

City of
Royal Oak,
Michigan



Year Ended
June 30, 2016

Comprehensive
Annual
Financial
Report

City Commission

Mayor

James B. Ellison

Mayor Pro Tem

Michael Fournier

Commissioners

Sharlan Douglas

Jeremy Mahrle

David Poulton

Kyle Dubuc

Pat Paruch

Administration

City Manager

Donald E. Johnson

Director of Finance

Julie Rudd

Assistant Finance Director/Controller

Anthony C. DeCamp

Prepared by the Finance Department



CITY OF ROYAL OAK, MICHIGAN

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INTRODUCTORY SECTION



December 2, 2016

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

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

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

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

Profile of the City of Royal Oak

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

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

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

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

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

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

Government

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

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

Local Economy and Demographics

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

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

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

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

Fiscal Highlights

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

Long-term Financial Planning

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

Financial Policies

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

Internal Controls

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

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

Budgeting Controls

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

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

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

Federal Grants

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

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

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

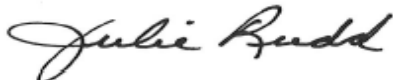
Awards and Acknowledgements

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

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

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

Respectfully submitted,



Julie Rudd
Director of Finance

Approved,



Donald E. Johnson
City Manager



Government Finance Officers Association

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

Presented to

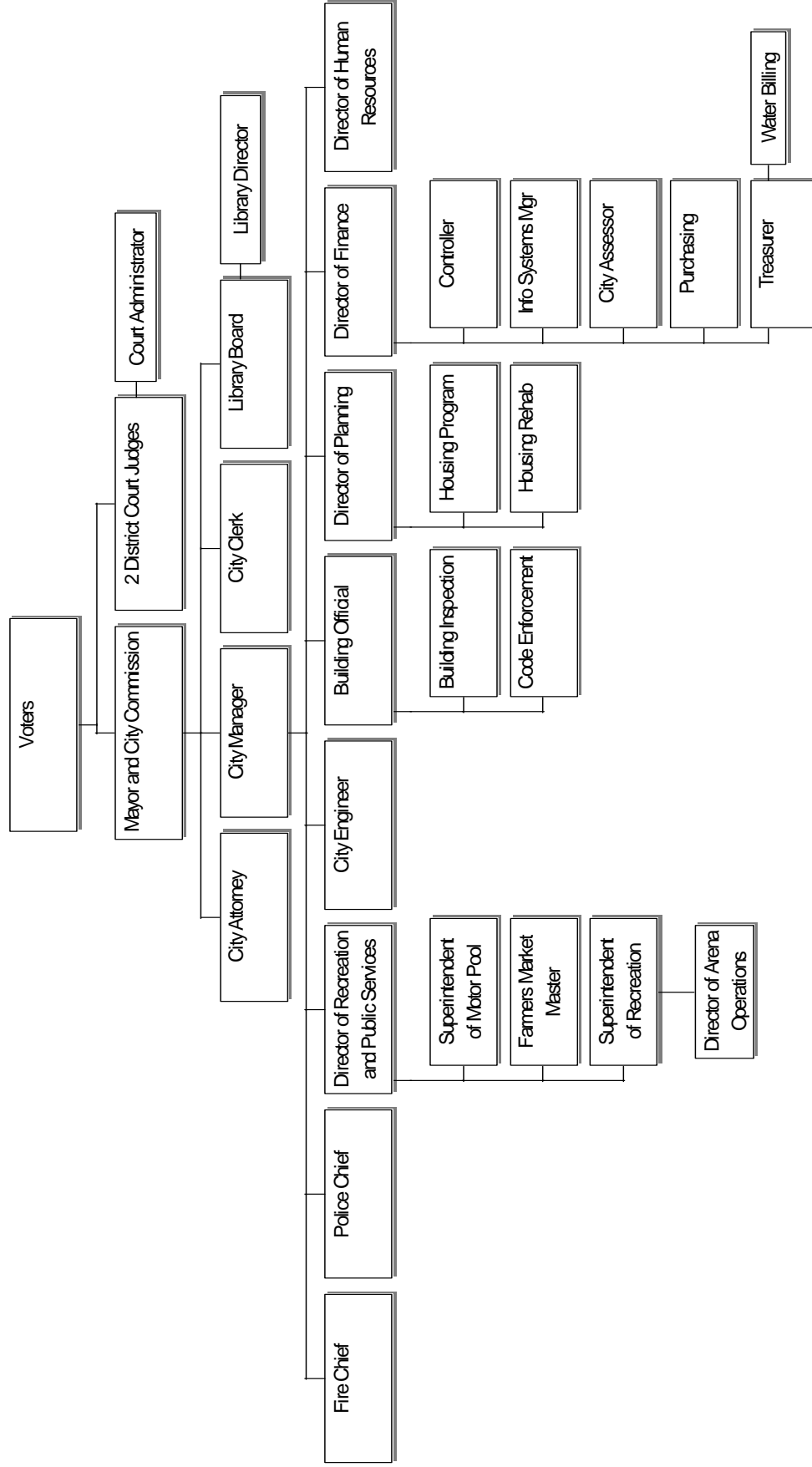
**City of Royal Oak
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

