728,746	176,348,710
End of year	\$ 71,465,284	\$ 75,754,527	\$ 108,112,060	\$ 106,974,219	\$ 179,577,344	\$ 182,728,746

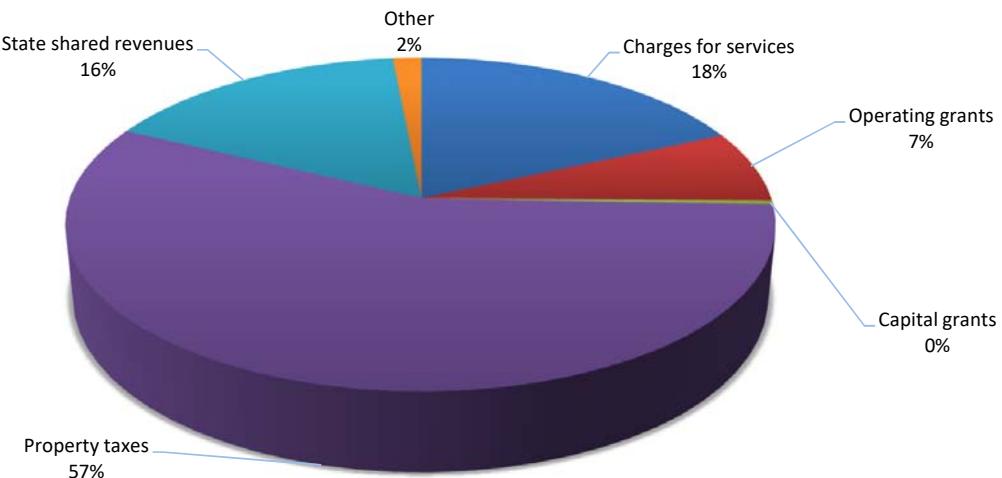
CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

Expenses and Program Revenues - Governmental Activities



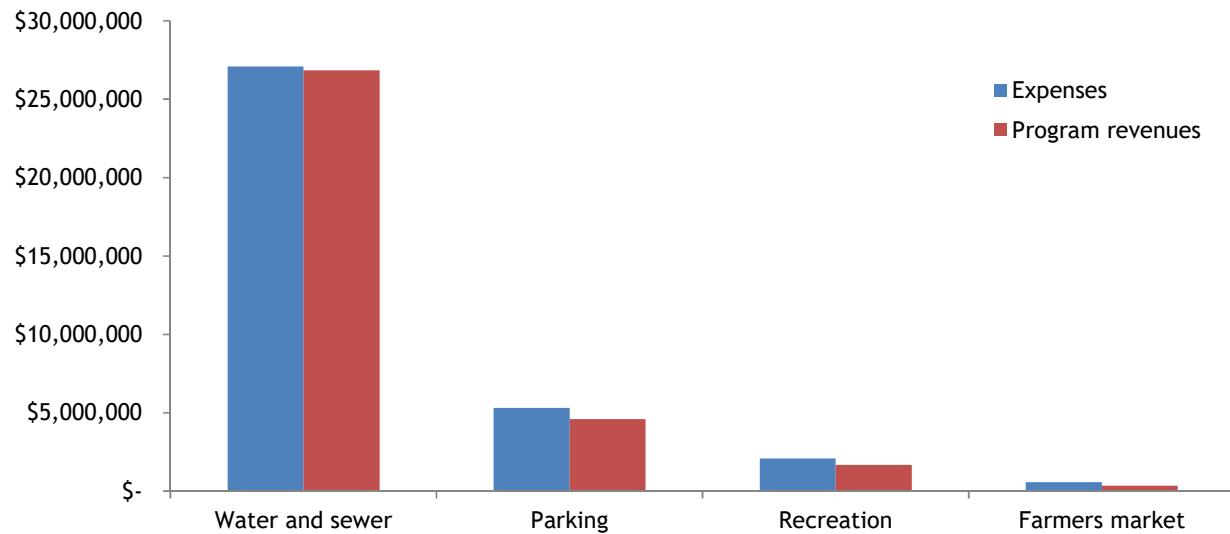
Revenues by Source - Governmental Activities



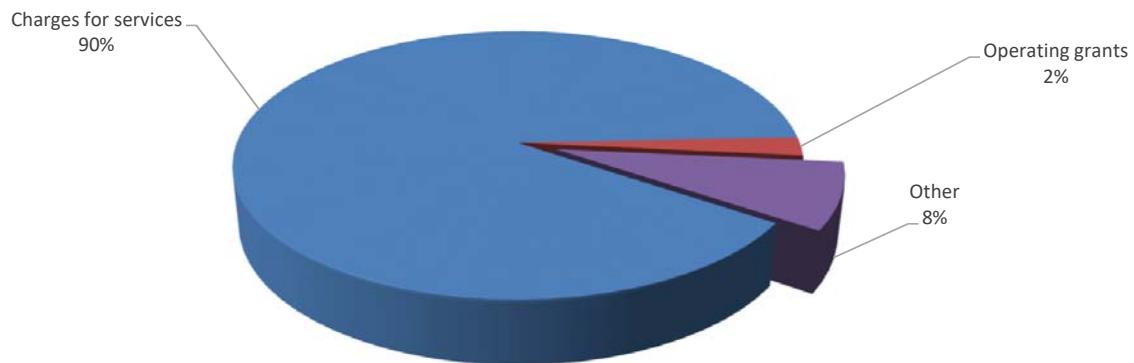
CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

Financial Analysis of the City's Funds

As the city completed the fiscal year, its governmental funds reported combined ending fund balances of \$66,094,528. Of this, \$50,415,585 is legally restricted and/or unavailable to spend (i.e. amounts tied up in inventories), \$2,053,081 is assigned for designated purposes, leaving \$13,625,862 unassigned.

General Fund Budgetary Highlights

The general fund is the chief operating fund of the city. Revenues in the general fund were \$532,613 below the original budget. The decrease is mostly attributed to the major revenue sources (state grants and fines/forfeitures and interest/rentals) under budget \$143,807 and \$880,557, respectively. The most significant decrease was due to the Court's decrease in criminal traffic fines and a reduction in State Shared revenue. Expenditures were \$668,798 less than the amended budget and \$379,948 less than the original budget mostly due to contracted public defendant attorney expenses for the court occurring in a different fund, as well as contracted services in several departments decreasing, parks and forestry capital project and contingency savings and due to numerous part-time staff vacancies as well as full-time staff vacancies in city managers office.

At the end of the current fiscal year, unassigned fund balance of the general fund was \$13,625,862 while total fund balance was \$15,236,892. 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 33 percent of total general fund expenditures and transfers out, while total fund balance represents 37 percent of general fund expenditures and transfers out.

The fund balance of the city's general fund decreased by \$2,897,694 during the current fiscal year. However, the original budget included \$2,746,510 use of fund balance. The difference was mostly due to criminal traffic fines lower than the original budget.

Public Safety Fund

The public safety fund has a total fund balance of \$1,611,509. The net increase in fund balance during the current year was \$38,527. The increase in fund balance was primarily due to a small federal grant and additional tax revenue. A one-time anonymous donation to the police department to be used to supplement the ARC pension contribution payment was the most significant highlight for the year in this fund.

City Capital Projects Fund

Fund balance for the city capital projects fund decreased by \$20,985,922 during the year. The decrease in fund balance was primarily due to spending \$22 million of the bond proceeds for the ROCC project and \$1.2 million for the Normandy Oaks Park project, \$278,390 for Royal Oak golf course pathway improvements, netted against a \$1.4 million transfer from the police grants fund along with \$512,747 of interest income. The \$18,171,854 in fund balances will be expended mostly on a new police station, 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 \$4,243,618, mostly due to recording of retirement benefits liability. The total increase in net position for water and sewer was \$2,478,629. This increase in net position this year was mostly due to salaries/benefits, supplies, and other services/charges expense decreases.

Auto Parking Fund

Unrestricted net position for the auto parking system fund amounted to \$3,138,943. The total decrease in net position for this fund was \$1,005,490, which can be attributed to both a reduction in charges for services in the parking fund and a loss on the disposal of capital assets.

Capital Assets and Debt Administration

Capital Assets

The city's investment in capital assets for its governmental and business-type activities amounts to \$370,687,959 (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 was 8.5 percent and mostly due to construction in progress in governmental activities for the ROCC project.

	Capital Assets					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 66,774,752	\$ 66,774,752	\$ 8,902,503	\$ 9,942,865	\$ 75,677,255	\$ 76,717,617
Construction in progress	58,585,245	28,425,881	8,127,105	4,629,560	66,712,350	33,055,441
Buildings	13,516,055	13,954,260	44,950,267	45,943,819	58,466,322	59,898,079
Improvements other than buildings	3,273,591	2,828,807	950,394	1,013,379	4,223,985	3,842,186
Machinery and equipment	6,861,091	6,788,584	443,139	486,062	7,304,230	7,274,646
Infrastructure	70,948,050	71,474,440	87,331,754	89,340,047	158,279,804	160,814,487
Intangibles	24,013	34,631	-	-	24,013	34,631
Total	\$ 219,982,797	\$ 190,281,355	\$ 150,705,162	\$ 151,355,732	\$ 370,687,959	\$ 341,637,087

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 \$209,778,666. Of this amount, \$162,706,001 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 \$1,225,000 of unlimited general obligation debt for the fire service. Another \$26,880,000 of debt is the balance of recently issued revenue bonds for two parking structures. \$822,387 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 \$403,716 with the remainder being paid from receipts of the other five communities. Another \$9,014,299 of the debt is the city's portion of the 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	
	2020	2019	2020	2019	2020	2019
Limited general obligation bonds	\$ 138,888,448	\$ 145,715,486	\$ 23,817,553	\$ 25,568,512	\$ 162,706,001	\$ 171,283,998
Unlimited general obligation bonds	1,225,000	1,810,000	-	-	1,225,000	1,810,000
Revenue bonds	-	-	26,880,000	28,450,000	26,880,000	28,450,000
State revolving fund	-	-	822,387	1,647,387	822,387	1,647,387
Contractual obligations	-	-	9,014,299	11,176,546	9,014,299	11,176,546
Compensated absences	3,686,954	3,760,403	227,676	283,746	3,914,630	4,044,149
General liability claims	1,219,450	1,136,280	-	-	1,219,450	1,136,280
Workers compensation claims	574,598	437,861	-	-	574,598	437,861
Unamortized premium	2,806,219	2,970,690	616,082	693,757	3,422,301	3,664,447
Total	<u>\$ 148,400,669</u>	<u>\$ 155,830,720</u>	<u>\$ 61,377,997</u>	<u>\$ 67,819,948</u>	<u>\$ 209,778,666</u>	<u>\$ 223,650,668</u>

The city's total debt decreased by \$13,872,002 (6.2 percent) during the current fiscal year, largely due to payment of the regular debt principal payments, while not issuing any new debt, and reduced contractual obligations. There were also minor reductions in compensated absences and unamortized premium.

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. The current legal debt limitation for the City is \$368,689,550 (10 percent of \$3,686,895,500 assessed valuation). The city's general obligation debt amounts to 45.4 percent of the legal debt limit. Section 517 of Act 34 limits capital improvement bonds to 5 percent of total assessed valuation. The city's capital improvement bonds issued amounts to 48.3 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 preparation of the budget, it was assumed that the impact of the COVID 19 pandemic would be short lived, allowing government business to be back to "normal" by the beginning of the fiscal year, July 1, 2020. However, during the budget work sessions with the city commission, it was the commission's desire to reduce certain revenue assumptions and certain proposed expenditure budgets. As a result, \$1.4 million of general fund and public safety related expenditures were eliminated. State Shared revenue was reduced by \$1 million, based upon the assumption the statutory portion would be eliminated and the Constitutional portion would decline due to assumed lower State revenues. Program revenues and certain enterprise fund revenues were not modified in the budget, however a budget amendment will be necessary should the pandemic continue to impact charges for service into the new fiscal year.

Unassigned fund balance in the general fund decreased by approximately \$2.9 million to \$13.6 million. Although the year ended with a fund balance for the general fund of approximately 33 percent of expenditures and transfers out, the general fund is closer to its target fund balance range. The city's original budget for fiscal year 2020-2021 plans \$2.9 million use of fund balance as well. The city's total millage rate declined by 0.2691 mill to 17.8496 mills.

For the 2020-2021 fiscal year, the quarterly water and sewer rates are \$110.90 per 1,000 cubic feet for the first 2,000 cubic feet and \$127.50 for every 1,000 cubic feet thereafter. In addition, all customers pay a \$13 flat fee per billing period to recoup the city's water/sewer administration costs. For the third year, a drain debt millage is being levied. Next year's rate is 1.0015 mills.

In addition, the building permit rates will continue to remain discounted as the state construction fund's personnel costs have significantly decreased due to this fund contributing 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. 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, 203 S. Troy Street, Royal Oak, MI 48067.

BASIC FINANCIAL STATEMENTS



CITY OF ROYAL OAK, MICHIGAN

Statement of Net Position

June 30, 2020

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and investments	\$ 101,333,514	\$ 10,109,593	\$ 111,443,107	\$ 7,253,789
Receivables, net	7,419,871	8,608,177	16,028,048	41,101
Deposits and other assets	2,110,530	-	2,110,530	50,000
Internal balances	(4,600,024)	4,600,024	-	-
Inventories	328,452	272,068	600,520	-
Restricted assets, cash	1,000	-	1,000	-
Capital assets not being depreciated	125,359,997	17,029,608	142,389,605	842,975
Capital assets being depreciated, net	94,622,800	133,675,554	228,298,354	583,280
Total assets	326,576,140	174,295,024	500,871,164	8,771,145
Deferred outflows of resources				
Deferred charge on refunding	85,571	809,347	894,918	-
Deferred pension amounts	14,165,679	231,195	14,396,874	12,082
Deferred other postemployment benefit amounts	9,207,476	1,046,743	10,254,219	52,848
Total deferred outflows of resources	23,458,726	2,087,285	25,546,011	64,930
Liabilities				
Accounts payable	5,937,260	2,782,927	8,720,187	23,756
Accrued and other liabilities	7,191,183	946,201	8,137,384	8,973
Cash bonds and deposits	4,645,975	13,241	4,659,216	-
Unearned revenue	3,119,031	61,787	3,180,818	-
Long-term debt:				
Due within one year	10,262,933	6,656,154	16,919,087	8,000
Due in more than one year	138,137,736	54,721,843	192,859,579	8,345
Net pension liability (due in more than one year)	95,875,972	1,564,787	97,440,759	81,775
Net other postemployment benefits liability (due in more than one year)	13,141,269	1,493,953	14,635,222	75,426
Total liabilities	278,311,359	68,240,893	346,552,252	206,275
Deferred inflows of resources				
Deferred other postemployment benefit amounts	258,223	29,356	287,579	1,482
Net position				
Net investment in capital assets	183,352,675	104,316,911	287,669,586	1,426,255
Restricted for:				
Public, Educational, and Government				
Access ("PEG") fees	1,158,516	-	1,158,516	-
Highways and streets	10,808,528	-	10,808,528	-
Solid waste	5,594,313	-	5,594,313	-
Recreation and culture	2,336,570	-	2,336,570	-
Public safety	11,469,793	-	11,469,793	-
Grants	490,708	-	490,708	-
Indigent defense	291,404	-	291,404	-
Capital projects	13,168,119	-	13,168,119	-
Permanent fund:				
Expendable	11,052	-	11,052	-
Non-expendable	1,000	-	1,000	-
Unrestricted (deficit)	(157,217,394)	3,795,149	(153,422,245)	7,202,063
Total net position	\$ 71,465,284	\$ 108,112,060	\$ 179,577,344	\$ 8,628,318

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, 2020

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	\$ 11,382,087	\$ 6,128,105	\$ 234,628	\$ -	\$ (5,019,354)
Public safety	45,580,867	3,735,171	1,700,504	39,684	(40,105,508)
Public works	15,575,908	1,037,646	954,710	266,433	(13,317,119)
Health and welfare	962,860	1,092,802	-	-	129,942
Community and economic development	2,507,284	456,433	2,406,846	-	355,995
Recreation and culture	4,780,355	1,782,524	442,762	-	(2,555,069)
Interest on long-term debt	5,340,663	-	-	-	(5,340,663)
Total governmental activities	<u>86,130,024</u>	<u>14,232,681</u>	<u>5,739,450</u>	<u>306,117</u>	<u>(65,851,776)</u>
Business-type activities:					
Water and sewer	27,084,061	26,770,023	62,664	-	(251,374)
Parking	5,298,493	3,890,923	696,742	-	(710,828)
Recreation	2,066,368	1,645,926	22,493	-	(397,949)
Farmers market	556,567	324,484	9,025	-	(223,058)
Total business-type activities	<u>35,005,489</u>	<u>32,631,356</u>	<u>790,924</u>	<u>-</u>	<u>(1,583,209)</u>
Total primary government	<u>\$121,135,513</u>	<u>\$ 46,864,037</u>	<u>\$ 6,530,374</u>	<u>\$ 306,117</u>	<u>\$ (67,434,985)</u>
Component units					
Tax Increment Financing Authority	\$ 4,681,298	\$ -	\$ 406,768	\$ -	\$ (4,274,530)
Downtown Development Authority	94,819	-	-	-	(94,819)
Brownfield Redevelopment Authority	332,830	-	-	-	(332,830)
Total component units	<u>\$ 5,108,947</u>	<u>\$ -</u>	<u>\$ 406,768</u>	<u>\$ -</u>	<u>\$ (4,702,179)</u>

continued...

CITY OF ROYAL OAK, MICHIGAN

Statement of Activities For the Year Ended June 30, 2020

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in net position				
Net (expense) revenue	<u>\$ (65,851,776)</u>	<u>\$ (1,583,209)</u>	<u>\$ (67,434,985)</u>	<u>\$ (4,702,179)</u>
General revenues:				
Property taxes	46,697,585	2,889,836	49,587,421	4,800,864
Unrestricted state shared revenues	13,379,442	73,081	13,452,523	-
Unrestricted investment earnings	819,107	-	819,107	147,456
Gain on sale of capital assets	75,848	-	75,848	-
Miscellaneous	348,684	-	348,684	-
Transfers	<u>241,867</u>	<u>(241,867)</u>	-	-
Total general revenues and transfers	<u>61,562,533</u>	<u>2,721,050</u>	<u>64,283,583</u>	<u>4,948,320</u>
Change in net position	<u>(4,289,243)</u>	<u>1,137,841</u>	<u>(3,151,402)</u>	<u>246,141</u>
Net position, beginning of year	<u>75,754,527</u>	<u>106,974,219</u>	<u>182,728,746</u>	<u>8,382,177</u>
Net position, end of year	<u><u>\$ 71,465,284</u></u>	<u><u>\$ 108,112,060</u></u>	<u><u>\$ 179,577,344</u></u>	<u><u>\$ 8,628,318</u></u>

concluded.

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

CITY OF ROYAL OAK, MICHIGAN

Balance Sheet

Governmental Funds
June 30, 2020

	General	Public Safety	City Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 19,200,426	\$ 3,429,167	\$ 23,061,858	\$ 32,003,065	\$ 77,694,516
Receivables, net	644,232	181,595	57,394	4,270,521	5,153,742
Due from other governmental units	772,296	4,475	-	1,484,471	2,261,242
Due from other funds	329,732	-	-	-	329,732
Prepaid items	10,942	-	-	-	10,942
Inventories	-	-	-	181,813	181,813
Restricted assets, cash	-	-	-	1,000	1,000
Total assets	<u>\$ 20,957,628</u>	<u>\$ 3,615,237</u>	<u>\$ 23,119,252</u>	<u>\$ 37,940,870</u>	<u>\$ 85,632,987</u>
Liabilities					
Accounts payable	\$ 569,924	\$ 186,847	\$ 2,369,292	\$ 1,949,780	\$ 5,075,843
Accrued and other liabilities	491,323	1,782,165	2,552,256	555,173	5,380,917
Due to other funds	-	-	-	329,732	329,732
Cash bonds and deposits	4,643,275	-	-	2,700	4,645,975
Unearned revenue	-	-	-	3,119,031	3,119,031
Total liabilities	<u>5,704,522</u>	<u>1,969,012</u>	<u>4,921,548</u>	<u>5,956,416</u>	<u>18,551,498</u>
Deferred inflows of resources					
Unavailable revenue	16,214	34,716	25,850	910,181	986,961
Fund balances					
Nonspendable:					
Prepaid items	10,942	-	-	-	10,942
Inventories	-	-	-	181,813	181,813
Endowment	-	-	-	1,000	1,000
Restricted:					
PEG fees	1,158,516	-	-	-	1,158,516
Highways and streets	-	-	-	10,621,234	10,621,234
Solid waste	-	-	-	5,588,147	5,588,147
Recreation and culture	-	-	-	2,334,427	2,334,427
Public safety	-	-	-	11,469,793	11,469,793
Grants	-	-	-	490,708	490,708
Indigent defense	-	-	-	291,404	291,404
Debt service	-	-	-	32,142	32,142
Capital projects	-	-	18,171,854	52,553	18,224,407
Permanent fund	-	-	-	11,052	11,052
Assigned:					
Eligible retiree bank payouts	441,572	392,063	-	-	833,635
Public safety	-	1,219,446	-	-	1,219,446
Unassigned	<u>13,625,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,625,862</u>
Total fund balances	<u>15,236,892</u>	<u>1,611,509</u>	<u>18,171,854</u>	<u>31,074,273</u>	<u>66,094,528</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,957,628</u>	<u>\$ 3,615,237</u>	<u>\$ 23,119,252</u>	<u>\$ 37,940,870</u>	<u>\$ 85,632,987</u>

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

CITY OF ROYAL OAK, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2020

Fund balances for governmental funds	\$ 66,094,528
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	125,359,997
Capital assets being depreciated, net	94,622,800
Less capital assets accounted for in internal service funds	(7,065,702)
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 long-term receivables	986,961
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.	
Net position of internal service fund	21,444,882
Internal service fund net position accounted for in business-type activities	(4,600,024)
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	(1,316,884)
Bonds payable	(132,376,755)
Unamortized bond premiums	(2,792,029)
Deferred charge on refunding	49,848
Compensated absences	(3,542,412)
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	(95,436,980)
Deferred outflows related to the net pension liability	14,100,818
Net other postemployment benefit liability	(12,739,223)
Deferred outflows related to the net other postemployment benefit liability	8,925,782
Deferred inflows related to the net other postemployment benefit liability	<u>(250,323)</u>
Net position of governmental activities	<u>\$ 71,465,284</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, 2020

	General	Public Safety	City Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 20,387,627	\$ 10,109,727	\$ -	\$ 16,466,185	\$ 46,963,539
Licenses and permits	2,175,963	11,676	-	3,120,016	5,307,655
Federal grants	-	28,509	29,989	1,206,707	1,265,205
State grants	6,039,643	114,811	-	7,841,100	13,995,554
Charges for services	2,525,745	1,409,705	20,186	649,296	4,604,932
Fines and forfeitures	4,154,443	-	-	138,267	4,292,710
Interest and rentals	1,141,267	20,206	512,747	609,347	2,283,567
Contributions and donations	1,281,635	940,000	-	450,847	2,672,482
Other revenue	348,684	32,845	403	176,634	558,566
Total revenues	38,055,007	12,667,479	563,325	30,658,399	81,944,210
Expenditures					
Current:					
General government	9,666,249	-	-	469,473	10,135,722
Public safety	456,517	28,922,907	-	1,659,673	31,039,097
Public works	1,833,361	-	23,549,247	19,003,652	44,386,260
Health and welfare	-	948,261	-	-	948,261
Community and economic development	468,176	-	-	1,624,960	2,093,136
Recreation and culture	1,679,616	-	-	2,947,528	4,627,144
Debt service:					
Principal payments	1,236,822	1,890,852	-	3,750,643	6,878,317
Interest and paying agent fees	1,222,231	1,866,932	-	2,288,849	5,378,012
Total expenditures	16,562,972	33,628,952	23,549,247	31,744,778	105,485,949
Revenues over (under) expenditures	21,492,035	(20,961,473)	(22,985,922)	(1,086,379)	(23,541,739)
Other financing sources (uses)					
Transfers in	276,182	21,000,000	2,000,000	3,336,160	26,612,342
Transfers out	(24,665,911)	-	-	(1,740,564)	(26,406,475)
Total other financing sources (uses)	(24,389,729)	21,000,000	2,000,000	1,595,596	205,867
Net change in fund balances	(2,897,694)	38,527	(20,985,922)	509,217	(23,335,872)
Fund balances, beginning of year	18,134,586	1,572,982	39,157,776	30,565,056	89,430,400
Fund balances, end of year	\$ 15,236,892	\$ 1,611,509	\$ 18,171,854	\$ 31,074,273	\$ 66,094,528

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

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, 2020

Net change in fund balances - total governmental funds \$ (23,335,872)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets purchased/constructed	32,393,854
Depreciation expense	(3,420,598)

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 long-term receivables	(328,954)
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on long-term liabilities	6,878,317
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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	39,601
Amortization of bond premium	162,893
Amortization of deferred charge on refunding	(12,133)
Change in the net pension liability and related deferred amounts	(11,241,301)
Change in other postemployment benefit asset/liability and related deferred amounts	(7,187,288)
Change in compensated absences	74,387

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	2,006,514
Internal service fund change in net position accounted for in business-type activities	<u>(318,663)</u>

Change in net position of governmental activities	<u><u>\$ (4,289,243)</u></u>
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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, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 20,165,000	\$ 20,165,000	\$ 20,387,627	\$ 222,627
Licenses and permits	2,007,800	2,158,300	2,175,963	17,663
State grants	6,183,450	5,791,450	6,039,643	248,193
Charges for services	2,547,370	2,559,670	2,525,745	(33,925)
Fines and forfeitures	5,035,000	3,870,000	4,154,443	284,443
Interest and rentals	1,165,000	1,199,000	1,141,267	(57,733)
Contributions and donations	1,237,000	1,237,000	1,281,635	44,635
Other revenue	247,000	247,000	348,684	101,684
Total revenues	38,587,620	37,227,420	38,055,007	827,587
Expenditures				
Current:				
General government	10,252,200	10,072,750	9,666,249	(406,501)
Public safety	464,530	464,530	456,517	(8,013)
Public works	1,380,610	1,848,910	1,833,361	(15,549)
Community and economic development	534,930	534,930	468,176	(66,754)
Recreation and culture	1,847,650	1,847,650	1,679,616	(168,034)
Debt service:				
Principal payments	1,238,000	1,238,000	1,236,822	(1,178)
Interest and paying agent fees	1,225,000	1,225,000	1,222,231	(2,769)
Total expenditures	16,942,920	17,231,770	16,562,972	(668,798)
Revenues over expenditures	21,644,700	19,995,650	21,492,035	1,496,385
Other financing sources (uses)				
Transfers in	275,000	275,000	276,182	1,182
Transfers out	(24,666,210)	(24,666,690)	(24,665,911)	(779)
Total other financing sources (uses)	(24,391,210)	(24,391,690)	(24,389,729)	1,961
Net change in fund balance	(2,746,510)	(4,396,040)	(2,897,694)	1,498,346
Fund balance, beginning of year	18,134,586	18,134,586	18,134,586	-
Fund balance, end of year	\$ 15,388,076	\$ 13,738,546	\$ 15,236,892	\$ 1,498,346

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, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 10,042,000	\$ 10,042,000	\$ 10,109,727	\$ 67,727
Licenses and permits	11,000	11,000	11,676	676
Federal grants	-	28,510	28,509	(1)
State grants	107,000	107,000	114,811	7,811
Charges for services	1,446,820	1,471,820	1,409,705	(62,115)
Interest and rentals	15,000	15,000	20,206	5,206
Contributions and donations	540,000	940,000	940,000	-
Other revenue	30,000	30,000	32,845	2,845
Total revenues	12,191,820	12,645,330	12,667,479	22,149
Expenditures				
Current:				
Public safety	28,706,090	28,984,820	28,922,907	(61,913)
Health and welfare	864,350	900,510	948,261	47,751
Debt service:				
Principal payments	1,891,500	1,891,500	1,890,852	(648)
Interest and paying agent fees	1,868,500	1,868,500	1,866,932	(1,568)
Total expenditures	33,330,440	33,645,330	33,628,952	(16,378)
Revenues under expenditures	(21,138,620)	(21,000,000)	(20,961,473)	38,527
Other financing sources				
Transfers in	21,000,000	21,000,000	21,000,000	-
Net change in fund balance	(138,620)	-	38,527	38,527
Fund balance, beginning of year	1,572,982	1,572,982	1,572,982	-
Fund balance, end of year	\$ 1,434,362	\$ 1,572,982	\$ 1,611,509	\$ 38,527

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

CITY OF ROYAL OAK, MICHIGAN

Statement of Net Position

Proprietary Funds
June 30, 2020

	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	\$ 3,696,658	\$ 4,596,582	\$ 1,816,353	\$ 10,109,593	\$ 23,638,998
Receivables, net	7,882,463	16,625	140,423	8,039,511	4,887
Prepaid items	-	-	-	-	2,099,588
Inventories	253,179	18,889	-	272,068	146,639
Total current assets	11,832,300	4,632,096	1,956,776	18,421,172	25,890,112
Noncurrent assets:					
Due from other governmental units	568,666	-	-	568,666	-
Capital assets	150,344,224	63,908,105	12,206,080	226,458,409	21,661,743
Accumulated depreciation	(54,957,132)	(14,336,361)	(6,459,754)	(75,753,247)	(14,596,041)
Total noncurrent assets	95,955,758	49,571,744	5,746,326	151,273,828	7,065,702
Total assets	107,788,058	54,203,840	7,703,102	169,695,000	32,955,814
Deferred outflows of resources					
Deferred charge on refunding	203,124	606,223	-	809,347	35,723
Deferred pension amounts	188,678	32,326	10,191	231,195	64,861
Deferred other postemployment benefit amounts	833,347	171,145	42,251	1,046,743	281,694
Total deferred outflows of resources	1,225,149	809,694	52,442	2,087,285	382,278
Liabilities					
Current liabilities:					
Accounts payable	2,642,799	87,447	52,681	2,782,927	861,417
Accrued and other liabilities	542,972	381,109	22,120	946,201	493,382
Cash bonds and deposits	250	12,991	-	13,241	-
Unearned revenue	-	-	61,787	61,787	-
Long-term debt, due within one year	3,961,118	2,523,202	57,834	6,542,154	334,228
Other long-term liabilities, current	-	-	-	-	897,024
Compensated absences, current	87,302	17,592	9,106	114,000	71,877
Total current liabilities	7,234,441	3,022,341	203,528	10,460,310	2,657,928
Noncurrent liabilities:					
Long-term debt	20,976,626	32,265,198	1,366,343	54,608,167	7,416,655
Other long-term liabilities	-	-	-	-	897,024
Accrued compensated absences	87,055	17,542	9,079	113,676	72,665
Net pension liability	1,277,016	218,790	68,981	1,564,787	438,992
Net other postemployment benefits liability	1,189,386	244,265	60,302	1,493,953	402,046
Total noncurrent liabilities	23,530,083	32,745,795	1,504,705	57,780,583	9,227,382
Total liabilities	30,764,524	35,768,136	1,708,233	68,240,893	11,885,310
Deferred inflows of resources					
Deferred other postemployment benefit amounts	23,371	4,800	1,185	29,356	7,900
Net position					
Net investment in capital assets	82,468,930	16,101,655	5,746,326	104,316,911	6,708,781
Unrestricted (deficit)	(4,243,618)	3,138,943	299,800	(804,875)	14,736,101
Total net position	\$ 78,225,312	\$ 19,240,598	\$ 6,046,126	\$ 103,512,036	\$ 21,444,882

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, 2020

Net position - total enterprise funds	\$ 103,512,036
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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

4,600,024

Net position of business-type activities	\$ 108,112,060
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4,600,024

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, 2020

	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	\$ 26,688,897	\$ 3,890,923	\$ 1,965,407	\$ 32,545,227	\$ 18,427,277
Other	81,126	-	5,003	86,129	748,530
Total operating revenues	26,770,023	3,890,923	1,970,410	32,631,356	19,175,807
Operating expenses					
Salaries and benefits	3,009,174	637,150	342,116	3,988,440	11,860,341
Supplies	520,249	121,661	85,009	726,919	814,403
Water purchases	4,056,781	-	-	4,056,781	-
Sewage disposal services	13,163,366	-	-	13,163,366	-
Other services and charges	2,610,545	1,676,639	1,906,279	6,193,463	3,032,328
Depreciation	3,179,555	1,255,150	264,818	4,699,523	1,270,869
Total operating expenses	26,539,670	3,690,600	2,598,222	32,828,492	16,977,941
Operating income (loss)	230,353	200,323	(627,812)	(197,136)	2,197,866
Nonoperating revenues (expenses)					
Taxes	2,889,836	-	-	2,889,836	-
State grants	73,081	-	-	73,081	-
Interest income	62,664	113,932	31,518	208,114	-
Contributions and donations	-	582,810	-	582,810	-
Interest expense	(812,438)	(1,229,128)	(55,667)	(2,097,233)	(303,200)
Gain (loss) on sale of capital assets	-	(398,427)	-	(398,427)	75,848
Total nonoperating revenues (expenses)	2,213,143	(930,813)	(24,149)	1,258,181	(227,352)
Income (loss) before transfers	2,443,496	(730,490)	(651,961)	1,061,045	1,970,514
Transfers					
Transfers in	37,133	-	-	37,133	36,000
Transfers out	(2,000)	(275,000)	(2,000)	(279,000)	-
Net transfers	35,133	(275,000)	(2,000)	(241,867)	36,000
Change in net position	2,478,629	(1,005,490)	(653,961)	819,178	2,006,514
Net position, beginning of year	75,746,683	20,246,088	6,700,087	102,692,858	19,438,368
Net position, end of year	\$ 78,225,312	\$ 19,240,598	\$ 6,046,126	\$ 103,512,036	\$ 21,444,882

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, 2020

Change in net position - total enterprise funds	\$ 819,178
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Amounts reported for *business-type activities* in the statement of activities
are different because:

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

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

318,663

Change in net position of business-type activities	\$ 1,137,841
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1,137,841

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, 2020

	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	\$ 26,347,746	\$ 3,890,636	\$ 1,959,866	\$ 32,198,248	\$ -
Internal activity - receipts from other funds	-	-	-	-	18,427,277
Other operating receipts	81,126	-	5,003	86,129	748,530
Payments to vendors	(20,594,133)	(3,109,799)	(2,027,659)	(25,731,591)	(3,830,971)
Payments to employees	(2,173,912)	(548,291)	(300,234)	(3,022,437)	(11,378,138)
Net cash provided by (used in) operating activities	3,660,827	232,546	(363,024)	3,530,349	3,966,698
Cash flows from noncapital financing activities					
Tax revenues received	2,889,836	-	-	2,889,836	-
Grants received	73,081	-	-	73,081	-
Contributions and donations	-	582,810	-	582,810	-
Transfers from other funds	37,133	-	-	37,133	36,000
Transfers to other funds	(2,000)	(275,000)	(2,000)	(279,000)	-
Net cash provided by (used in) noncapital financing activities	2,998,050	307,810	(2,000)	3,303,860	36,000
Cash flows from capital and related financing activities					
Purchase of capital assets	(4,674,903)	(414,412)	-	(5,089,315)	(1,999,055)
Principal paid on long-term debt	(3,861,477)	(2,390,082)	(56,647)	(6,308,206)	(533,721)
Interest paid on long-term debt	(816,890)	(1,200,291)	(55,667)	(2,072,848)	(300,805)
Proceeds from sale of capital assets	-	641,935	-	641,935	75,848
Net cash used in capital and related financing activities	(9,353,270)	(3,362,850)	(112,314)	(12,828,434)	(2,757,733)
Cash flows from investing activities					
Interest received on investments	62,664	113,932	31,518	208,114	-
Net change in cash and investments	(2,631,729)	(2,708,562)	(445,820)	(5,786,111)	1,244,965
Cash and investments balances, beginning of year	6,328,387	7,305,144	2,262,173	15,895,704	22,394,033
Cash and investments balances, end of year	\$ 3,696,658	\$ 4,596,582	\$ 1,816,353	\$ 10,109,593	\$ 23,638,998

continued...

CITY OF ROYAL OAK, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2020

	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)	\$ 230,353	\$ 200,323	\$ (627,812)	\$ (197,136)	\$ 2,197,866
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	3,179,555	1,255,150	264,818	4,699,523	1,270,869
Changes in assets and liabilities:					
Receivables, net	(763,420)	(287)	(56,628)	(820,335)	9,513
Prepaid items	-	-	-	-	(655,985)
Inventories	14,228	3,445	-	17,673	52,969
Due from other governmental units	422,269	-	-	422,269	-
Deferred outflows related to the net pension liability	29,000	15,163	622	44,785	14,864
Deferred outflows related to the net other postemployment benefit liability	146,667	26,845	2,241	175,753	69,164
Accounts payable	(241,533)	(1,294,358)	(36,371)	(1,572,262)	526,093
Accrued and other liabilities	(15,887)	(20,586)	(5,848)	(42,321)	68,659
Cash bonds and deposits	-	-	-	-	-
Unearned revenue	-	-	51,087	51,087	-
Other long-term liabilities	-	-	-	-	219,907
Accrued compensated absences	(19,180)	(38,040)	1,150	(56,070)	938
Net pension liability	217,620	(12,329)	16,352	221,643	50,980
Net other postemployment benefits liability	754,813	156,469	40,573	951,855	246,462
Deferred inflows related to the net other postemployment benefit liability	(293,658)	(59,249)	(13,208)	(366,115)	(105,601)
Net cash provided by (used in) operating activities	\$ 3,660,827	\$ 232,546	\$ (363,024)	\$ 3,530,349	\$ 3,966,698

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, 2020

	Pension and Other Employee Benefit Trust Funds	Agency Funds
Assets		
Cash and investments	\$ 284,906	\$ 334,180
Retirement investments, at fair value:		
Mutual funds	173,190,951	-
Equities	87,002,918	-
Government obligations	1,054,955	-
Other assets	16,322,603	-
Receivables, net	69,375	-
Total assets	277,925,708	\$ 334,180
Liabilities		
Accounts payable	751,397	-
Undistributed receipts	-	109,881
Accrued and other liabilities	1,496	-
Due to City of Berkley	-	14,521
Due to other governmental units	-	260
Bonds and deposits	-	209,518
Total liabilities	752,893	\$ 334,180
Net position		
Restricted for:		
Pension benefits	149,943,938	
Other postemployment benefits	<u>127,228,877</u>	
Total net position	\$ 277,172,815	

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, 2020

Pension and
Other Employee
Benefit Trust
Funds

Additions

Contributions:

Employer	\$ 9,661,938
Plan members	914,884
Employee service purchases	105,389
Total contributions	10,682,211

Investment earnings:

Net change in fair value of investments	(600,988)
Interest	11,927
Dividends	7,160,009
Other investment revenues	1,324
Total investment gain	6,572,272
Less investment expenses	1,143,521
Net investment gain	5,428,751

Total additions

16,110,962

Deductions

Benefits	24,704,328
Refund of contributions	1,179,562
Administrative expenses	102,008

Total deductions

25,985,898

Change in net position

(9,874,936)

Net position, beginning of year

287,047,751

Net position, end of year

\$ 277,172,815

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, 2020

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Assets				
Cash and investments	\$ 6,752,327	\$ 123,719	\$ 377,743	\$ 7,253,789
Receivables, net	41,081	20	-	41,101
Prepaid items	50,000	-	-	50,000
Capital assets not being depreciated	842,975	-	-	842,975
Capital assets being depreciated, net	583,280	-	-	583,280
Total assets	8,269,663	123,739	377,743	8,771,145
Deferred outflows of resources				
Deferred pension amounts	7,538	4,544	-	12,082
Deferred other postemployment benefit amounts	33,591	19,257	-	52,848
Total deferred outflows of resources	41,129	23,801	-	64,930
Liabilities				
Accounts payable	23,598	158	-	23,756
Accrued and other liabilities	6,307	2,666	-	8,973
Long-term debt:				
Due within one year	3,704	4,296	-	8,000
Due in more than one year	3,869	4,476	-	8,345
Net pension liability (due in more than one year)	51,020	30,755	-	81,775
Net other postemployment benefits liability (due in more than one year)	47,942	27,484	-	75,426
Total liabilities	136,440	69,835	-	206,275
Deferred inflows of resources				
Deferred other postemployment benefit amounts	942	540	-	1,482
Net position				
Investment in capital assets	1,426,255	-	-	1,426,255
Unrestricted	6,747,155	77,165	377,743	7,202,063
Total net position	\$ 8,173,410	\$ 77,165	\$ 377,743	\$ 8,628,318

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, 2020

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Expenses				
Tax Increment Financing Authority	\$ 4,681,298	\$ -	\$ -	\$ 4,681,298
Downtown Development Authority	-	94,819	-	94,819
Brownfield Redevelopment Authority	-	-	332,830	332,830
Total expenses	4,681,298	94,819	332,830	5,108,947
Program revenues				
Operating grants and contributions	406,768	-	-	406,768
Net expense	(4,274,530)	(94,819)	(332,830)	(4,702,179)
General revenues				
Property taxes	4,507,968	50,451	242,445	4,800,864
Unrestricted investment earnings	132,477	2,125	12,854	147,456
Total general revenues	4,640,445	52,576	255,299	4,948,320
Change in net position	365,915	(42,243)	(77,531)	246,141
Net position, beginning of year	7,807,495	119,408	455,274	8,382,177
Net position, end of year	\$ 8,173,410	\$ 77,165	\$ 377,743	\$ 8,628,318

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, 2020, the City expensed approximately \$5,235,000 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, 2020, the City expensed approximately \$4,057,000 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 *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.

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.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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.

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.

CITY OF ROYAL OAK, MICHIGAN

■ Notes to Financial Statements

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 and other employee benefit trust funds 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.

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
Machinery and equipment	5-25
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 related to pension and other postemployment benefit liabilities 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 related to its other postemployment benefit liability. 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 liability, 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, 2020, 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 \$4,243,618 at June 30, 2020. The fund had total net position of \$78,225,312, 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 \$857,529 at June 30, 2020. The fund had total net position of \$2,031,413, as well as a positive working capital reserve at year end.

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's pension and other postemployment benefit trust funds are allowed to invest in corporate stocks and bonds.