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



CITY OF ROYAL OAK, MICHIGAN

Principal Officials

As of June 30, 2016

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

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

December 2, 2016

To the Honorable Mayor and City Commission
Royal Oak, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated December 2, 2016, on our consideration of the City of Royal Oak, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Lehmann Lobson LLC". The signature is written in a cursive, flowing style.



MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

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

Financial Highlights

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

Overview of the Financial Statements

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

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

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

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

CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

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

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

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

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

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

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

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

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

CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

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

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

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

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

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

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

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

Government-wide Financial Analysis

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

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

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

CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

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

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

Governmental Activities

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

Business-type Activities

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

CITY OF ROYAL OAK, MICHIGAN

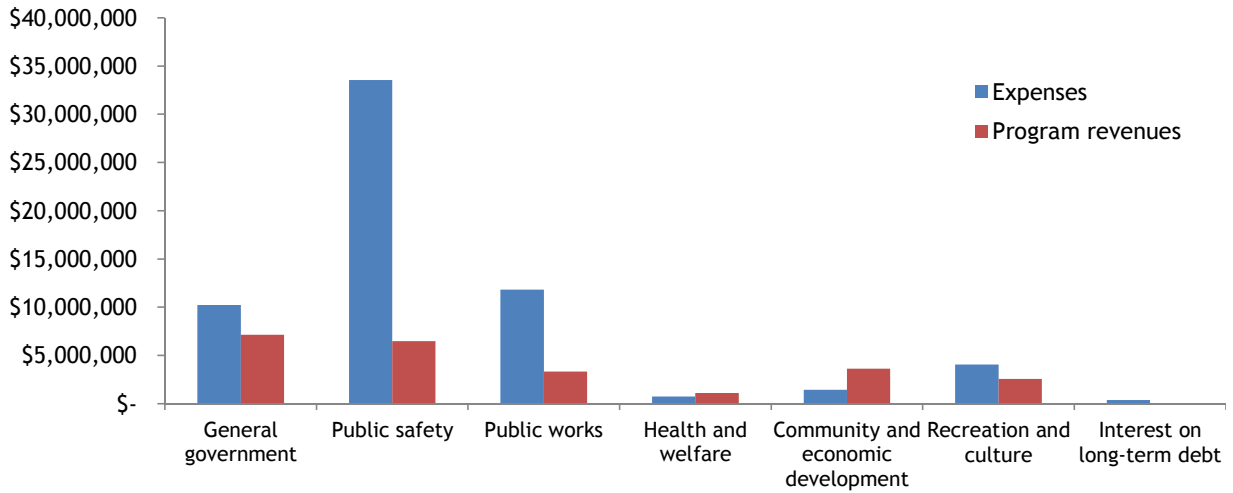
Management's Discussion and Analysis

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

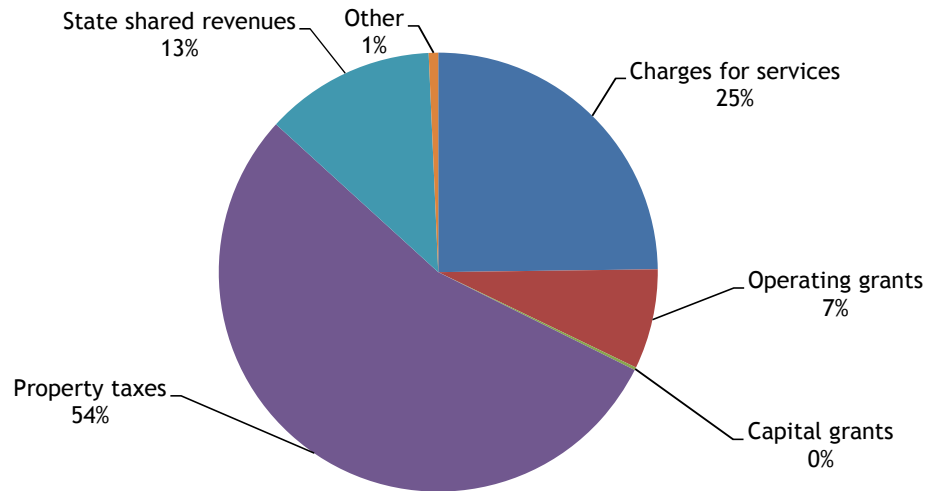
CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