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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	\$ 111,443,107	\$ 7,253,789	\$ 118,696,896
Restricted assets (endowments cash)	1,000	-	1,000
	<u>111,444,107</u>	<u>7,253,789</u>	<u>118,697,896</u>
Statement of Fiduciary Net Position			
Pension and OPEB trust funds:			
Cash and investments	284,906	-	284,906
Retirement investments	277,571,427	-	277,571,427
Agency funds -			
Cash and investments	334,180	-	334,180
	<u>278,190,513</u>	<u>-</u>	<u>278,190,513</u>
Total	\$ 389,634,620	\$ 7,253,789	\$ 396,888,409
Deposits and investments			
Bank deposits (checking and savings accounts, certificates of deposit)			\$ 36,500,666
Investments:			
Equities:			
Large cap global equities			8,996,186
Large cap domestic equities			46,482,604
Small and mid cap equities			14,890,924
Developed international equities			10,790,225
Emerging markets equities			5,842,979
Bond mutual funds			35,026,732
Equity mutual funds			98,961,855
Other mutual funds			39,202,364
Government obligations			1,054,955
Michigan CLASS government investment pool			82,811,215
Pooled investment fund:			
SEI Structured Credit Fund			6,469,060
SEI Core Property Collective Fund			9,778,462
Other assets			75,081
Cash on hand			5,101
Total	\$ 396,888,409		

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:		
Emerging markets debt	\$ 8,892,858	6.67
High yield fund	2,885,467	3.86
Core fixed income fund	<u>23,248,407</u>	5.75
Total	<u>\$ 35,026,732</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 the Michigan CLASS government investment pool were rated AAA by S&P. 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, 2020, \$38,762,337 of the City's bank balance of \$41,013,337 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. As of June 30, 2020, the City's investments consisted of equities, mutual funds, government obligations and other assets totaling \$360,382,642. 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, 2020, none of the City's investments were exposed to risk since the securities are held in the City's name by the counterparty.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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

The City had the following recurring fair value measurements as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Equities	\$ 87,002,918	\$ -	\$ -	\$ 87,002,918
Bond mutual funds	35,026,732	-	-	35,026,732
Equity mutual funds	98,961,855	-	-	98,961,855
Other mutual funds	39,202,364	-	-	39,202,364
Government obligations	1,054,955	-	-	1,054,955
 Total investments at fair value	 <u>\$ 261,248,824</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>261,248,824</u>
 Investments measured at NAV:				
Michigan CLASS Investment Pool				82,811,215
SEI Structured Credit Fund				6,469,060
SEI Core Property Collective Fund				<u>9,778,462</u>
 Total investments measured at NAV				 <u>99,058,737</u>
 Total investments				 <u>\$ 360,307,561</u>

The City holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At June 30, 2020, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Carrying Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Michigan CLASS Investment Pool	\$ 82,811,215	\$ -	N/A	None
SEI Structured Credit Fund	6,469,060	-	N/A	None
SEI Core Property Collective Fund	<u>9,778,462</u>	-	N/A	None
Total	<u>\$ 99,058,737</u>	<u>\$ -</u>		

CITY OF ROYAL OAK, MICHIGAN

■ Notes to Financial Statements

The Michigan CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies.

The Structured Credit Fund's objective is to generate high total returns. There can be no assurance that the Fund will achieve its objective. The Fund pursues its investment objective by investing in a portfolio comprised of collateralized debt obligations ("CDOs"), which includes collateralized loan obligations ("CLOs") and other structured credit investments. CDOs are special purpose investment vehicles formed to acquire and manage a pool of loans, bonds and/or other fixed income assets of various types. CDOs fund their investments by issuing several classes of debt and equity securities, the repayment of which is linked to the performance of the underlying assets, which serve as collateral for certain securities issued by the CDO. In addition to CDOs, the Fund's investments may include fixed income securities, loan participations, credit-linked notes, medium-term notes, registered and unregistered investment companies or pooled investment vehicles, and derivative instruments, such as credit default swaps and total return swaps (collectively with CDOs, "Structured Credit Investments").

The Core Property Collective Fund is specifically designed for the collective investment of assets of participating tax qualified pension and profit sharing plans and related Trusts, and governmental plans (or the assets of a governmental unit used to satisfy its obligations under a governmental plan). This collective plan allows SEI to serve as an ERISA fiduciary both with respect to the allocation of plan assets to the collective plan and with respect to all investment decisions within the collective plan. The SEI Core Property Collective Fund is established by SEI Trust Company, a Trust company organized under the laws of the Commonwealth of Pennsylvania. The Trustee declares that it will hold, manage and administer all money and property contributed to the collective plan. This collective plan shall be administered in accordance with the United States Comptroller of the Currency regulations at 12 CFR § 9.18(a)(2) relating to the collective investment of employee benefit assets by national banking associations, except as otherwise modified by the rules of the Pennsylvania Department of Banking.

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	\$ 744,048	\$ 7,255,204	\$ -	\$ -
Loans	3,099,579	-	-	3,099,579
Taxes (current)	-	-	-	-
Taxes (delinquent)	111,242	3,408	96,063	-
Special assessments	921,712	-	-	721,878
Intergovernmental	2,261,242	1,350,554	-	568,666
Interest and other	354,040	-	-	-
Less: allowance for uncollectibles	(71,992)	(989)	(54,962)	-
	<u>\$ 7,419,871</u>	<u>\$ 8,608,177</u>	<u>\$ 41,101</u>	<u>\$ 4,390,123</u>

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2020, was as follows:

	Due from Other Funds	Due to Other Funds
General	\$ 329,732	\$ -
Nonmajor governmental funds	-	329,732
	<u>\$ 329,732</u>	<u>\$ 329,732</u>

In addition, an interfund balance existed between governmental activities and business-type activities in the amount of \$4,600,024. 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	City Capital Projects	Nonmajor Governmental Funds
General fund	\$ -	\$ 21,000,000	\$ 600,000	\$ 3,065,911
Nonmajor governmental funds	1,182	-	1,400,000	266,249
Water and sewer fund	-	-	-	2,000
Automobile parking system fund	275,000	-	-	-
Nonmajor enterprise funds	-	-	-	2,000
	<u>\$ 276,182</u>	<u>\$ 21,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 3,336,160</u>

Transfers Out	Transfers In		
	Water & Sewer Fund	Internal Service Funds	Total
General fund	\$ -	\$ -	\$ 24,665,911
Nonmajor governmental funds	37,133	36,000	1,740,564
Water and sewer fund	-	-	2,000
Automobile parking system fund	-	-	275,000
Nonmajor enterprise funds	-	-	2,000
	<u>\$ 37,133</u>	<u>\$ 36,000</u>	<u>\$ 26,685,475</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	28,425,881	32,342,977	-	(2,183,613)	58,585,245
	<u>95,200,633</u>	<u>32,342,977</u>	<u>-</u>	<u>(2,183,613)</u>	<u>125,359,997</u>
Capital assets, being depreciated:					
Buildings	30,735,536	-	-	262,496	30,998,032
Improvements other than buildings	6,809,167	487,236	(9,717)	-	7,286,686
Machinery and equipment	24,053,910	1,562,696	(480,071)	78,026	25,214,561
Infrastructure	142,028,325	-	-	1,843,091	143,871,416
Intangibles	114,143	-	-	-	114,143
	<u>203,741,081</u>	<u>2,049,932</u>	<u>(489,788)</u>	<u>2,183,613</u>	<u>207,484,838</u>
Less accumulated depreciation for:					
Buildings	(16,781,276)	(700,701)	-	-	(17,481,977)
Improvements other than buildings	(3,980,360)	(42,452)	9,717	-	(4,013,095)
Machinery and equipment	(17,265,326)	(1,568,215)	480,071	-	(18,353,470)
Infrastructure	(70,553,885)	(2,369,481)	-	-	(72,923,366)
Intangibles	(79,512)	(10,618)	-	-	(90,130)
	<u>(108,660,359)</u>	<u>(4,691,467)</u>	<u>489,788</u>	<u>-</u>	<u>(112,862,038)</u>
Total capital assets being depreciated, net					
	<u>95,080,722</u>	<u>(2,641,535)</u>	<u>-</u>	<u>2,183,613</u>	<u>94,622,800</u>
Governmental activities capital assets, net					
	<u>\$ 190,281,355</u>	<u>\$ 29,701,442</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 219,982,797</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	\$ 9,942,865	\$ -	\$ (1,040,362)	\$ -	\$ 8,902,503
Construction in progress	4,629,560	5,089,315	-	(1,591,770)	8,127,105
	<u>14,572,425</u>	<u>5,089,315</u>	<u>(1,040,362)</u>	<u>(1,591,770)</u>	<u>17,029,608</u>
Capital assets, being depreciated:					
Buildings	63,069,890	-	-	414,412	63,484,302
Improvements other than buildings	1,453,612	-	-	-	1,453,612
Machinery and equipment	1,761,036	-	-	-	1,761,036
Infrastructure	141,552,493	-	-	1,177,358	142,729,851
	<u>207,837,031</u>	<u>-</u>	<u>-</u>	<u>1,591,770</u>	<u>209,428,801</u>
Less accumulated depreciation for:					
Buildings	(17,126,071)	(1,407,964)	-	-	(18,534,035)
Improvements other than buildings	(440,233)	(62,985)	-	-	(503,218)
Machinery and equipment	(1,274,974)	(42,923)	-	-	(1,317,897)
Infrastructure	(52,212,446)	(3,185,651)	-	-	(55,398,097)
	<u>(71,053,724)</u>	<u>(4,699,523)</u>	<u>-</u>	<u>-</u>	<u>(75,753,247)</u>
Total capital assets being depreciated, net	<u>136,783,307</u>	<u>(4,699,523)</u>	<u>-</u>	<u>1,591,770</u>	<u>133,675,554</u>
Business-type activities capital assets, net	<u>\$ 151,355,732</u>	<u>\$ 389,792</u>	<u>\$ (1,040,362)</u>	<u>\$ -</u>	<u>\$ 150,705,162</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	\$ 390,597
Public safety	274,307
Public works	2,371,467
Recreation and culture	384,227
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>1,270,869</u>
 Total depreciation expense - governmental activities	<u><u>\$ 4,691,467</u></u>
 Depreciation of business-type activities by function	
Water and sewer	\$ 3,179,555
Parking	1,255,150
Recreation	87,765
Ice arena	104,832
Farmers market	<u>72,221</u>
 Total depreciation expense - business-type activities	<u><u>\$ 4,699,523</u></u>

Construction Commitments

The City has active construction projects as of June 30, 2020. The projects include infrastructure improvements. At year end, the City's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Roads	\$ 2,587,219	\$ 1,382,476
Water and Sewer projects	<u>611,991</u>	<u>667,463</u>
 Total	<u><u>\$ 3,199,210</u></u>	<u><u>\$ 2,049,939</u></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	\$ 842,975	\$ -	\$ -	\$ 842,975
Capital assets, being depreciated:				
Improvements other				
than buildings	1,525,821	-	-	1,525,821
Infrastructure	439,529	-	(58,446)	381,083
	<u>1,965,350</u>	<u>-</u>	<u>(58,446)</u>	<u>1,906,904</u>
Less accumulated depreciation for:				
Improvements other				
than buildings	(907,696)	(65,269)	-	(972,965)
Infrastructure	(391,719)	(17,386)	58,446	(350,659)
	<u>(1,299,415)</u>	<u>(82,655)</u>	<u>58,446</u>	<u>(1,323,624)</u>
Total capital assets being depreciated, net	<u>665,935</u>	<u>(82,655)</u>	<u>-</u>	<u>583,280</u>
Component unit - TIFA capital assets, net	\$ 1,508,910	\$ (82,655)	\$ -	\$ 1,426,255

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

8. LONG-TERM DEBT

The City issues bonds to provide for the acquisition and construction of major capital facilities, as well as to finance unfunded pension and other postemployment liabilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements are also general obligations of the City. Bond and contractual obligation activity and other long-term liabilities can be summarized as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable	\$ 147,525,486	\$ -	\$ (7,412,038)	\$ 140,113,448	\$ 7,358,440
Unamortized premium	2,970,690	-	(164,471)	2,806,219	164,469
Compensated absences	3,760,403	2,343,494	(2,416,943)	3,686,954	1,843,000
General liability claims	1,136,280	197,392	(114,222)	1,219,450	609,725
Workers compensation	437,861	308,936	(172,199)	574,598	287,299
Total governmental activities	\$ 155,830,720	\$ 2,849,822	\$ (10,279,873)	\$ 148,400,669	\$ 10,262,933
Business-type Activities					
Bonds payable	\$ 54,018,512	\$ -	\$ (3,320,959)	\$ 50,697,553	\$ 3,430,560
Unamortized premium	693,757	-	(77,675)	616,082	77,675
Notes from direct borrowings and direct placements	12,823,933	-	(2,987,247)	9,836,686	3,033,919
Compensated absences	283,746	146,751	(202,821)	227,676	114,000
Total business-type activities	\$ 67,819,948	\$ 146,751	\$ (6,588,702)	\$ 61,377,997	\$ 6,656,154
Component Units					
Compensated absences	\$ 18,773	\$ 10,655	\$ (13,083)	\$ 16,345	\$ 8,000

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$144,542 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 \$1,165,120 and \$1,455,473 respectively.

Governmental activities - bonds payable

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	\$ 1,225,000
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	826,000
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	1,703,019
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	378,455
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	85,621,120
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	14,604,854
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	4,950,000
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	<u>30,805,000</u>
Total governmental activities bonds payable	<u>\$140,113,448</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

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	\$ 1,584,975
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	4,298,809
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 2028	1,942,737
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	2,456,980
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	11,395,000
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	9,658,909
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	3,875,143
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	15,485,000
	<hr/> <u>50,697,553</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	\$ 639,811
* 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	5,742,372
* 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	151,318
* 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	150,381
* 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	946,689
* 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	227,925
* 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>1,155,803</u>
	9,014,299

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>822,387</u>
	<u>9,836,686</u>

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

\$ 60,534,239

* 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				Notes from Direct Borrowings and Direct Placements	
	Bonds Payable		Bonds Payable					
	Principal	Interest	Principal	Interest	Principal	Interest		
2021	\$ 7,358,440	\$ 5,260,467	\$ 3,430,560	\$ 1,689,814	\$ 3,033,919	\$ 260,797		
2022	7,579,205	5,074,883	3,544,795	1,587,585	2,265,183	194,637		
2023	7,124,800	4,871,529	3,658,200	1,473,877	1,833,864	134,112		
2024	7,043,326	4,655,573	3,781,674	1,361,358	1,860,740	86,607		
2025	5,530,914	4,436,595	3,899,086	1,243,920	182,340	19,591		
2026-2030	30,989,153	18,983,084	17,680,847	4,375,666	660,640	37,824		
2031-2035	37,894,886	12,262,876	11,700,115	1,675,270	-	-		
2036-2040	30,582,724	3,294,895	3,002,276	187,792	-	-		
2041-2043	6,010,000	611,000	-	-	-	-		
	<u>\$140,113,448</u>	<u>\$ 59,450,902</u>	<u>\$ 50,697,553</u>	<u>\$ 13,595,282</u>	<u>\$ 9,836,686</u>	<u>\$ 733,568</u>		

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

Obligations for George W. Kuhn Project. The City is a participating community in the George W. Kuhn drain project. The project is administered by the Oakland County Drain Commission and financed through the sale of drain bonds, draw downs from the State of Michigan revolving fund, federal and state grants, and contributions from Oakland County. The City and 13 other local communities are obligated for the payment of principal and interest of the outstanding debt. It is currently anticipated that the City's obligation at the end of construction will be approximately \$38,950,000 with an interest rate of 1.63-4.38%. As of June 30, 2020, the City's obligation is \$9,014,299 in principal.

Legal Debt Limit

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current legal debt limitation for the City is \$368,689,550 (10 percent of \$3,686,895,500 assessed valuation). The City's general obligation debt amounts to 45.4 percent of the legal debt limit. Section 517 of Act 34 limits capital improvement bonds to 5 percent of total assessed valuation. The City's capital improvement bonds issued amounts to 48.3 percent of the legal debt limit.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

9. RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City 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 \$750,000. Settlements have not exceeded coverages for each of the past three fiscal years.

Changes in the reported liability for the fiscal years 2019 and 2020 are as follows:

Fiscal Year	Liability at Beginning of Year	Current-Year Claims and Changes in Estimates	Claim Payments	Liability at End of Year
2019	\$ 1,361,890	\$ 115,775	\$ (341,385)	\$ 1,136,280
2020	1,136,280	197,392	(114,222)	1,219,450

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 2019 and 2020 are as follows:

Fiscal Year	Liability at Beginning of Year	Current-Year Claims and Changes in Estimates	Claim Payments	Liability at End of Year
2019	\$ 570,728	\$ 172,627	\$ (305,494)	\$ 437,861
2020	437,861	308,936	(172,199)	574,598

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 2019 and 2020 are as follows:

Fiscal Year	Liability at Beginning of Year	Current-Year Claims and Changes in Estimates	Claim Payments	Liability at End of Year
2019	\$ 476,722	\$ 10,528,878	\$ (10,715,600)	\$ 290,000
2020	290,000	9,696,622	(9,686,354)	300,268

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, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 2.94%. 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%	80%*
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%	80%*
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%	80%*
Police Command	2.8%	6.0%	80%*
Detectives	2.8%	6.0%	80%*
Police and Fire Department Heads	2.8%	6.0%	80%*

* The benefit multiplier noted is used up to 75%, after which a 1.0% multiplier is used up to 80%

Membership. At June 30, 2019 (the date of the most recent actuarial report), membership consisted of:

Retirees and beneficiaries currently receiving benefits	540
Terminated employees entitled to benefits but not yet receiving them	22
Current full-time employees	215
<hr/>	
Total members	777
<hr/>	

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, 2020 is as follows:

Reserve / Group	Balance
Police and fire members benefit fund	\$ 108,774,251
General members benefit fund	99,202,997
Undistributed investment income fund	(58,033,310)

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Net Pension Liability. The City's net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.0-5.2 percent, average, including inflation
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation
Mortality rates	Healthy Pre-Retirement: The RP-2014 Employee Generational Mortality Tables, with blue-collar adjustments and extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017. Healthy Post-Retirement: The RP-2014 Healthy Annuitant Generational Mortality Tables, with blue-collar adjustments and extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017. Disability Retirement: The RP-2014 Disabled Mortality Table, extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period 2012 through 2017.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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, 2020, 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
S&P 500 index	25.00%	5.50%	1.38%
US small/mid cap equity index	8.00%	5.50%	0.44%
World equity ex-US	23.00%	6.82%	1.57%
Emerging markets equity	4.00%	7.17%	0.29%
US high yield	2.00%	5.32%	0.11%
Emerging markets debt	6.00%	6.25%	0.38%
Core fixed income	17.00%	4.04%	0.69%
Private real estate	5.00%	4.80%	0.24%
Structured credit	5.00%	8.02%	0.40%
Global private assets	5.00%	10.11%	0.51%
	100.00%		6.01%
Inflation			2.00%
Risk adjustments			-0.76%
Investment rate of return			7.25%

Discount Rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	<u>\$ 244,328,493</u>	<u>\$ 154,305,575</u>	<u>\$ 90,022,918</u>
Changes for the year:			
Service cost	3,072,854	-	3,072,854
Interest	17,159,438	-	17,159,438
Differences between expected and actual experience	1,271,724	-	1,271,724
Employer contributions	-	8,575,466	(8,575,466)
Employee contributions	-	914,884	(914,884)
Employee service purchases	-	105,389	(105,389)
Net investment income	-	4,488,484	(4,488,484)
Benefit payments, including refunds of employee contributions	(18,366,037)	(18,367,647)	1,610
Administrative expense	-	(78,213)	78,213
Net changes	<u>3,137,979</u>	<u>(4,361,637)</u>	<u>7,499,616</u>
Balances at June 30, 2020	<u>\$ 247,466,472</u>	<u>\$ 149,943,938</u>	<u>\$ 97,522,534</u>

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

Governmental activities	\$ 95,875,972
Business-type activities	1,564,787
Component units	<u>81,775</u>
Total net pension liability	
	<u>\$ 97,522,534</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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's net pension liability	\$ 124,761,956	\$ 97,522,534	\$ 74,632,387

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, 2020, the City recognized pension expense of \$20,167,310. At June 30, 2020, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 1,495,921
Changes in assumptions	7,183,548
Net difference between projected and actual earnings on pension plan investments	<u>5,729,487</u>
 Total	 <u>\$ 14,408,956</u>

The City's deferred outflows of resources related to pensions is presented in the government-wide statement of net position as follows:

	Deferred Outflows of Resources
Governmental activities	\$ 14,165,679
Business-type activities	231,195
Component units	<u>12,082</u>
 Total	 <u>\$ 14,408,956</u>

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

Year Ended June 30,	Amount
2021	\$ 8,601,434
2022	2,619,310
2023	1,912,366
2024	<u>1,275,846</u>
 Total	 <u>\$ 14,408,956</u>

Payable to the Pension Plan. At June 30, 2020, the City had no amount payable to the pension plan.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

12. OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan

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

Benefits Provided. The City provides postemployment health and dental care benefits, as per the requirements of union contracts, for certain retirees and their dependents. The benefits vary depending on a retiree's years of service and the union contract under which they retired. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participants. The City purchases Medicare supplemental insurance for retirees eligible for Medicare.

Employees Covered by Benefit Terms. At June 30, 2018 (the date of the most recent actuarial report), the following employees were covered by the benefit terms:

Inactive employees/beneficiaries receiving benefits	425
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<hr/> 154
Total membership	<hr/> <hr/> 581

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, 2020. The plan's financial statements include contributions received and benefits paid through that date. At June 30, 2020, 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, 2020, the City contributed \$1,086,472.

Rate of Return. For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 0.71%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2020.

Actuarial Assumptions. The total OPEB liability in the June 30, 2018 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	3.0% to 5.2%, including inflation
Investment rate of return	7.25%, 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%
Mortality rates	Healthy Pre-Retirement: The RP-2014 Employee Generational Mortality Tables, with blue-collar adjustments and extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017. Healthy Post-Retirement: The RP-2014 Healthy Annuitant Generational Mortality Tables, with blue-collar adjustments and extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017. Disability Retirement: The RP-2014 Disabled Mortality Table, extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period 2012 through 2017.

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, 2020 are summarized in the following table:

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Money-Weighted Rate of Return
Domestic large cap	30.00%	5.05%	1.52%
Domestic small/mid	15.00%	5.20%	0.78%
International developed	15.00%	7.20%	1.08%
International emerging	5.00%	8.50%	0.43%
Domestic fixed income	15.00%	0.80%	0.12%
Real estate	10.00%	4.60%	0.46%
Private equity	10.00%	7.80%	0.78%
	<u><u>100.00%</u></u>		<u>5.17%</u>
Inflation			2.00%
Risk adjustments			<u>0.08%</u>
Investment rate of return			<u>7.25%</u>

Discount Rate. The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. 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 liability.

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019	<u>\$ 139,382,632</u>	<u>\$ 132,742,176</u>	<u>\$ 6,640,456</u>
Changes for the year:			
Service cost	854,604	-	854,604
Interest on total OPEB liability	9,863,756	-	9,863,756
Differences between expected and actual experience	(645,224)	-	(645,224)
Employer contributions	-	1,086,472	(1,086,472)
Net investment income	-	940,267	(940,267)
Benefit payments	(7,516,243)	(7,516,243)	-
Administrative expense	-	(23,795)	23,795
Net changes	<u>2,556,893</u>	<u>(5,513,299)</u>	<u>8,070,192</u>
Balances at June 30, 2020	<u>\$ 141,939,525</u>	<u>\$ 127,228,877</u>	<u>\$ 14,710,648</u>

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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

Governmental activities	\$ 13,141,269
Business-type activities	1,493,953
Component units	<u>75,426</u>
Total net OPEB liability	<u>\$ 14,710,648</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability of the City, calculated using the discount rate of 7.25%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's net OPEB liability	\$ 30,851,403	\$ 14,710,648	\$ 1,215,159

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate Assumption. The following presents the net OPEB liability of the City, as well as what the City's net OPEB 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 liability	\$ (886,601)	\$ 14,710,648	\$ 33,119,715

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.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$9,269,338. At June 30, 2020, 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	\$ -	\$ (289,061)	\$ (289,061)
Net difference between projected and actual earnings on OPEB plan investments	<u>10,307,067</u>	-	<u>10,307,067</u>
Total	<u>\$ 10,307,067</u>	<u>\$ (289,061)</u>	<u>\$ 10,018,006</u>

The City's deferred outflows/inflows of resources related to OPEB is presented in the government-wide statement of net position as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Governmental activities	\$ 9,207,476	\$ (258,223)	\$ 8,949,253
Business-type activities	1,046,743	(29,356)	1,017,387
Component units	<u>52,848</u>	<u>(1,482)</u>	<u>51,366</u>
Total net OPEB liability	<u>\$ 10,307,067</u>	<u>\$ (289,061)</u>	<u>\$ 10,018,006</u>

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

Year Ended June 30,	Amount
2021	\$ 3,049,503
2022	2,896,873
2023	2,381,711
2024	<u>1,689,919</u>
Total	<u>\$ 10,018,006</u>

Payable to the OPEB Plan. At June 30, 2020, 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	\$ 227,773	\$ 57,133	\$ 284,906
Retirement investments, at fair value:			
Mutual funds	133,988,587	39,202,364	173,190,951
Equities	-	87,002,918	87,002,918
Government obligations	-	1,054,955	1,054,955
Other assets	16,322,603	-	16,322,603
Receivables, net	63,291	6,084	69,375
Total assets	150,602,254	127,323,454	277,925,708
Liabilities			
Accounts payable	656,820	94,577	751,397
Accrued and other liabilities	1,496	-	1,496
Total liabilities	658,316	94,577	752,893
Net position			
Restricted for:			
Employees' pension benefits	149,943,938	-	149,943,938
Other postemployment benefits	-	127,228,877	127,228,877
Total net position	\$ 149,943,938	\$ 127,228,877	\$ 277,172,815

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	\$ 8,575,466	\$ 1,086,472	\$ 9,661,938
Plan members	914,884	-	914,884
Employee service purchases	105,389	-	105,389
 Total contributions	 9,595,739	 1,086,472	 10,682,211
 Investment earnings:			
Net change in fair value of investments	1,884,288	(2,485,276)	(600,988)
Interest	-	11,927	11,927
Dividends	3,415,352	3,744,657	7,160,009
Other investment revenues	1,324	-	1,324
 Total investment gain	 5,300,964	 1,271,308	 6,572,272
Less: investment expense	812,480	331,041	1,143,521
 Net investment gain	 4,488,484	 940,267	 5,428,751
 Total additions	 14,084,223	 2,026,739	 16,110,962
 Deductions			
Benefits	17,188,085	7,516,243	24,704,328
Refund of contributions	1,179,562	-	1,179,562
Administrative expenses	78,213	23,795	102,008
 Total deductions	 18,445,860	 7,540,038	 25,985,898
 Change in net position	 (4,361,637)	 (5,513,299)	 (9,874,936)
 Net position, beginning of year	 154,305,575	 132,742,176	 287,047,751
 Net position, end of year	 \$ 149,943,938	 \$ 127,228,877	 \$ 277,172,815

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	9%	5%
Department heads and deputies	July 1, 2008	9%	5%
Technical and professional	July 1, 2007	9%	5%
Foreman and supervisors	July 1, 2006	9%	5%
SEIU	July 1, 2006	9%	5%
AFSCME	July 1, 2006	9%	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, 2020, there were 120 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, 2020, were \$319,983 by the employees and \$561,903 by the City.

15. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2020, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Capital assets not being depreciated	\$ 125,359,997	\$ 17,029,608	\$ 842,975
Capital assets being depreciated, net	94,622,800	133,675,554	583,280
	<u>219,982,797</u>	<u>150,705,162</u>	<u>1,426,255</u>
Related debt:			
Bonds payable	140,113,448	50,697,553	-
Contractual obligations	-	9,014,299	-
State revolving fund	-	822,387	-
Less: amounts owed from other communities	-	(418,671)	-
Less: pension and OPEB bonds	(100,225,974)	(13,534,052)	-
Bond premium	2,806,219	616,082	-
Unspent bond proceeds	(5,978,000)	-	-
Deferred charge on refunding	(85,571)	(809,347)	-
	<u>36,630,122</u>	<u>46,388,251</u>	<u>-</u>
Net investment in capital assets	\$ 183,352,675	\$ 104,316,911	\$ 1,426,255

CITY OF ROYAL OAK, MICHIGAN

■ Notes to Financial Statements

16. TAX ABATEMENTS

The City received reduced property tax revenues during 2020 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 \$41,000 in reduced tax revenues for 2020.

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 \$242,000 in reduced City tax revenues for 2020.

17. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the City's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. In addition, it may place additional demands on the City for providing emergency services to its citizens. While management reasonably expects the COVID-19 outbreak to negatively impact the City's financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.



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,						
	2020	2019	2018	2017	2016	2015	2014
Change in total pension liability							
Service cost	\$ 3,072,854	\$ 2,679,699	\$ 2,591,005	\$ 2,517,235	\$ 2,542,348	\$ 2,555,924	\$ 2,485,567
Interest	17,159,438	16,458,436	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	1,271,724	1,891,039	1,332,879	3,951,131	2,710,293	903,595	-
Changes in assumptions	-	21,018,018	-	-	-	-	-
Benefit payments, including refunds of member contributions	(18,366,037)	(17,491,531)	(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	3,137,979	24,555,661	3,181,251	5,922,325	4,588,402	3,308,730	2,863,576
Total pension liability, beginning	244,328,493	219,772,832	216,591,581	210,669,256	206,080,854	202,772,124	199,908,548
Total pension liability, ending (a)	247,466,472	244,328,493	219,772,832	216,591,581	210,669,256	206,080,854	202,772,124
Change in plan fiduciary net position							
Contributions - employer	8,575,466	6,125,484	5,878,213	28,605,368	7,034,692	7,098,292	6,539,504
Contributions - member	914,884	943,151	937,300	952,984	1,157,297	981,785	1,603,847
Net investment income (loss)	4,488,484	8,537,229	11,535,933	16,766,006	(3,312,904)	4,465,722	21,788,939
Employee service purchases	105,389	102,167	170,616	111,902	-	-	-
Benefit payments, including refunds of member contributions	(18,367,647)	(17,491,531)	(17,237,196)	(16,388,754)	(16,109,768)	(15,462,070)	(14,644,935)
Administrative expense	(78,213)	(109,517)	(57,159)	(71,470)	(99,672)	(71,374)	(49,691)
Net change in plan fiduciary net position	(4,361,637)	(1,893,017)	1,227,707	29,976,036	(11,330,355)	(2,987,645)	15,237,664
Plan fiduciary net position, beginning	154,305,575	156,198,592	154,970,885	124,994,849	136,325,204	139,312,849	124,075,185
Plan fiduciary net position, ending (b)	149,943,938	154,305,575	156,198,592	154,970,885	124,994,849	136,325,204	139,312,849
City's net pension liability, ending (a)-(b)	\$ 97,522,534	\$ 90,022,918	\$ 63,574,240	\$ 61,620,696	\$ 85,674,407	\$ 69,755,650	\$ 63,459,275
Plan fiduciary net position as a percentage of the total pension liability	60.59%	63.15%	71.07%	71.55%	59.33%	66.15%	68.70%
Covered payroll	\$ 18,916,060	\$ 18,517,659	\$ 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	515.55%	486.15%	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.

The 2019 assumption changes resulted from a change in the investment rate of return from 7.75% to 7.25%, the mortality assumption was adjusted, rates of retirement were increased for the Police and Fire groups and Police service aids, rates of turnover were lowered for the Police and Fire group, the merit and longevity rates of salary increase were lowered for all groups, the load in final average compensation for unused sick and vacation time was increased from 7% to 10% for Police and Fire groups and the load associated with the annuity withdrawal option was increased from 3% to 5% for all groups.

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%
2019	244,328,493	154,305,575	90,022,918	63.15%	18,517,659	486.15%
2020	247,466,472	149,943,938	97,522,534	60.59%	18,916,060	515.55%

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	\$ 6,539,504	\$ (58,797)	\$ 15,296,167	42.8%
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%
2019	6,125,484	6,125,484	-	18,517,659	33.1%
2020	8,575,466	8,575,466	-	18,916,060	45.3%

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, 2018 (for determination of employer contributions for the 2020 fiscal year)
Notes	Actuarially determined contribution rates are calculated as of June 30, 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: 20 years, closed Police and Fire: 25 years, closed
Asset valuation method	4-year smooth market
Inflation	3.00%
Salary increases	3.0% - 5.2%
Investment rate of return	7.25%
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	Healthy Pre-Retirement: The RP-2014 Employee Generational Mortality Tables, with blue-collar adjustments and extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017. Healthy Post-Retirement: The RP-2014 Healthy Annuitant Generational Mortality Tables, with blue-collar adjustments and extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017. Disability Retirement: The RP-2014 Disabled Mortality Table, extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017.

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%
2019	5.84%
2020	2.94%

⁽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 Liability (Asset) and Related Ratios

	Fiscal Year Ended June 30,			
	2020	2019	2018	2017
Total OPEB liability				
Service cost	\$ 854,604	\$ 727,780	\$ 703,060	\$ 733,901
Interest on total OPEB liability	9,863,756	9,494,786	9,329,723	9,160,807
Difference between expected and actual experience	(645,224)	(10,208,287)	(438,850)	(192,395)
Changes in assumptions	-	20,859,970	-	-
Benefit payments	(7,516,243)	(7,282,202)	(7,671,260)	(7,343,423)
Other changes	-	-	294	-
Net change in total OPEB liability	2,556,893	13,592,047	1,922,967	2,358,890
Total OPEB liability, beginning of year	139,382,632	125,790,585	123,867,618	121,508,728
Total OPEB liability, end of year	141,939,525	139,382,632	125,790,585	123,867,618
Plan fiduciary net position				
Employer contributions	1,086,472	743,637	716,492	119,383,923
Net investment income	940,267	6,574,025	7,408,631	3,439,452
Benefit payments	(7,516,243)	(7,282,202)	(7,671,260)	(7,343,423)
Administrative expense	(23,795)	(40,935)	(29,916)	(24,690)
Net change in plan fiduciary net position	(5,513,299)	(5,475)	423,947	115,455,262
Plan fiduciary net position, beginning of year	132,742,176	132,747,651	132,323,704	16,868,442
Plan fiduciary net position, end of year	127,228,877	132,742,176	132,747,651	132,323,704
Net OPEB liability (asset)	\$ 14,710,648	\$ 6,640,456	\$ (6,957,066)	\$ (8,456,086)
Plan fiduciary net position as a percentage of total OPEB liability	89.64%	95.24%	105.53%	106.83%
Covered payroll	\$ 12,401,383	\$ 13,668,537	\$ 14,183,345	\$ 14,971,828
Net OPEB liability (asset) as a percentage of covered payroll	118.62%	48.58%	-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.

The 2019 assumption changes resulted from a change in the investment rate of return from 7.75% to 7.25%, the mortality assumption was adjusted, rates of retirement were increased for the Police and Fire groups and Police service aids, and rates of turnover were lowered for the Police and Fire group.

CITY OF ROYAL OAK, MICHIGAN

Required Supplementary Information Other Postemployment Benefits Plan

Schedule of the Net OPEB Liability (Asset)

Fiscal Year Ending June 30,	Total OPEB Liability	Plan Net Position	Net OPEB Asset/Liability	Plan Net Position as Percentage of Total OPEB Liability	Covered Payroll	Net OPEB Asset/Liability 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%
2019	139,382,632	132,742,176	6,640,456	95.24%	13,668,537	48.58%
2020	141,939,525	127,228,877	14,710,648	89.64%	12,401,383	118.62%

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%
2019	369,967	743,637	(373,670)	13,668,537	5.44%
2020	940,979	1,086,472	(145,493)	12,401,383	8.76%

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, 2018
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 2020 (Based on the June 30, 2018 Valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level dollar, closed
Remaining amortization period	20 years
Asset valuation method	Market value
Inflation	2.75%
Salary increases	3.0% to 5.2%, including inflation
Investment rate of return	7.25%, 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	Healthy Pre-Retirement: The RP-2014 Employee Generational Mortality Tables, with blue-collar adjustments and extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017. Healthy Post-Retirement: The RP-2014 Healthy Annuitant Generational Mortality Tables, with blue-collar adjustments and extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017. Disability Retirement: The RP-2014 Disabled Mortality Table, extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017.
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

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%
2019	5.09%
2020	0.71%

⁽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, 2020

	Special Revenue Funds		
	Major Streets	Local Streets	Solid Waste
Assets			
Cash and investments	\$ 3,920,880	\$ 7,355,533	\$ 5,866,127
Receivables, net	123,619	18,764	19,839
Due from other governmental units	669,914	217,435	31,933
Inventories	152,490	29,323	-
Restricted assets, cash	-	-	-
Total assets	\$ 4,866,903	\$ 7,621,055	\$ 5,917,899
Liabilities			
Accounts payable	\$ 432,347	\$ 879,733	\$ 286,871
Accrued and other liabilities	80,530	286,820	36,715
Due to other funds	-	-	-
Cash bonds and deposits	-	-	-
Unearned revenue	-	-	-
Total liabilities	512,877	1,166,553	323,586
Deferred inflows of resources			
Unavailable revenue	-	5,481	6,166
Fund balances			
Nonspendable:			
Inventories	152,490	29,323	-
Endowment	-	-	-
Restricted	4,201,536	6,419,698	5,588,147
Total fund balances	4,354,026	6,449,021	5,588,147
Total liabilities, deferred inflows of resources and fund balances	\$ 4,866,903	\$ 7,621,055	\$ 5,917,899

Special Revenue Funds							
Community Development Block Grant	Publicity	Senior Citizens Program	Library Millage	State Construction Code	Donations		
\$ -	\$ 9,379	\$ 516,686	\$ 1,627,082	\$ 11,523,552	\$ 347,523		
3,099,579	6,175	-	2,104	-	-		
565,189	-	-	-	-	-		
-	-	-	-	-	-		
-	-	-	-	-	-		
\$ 3,664,768	\$ 15,554	\$ 516,686	\$ 1,629,186	\$ 11,523,552	\$ 347,523		
\$ 219,542	\$ -	\$ 6,204	\$ 89,639	\$ 2,881	\$ -		
16,990	757	17,431	58,348	50,878	-		
328,697	-	-	-	-	-		
-	-	-	-	-	-		
3,099,539	-	-	-	-	-		
3,664,768	757	23,635	147,987	53,759	-		
-	39	-	2,104	-	-		
-	-	-	-	-	-		
-	-	-	-	-	-		
-	14,758	493,051	1,479,095	11,469,793	347,523		
-	14,758	493,051	1,479,095	11,469,793	347,523		
\$ 3,664,768	\$ 15,554	\$ 516,686	\$ 1,629,186	\$ 11,523,552	\$ 347,523		

continued...

CITY OF ROYAL OAK, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2020

	Special Revenue Funds		
	Grants	Indigent Defense	Debt Service Fund
Assets			
Cash and investments	\$ 475,054	\$ 318,064	\$ 32,142
Receivables, net	50,453	-	529
Due from other governmental units	-	-	-
Inventories	-	-	-
Restricted assets, cash	-	-	-
Total assets	\$ 525,507	\$ 318,064	\$ 32,671
Liabilities			
Accounts payable	\$ 5,903	\$ 26,660	\$ -
Accrued and other liabilities	6,704	-	-
Due to other funds	-	-	-
Cash bonds and deposits	2,700	-	-
Unearned revenue	19,492	-	-
Total liabilities	34,799	26,660	-
Deferred inflows of resources			
Unavailable revenue	-	-	529
Fund balances			
Nonspendable:			
Inventories	-	-	-
Endowment	-	-	-
Restricted	490,708	291,404	32,142
Total fund balances	490,708	291,404	32,142
Total liabilities, deferred inflows of resources and fund balances	\$ 525,507	\$ 318,064	\$ 32,671

Capital Projects

Special Assessments	Permanent Fund	Total Nonmajor Governmental Funds
\$ -	\$ 11,043	\$ 32,003,065
949,450	9	4,270,521
-	-	1,484,471
-	-	181,813
-	1,000	1,000
<hr/>	<hr/>	<hr/>
\$ 949,450	\$ 12,052	\$ 37,940,870
\$ -	\$ -	\$ 1,949,780
-	-	555,173
1,035	-	329,732
-	-	2,700
-	-	3,119,031
<hr/>	<hr/>	<hr/>
1,035	-	5,956,416
895,862	-	910,181
-	-	181,813
-	1,000	1,000
52,553	11,052	30,891,460
<hr/>	<hr/>	<hr/>
52,553	12,052	31,074,273
\$ 949,450	\$ 12,052	\$ 37,940,870

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, 2020

	Special Revenue Funds		
	Major Streets	Local Streets	Solid Waste
Revenues			
Taxes	\$ -	\$ 6,357,979	\$ 7,011,113
Licenses and permits	224,830	-	-
Federal grants	-	-	-
State grants	4,812,007	1,713,162	187,111
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Interest and rentals	54,572	91,470	143,324
Contributions and donations	18,435	-	-
Other revenue	16,368	10,257	57,653
Total revenues	5,126,212	8,172,868	7,399,201
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	4,859,320	6,723,946	7,420,275
Community and economic development	-	-	-
Recreation and culture	-	-	-
Debt service:			
Principal payments	92,457	1,352,848	113,297
Interest and paying agent fees	91,290	280,070	111,869
Total expenditures	5,043,067	8,356,864	7,645,441
Revenues over (under) expenditures	83,145	(183,996)	(246,240)
Other financing sources (uses)			
Transfers in	40,245	211,004	-
Transfers out	-	-	(2,000)
Total other financing sources (uses)	40,245	211,004	(2,000)
Net change in fund balances	123,390	27,008	(248,240)
Fund balances, beginning of year	4,230,636	6,422,013	5,836,387
Fund balances, end of year	\$ 4,354,026	\$ 6,449,021	\$ 5,588,147