Expenses and Program Revenues - Governmental Activities



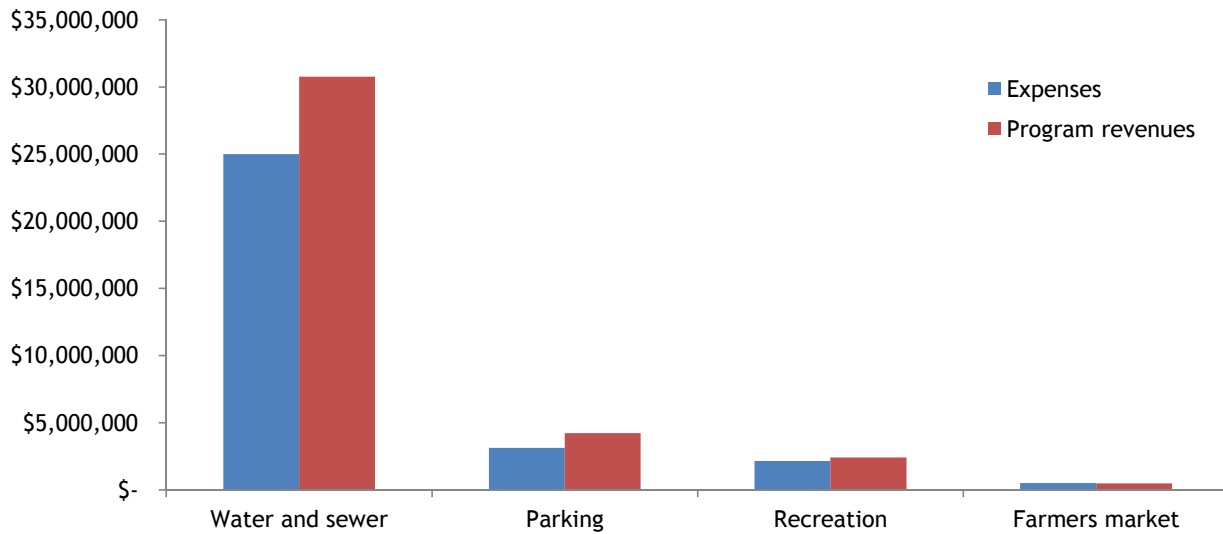
Revenues by Source - Governmental Activities



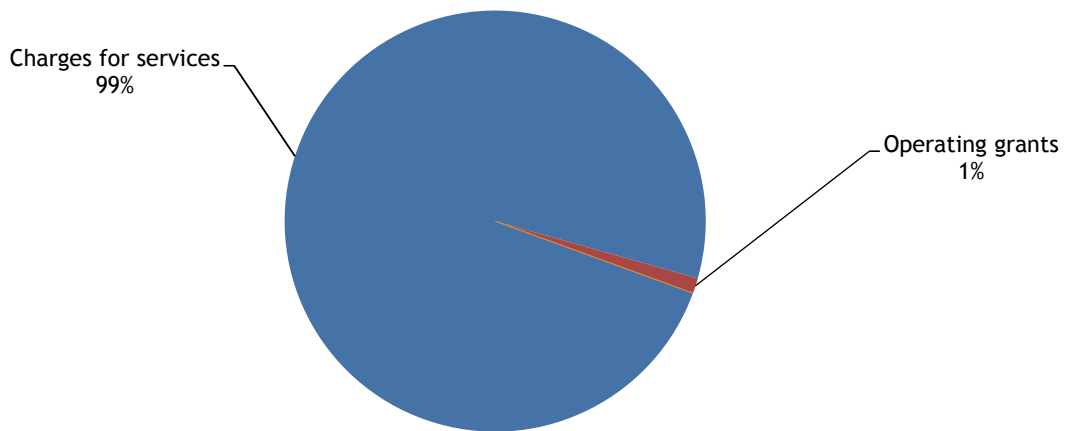
CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

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

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

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

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

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

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

General Fund Budgetary Highlights

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

Financial Analysis of the Business-type Funds

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

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

CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

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

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

Capital Assets and Debt Administration

Capital Assets

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

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

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

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

Long-term Debt

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

CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

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

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

The City's bond ratings are as follows:

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

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

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

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

Economic Factors and Next Year's Budgets and Rates

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

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

CITY OF ROYAL OAK, MICHIGAN

Management's Discussion and Analysis

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS



CITY OF ROYAL OAK, MICHIGAN

Statement of Net Position
June 30, 2016

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

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

CITY OF ROYAL OAK, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2016

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

continued...