Special Revenue Funds

Special Revenue Funds					
Community Development Block Grant	Publicity	Senior Citizens Program	Library Millage	State Construction Code	Donations
\$ -	\$ 44,983	\$ -	\$ 2,444,923	\$ -	\$ -
-	-	-	-	2,839,477	-
1,146,609	-	-	-	-	-
-	1,155	145,353	227,821	-	-
456,433	-	157,630	28,480	-	-
-	-	-	931	-	-
-	607	8,586	43,053	177,633	5,355
-	-	32,014	22,793	-	20,964
21,918	-	-	2,393	67,995	-
1,624,960	46,745	343,583	2,770,394	3,085,105	26,319
-	-	-	-	1,381,715	510
1,624,960	-	-	-	-	-
-	65,368	692,446	2,145,616	-	40,345
-	-	28,324	437,386	-	-
-	-	27,967	201,698	-	-
1,624,960	65,368	748,737	2,784,700	1,381,715	40,855
-	(18,623)	(405,154)	(14,306)	1,703,390	(14,536)
-	10,000	350,000	-	-	22,000
-	-	(2,000)	-	(38,000)	(9,000)
-	10,000	348,000	-	(38,000)	13,000
-	(8,623)	(57,154)	(14,306)	1,665,390	(1,536)
-	23,381	550,205	1,493,401	9,804,403	349,059
\$ -	\$ 14,758	\$ 493,051	\$ 1,479,095	\$ 11,469,793	\$ 347,523

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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, 2020

	Special Revenue Funds		
	Grants	Indigent Defense	Debt Service Fund
Revenues			
Taxes	\$ -	\$ -	\$ 607,187
Licenses and permits	55,709	-	-
Federal grants	60,098	-	-
State grants	101,136	646,023	7,332
Charges for services	6,753	-	-
Fines and forfeitures	139,585	-	(2,249)
Interest and rentals	28,146	-	493
Contributions and donations	108,643	-	-
Other revenue	50	-	-
Total revenues	500,120	646,023	612,763
Expenditures			
Current:			
General government	-	469,473	-
Public safety	277,448	-	-
Public works	-	-	-
Community and economic development	-	-	-
Recreation and culture	3,750	-	-
Debt service:			
Principal payments	-	-	1,726,331
Interest and paying agent fees	-	-	1,575,955
Total expenditures	281,198	469,473	3,302,286
Revenues over (under) expenditures	218,922	176,550	(2,689,523)
Other financing sources (uses)			
Transfers in	9,000	22,690	2,671,221
Transfers out	(1,400,000)	-	-
Total other financing sources (uses)	(1,391,000)	22,690	2,671,221
Net change in fund balances	(1,172,078)	199,240	(18,302)
Fund balances, beginning of year	1,662,786	92,164	50,444
Fund balances, end of year	\$ 490,708	\$ 291,404	\$ 32,142

Capital Projects

Special Assessments	Permanent Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 16,466,185
-	-	3,120,016
-	-	1,206,707
-	-	7,841,100
-	-	649,296
-	-	138,267
55,907	201	609,347
247,998	-	450,847
-	-	176,634
<hr/>	<hr/>	<hr/>
303,905	201	30,658,399
<hr/>	<hr/>	<hr/>
-	-	469,473
-	-	1,659,673
111	-	19,003,652
-	-	1,624,960
-	3	2,947,528
-	-	3,750,643
<hr/>	<hr/>	<hr/>
111	3	31,744,778
<hr/>	<hr/>	<hr/>
303,794	198	(1,086,379)
<hr/>	<hr/>	<hr/>
-	-	3,336,160
(289,564)	-	(1,740,564)
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(289,564)	-	1,595,596
<hr/>	<hr/>	<hr/>
14,230	198	509,217
<hr/>	<hr/>	<hr/>
38,323	11,854	30,565,056
<hr/>	<hr/>	<hr/>
\$ 52,553	\$ 12,052	\$ 31,074,273
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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, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Licenses and permits	\$ 203,000	\$ 203,000	\$ 224,830	\$ 21,830
State grants	4,894,000	4,695,000	4,812,007	117,007
Interest and rentals	30,000	30,000	54,572	24,572
Contributions and donations	18,210	18,210	18,435	225
Other revenue	16,000	16,000	16,368	368
Total revenues	5,161,210	4,962,210	5,126,212	164,002
Expenditures				
Current -				
Public works	4,968,470	5,391,530	4,859,320	(532,210)
Debt service:				
Principal payments	93,000	93,000	92,457	(543)
Interest and paying agent fees	92,000	92,000	91,290	(710)
Total expenditures	5,153,470	5,576,530	5,043,067	(533,463)
Revenues over (under) expenditures	7,740	(614,320)	83,145	697,465
Other financing sources (uses)				
Transfers in	-	-	40,245	40,245
Transfers out	(1,000,000)	(1,000,000)	-	(1,000,000)
Total other financing sources (uses)	(1,000,000)	(1,000,000)	40,245	1,040,245
Net change in fund balance	(992,260)	(1,614,320)	123,390	1,737,710
Fund balance, beginning of year	4,230,636	4,230,636	4,230,636	-
Fund balance, end of year	\$ 3,238,376	\$ 2,616,316	\$ 4,354,026	\$ 1,737,710

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Local Streets Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 6,315,000	\$ 6,315,000	\$ 6,357,979	\$ 42,979
State grants	1,660,000	1,660,000	1,713,162	53,162
Interest and rentals	30,000	30,000	91,470	61,470
Other revenue	-	-	10,257	10,257
Total revenues	8,005,000	8,005,000	8,172,868	167,868
Expenditures				
Current -				
Public works	8,455,810	8,455,810	6,723,946	(1,731,864)
Debt service:				
Principal payments	1,354,000	1,354,000	1,352,848	(1,152)
Interest and paying agent fees	282,000	282,000	280,070	(1,930)
Total expenditures	10,091,810	10,091,810	8,356,864	(1,734,946)
Revenues under expenditures	(2,086,810)	(2,086,810)	(183,996)	1,902,814
Other financing sources				
Transfers in	1,000,000	1,000,000	211,004	(788,996)
Net change in fund balance	(1,086,810)	(1,086,810)	27,008	1,113,818
Fund balance, beginning of year	6,422,013	6,422,013	6,422,013	-
Fund balance, end of year	\$ 5,335,203	\$ 5,335,203	\$ 6,449,021	\$ 1,113,818

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Solid Waste Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 6,949,000	\$ 6,949,000	\$ 7,011,113	\$ 62,113
State grants	81,000	81,000	187,111	106,111
Interest and rentals	200,000	200,000	143,324	(56,676)
Other revenue	50,000	50,000	57,653	7,653
Total revenues	7,280,000	7,280,000	7,399,201	119,201
Expenditures				
Current -				
Public works	7,420,040	7,420,040	7,420,275	235
Debt service:				
Principal payments	114,000	114,000	113,297	(703)
Interest and paying agent fees	113,000	113,000	111,869	(1,131)
Total expenditures	7,647,040	7,647,040	7,645,441	(1,599)
Revenues under expenditures	(367,040)	(367,040)	(246,240)	120,800
Other financing uses				
Transfers out	(2,000)	(2,000)	(2,000)	-
Net change in fund balance	(369,040)	(369,040)	(248,240)	120,800
Fund balance, beginning of year	5,836,387	5,836,387	5,836,387	-
Fund balance, end of year	\$ 5,467,347	\$ 5,467,347	\$ 5,588,147	\$ 120,800

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Community Development Block Grant Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal grants	\$ 1,179,150	\$ 1,179,150	\$ 1,146,609	\$ (32,541)
Charges for services	245,000	245,000	456,433	211,433
Other revenue	<u>855,000</u>	<u>1,032,460</u>	<u>21,918</u>	<u>(1,010,542)</u>
Total revenues	2,279,150	2,456,610	1,624,960	(831,650)
Expenditures				
Current -				
Community and economic development	<u>1,679,150</u>	<u>2,456,610</u>	<u>1,624,960</u>	<u>(831,650)</u>
Net change in fund balance	600,000	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ 600,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Publicity Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 48,000	\$ 48,000	\$ 44,983	\$ (3,017)
State grants	530	530	1,155	625
Interest and rentals	1,000	1,000	607	(393)
Total revenues	49,530	49,530	46,745	(2,785)
Expenditures				
Current -				
Recreation and culture	66,520	66,520	65,368	(1,152)
Revenues under expenditures	(16,990)	(16,990)	(18,623)	(1,633)
Other financing sources				
Transfers in	10,000	10,000	10,000	-
Net change in fund balance	(6,990)	(6,990)	(8,623)	(1,633)
Fund balance, beginning of year	23,381	23,381	23,381	-
Fund balance, end of year	\$ 16,391	\$ 16,391	\$ 14,758	\$ (1,633)

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, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State grants	\$ 150,080	\$ 150,080	\$ 145,353	\$ (4,727)
Charges for services	237,500	170,500	157,630	(12,870)
Interest and rentals	11,000	11,000	8,586	(2,414)
Contributions and donations	47,430	47,430	32,014	(15,416)
Total revenues	446,010	379,010	343,583	(35,427)
Expenditures				
Current -				
Recreation and culture	994,990	933,590	692,446	(241,144)
Debt service:				
Principal payments	28,500	28,500	28,324	(176)
Interest and paying agent fees	28,600	28,600	27,967	(633)
Total expenditures	1,052,090	990,690	748,737	(241,953)
Revenues under expenditures	(606,080)	(611,680)	(405,154)	206,526
Other financing sources (uses)				
Transfers in	350,000	350,000	350,000	-
Transfers out	(2,000)	(2,000)	(2,000)	-
Total other financing sources (uses)	348,000	348,000	348,000	-
Net change in fund balance	(258,080)	(263,680)	(57,154)	206,526
Fund balance, beginning of year	550,205	550,205	550,205	-
Fund balance, end of year	\$ 292,125	\$ 286,525	\$ 493,051	\$ 206,526

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, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 2,424,000	\$ 2,424,000	\$ 2,444,923	\$ 20,923
State grants	182,000	182,000	227,821	45,821
Charges for services	39,500	39,500	28,480	(11,020)
Fines and forfeitures	2,200	2,200	931	(1,269)
Interest and rentals	60,000	60,000	43,053	(16,947)
Contributions and donations	30,500	30,500	22,793	(7,707)
Other revenue	2,000	2,000	2,393	393
Total revenues	2,740,200	2,740,200	2,770,394	30,194
Expenditures				
Current -				
Recreation and culture	2,128,170	2,238,320	2,145,616	(92,704)
Debt service:				
Principal payments	438,000	438,000	437,386	(614)
Interest and paying agent fees	203,000	203,000	201,698	(1,302)
Total expenditures	2,769,170	2,879,320	2,784,700	(94,620)
Net change in fund balance	(28,970)	(139,120)	(14,306)	124,814
Fund balance, beginning of year	1,493,401	1,493,401	1,493,401	-
Fund balance, end of year	\$ 1,464,431	\$ 1,354,281	\$ 1,479,095	\$ 124,814

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, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Licenses and permits	\$ 1,801,500	\$ 2,606,500	\$ 2,839,477	\$ 232,977
Interest and rentals	220,000	220,000	177,633	(42,367)
Other revenue	25,000	25,000	67,995	42,995
Total revenues	2,046,500	2,851,500	3,085,105	233,605
Expenditures				
Current -				
Public safety	2,044,500	2,809,900	1,381,715	(1,428,185)
Revenues over expenditures	2,000	41,600	1,703,390	1,661,790
Other financing uses				
Transfers out	(2,000)	(38,000)	(38,000)	-
Net change in fund balance	-	3,600	1,665,390	1,661,790
Fund balance, beginning of year	9,804,403	9,804,403	9,804,403	-
Fund balance, end of year	\$ 9,804,403	\$ 9,808,003	\$ 11,469,793	\$ 1,661,790

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Donations Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Interest and rentals	\$ 6,500	\$ 6,500	\$ 5,355	\$ (1,145)
Contributions and donations	57,000	57,000	20,964	(36,036)
Total revenues	63,500	63,500	26,319	(37,181)
Expenditures				
Current:				
Public safety	-	-	510	510
Recreation and culture	76,500	76,500	40,345	(36,155)
Total expenditures	76,500	76,500	40,855	(35,645)
Revenues under expenditures	(13,000)	(13,000)	(14,536)	(1,536)
Other financing sources (uses)				
Transfers in	22,000	22,000	22,000	-
Transfers out	(9,000)	(9,000)	(9,000)	-
Total other financing sources (uses)	13,000	13,000	13,000	-
Net change in fund balance	-	-	(1,536)	(1,536)
Fund balance, beginning of year	349,059	349,059	349,059	-
Fund balance, end of year	\$ 349,059	\$ 349,059	\$ 347,523	\$ (1,536)

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, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Licenses and permits	\$ 50,000	\$ 55,700	\$ 55,709	\$ 9
Federal grants	30,000	41,450	60,098	18,648
State grants	89,000	96,410	101,136	4,726
Charges for services	18,000	18,000	6,753	(11,247)
Fines and forfeitures	50,000	139,600	139,585	(15)
Interest and rentals	30,600	30,600	28,146	(2,454)
Contributions and donations	58,000	99,000	108,643	9,643
Other revenue	20	20	50	30
Total revenues	325,620	480,780	500,120	19,340
Expenditures				
Current:				
Public safety	355,510	378,420	277,448	(100,972)
Recreation and culture	-	3,750	3,750	-
Total expenditures	355,510	382,170	281,198	(100,972)
Revenues over (under) expenditures	(29,890)	98,610	218,922	120,312
Other financing sources (uses)				
Transfers in	9,000	9,000	9,000	-
Transfers out	(1,200,000)	(1,400,000)	(1,400,000)	-
Total other financing sources (uses)	(1,191,000)	(1,391,000)	(1,391,000)	-
Net change in fund balance	(1,220,890)	(1,292,390)	(1,172,078)	120,312
Fund balance, beginning of year	1,662,786	1,662,786	1,662,786	-
Fund balance, end of year	\$ 441,896	\$ 370,396	\$ 490,708	\$ 120,312

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Indigent Defense
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State grants	\$ 488,010	\$ 608,360	\$ 646,023	\$ 37,663
Other revenue	28,800	28,800	-	(28,800)
Total revenues	516,810	637,160	646,023	8,863
Expenditures				
Current -				
General government	539,020	659,850	469,473	(190,377)
Revenues over (under) expenditures	(22,210)	(22,690)	176,550	199,240
Other financing sources				
Transfers in	22,210	22,690	22,690	-
Net change in fund balance	-	-	199,240	199,240
Fund balance, beginning of year	92,164	92,164	92,164	-
Fund balance, end of year	<u>\$ 92,164</u>	<u>\$ 92,164</u>	<u>\$ 291,404</u>	<u>\$ 199,240</u>

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2020

	Arts, Beats & Eats	Recreation Administration	Ice Arena	Farmers Market	Total Nonmajor Enterprise Funds
Assets					
Current assets:					
Cash and investments	\$ 2,569	\$ 326,177	\$ 961,223	\$ 526,384	\$ 1,816,353
Receivables, net	-	117,481	4,167	18,775	140,423
Total current assets	<u>2,569</u>	<u>443,658</u>	<u>965,390</u>	<u>545,159</u>	<u>1,956,776</u>
Noncurrent assets:					
Capital assets	-	4,471,882	5,148,875	2,585,323	12,206,080
Accumulated depreciation	-	(1,582,940)	(3,512,962)	(1,363,852)	(6,459,754)
Total noncurrent assets	<u>-</u>	<u>2,888,942</u>	<u>1,635,913</u>	<u>1,221,471</u>	<u>5,746,326</u>
Total assets	<u>2,569</u>	<u>3,332,600</u>	<u>2,601,303</u>	<u>1,766,630</u>	<u>7,703,102</u>
Deferred outflows of resources					
Deferred pension amounts	-	9,716	-	475	10,191
Deferred other postemployment benefits amounts	-	42,251	-	-	42,251
Total deferred outflows of resources	<u>-</u>	<u>51,967</u>	<u>-</u>	<u>475</u>	<u>52,442</u>
Liabilities					
Current liabilities:					
Accounts payable	-	3,297	43,196	6,188	52,681
Accrued and other liabilities	-	18,612	3,343	165	22,120
Unearned revenue	-	-	51,137	10,650	61,787
Bonds payable, due within one year	-	48,195	9,639	-	57,834
Compensated absences, current	-	8,605	464	37	9,106
Total current liabilities	<u>-</u>	<u>78,709</u>	<u>107,779</u>	<u>17,040</u>	<u>203,528</u>
Noncurrent liabilities:					
Bonds payable	-	1,138,619	227,724	-	1,366,343
Accrued compensated absences	-	8,580	462	37	9,079
Net pension liability	-	65,759	-	3,222	68,981
Net other postemployment benefits liability	-	60,302	-	-	60,302
Total noncurrent liabilities	<u>-</u>	<u>1,273,260</u>	<u>228,186</u>	<u>3,259</u>	<u>1,504,705</u>
Total liabilities	<u>-</u>	<u>1,351,969</u>	<u>335,965</u>	<u>20,299</u>	<u>1,708,233</u>
Deferred inflows of resources					
Deferred other postemployment benefits amounts	-	1,185	-	-	1,185
Net position					
Investment in capital assets	-	2,888,942	1,635,913	1,221,471	5,746,326
Unrestricted (deficit)	<u>2,569</u>	<u>(857,529)</u>	<u>629,425</u>	<u>525,335</u>	<u>299,800</u>
Total net position	<u>\$ 2,569</u>	<u>\$ 2,031,413</u>	<u>\$ 2,265,338</u>	<u>\$ 1,746,806</u>	<u>\$ 6,046,126</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, 2020

	Arts, Beats & Eats	Recreation Administration	Ice Arena	Farmers Market	Total Nonmajor Enterprise Funds
Operating revenues					
Charges for services	\$ 237,365	\$ 315,111	\$ 1,093,450	\$ 319,481	\$ 1,965,407
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,003</u>	<u>5,003</u>
Total operating revenues	<u>237,365</u>	<u>315,111</u>	<u>1,093,450</u>	<u>324,484</u>	<u>1,970,410</u>
Operating expenses					
Salaries and benefits	65,360	258,154	12,256	6,346	342,116
Supplies	<u>-</u>	<u>14,134</u>	<u>44,707</u>	<u>26,168</u>	<u>85,009</u>
Other services and charges	172,565	177,759	1,099,466	456,489	1,906,279
Depreciation	<u>-</u>	<u>87,765</u>	<u>104,832</u>	<u>72,221</u>	<u>264,818</u>
Total operating expenses	<u>237,925</u>	<u>537,812</u>	<u>1,261,261</u>	<u>561,224</u>	<u>2,598,222</u>
Operating loss	<u>(560)</u>	<u>(222,701)</u>	<u>(167,811)</u>	<u>(236,740)</u>	<u>(627,812)</u>
Nonoperating revenues (expenses)					
Interest income	1,189	7,486	13,818	9,025	31,518
Interest expense	<u>-</u>	<u>(46,389)</u>	<u>(9,278)</u>	<u>-</u>	<u>(55,667)</u>
Total nonoperating revenues (expenses)	<u>1,189</u>	<u>(38,903)</u>	<u>4,540</u>	<u>9,025</u>	<u>(24,149)</u>
Income (loss) before transfers	629	(261,604)	(163,271)	(227,715)	(651,961)
Transfers					
Transfers out	<u>-</u>	<u>-</u>	<u>(2,000)</u>	<u>-</u>	<u>(2,000)</u>
Change in net position	629	(261,604)	(165,271)	(227,715)	(653,961)
Net position, beginning of year	<u>1,940</u>	<u>2,293,017</u>	<u>2,430,609</u>	<u>1,974,521</u>	<u>6,700,087</u>
Net position, end of year	<u>\$ 2,569</u>	<u>\$ 2,031,413</u>	<u>\$ 2,265,338</u>	<u>\$ 1,746,806</u>	<u>\$ 6,046,126</u>

CITY OF ROYAL OAK, MICHIGAN

■ **Combining Statement of Cash Flows**

Nonmajor Enterprise Funds
For the Year Ended June 30, 2020

	Arts, Beats & Eats	Recreation Administration	Ice Arena	Farmers Market	Total Nonmajor Enterprise Funds
Cash flows from operating activities					
Receipts from customers	\$ 237,365	\$ 270,658	\$ 1,140,420	\$ 311,423	\$ 1,959,866
Other operating receipts	-	-	-	5,003	5,003
Payments to vendors	(172,565)	(207,237)	(1,154,287)	(493,570)	(2,027,659)
Payments to employees	(65,360)	(214,412)	(12,211)	(8,251)	(300,234)
Net cash used in operating activities	(560)	(150,991)	(26,078)	(185,395)	(363,024)
Cash flows from noncapital financing activities					
Transfers to other funds	-	-	(2,000)	-	(2,000)
Cash flows from capital and related financing activities					
Principal paid on long-term debt	-	(47,206)	(9,441)	-	(56,647)
Interest paid on long-term debt	-	(46,389)	(9,278)	-	(55,667)
Net cash used in noncapital financing activities	-	(93,595)	(18,719)	-	(112,314)
Cash flows from investing activities					
Interest received on investments	1,189	7,486	13,818	9,025	31,518
Net change in cash and investments	629	(237,100)	(32,979)	(176,370)	(445,820)
Cash and investments balances, beginning of year	1,940	563,277	994,202	702,754	2,262,173
Cash and investments balances, end of year	\$ 2,569	\$ 326,177	\$ 961,223	\$ 526,384	\$ 1,816,353

continued...