CITY OF ROYAL OAK, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2016

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

concluded.

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

CITY OF ROYAL OAK, MICHIGAN

Balance Sheet

Governmental Funds

June 30, 2016

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

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

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



CITY OF ROYAL OAK, MICHIGAN

Reconciliation

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

| | |
|---|-----------------------|
| Fund balances for governmental funds | \$ 42,460,350 |
| Amounts reported for <i>governmental activities</i> in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement. | |
| Capital assets not being depreciated | 86,150,572 |
| Capital assets being depreciated, net | 71,854,895 |
| Less capital assets accounted for in internal service funds | (6,514,677) |
| The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred outflows in the governmental funds, and thus are not included in fund balance. | |
| Deferred property taxes and special assessments receivable | 1,314,627 |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities. | |
| Total internal service fund net position | 28,057,235 |
| Internal service fund net position accounted for in business-type activities | (3,398,606) |
| Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds. | |
| Accrued interest on bonds | (63,038) |
| Bonds payable | (9,314,579) |
| Unamortized bond discounts | 264 |
| Unamortized bond premiums | (309,257) |
| Deferred loss on refunding | 98,380 |
| Net other postemployment benefit obligation | (27,694,605) |
| Compensated absences | (3,390,583) |
| Certain pension-related amounts, such as the net pension liability and deferred amounts, are not due and payable in the current period or do not represent current financial resources, and therefore are not reported in the funds. | |
| Net pension liability | (77,581,832) |
| Deferred outflows related to the net pension liability | 15,099,769 |
| Net position of governmental activities | <u>\$ 116,768,915</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, 2016

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

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

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



CITY OF ROYAL OAK, MICHIGAN

Reconciliation

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

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

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

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

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

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

| | |
|--|---------|
| Net change in deferred property taxes and special assessments receivable | (1,682) |
|--|---------|

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

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

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

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

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

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

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

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

CITY OF ROYAL OAK, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2016

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

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

CITY OF ROYAL OAK, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Public Safety Fund

For the Year Ended June 30, 2016

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

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

CITY OF ROYAL OAK, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Solid Waste Fund

For the Year Ended June 30, 2016

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

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

CITY OF ROYAL OAK, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Community Development Block Grant Fund

For the Year Ended June 30, 2016

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

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

CITY OF ROYAL OAK, MICHIGAN

Statement of Net Position

Proprietary Funds
June 30, 2016

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

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

CITY OF ROYAL OAK, MICHIGAN

Reconciliation

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

Net position - total enterprise funds \$ 94,477,678

Amounts reported for *business-type activities* in the statement of net position are different because:

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

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

3,398,606

Net position of business-type activities

\$ 97,876,284

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

CITY OF ROYAL OAK, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2016

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

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

CITY OF ROYAL OAK, MICHIGAN

Reconciliation

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

Change in net position - total enterprise funds \$ 5,309,866

Amounts reported for *business-type activities* in the statement of activities
are different because:

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

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

795,545

Change in net position of business-type activities

\$ 6,105,411

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

CITY OF ROYAL OAK, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2016

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

continued...

CITY OF ROYAL OAK, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2016

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

concluded.

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

CITY OF ROYAL OAK, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2016

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

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

CITY OF ROYAL OAK, MICHIGAN

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2016

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

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

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Net Position

Discretely Presented Component Units

June 30, 2016

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

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

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Activities

Discretely Presented Component Units

For the Year Ended June 30, 2016

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

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



NOTES TO FINANCIAL STATEMENTS

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

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

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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

Joint Ventures

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

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

Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The government reports the following major governmental funds:

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

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

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

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

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

The government reports the following major proprietary funds:

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

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

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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

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

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

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

Deposits and Investments

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

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

Receivables and Payables

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

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

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Inventories and Prepaid Items

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

Restricted Assets

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

Capital Assets

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

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

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

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

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Deferred Outflows of Resources

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

Compensated Absences

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

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year of issuance.