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds
For the Year Ended June 30, 2020

	Arts, Beats & Eats	Recreation Administration	Ice Arena	Farmers Market	Total Nonmajor Enterprise Funds
Reconciliation of operating loss to net cash used in operating activities					
Operating loss	\$ (560)	\$ (222,701)	\$ (167,811)	\$ (236,740)	\$ (627,812)
Adjustments to reconcile operating loss to net cash used in operating activities:					
Depreciation	-	87,765	104,832	72,221	264,818
Changes in assets and liabilities:					
Receivables, net	-	(44,453)	(4,167)	(8,008)	(56,628)
Deferred outflows related to the net pension liability	-	225	-	397	622
Deferred outflows related to the net other postemployment benefit liability	-	2,241	-	-	2,241
Accounts payable	-	(15,344)	(10,114)	(10,913)	(36,371)
Accrued and other liabilities	-	(5,283)	(197)	(368)	(5,848)
Unearned revenue	-	-	51,137	(50)	51,087
Accrued compensated absences	-	1,817	242	(909)	1,150
Net pension liability	-	17,377	-	(1,025)	16,352
Net other postemployment benefits liability	-	40,573	-	-	40,573
Deferred inflows related to the net other postemployment benefit liability	-	(13,208)	-	-	(13,208)
Net cash used in operating activities	\$ (560)	\$ (150,991)	\$ (26,078)	\$ (185,395)	\$ (363,024)

concluded.

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

June 30, 2020

	Information Systems	Motor Pool	Workers Compensation	Medical Self-Insurance	Liability Insurance	Total
Assets						
Current assets:						
Cash and investments	\$ 3,590,960	\$ 11,716,114	\$ 1,875,045	\$ 4,901,317	\$ 1,555,562	\$ 23,638,998
Receivables, net	-	4,887	-	-	-	4,887
Prepaid items	-	-	-	1,698,181	401,407	2,099,588
Inventories	-	146,639	-	-	-	146,639
Total current assets	<u>3,590,960</u>	<u>11,867,640</u>	<u>1,875,045</u>	<u>6,599,498</u>	<u>1,956,969</u>	<u>25,890,112</u>
Noncurrent assets:						
Capital assets	1,600,234	20,061,509	-	-	-	21,661,743
Accumulated depreciation	(1,270,521)	(13,325,520)	-	-	-	(14,596,041)
Total noncurrent assets	<u>329,713</u>	<u>6,735,989</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,065,702</u>
Total assets	<u>3,920,673</u>	<u>18,603,629</u>	<u>1,875,045</u>	<u>6,599,498</u>	<u>1,956,969</u>	<u>32,955,814</u>
Deferred outflows of resources						
Deferred charge on refunding	-	35,723	-	-	-	35,723
Deferred pension amounts	28,277	36,584	-	-	-	64,861
Deferred other postemployment benefits amounts	123,721	157,973	-	-	-	281,694
Total deferred outflows of resources	<u>151,998</u>	<u>230,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>382,278</u>
Liabilities						
Current liabilities:						
Accounts payable	19,946	808,003	-	33,468	-	861,417
Accrued and other liabilities	40,455	152,659	-	300,268	-	493,382
Bonds payable, due within one year	38,556	295,672	-	-	-	334,228
Other long-term liabilities, current	-	-	287,299	-	609,725	897,024
Compensated absences, current	38,703	33,174	-	-	-	71,877
Total current liabilities	<u>137,660</u>	<u>1,289,508</u>	<u>287,299</u>	<u>333,736</u>	<u>609,725</u>	<u>2,657,928</u>
Noncurrent liabilities:						
Bonds payable	910,895	6,505,760	-	-	-	7,416,655
Other long-term liabilities	-	-	287,299	-	609,725	897,024
Accrued compensated absences	40,424	32,241	-	-	-	72,665
Net pension liability	191,379	247,613	-	-	-	438,992
Net other postemployment benefits liability	176,580	225,466	-	-	-	402,046
Total noncurrent liabilities	<u>1,319,278</u>	<u>7,011,080</u>	<u>287,299</u>	<u>-</u>	<u>609,725</u>	<u>9,227,382</u>
Total liabilities	<u>1,456,938</u>	<u>8,300,588</u>	<u>574,598</u>	<u>333,736</u>	<u>1,219,450</u>	<u>11,885,310</u>
Deferred inflows of resources						
Deferred other postemployment benefits amounts	3,470	4,430	-	-	-	7,900
Net position						
Net investment in capital assets	329,713	6,379,068	-	-	-	6,708,781
Unrestricted	2,282,550	4,149,823	1,300,447	6,265,762	737,519	14,736,101
Total net position	<u>\$ 2,612,263</u>	<u>\$ 10,528,891</u>	<u>\$ 1,300,447</u>	<u>\$ 6,265,762</u>	<u>\$ 737,519</u>	<u>\$ 21,444,882</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, 2020

	Information Systems	Motor Pool	Workers Compensation	Medical Self-Insurance	Liability Insurance	Total
Operating revenues						
Charges for services	\$ 1,803,140	\$ 4,708,932	\$ 368,505	\$ 10,329,522	\$ 1,217,178	\$ 18,427,277
Other revenue	53,129	203,057	28,562	72,627	391,155	748,530
Total operating revenues	1,856,269	4,911,989	397,067	10,402,149	1,608,333	19,175,807
Operating expenses						
Salaries and benefits	691,863	1,111,449	360,407	9,696,622	-	11,860,341
Supplies	128,780	685,623	-	-	-	814,403
Other services and charges	474,752	1,116,489	47,686	1,180	1,392,221	3,032,328
Depreciation	84,516	1,186,353	-	-	-	1,270,869
Total operating expenses	1,379,911	4,099,914	408,093	9,697,802	1,392,221	16,977,941
Operating income (loss)	476,358	812,075	(11,026)	704,347	216,112	2,197,866
Nonoperating revenues (expenses)						
Interest expense	(37,111)	(266,089)	-	-	-	(303,200)
Gain on sale of capital assets	-	75,848	-	-	-	75,848
Total nonoperating revenue (expenses)	(37,111)	(190,241)	-	-	-	(227,352)
Income (loss) before transfers	439,247	621,834	(11,026)	704,347	216,112	1,970,514
Transfers in	-	36,000	-	-	-	36,000
Change in net position	439,247	657,834	(11,026)	704,347	216,112	2,006,514
Net position, beginning of year	2,173,016	9,871,057	1,311,473	5,561,415	521,407	19,438,368
Net position, end of year	\$ 2,612,263	\$ 10,528,891	\$ 1,300,447	\$ 6,265,762	\$ 737,519	\$ 21,444,882

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2020

	Information Systems	Motor Pool	Workers Compensation	Medical Self-Insurance	Liability Insurance	Total
Cash flows from operating activities						
Internal activity - receipts from other funds	\$ 1,803,140	\$ 4,708,932	\$ 368,505	\$ 10,329,522	\$ 1,217,178	\$ 18,427,277
Other operating receipts	53,129	203,057	28,562	72,627	391,155	748,530
Payments to vendors	(678,493)	(1,052,864)	(156,941)	(232,215)	(1,710,458)	(3,830,971)
Payments to employees	(556,172)	(911,942)	(223,670)	(9,686,354)	-	(11,378,138)
Net cash provided by (used in) operating activities	621,604	2,947,183	16,456	483,580	(102,125)	3,966,698
Cash flows from noncapital financing activities						
Transfers in	-	36,000	-	-	-	36,000
Cash flows from capital and related financing activities						
Purchase of capital assets	-	(1,999,055)	-	-	-	(1,999,055)
Principal paid on long-term debt	(37,765)	(495,956)	-	-	-	(533,721)
Interest paid on long-term debt	(37,111)	(263,694)	-	-	-	(300,805)
Proceeds from sale of capital assets	-	75,848	-	-	-	75,848
Net cash used in capital and related financing activities	(74,876)	(2,682,857)	-	-	-	(2,757,733)
Net change in cash and investments	546,728	300,326	16,456	483,580	(102,125)	1,244,965
Cash and investments balances, beginning of year	3,044,232	11,415,788	1,858,589	4,417,737	1,657,687	22,394,033
Cash and investments balances, end of year	\$ 3,590,960	\$ 11,716,114	\$ 1,875,045	\$ 4,901,317	\$ 1,555,562	\$ 23,638,998

continued...

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2020

	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)	\$ 476,358	\$ 812,075	\$ (11,026)	\$ 704,347	\$ 216,112	\$ 2,197,866
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	84,516	1,186,353	-	-	-	1,270,869
Changes in assets and liabilities:						
Receivables, net	-	9,513	-	-	-	9,513
Prepaid items	-	-	-	(254,578)	(401,407)	(655,985)
Inventories	-	52,969	-	-	-	52,969
Deferred outflows related to the net pension liability	629	14,235	-	-	-	14,864
Deferred outflows related to the net other postemployment benefit liability	6,522	62,642	-	-	-	69,164
Accounts payable	(74,961)	686,766	(109,255)	23,543	-	526,093
Accrued and other liabilities	6,042	52,349	-	10,268	-	68,659
Other long-term liabilities	-	-	136,737	-	83,170	219,907
Accrued compensated absences	(8,360)	9,298	-	-	-	938
Net pension liability	50,696	284	-	-	-	50,980
Net other postemployment benefits liability	118,825	127,637	-	-	-	246,462
Deferred inflows related to the net other postemployment benefit liability	(38,663)	(66,938)	-	-	-	(105,601)
Net cash provided by (used in) operating activities	<u>\$ 621,604</u>	<u>\$ 2,947,183</u>	<u>\$ 16,456</u>	<u>\$ 483,580</u>	<u>\$ (102,125)</u>	<u>\$ 3,966,698</u>

concluded.



CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2020

	Agency	Tax Collection Fund	44th District Court	Total
Assets				
Cash and investments	\$ 64,141	\$ 22,944	\$ 247,095	\$ 334,180
Liabilities				
Undistributed receipts	\$ 132	\$ 22,944	\$ 86,805	\$ 109,881
Due to City of Berkley	-	-	14,521	14,521
Due to other governmental units	260	-	-	260
Bonds and deposits	63,749	-	145,769	209,518
Total liabilities	\$ 64,141	\$ 22,944	\$ 247,095	\$ 334,180

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2020

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Agency Fund				
Assets				
Cash and investments	\$ 85,506	\$ 128,949	\$ (150,314)	\$ 64,141
Liabilities				
Undistributed receipts	\$ 26,840	\$ 116,762	\$ (143,470)	\$ 132
Due to other governmental units	320	1,080	(1,140)	260
Bonds and deposits	58,346	126,809	(121,406)	63,749
Total liabilities	\$ 85,506	\$ 244,651	\$ (266,016)	\$ 64,141
Tax Collection Fund				
Assets				
Cash and investments	\$ 2,157	\$ 134,406,556	\$ (134,385,769)	\$ 22,944
Liabilities				
Undistributed receipts	\$ 2,157	\$ 134,407,366	\$ (134,386,579)	\$ 22,944
44th District Court				
Assets				
Cash and investments	\$ 470,749	\$ 1,696,363	\$ (1,920,017)	\$ 247,095
Liabilities				
Undistributed receipts	\$ 273,305	\$ 3,286,649	\$ (3,473,149)	\$ 86,805
Due to the City of Berkley	47,902	245,843	(279,224)	14,521
Bonds and deposits	149,542	1,152	(4,925)	145,769
Total liabilities	\$ 470,749	\$ 3,533,644	\$ (3,757,298)	\$ 247,095

continued...

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2020

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Totals - All Agency Funds				
Assets				
Cash and investments	\$ 558,412	\$ 136,231,868	\$ (136,456,100)	\$ 334,180
Liabilities				
Undistributed receipts	\$ 302,302	\$ 137,810,777	\$ (138,003,198)	\$ 109,881
Due to the City of Berkley	47,902	245,843	(279,224)	14,521
Due to other governmental units	320	1,080	(1,140)	260
Bonds and deposits	207,888	127,961	(126,331)	209,518
Total liabilities	\$ 558,412	\$ 138,185,661	\$ (138,409,893)	\$ 334,180

concluded.

CITY OF ROYAL OAK, MICHIGAN

Balance Sheets

Component Units
June 30, 2020

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total Component Units
Assets				
Cash and investments	\$ 6,752,327	\$ 123,719	\$ 377,743	\$ 7,253,789
Receivables, net	41,081	20	-	41,101
Prepaid items	50,000	-	-	50,000
Total assets	\$ 6,843,408	\$ 123,739	\$ 377,743	\$ 7,344,890
Liabilities				
Accounts payable	\$ 23,598	\$ 158	\$ -	\$ 23,756
Accrued and other liabilities	6,307	2,666	-	8,973
Total liabilities	29,905	2,824	-	32,729
Deferred inflows of resources				
Unavailable revenue - property taxes	41,081	20	-	41,101
Fund balances				
Nonspendable	50,000	-	-	50,000
Unassigned	6,722,422	120,895	377,743	7,221,060
Total fund balances	6,772,422	120,895	377,743	7,271,060
Total liabilities, deferred inflows of resources and fund balances	\$ 6,843,408	\$ 123,739	\$ 377,743	\$ 7,344,890

CITY OF ROYAL OAK, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
Component Units
June 30, 2020

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total Component Units
Fund balances for component units	\$ 6,772,422	\$ 120,895	\$ 377,743	\$ 7,271,060
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	1,426,255	-	-	1,426,255
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	41,081	20	-	41,101
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	(7,573)	(8,772)	-	(16,345)
Certain pension-related amounts, such as the net pension liability and related 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	(51,020)	(30,755)	-	(81,775)
Deferred outflows related to the net pension pension liability	7,538	4,544	-	12,082
Net other postemployment benefit liability	(47,942)	(27,484)	-	(75,426)
Deferred outflows related to the net other postemployment benefit liability	33,591	19,257	-	52,848
Deferred inflows related to the net other postemployment benefit liability	(942)	(540)	-	(1,482)
Net position for component units	<u>\$ 8,173,410</u>	<u>\$ 77,165</u>	<u>\$ 377,743</u>	<u>\$ 8,628,318</u>

CITY OF ROYAL OAK, MICHIGAN

■ Statements of Revenues, Expenditures and Changes in Fund Balances

Component Units

For the Year Ended June 30, 2020

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total Component Units
Revenues				
Taxes	\$ 4,488,002	\$ 50,451	\$ 242,445	\$ 4,780,898
Interest and rentals	132,477	2,125	12,854	147,456
Contributions and donations	<u>406,768</u>	-	-	<u>406,768</u>
Total revenues	5,027,247	52,576	255,299	5,335,122
Expenditures				
Current -				
Community and economic development	<u>4,582,556</u>	<u>71,006</u>	<u>332,830</u>	<u>4,986,392</u>
Change in fund balances	<u>444,691</u>	<u>(18,430)</u>	<u>(77,531)</u>	<u>348,730</u>
Fund balances, beginning of year	<u>6,327,731</u>	<u>139,325</u>	<u>455,274</u>	<u>6,922,330</u>
Fund balances, end of year	<u>\$ 6,772,422</u>	<u>\$ 120,895</u>	<u>\$ 377,743</u>	<u>\$ 7,271,060</u>

CITY OF ROYAL OAK, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
Component Units
For the Year Ended June 30, 2020

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total Component Units
Net change in fund balances - component units	\$ 444,691	\$ (18,430)	\$ (77,531)	\$ 348,730
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)
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.	19,966	-	-	19,966
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	7,724	(5,296)	-	2,428
Change in the net pension liability and related deferred amounts	(8,518)	(9,750)	-	(18,268)
Change in other postemployment benefit liability and related deferred amounts	(15,293)	(8,767)	-	(24,060)
Change in net position of component units	<u>\$ 365,915</u>	<u>\$ (42,243)</u>	<u>\$ (77,531)</u>	<u>\$ 246,141</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, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 4,600,000	\$ 4,600,000	\$ 4,488,002	\$ (111,998)
Interest and rentals	150,000	150,000	132,477	(17,523)
Contributions and donations	100,000	420,970	406,768	(14,202)
Total revenues	4,850,000	5,170,970	5,027,247	(143,723)
Expenditures				
Community and economic development	8,074,090	8,134,790	4,582,556	(3,552,234)
Net change in fund balance	(3,224,090)	(2,963,820)	444,691	3,408,511
Fund balance, beginning of year	6,327,731	6,327,731	6,327,731	-
Fund balance, end of year	\$ 3,103,641	\$ 3,363,911	\$ 6,772,422	\$ 3,408,511

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, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 50,000	\$ 50,000	\$ 50,451	\$ 451
Interest and rentals	3,500	3,500	2,125	(1,375)
Total revenues	53,500	53,500	52,576	(924)
Expenditures				
Community and economic development	62,340	75,840	71,006	(4,834)
Net change in fund balance	(8,840)	(22,340)	(18,430)	3,910
Fund balance, beginning of year	139,325	139,325	139,325	-
Fund balance, end of year	\$ 130,485	\$ 116,985	\$ 120,895	\$ 3,910

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, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 627,300	\$ 627,300	\$ 242,445	\$ (384,855)
Interest and rentals	13,000	13,000	12,854	(146)
Total revenues	640,300	640,300	255,299	(385,001)
Expenditures				
Community and economic development	640,300	640,300	332,830	(307,470)
Net change in fund balance	-	-	(77,531)	(77,531)
Fund balance, beginning of year	455,274	455,274	455,274	-
Fund balance, end of year	\$ 455,274	\$ 455,274	\$ 377,743	\$ (77,531)

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			
	2011	2012	2013	2014
Governmental activities:				
Net investment in capital assets	\$ 120,155,093	\$ 122,759,313	\$ 124,348,655	\$ 126,120,881
Restricted	15,782,199	15,573,852	21,020,880	17,742,703
Unrestricted (deficit)	3,434,111	(741,153)	(904,202)	5,117,615
Total governmental activities net position	139,371,403	137,592,012	144,465,333	148,981,199
Business-type activities:				
Net investment in capital assets	67,776,260	68,690,716	71,310,977	74,792,125
Restricted	-	-	-	-
Unrestricted	13,490,313	16,926,698	18,986,638	19,884,780
Total business-type activities net position	81,266,573	85,617,414	90,297,615	94,676,905
Primary government:				
Net investment in capital assets	187,931,353	191,450,029	195,659,632	200,913,006
Restricted	15,782,199	15,573,852	21,020,880	17,742,703
Unrestricted (deficit)	16,924,424	16,185,545	18,082,436	25,002,395
Total primary government net position	\$ 220,637,976	\$ 223,209,426	\$ 234,762,948	\$ 243,658,104

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					
2015	2016	2017	2018	2019	2020
\$ 132,341,007	\$ 147,194,839	\$ 162,548,501	\$ 164,150,728	\$ 172,140,496	\$ 183,352,675
22,551,701	22,766,807	22,841,819	42,728,743	43,889,577	45,330,003
(51,921,632)	(53,192,731)	(123,384,259)	(134,860,007)	(140,275,546)	(157,217,394)
<u>102,971,076</u>	<u>116,768,915</u>	<u>62,006,061</u>	<u>72,019,464</u>	<u>75,754,527</u>	<u>71,465,284</u>
 78,110,713	 85,228,498	 86,510,191	 95,264,335	 99,639,992	 104,316,911
-	-	-	858,762	-	-
13,660,160	12,647,786	13,468,325	8,206,149	7,334,227	3,795,149
<u>91,770,873</u>	<u>97,876,284</u>	<u>99,978,516</u>	<u>104,329,246</u>	<u>106,974,219</u>	<u>108,112,060</u>
 210,451,720	 232,423,337	 249,058,692	 259,415,063	 271,780,488	 287,669,586
22,551,701	22,766,807	22,841,819	43,587,505	43,889,577	45,330,003
(38,261,472)	(40,544,945)	(109,915,934)	(126,653,858)	(132,941,319)	(153,422,245)
<u>\$ 194,741,949</u>	<u>\$ 214,645,199</u>	<u>\$ 161,984,577</u>	<u>\$ 176,348,710</u>	<u>\$ 182,728,746</u>	<u>\$ 179,577,344</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			
	2011	2012	2013	2014
Expenses				
Governmental activities:				
General government	\$ 8,904,081	\$ 9,235,905	\$ 8,685,580	\$ 8,823,978
Public safety	27,846,183	26,655,378	27,661,032	29,807,897
Public works	11,568,038	11,501,518	11,471,347	11,870,834
Health and welfare	1,578,078	1,228,451	1,206,154	1,235,631
Community and economic development	1,829,671	1,914,032	1,384,747	1,381,937
Recreation and culture	4,012,061	3,497,548	3,465,650	3,612,171
Interest on long-term debt	674,965	616,539	536,155	445,709
Total governmental activities expenses	56,413,077	54,649,371	54,410,665	57,178,157
Business-type activities:				
Water and sewer	22,677,293	22,473,658	22,905,058	22,560,736
Parking	3,176,310	3,081,880	3,117,172	2,968,028
Recreation	1,676,691	2,159,028	2,229,831	2,195,258
Farmers market	365,470	380,262	383,635	426,141
Total business-type activities expenses	27,895,764	28,094,828	28,635,696	28,150,163
Total primary government expenses	84,308,841	82,744,199	83,046,361	85,328,320
Program Revenues				
Governmental activities:				
General government	4,450,270	5,045,872	5,607,879	5,723,862
Public safety	2,492,540	2,753,964	3,534,643	4,151,795
Public works	519,279	490,576	1,176,769	942,340
Health and welfare	959,793	955,698	1,054,639	1,053,817
Community and economic development	281,061	381,889	427,787	516,728
Recreation and culture	2,131,507	2,155,539	1,921,743	2,001,488
Charges for services	10,834,450	11,783,538	13,723,460	14,390,030
Operating grants and contributions	3,859,876	4,673,144	4,596,773	4,852,240
Capital grants and contributions	455,132	277,644	81,630	299,977
Total governmental activities program revenues	15,149,458	16,734,326	18,401,863	19,542,247
Business-type activities:				
Water and sewer	25,940,143	27,426,573	26,532,412	25,349,015
Parking	2,985,064	3,444,725	3,348,553	3,492,617
Recreation	1,764,707	2,053,167	2,326,020	2,189,652
Farmers market	350,632	372,646	393,081	477,974
Charges for services	31,040,546	33,297,111	32,600,066	31,509,258
Operating grants and contributions	617,198	501,299	747,570	634,047
Capital grants and contributions	-	-	150,919	-
Total business-type activities program revenues	31,657,744	33,798,410	33,498,555	32,143,305
Total primary government program revenues	77,847,748	83,829,847	84,500,484	83,194,810
Net (Expense)/Revenue				
Governmental activities	(41,263,619)	(37,915,045)	(36,008,802)	(37,635,910)
Business-type activities	3,761,980	5,703,582	4,862,859	3,993,142
Total primary government net expense	(37,501,639)	(32,211,463)	(31,145,943)	(33,642,768)

Schedule 2
UNAUDITED

Fiscal Year Ended June 30						
2015	2016	2017	2018	2019	2020	
\$ 9,017,535	\$ 10,233,170	\$ 10,372,611	\$ 14,363,323	\$ 11,074,646	\$ 11,382,087	
29,965,336	33,545,346	34,856,261	29,394,734	40,636,081	45,580,867	
13,295,707	11,803,571	12,216,069	15,108,477	14,389,451	15,575,908	
834,244	741,945	644,426	727,841	764,584	962,860	
1,444,432	1,442,994	2,371,971	1,263,096	2,789,079	2,507,284	
3,762,240	4,056,345	3,953,833	4,006,934	5,204,465	4,780,355	
431,845	385,521	1,994,475	4,836,981	5,497,483	5,340,663	
<u>58,751,339</u>	<u>62,208,892</u>	<u>62,208,892</u>	<u>69,701,386</u>	<u>80,355,789</u>	<u>86,130,024</u>	
23,658,591	24,989,668	25,141,329	28,174,579	27,746,374	27,084,061	
2,857,366	3,130,520	2,223,353	3,269,367	4,466,562	5,298,493	
2,229,514	2,146,622	1,927,746	2,764,962	2,258,175	2,066,368	
471,484	516,110	531,140	574,689	581,748	556,567	
<u>29,216,955</u>	<u>30,782,920</u>	<u>30,782,920</u>	<u>34,783,597</u>	<u>35,052,859</u>	<u>35,005,489</u>	
<u>87,968,294</u>	<u>92,991,812</u>	<u>92,991,812</u>	<u>104,484,983</u>	<u>115,408,648</u>	<u>121,135,513</u>	
5,862,692	7,009,130	7,179,495	7,399,361	7,604,110	6,128,105	
4,563,491	5,474,015	3,875,975	5,139,458	4,746,692	3,735,171	
1,802,601	2,395,568	1,733,456	1,074,690	1,063,932	1,037,646	
891,010	1,108,659	1,059,388	1,145,601	1,067,356	1,092,802	
380,257	478,678	396,907	326,964	471,646	456,433	
<u>2,031,676</u>	<u>2,122,582</u>	<u>2,236,406</u>	<u>2,041,403</u>	<u>1,988,743</u>	<u>1,782,524</u>	
15,531,727	18,588,632	16,481,627	17,127,477	16,942,479	14,232,681	
4,232,338	5,531,956	5,128,426	4,997,631	6,650,018	5,739,450	
162,263	148,372	1,917,700	1,460,071	1,372,826	306,117	
<u>19,926,328</u>	<u>24,268,960</u>	<u>23,527,753</u>	<u>23,585,179</u>	<u>24,965,323</u>	<u>20,278,248</u>	
25,772,888	30,672,689	31,716,708	31,237,079	26,718,253	26,770,023	
3,806,662	3,921,394	3,926,728	4,007,092	4,679,363	3,890,923	
2,275,535	2,373,123	2,558,056	2,345,541	2,264,394	1,645,926	
495,244	482,662	488,660	573,426	479,400	324,484	
<u>32,350,329</u>	<u>37,449,868</u>	<u>38,690,152</u>	<u>38,163,138</u>	<u>34,141,410</u>	<u>32,631,356</u>	
635,612	440,016	354,180	968,812	1,022,784	790,924	
<u>32,985,941</u>	<u>37,889,884</u>	<u>39,044,332</u>	<u>39,131,950</u>	<u>35,164,194</u>	<u>33,422,280</u>	
<u>85,262,598</u>	<u>99,608,712</u>	<u>101,262,237</u>	<u>100,880,267</u>	<u>94,270,927</u>	<u>86,331,884</u>	
(38,825,011)	(37,939,932)	(42,881,893)	(46,116,207)	(55,390,466)	(65,851,776)	
3,768,986	7,106,964	9,220,764	4,348,353	111,335	(1,583,209)	
<u>(35,056,025)</u>	<u>(30,832,968)</u>	<u>(33,661,129)</u>	<u>(41,767,854)</u>	<u>(55,279,131)</u>	<u>(67,434,985)</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			
	2011	2012	2013	2014
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	\$ 26,152,857	\$ 25,576,233	\$ 34,016,290	\$ 32,605,336
State-shared revenues	8,280,285	8,392,881	8,542,746	9,043,725
Unrestricted investment earnings	300,004	254,940	153,669	184,685
Gain on sale of capital assets	-	28,303	-	14,246
Miscellaneous	477,906	478,914	287,116	663,855
Transfers	(795,582)	1,568,859	(117,698)	(360,071)
Total governmental activities	34,415,470	36,300,130	42,882,123	42,151,776
Business-type activities:				
Property taxes	-	-	-	-
State-shared revenues	-	-	-	-
Unrestricted investment earnings	182,910	159,675	-	-
Gain on sale of capital assets	-	-	-	26,077
Miscellaneous	27,271	56,443	-	-
Transfers	795,582	(1,568,859)	117,698	360,071
Total business-type activities	1,005,763	(1,352,741)	117,698	386,148
Total primary government	35,421,233	34,947,389	42,999,821	42,537,924
Change in Net Position				
Governmental activities	(6,848,149)	(1,614,915)	6,873,321	4,515,866
Business-type activities	4,767,743	4,350,841	4,980,557	4,379,290
Total primary government	\$ (2,080,406)	\$ 2,735,926	\$ 11,853,878	\$ 8,895,156

Schedule 2
UNAUDITED

Fiscal Year Ended June 30						
2015	2016	2017	2018	2019	2020	
\$ 39,990,264	\$ 40,810,616	\$ 43,475,312	\$ 44,105,070	\$ 44,701,037	\$ 46,697,585	
8,953,377	9,411,377	10,037,969	11,156,084	12,873,364	13,379,442	
72,513	119,498	245,423	737,720	808,200	819,107	
31,381	57,705	97,786	65,928	53,639	75,848	
316,812	337,022	682,341	67,185	373,621	348,684	
2,380,968	1,001,553	(1,155,651)	(2,377)	315,668	241,867	
<u>51,745,315</u>	<u>51,737,771</u>	<u>53,383,180</u>	<u>56,129,610</u>	<u>59,125,529</u>	<u>61,562,533</u>	
				2,849,306	2,889,836	
				-	73,081	
				-	-	
272	-	-	-	-	-	
-	-	-	-	-	-	
(2,380,968)	(1,001,553)	1,155,651	2,377	(315,668)	(241,867)	
(2,380,696)	(1,001,553)	1,155,651	2,377	2,533,638	2,721,050	
<u>49,364,619</u>	<u>50,736,218</u>	<u>54,538,831</u>	<u>56,131,987</u>	<u>64,192,805</u>	<u>67,004,633</u>	
12,920,304	13,797,839	10,501,287	10,013,403	3,735,063	(4,289,243)	
1,388,290	6,105,411	10,376,415	4,350,730	2,644,973	1,137,841	
<u>\$ 14,308,594</u>	<u>\$ 19,903,250</u>	<u>\$ 20,877,702</u>	<u>\$ 14,364,133</u>	<u>\$ 6,380,036</u>	<u>\$ (3,151,402)</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			
	2011	2012	2013	2014
General fund				
Nonspendable	\$ -	\$ -	\$ 37,402	\$ -
Restricted	-	445,542	529,726	644,917
Assigned	1,300,000	3,075,000	2,950,000	2,855,000
Unassigned	5,221,748	4,374,352	7,391,788	11,149,199
Total general fund	<u>6,521,748</u>	<u>7,894,894</u>	<u>10,908,916</u>	<u>14,649,116</u>
All other governmental funds				
Nonspendable	157,957	156,209	179,085	147,066
Restricted	15,624,242	14,311,485	14,758,634	16,950,720
Assigned	-	-	2,277,340	3,101,828
Total all other governmental funds	<u>15,782,199</u>	<u>14,467,694</u>	<u>17,215,059</u>	<u>20,199,614</u>
Total governmental funds	<u><u>\$ 22,303,947</u></u>	<u><u>\$ 22,362,588</u></u>	<u><u>\$ 28,123,975</u></u>	<u><u>\$ 34,848,730</u></u>

Schedule 3
UNAUDITED

Fiscal Year Ended June 30					
2015	2016	2017	2018	2019	2020
\$ 10,974	\$ 11,007	\$ 2,942	\$ -	\$ 14,553	\$ 10,942
768,682	695,389	823,324	942,818	1,055,028	1,158,516
3,092,000	3,092,000	593,000	616,000	538,373	441,572
13,085,091	14,481,359	21,321,516	19,445,520	16,526,632	13,625,862
<u>16,956,747</u>	<u>18,279,755</u>	<u>22,740,782</u>	<u>21,004,338</u>	<u>18,134,586</u>	<u>15,236,892</u>
 172,509	 190,679	 207,663	 145,721	 146,398	 182,813
21,610,510	21,943,777	21,902,318	68,519,731	69,576,434	49,063,314
2,317,454	2,046,139	898,444	1,246,580	1,572,982	1,611,509
<u>24,100,473</u>	<u>24,180,595</u>	<u>23,008,425</u>	<u>69,912,032</u>	<u>71,295,814</u>	<u>50,857,636</u>
 <u>\$ 41,057,220</u>	 <u>\$ 42,460,350</u>	 <u>\$ 45,749,207</u>	 <u>\$ 90,916,370</u>	 <u>\$ 89,430,400</u>	 <u>\$ 66,094,528</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			
	2011	2012	2013	2014
Revenues				
Taxes	\$ 26,381,439	\$ 25,741,884	\$ 32,657,464	\$ 33,040,104
Licenses and permits	2,691,023	3,468,967	4,231,944	4,838,254
Federal grants	2,001,554	3,117,674	2,536,488	2,216,600
State grants	8,703,584	8,774,561	9,021,184	9,492,853
Charges for services	4,281,063	4,168,570	5,303,604	4,973,544
Fines and forfeitures	4,129,803	4,010,892	4,057,370	4,425,958
Interest and rentals	498,883	499,497	525,311	557,892
Contributions and donations	1,255,738	1,486,024	1,338,658	2,077,707
Other revenue	477,906	478,914	408,205	884,467
Total revenues	50,420,993	51,746,983	60,080,228	62,507,379
Expenditures				
General government	8,331,615	8,807,176	7,999,871	8,195,123
Public safety	24,534,124	23,449,671	24,773,584	26,703,494
Public works	12,460,296	13,506,755	13,547,204	14,049,998
Health and welfare	765,013	708,524	769,483	805,658
Community and economic development	1,843,800	1,901,247	1,426,415	1,413,899
Recreation and culture	3,549,926	3,223,250	3,262,250	3,602,859
Debt service:				
Principal payments	945,000	985,000	1,020,000	1,095,000
Interest and paying agent fees	666,865	609,981	520,597	437,427
Bond issuance costs	-	-	-	-
Total expenditures	53,096,639	53,191,604	53,319,404	56,303,458
Revenue over (under) expenditures	(2,675,646)	(1,444,621)	6,760,824	6,203,921
Other financing sources (uses)				
Issuance of long-term debt	-	-	4,965,000	1,127,000
Premium on issuance of long-term debt	-	-	292,966	-
Payment to refunded bond escrow agent	-	-	(5,060,000)	-
Transfers in	7,427,440	5,898,961	20,175,143	21,563,760
Transfers out	(4,960,270)	(4,376,101)	(21,392,144)	(22,169,926)
Proceeds from sale of assets	-	-	-	-
Total other financing sources (uses)	2,467,170	1,522,860	(1,019,035)	520,834
Net change in fund balances	\$ (208,476)	\$ 78,239	\$ 5,741,789	\$ 6,724,755
Debt service as a percentage of noncapital expenditures	3.17%	3.18%	3.18%	2.90%

Schedule 4
UNAUDITED

Fiscal Year Ended June 30					
2015	2016	2017	2018	2019	2020
\$ 40,327,885	\$ 40,812,298	\$ 42,842,346	\$ 44,116,492	\$ 45,410,295	\$ 46,963,539
5,346,516	6,629,135	5,266,746	6,468,067	5,931,078	5,307,655
1,840,046	1,677,378	874,059	622,073	1,871,525	1,265,205
9,675,169	10,362,532	10,565,275	12,060,928	14,094,799	13,995,554
5,606,654	6,513,571	5,573,732	5,194,808	5,393,336	4,604,932
4,546,629	5,399,533	5,521,496	5,565,482	5,541,735	4,292,710
465,430	571,454	853,631	1,454,753	2,782,918	2,283,567
1,272,088	2,217,097	2,886,747	2,154,924	2,789,395	2,672,482
583,449	876,644	3,028,574	2,110,299	589,827	558,566
<u>69,663,866</u>	<u>75,059,642</u>	<u>77,412,606</u>	<u>79,747,826</u>	<u>84,404,908</u>	<u>81,944,210</u>
 8,805,147	10,259,300	10,725,709	14,458,355	9,153,431	10,135,722
30,347,526	31,858,670	36,112,017	26,760,217	28,661,241	31,039,097
18,827,277	24,544,700	26,548,191	20,919,825	28,201,992	44,386,260
858,501	735,301	675,256	725,657	726,938	948,261
1,416,767	1,396,557	2,393,734	1,231,554	2,351,165	2,093,136
3,815,200	4,042,879	4,145,786	3,789,977	4,662,412	4,627,144
 1,356,000	1,423,000	1,480,876	5,770,485	7,130,551	6,878,317
401,704	399,159	231,120	4,476,624	5,318,816	5,378,012
32,838	-	-	-	-	-
<u>65,860,960</u>	<u>74,659,566</u>	<u>82,312,689</u>	<u>78,132,694</u>	<u>86,206,546</u>	<u>105,485,949</u>
 3,802,906	400,076	(4,900,083)	1,615,132	(1,801,638)	(23,541,739)
 2,053,000	3,258,578	-	40,965,000	-	-
-	153,451	-	3,018,257	-	-
(2,020,162)	(3,353,620)	-	-	-	-
25,286,037	31,612,692	40,259,720	27,383,727	30,891,461	26,612,342
(22,913,344)	(30,668,047)	(32,070,780)	(27,386,104)	(30,575,793)	(26,406,475)
53	-	-	-	-	-
<u>2,405,584</u>	<u>1,003,054</u>	<u>8,188,940</u>	<u>43,980,880</u>	<u>315,668</u>	<u>205,867</u>
 <u>\$ 6,208,490</u>	<u>\$ 1,403,130</u>	<u>\$ 3,288,857</u>	<u>\$ 45,596,012</u>	<u>\$ (1,485,970)</u>	<u>\$ (23,335,872)</u>

2.98% 3.03% 2.57% 2.57% 18.10% 16.77%

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
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
2018	2019	2,205,346,400	481,298,370	40,962,070	126,101,530	4,493,540
2019	2020	2,323,253,670	515,657,620	41,963,590	134,178,010	4,238,960

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
\$ 2,268,380,950	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%
2,858,201,910	18.6234	3,453,022,910	82.8%
3,019,291,850	18.1187	3,686,895,500	81.9%

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	Drain Debt	Total Direct Taxes
		Charter	Publications	Refuse-State	Refuse-Voted						
2010	2011	7.3947	0.0234	2.0164	0.9965	0.9597	n/a	n/a	0.3224	n/a	11.7131
2011	2012	7.3947	0.0239	2.0164	0.9965	0.9597	n/a	n/a	0.3338	n/a	11.7250
2012	2013	7.3947	0.0225	2.0164	0.9965	0.9597	3.475	n/a	0.3363	n/a	15.2011
2013	2014	7.3947	0.0223	2.0164	0.9965	0.9597	3.475	n/a	0.3006	n/a	15.1652
2014	2015	7.3947	0.0218	2.0164	0.9965	0.9597	3.975	2.5000	0.2910	n/a	18.1551
2015	2016	7.3695	0.0223	2.0095	0.5931	0.9564	3.961	2.4915	0.2770	n/a	17.6807
2016	2017	7.2899	0.0206	1.9877	0.9823	0.9460	3.919	2.4645	0.2665	n/a	17.8761
2017	2018	7.2031	0.0195	1.9640	0.9706	0.9347	3.872	2.4351	0.2400	n/a	17.6389
2018	2019	7.1389	0.0180	1.9465	0.9619	0.9263	3.837	2.4134	0.2450	1.1360	18.6234
2019	2020	7.0625	0.0169	1.9256	0.7016	0.9163	3.7963	2.3875	0.2270	1.0850	18.1187

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	Drain Debt
		Charter	Publications	Refuse-State	Refuse-Voted			
2019	2020	7.0625	0.0169	1.9256	0.7016	0.9163	0.2270	1.0850

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 97.81% 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

County Taxes (2)	Overlapping Taxes			Total Tax Rate	Overlapping Taxes Royal Oak Schools		Total (4)		Downtown Development Authority (DDA) (5)
	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.	
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	6.6955	22.2253	40.9690	56.4988	1.6146
5.7805	3.2813	1.5431	6.0000	35.2283	6.5245	22.2160	41.7528	57.4443	1.6021
5.5746	3.2539	1.5303	6.0000	34.4775	6.0511	21.9568	40.5286	56.4343	1.6021

CITY OF ROYAL OAK, MICHIGAN

Schedule 7
UNAUDITED

Revenue Capacity Information

Principal Property Taxpayers

Current Year and Nine Years Ago

Taxpayer	Assessment Year					
	2011		2020		Rank	Percentage of Total
	Taxable Value	Rank	Taxable Value	Rank		
Consumers Energy Company	\$ 13,938,460	5	0.61%	\$ 35,118,190	1	1.16%
DTE Electric Company	21,293,550	1	0.94%	28,936,890	2	0.96%
Trailhead RO, LLC				19,242,630	3	0.54%
WM Beaumont Hospital	16,994,750	2	0.75%	16,174,670	4	0.64%
Woodward Corners by Beaumont				12,948,040	5	0.43%
Meijer Inc.				7,746,260	6	0.26%
Midtown Pointe, LLC				6,828,620	7	0.23%
H2 Royal Oak, LLC				6,535,600	8	0.22%
Etkin Acquisition RO, LLC				6,500,000	9	0.22%
Garber Family Partnership				6,392,300	10	0.21%
Flex-n-Gate	15,677,130	3	0.69%			
Sprint Holdings / Form Tech	14,301,530	4	0.63%			
Amber Equities, LLC	11,889,300	6	0.52%			
Sears Holding	10,763,790	7	0.47%			
H2 Royal Oak, LLC	9,261,160	8	0.41%			
New Par / Verizon	8,899,820	9	0.39%			
CH Royal Oak, LLC	7,768,990	10	0.34%			
Total taxable value of ten largest taxpayers	130,788,480		5.77%	146,423,200		4.85%
Total taxable value of all other taxpayers	2,137,592,470		94.23%	2,872,868,650		95.15%
Total taxable value of all taxpayers	<u>\$ 2,268,380,950</u>		<u>100.00%</u>	<u>\$ 3,019,291,850</u>		<u>100.00%</u>

Source: City Assessor

CITY OF ROYAL OAK, MICHIGAN

Schedule 8
UNAUDITED

Revenue Capacity Information

Property Tax Levies and Collections
Last Ten Fiscal Years

Tax Year	Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date	
			Amount (1)	Percent of Levy	Collections in Subsequent Years	Amount	Percent of Levy
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%
2018	2019	51,365,486	51,312,532	99.89%	14,577	51,327,109	99.93%
2019	2020	53,088,120	52,877,478	99.60%	19,961	52,897,439	99.64%

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

Source: City Treasurer's records.

CITY OF ROYAL OAK, MICHIGAN

■ Debt Capacity Information

Ratios of Outstanding Debt Last Ten Fiscal Years

	Fiscal Year Ended June 30,			
	2011	2012	2013	2014
Governmental Activities				
General obligation bonds	\$ 17,335,000	\$ 16,005,000	\$ 14,670,478	\$ 14,302,563
Business-type Activities				
General obligation bonds	26,437,387	24,957,387	23,147,426	21,597,831
Revenue bonds, loans, and contractual obligations	27,504,922	25,650,523	23,739,452	21,778,969
Total	53,942,309	50,607,910	46,886,878	43,376,800
Total debt of the City	\$ 71,277,309	\$ 66,612,910	\$ 61,557,356	\$ 57,679,363
Total personal income	\$ 2,859,295,677	\$ 2,863,438,788	\$ 3,169,998,966	\$ 3,316,943,085
Ratio of total debt to personal income	2.49%	2.33%	1.94%	2.58%
Total population	57,281	54,903	59,478	59,485
Total debt per capita	\$1,244	\$1,213	\$1,035	\$970

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,					
2015	2016	2017	2018	2019	2020
\$ 12,634,354	\$ 10,960,611	\$ 122,979,133	\$ 158,311,355	\$ 150,496,176	\$ 142,919,667
15,475,000	15,658,150	27,525,472	28,057,005	26,262,269	24,433,635
24,281,284	21,655,862	32,233,267	44,891,919	41,273,933	36,716,686
39,756,284	37,314,012	59,758,739	72,948,924	67,536,202	61,150,321
<u>\$ 52,390,638</u>	<u>\$ 48,274,623</u>	<u>\$ 182,737,872</u>	<u>\$ 231,260,279</u>	<u>\$ 218,032,378</u>	<u>\$ 204,069,988</u>
\$ 3,365,977,560 1.56%	\$ 3,508,809,444 1.38%	\$ 3,744,166,724 4.88%	\$ 2,413,247,400 9.58%	\$ 2,434,392,801 8.96%	\$ 2,867,643,429 7.12%
59,016 \$888	58,716 \$822	59,006 \$3,097	59,112 \$3,912	59,461 \$3,667	59,277 \$3,443

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)		
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
2019	148,686,176	1,810,000	50,444	26,262,269		176,708,001
2020	141,694,667	1,225,000	32,142	24,433,635		167,321,160

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
\$ 2,268,380,950	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
2,858,201,910	6.18%	59,461	2,972
3,019,291,850	5.54%	59,277	2,823



CITY OF ROYAL OAK, MICHIGAN

Schedule 11
UNAUDITED

Debt Capacity Information

Direct and Overlapping Governmental Activities Debt
June 30, 2020

Government Unit	Gross	Self-Supporting	Net	Net Debt	
				Per Capita	% of Taxable Value
Direct Debt - City of Royal Oak	\$ 204,069,988	\$ 36,716,686	\$ 167,353,302	\$ 2,823	5.54%
Overlapping Debt:					
Royal Oak School District	\$ 55,470,000	97.18%	\$ 53,905,746		
Berkley School District	50,635,000	1.83%	926,621		
Clawson School District	17,701,885	0.95%	168,168		
Oakland County at large	317,015,768	4.78%	15,153,354		
Oakland Intermediate School District	42,970,000	4.80%	2,062,560		
Oakland County Community College	-	4.82%	-	-	-
Total Overlapping Debt	483,792,653		72,216,448	1,218	2.39%
Total Direct and Overlapping Debt	\$ 687,862,641		\$ 239,569,750	\$ 4,042	7.93%

(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	2011	2012	2013	2014
Valuation base				
State equalized valuation - excluding IFT values	\$ 2,462,441,170	\$ 2,349,535,700	\$ 2,335,410,970	\$ 2,320,467,120
Plus: equivalent valuation of Act 198 exemptions	5,712,590	14,124,730	9,577,040	9,507,670
Total valuation	<u>\$ 2,468,153,760</u>	<u>\$ 2,363,660,430</u>	<u>\$ 2,344,988,010</u>	<u>\$ 2,329,974,790</u>
Legal debt limitation - 10% of total valuation	<u>\$ 246,815,376</u>	<u>\$ 236,366,043</u>	<u>\$ 234,498,801</u>	<u>\$ 232,997,479</u>
Calculation of debt subject to limit:				
Debt outstanding	66,612,910	66,612,910	61,696,839	57,679,363
Less: bonds not subject to limit	(26,437,387)	(38,897,910)	(35,986,839)	(33,001,356)
Net debt subject to limit	<u>40,175,523</u>	<u>27,715,000</u>	<u>25,710,000</u>	<u>24,678,007</u>
Additional debt which can be legally incurred	<u>\$ 206,639,853</u>	<u>\$ 208,651,043</u>	<u>\$ 208,788,801</u>	<u>\$ 208,319,472</u>
Non-exempt debt as a percent of debt limit	16.28%	11.73%	10.96%	10.59%

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."

Per the city legal counsel:

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
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2015	2016	2017	2018	2019	2020
\$ 2,496,528,450	\$ 2,685,865,760	\$ 2,862,962,230	\$ 3,076,626,490	\$ 3,448,529,370	\$ 3,682,656,540
9,076,090	7,856,290	5,724,260	5,264,590	4,493,540	4,238,960
<u>\$ 2,505,604,540</u>	<u>\$ 2,693,722,050</u>	<u>\$ 2,868,686,490</u>	<u>\$ 3,081,891,080</u>	<u>\$ 3,453,022,910</u>	<u>\$ 3,686,895,500</u>
\$ 250,560,454	\$ 269,372,205	\$ 286,868,649	\$ 308,189,108	\$ 345,302,291	\$ 368,689,550
52,390,638	48,274,623	182,737,872	231,260,279	218,032,378	204,069,988
(29,925,435)	(25,246,458)	(32,379,766)	(45,150,494)	(41,273,933)	(36,716,686)
<u>22,465,203</u>	<u>23,028,165</u>	<u>150,358,106</u>	<u>186,109,785</u>	<u>176,758,445</u>	<u>167,353,302</u>
<u>\$ 228,095,251</u>	<u>\$ 246,344,040</u>	<u>\$ 136,510,543</u>	<u>\$ 122,079,323</u>	<u>\$ 168,543,846</u>	<u>\$ 201,336,248</u>
8.97%	8.55%	52.41%	60.39%	51.19%	45.39%

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 2020.

	10% SEV	5% SEV*
FY 19-20 State Equalized Value (SEV)	\$ 3,686,895,500	\$ 3,686,895,500
Debt limit	368,689,550	184,344,775
Debt outstanding	204,069,988	204,069,988
Less: exempt obligations	(36,716,686)	(115,023,332)
Debt subject to SEV limitation	167,353,302	89,046,656
Additional debt which may be legally incurred	201,336,248	95,298,119
Non-exempt debt outstanding as a percentage of SEV	4.54%	2.42%

* 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	Parking Revenue Bonds									
	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%			
2019	4,679,363	2,307,737	2,371,626	700,000	461,576	1,161,576	204%			
2020	3,890,923	2,435,450	1,455,473	730,000	435,120	1,165,120	125%			

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 (1)	School Enrollment (3)
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
2019	30,391	59,461	**40,941	2,434,393	36.2	4,995
2020	30,473	59,277	**48,377	2,867,643	36.0	5,138

Source:

- (1) U.S. Census/city website
- (2) U.S. Census, American Community Survey
2014-2018 American Community Survey, 5-year estimates
**years prior to 2018 show median income, per capita personal income will be shown
based on 5-year data estimates collected annually in the American Community Survey
- (3) Royal Oak Schools, Fall enrollment count
- (4) Michigan Bureau of Labor Market Information and Strategic Initiatives
June 2020 estimates (not seasonally adjusted)

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UNAUDITED

Royal Oak (4)		Michigan (4)	
Labor Force	Unemployment Rate	Labor Force (000)	Unemployment Rate
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%
39,406	2.3%	5,007	4.4%
34,845	9.5%	4,988	15.0%

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

Company Name	Product/Service	2011			2020		
		Employees	Rank	Percentage of Total	Employees	Rank	Percentage of Total
William Beaumont Hospital	Hospital	9,602	1	29.22%	9,039	1	25.94%
Royal Oak Public Schools	Education	397	3	1.21%	677	2	1.94%
City of Royal Oak	Municipality	427	2	1.30%	482	3	1.38%
Consumers Energy	Utility	265	8	0.81%	375	4	1.08%
Flex-n-Gate	Automotive supplier	374	4	1.14%	346	5 *	0.99%
Holiday Market	Retailer/grocery store	270	7	0.82%	295	6 *	0.85%
Detroit Zoo	Zoo	189	9	0.58%	292	7	0.84%
Kroger	Retailer/grocery store				290	8 *	0.83%
Meijer	Retailer/grocery store	327	6	1.00%	234	9 *	0.67%
RPM Logistics	Automotive transportation				152	10	0.44%
Global Automotive Systems	Automotive supplier	340	5	1.03%			n/a
Oakland Community College	Education	187	10	0.57%	n/a		
Total		12,378		37.67%	12,182		34.96%

Note: *Indicates fiscal year 2019 employee count, as information for fiscal year 2020 was not available at the time.

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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	20	20	26	24	26	26	29	29	29	29
Other police vehicles	15	15	15	25	24	24	24	26	26	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	0	0	0	0	0	0	0	-	-	-
Other fire vehicles	*	*	*	10	10	10	10	10	10	10
Public Parking										
Spaces	3,678	3,678	3,678	3,730	3,815	3,815	3,465	3,785	3,889	4,339
Decks	1,532	1,532	1,532	1,532	1,532	1,532	1,532	1,983	2,564	2,564
Lots	1,380	1,380	1,380	1,380	1,473	1,473	1,195	974	522	816
Streets	766	766	766	818	810	810	738	783	803	959
Meters	2,151	2,210	2,210	2,203	2,203	2,203	1,352	1,352	1,268	1,775
Parks and Recreation										
Community center	2	2	2	2	2	2	2	2	2	2
Number of parks	50	50	50	50	51	51	51	51	51	51
Park acreage	310	310	310	310	352	352	352	352	352	352
Golf courses/holes	2 / 9 ea.	2 / 9 ea.	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	32 / 1	32 / 1	31 / 2	31 / 2	31 / 2	31 / 2	31 / 2	31 / 2
			pickleball							
Library										
Branches	1	1	1	1	1	1	1	1	1	1
Collection -number of items	177,803	181,523	181,474	186,223	184,362	179,393	162,945	154,781	152,589	146,338
Public computers	47	44	44	38	38	37	36	36	30	30
Roads and Sidewalks										
Miles of major streets	64.40	64.40	63.96	63.96	63.96	63.96	63.96	63.96	63.96	63.96
Miles of local streets	148.27	148.27	148.24	148.41	148.41	148.63	148.63	148.63	148.63	148.86
Miles of sidewalk	421	420.6	421.3	422.2	423	423	425	428	429	429
Utilities										
Water										
Miles of water main	217.00	217.43	218	217.59	219	219	219	219	219	219
Miles of sewer	358.50	358.65	359	359.27	361	361	362	363	363	363
Number of hydrants	2,111	2,115	2,127	2,138	2,138	2,138	2,159	2,167	2,194	2,198
Forestry										
Number of trees in rights-of-way	20,781	22,048	20,541	20,262	27,149	26,456	18,983	18,922	18,951	18,737

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	2011	2012	2013	2014
Election data (calendar year)				
Registered voters	48,167	49,034	49,080	49,124
Elections held	1	3	1	2
Voters (at the polls or absentee)	7,456	34,607	12,555	23,734
Percent voting	15.5%	70.6%	25.6%	48.3%
Vital Records (calendar year)				
Birth	5,070	5,983	5,072	5,384
Death	1,823	1,693	1,767	1,435
District Court (calendar year)				
Number of court cases by judges/magistrates	15,636	14,701	13,140	15,223
Number of traffic tickets disposed	13,906	13,836	12,835	14,495
Number of criminal cases disposed	4,503	1,968	3,913	3,141
Number of civil cases disposed	3,024	2,879	2,945	2,561
Number of parking tickets disposed	98,003	97,425	93,388	95,643
Assessing				
Parcels (tax / calendar year)	27,608	27,641	27,641	27,693
Documents processed (prior to 2008 PTAs only)	4,479	4,061	4,284	9,561
Building and Safety				
Permits issued	1,741	1,601	1,779	2,030
Estimated permit value (\$000)	\$30,539	\$33,116	\$70,480	\$81,609
Police (calendar year, 2010 through June 30)				
Calls for service	29,887	37,297	40,744	44,616
Group A offenses	2,963	2,601	2,305	2,205
Group B offenses	1,948	1,179	1,271	1,228
Traffic violations issued	13,659	13,035	12,317	14,147
Parking violations issued	97,391	93,661	96,385	92,454
Fire				
Fire runs	1,806	1,824	2,020	2,158
Emergency medical runs	3,711	3,898	3,993	3,789
Inspections	435	515	448	464
Human Resources				
Employment applications - full & part-time	333	822	1,007	901
Hires, position changes, retirements, terminations	202	107	154	290
Workers' comp. claims filed - medical & indemnity	61	61	63	57
Health insurance enrollees - Employees	242	254	266	225
Health insurance enrollees - Retirees	408	438	440	420

Source: City Departments
 Note: * Information not available

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UNAUDITED

2015	2016	2017	2018	2019	2020
48,202	48,898	48,314	48,316	49,155	*
2	3	1	2	1	*
12,305	35,350	12,419	32,898	13,290	*
25.5%	72.3%	25.8%	68.1%	0	*
5,958	6,703	6,903	6,878	7,154	*
1,763	1,693	1,736	1,730	1,644	*
18,969	32,027	29,386	30,805	31,461	35,942
15,095	25,158	22,390	23,379	23,314	21,419
4,269	2,604	2,456	2,746	2,420	4,060
2,349	3,254	4,540	4,835	3,300	5,014
93,115	92,658	80,281	71,024	62,415	72,688
27,791	27,857	27,904	28,049	28,025	28,049
8,190	11,849	15,209	14,529	14,705	14,597
2,374	2,194	2,402	2,399	2,904	2,090
\$77,778	\$167,991	\$121,953	\$214,660	\$155,516	\$111,755
48,051	46,563	49,139	48,450	51,852	*
2,320	2,309	1,962	1,628	1,438	*
1,296	1,333	1,400	1,140	1,030	*
13,178	16,003	15,827	14,523	15,688	*
86,955	75,627	67,537	56,869	69,175	*
2,277	2,179	2,121	2,112	1,954	1,633
3,778	3,976	3,883	4,104	4,158	4,309
590	611	702	496	647	309
1,142	688	2,374	1,205	2,047	955
383	176	322	107	203	221
41	44	50	25	41	53
242	245	321	263	263	257
434	431	461	379	425	433

continued...

CITY OF ROYAL OAK, MICHIGAN

Operating Information

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

Function / Program	2011	2012	2013	2014
Library (*Number of visitors based on door counts. Beginning in 2018, this amount was cut in half to account for those leaving.)				
Cardholders - new registrations	4,064	3,677	3,648	3,667
Cardholders - total registrations	31,762	32,262	32,367	30,855
Circulation - number of transactions	455,847	451,097	405,101	393,843
Number of visitors	651,552	572,957	519,595	341,951
Number of computer uses	64,075	74,560	66,234	55,699
Number of programs/events offered	510	704	521	483
Number of program/event attendees	16,172	16,323	15,441	14,093
Parks and recreation				
Ice rental and other use (hours per calendar year)	7,511	*	7,888	7,932
Recreation program participants	16,560	16,600	16,688	16,320
Golf Course				
Rounds of Golf - Normandy Oaks	10,275	9,536	9,127	8,432
Rounds of Golf - Royal Oak	17,970	17,340	16,240	16,187
Senior Programs				
Senior activity sessions	4,147	4,176	4,214	3,994
Senior activity participants	90,641	95,742	87,787	84,614
Senior meals served on-site and delivered	28,208	24,052	13,429	11,378
Senior transportation trips	15,249	14,101	12,611	12,571
Senior AGE program - Service Hours	24,000	24,000	24,000	24,000
Senior ROSES program in-home support jobs	3,164	3,839	2,090	2,073
Public Works / Engineering				
Miles of street resurfaced	3	3	2	1
Square feet of sidewalk - removed & replaced	29,583	242,330	299,618	365,765
Square feet of sidewalk - new	1,100	1,989	19,363	23,533
Curbside refuse collected (tons)	23,226	22,780	22,145	20,717
Curbside compost collected (tons)	9,943	7,770	7,730	11,143
Curbside recyclables collected (tons)	3,940	3,908	4,690	3,655
Leaf collection (tons)	10,340	3,677	3,330	3,550
Feet of watermain - replaced	8,270	5,323	10,160	10,127
Feet of watermain - new	499	892	840	-
Feet of sewer - replaced	-	-	-	60
Feet of sewer - new	-	801	801	3,265
Utilities - Water and Sewer				
Number of customers billed	23,907	23,912	23,929	23,264
Water units purchased (100 cubic feet)	266,638,900	275,758,400	262,629,400	250,522,400
Water units billed (100 cubic feet)	264,545,100	248,509,201	246,613,100	233,014,700
Wastewater units disposed (100 cubic feet)	266,435,300	275,555,200	262,378,200	232,943,600

Source: City Departments

Note: * Information not available

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UNAUDITED

2015	2016	2017	2018	2019	2020
3,697	3,634	3,785	3,816	3,412	2,782
32,914	33,140	24,317	24,262	23,885	22,002
378,252	372,934	403,009	399,759	339,197	309,806
213,784	347,223	369,996	193,697	163,413	127,211
42,871	36,782	38,387	36,139	22,861	21,768
439	425	513	507	494	444
10,885	13,518	15,503	16,794	17,275	14,116
8,087	8,193	8,300	8,296	11,000	2,700
16,055	16,222	16,300	16,290	16,300	8,000
20,760	18,225	18,700	15,327	15,327	21,950
3,981	3,888	3,742	3,859	3,655	2,348
74,266	72,007	73,472	73,362	73,060	21,707
11,340	10,839	10,563	10,498	8,704	5,607
13,559	12,863	13,095	11,302	11,105	8,876
24,000	24,000	24,000	24,000	24,000	19,000
2,074	2,066	2,081	2,457	1,954	1,157
1	6	7	5	7	4
287,645	500,991	330,551	161,514	86,126	58,553
18,952	14,256	55,994	73,732	25,447	4,505
29,341	23,565	24,444	22,334	21,950	22,282
11,115	10,551	7,089	9,991	12,352	4,721
3,906	4,035	4,229	5,410	5,573	5,673
3,260	unavailable	2,397	5,547	7,881	9,076
11,838	9,709	13,532	-	1,497	15,309
2,781	1,174	4,883	2,933	20	(1,053)
635	-	785	-	-	1,887
2	-	5,703	3,055	-	1,212
23,159	23,646	24,335	24,435	24,670	24,807
247,902,200	253,900,000	247,413,200	245,776,500	238,277,000	235,779,826
215,800,400	228,319,400	242,515,739	237,825,100	226,450,300	214,001,600
215,790,000	228,296,800	239,653,661	237,423,300	226,365,600	213,847,100

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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
44th District Court/Probation	20	20	20	22	22	29	29	29	30	30
Administrative Services										
Manager	2	2	3	3	6	5	5	6	6	6
Attorney	3	3	3	4	4	4	4	4	4	4
City Clerk	4	4	4	5	5	5	5	5	5	5
Human Resources	2	2	2	2	3	3	3	4	4	4
State Construction Code	5	5	5	6	11	11	11	14	13	13
Ordinance Enforcement	4	2	2	5	5	5	5	5	5	5
Engineering	7	9	7	7	8	13	13	13	13	13
Community Development	4	4	3	3	3	4	4	4	4	4
Planning - Block Grant	1	1	1	1	-	-	-	-	-	-
Planning - Housing	1	1	1	1	1	1	1	1	1	1
Finance	6	5	5	5	6	7	7	7	7	7
Assessing	4	3	3	3	4	4	4	4	4	4
Treasurer / Water Billing	5	5	5	4	4	5	5	5	6	6
Information Technology	4	4	4	4	4	4	5	5	7	6
Subtotal	51	49	47	52	64	70	71	76	79	78
Library	12	11	10	10	9	8	8	8	9	9
Public Safety										
Police	82	77	81	96	97	98	98	98	98	98
Fire	56	56	56	56	56	56	56	56	56	56
Subtotal	138	133	137	152	153	154	154	154	154	154
Recreation & Public Services										
Public Service										
Parks & Forestry	2	8	7	7	7	7	7	7	7	7
Building Maintenance	2	2	2	2	2	2	2	2	2	2
Highway	-	-	-	-	-	2	2	3	3	3
Motor Pool	10	9	9	9	9	9	9	9	9	9
Electrical	1	-	-	-	-	1	1	1	1	1
Solid Waste	15	13	14	14	14	14	14	15	15	15
Water Maintenance	12	8	7	7	7	8	8	8	8	8
Water Services	5	5	4	4	4	4	4	4	4	4
Sewer Maintenance	9	8	7	7	7	7	7	9	9	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	-	-	-	-	-	-	-	-	-
Senior Services	2	1	1	1	1	1	1	1	1	1
Subtotal	64	59	56	56	56	59	59	63	63	63
Total	285	272	270	292	304	320	321	330	335	334

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

Source: City Finance Department