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

Deferred Inflows of Resources

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Fund Balances

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

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

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

2. BUDGETARY INFORMATION

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

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

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

3. EXPENDITURES IN EXCESS OF APPROPRIATIONS

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

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

4. DEPOSITS AND INVESTMENTS

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

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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

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

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) |
|---------------------------|---------------------------------|---|
| <i>Bond mutual funds:</i> | | |
| SEI Emerging Markets Debt | \$ 6,479,766 | 9.41 |
| SEI High Yield Bond A | <u>5,395,091</u> | 6.15 |
| Total | <u><u>\$ 11,874,857</u></u> | |

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

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

Custodial Credit Risk - Investments. As of June 30, 2016, the City’s pooled investments consisted entirely of mutual funds totaling \$140,727,535. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of June 30, 2016, none of the City’s investments were exposed to risk since the securities are held in the City’s name by the counterparty.

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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

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

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

5. RECEIVABLES

Receivables are comprised of the following at year end:

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

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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

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

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

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

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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

7. CAPITAL ASSETS

Primary Government

Capital asset activity for the current year was as follows:

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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

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

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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

Construction Commitments

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

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

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Discretely Presented Component Units

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

8. LONG-TERM DEBT

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

| | Beginning Balance | Additions | Deductions | Ending Balance | Due Within One Year |
|---|----------------------|----------------------|------------------------|----------------------|---------------------|
| Governmental Activities | | | | | |
| Bonds payable | \$ 12,509,000 | \$ 3,691,511 | \$ (5,573,000) | \$ 10,627,511 | \$ 1,706,994 |
| Unamortized discount | (82,385) | - | 82,121 | (264) | (264) |
| Unamortized premium | 207,739 | 175,519 | (49,894) | 333,364 | 49,833 |
| Compensated absences | 3,550,106 | 2,271,020 | (2,293,717) | 3,527,409 | 1,764,000 |
| General liability claims | 609,590 | 131,627 | (242,787) | 498,430 | 249,215 |
| Workers compensation | 1,015,259 | 128,645 | (347,854) | 796,050 | 398,025 |
| Total governmental activities | \$ 17,809,309 | \$ 6,398,322 | \$ (8,425,131) | \$ 15,782,500 | \$ 4,167,803 |
| Business-type Activities | | | | | |
| Bonds payable, contractual obligations and State revolving fund | \$ 39,995,435 | \$ 15,760,317 | \$ (19,131,399) | \$ 36,624,353 | \$ 4,049,601 |
| Unamortized discount | (239,151) | - | 239,151 | - | - |
| Unamortized premium | - | 752,514 | (62,855) | 689,659 | 62,855 |
| Compensated absences | 276,058 | 186,061 | (180,544) | 281,575 | 141,000 |
| Total business-type activities | \$ 40,032,342 | \$ 16,698,892 | \$ (19,135,647) | \$ 37,595,587 | \$ 4,253,456 |
| Component Units | | | | | |
| Compensated absences | \$ 15,327 | \$ 10,301 | \$ (9,010) | \$ 16,618 | \$ 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, \$136,826 of internal service funds compensated absences is included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

Governmental activities - bonds payable

2007 Capital Improvement Bonds; \$825,000 at issuance; payable in annual installments of \$65,000 to \$100,000; interest payable semi-annually at 4.00% through February 2017 \$ 100,000

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Governmental activities - bonds payable (continued)

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

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

Business-type activities - bonds payable

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Business-type activities - bonds payable (continued)

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

Business-type activities - contractual obligations

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Business-type activities - State revolving fund

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

4,007,387

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

\$ 36,624,353

Refunded Debt

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

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

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

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

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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

9. RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal Risk Management Authority for general property and liability claims.

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

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

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

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

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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

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

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

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

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

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

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

10. CONTINGENT LIABILITIES

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

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

11. EMPLOYEES' RETIREMENT SYSTEM

General Information about the Pension Plan

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

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

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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

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

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

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

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

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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

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

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

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

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

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

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

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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

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

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

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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

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

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

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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

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

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

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

12. OTHER POSTEMPLOYMENT BENEFITS

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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

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

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

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

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

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

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

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

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

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

14. DEFINED CONTRIBUTION PENSION PLAN

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

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

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

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

15. NET INVESTMENT IN CAPITAL ASSETS

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

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

CITY OF ROYAL OAK, MICHIGAN

Notes to Financial Statements

16. SUBSEQUENT EVENT

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

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

■ ■ ■ ■ ■

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROYAL OAK, MICHIGAN

Required Supplementary Information Employees' Retirement System

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

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

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

CITY OF ROYAL OAK, MICHIGAN

Required Supplementary Information Employees' Retirement System

Schedule of the Net Pension Liability

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

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

CITY OF ROYAL OAK, MICHIGAN

Required Supplementary Information Employees' Retirement System

Schedule of Contributions

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

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

Notes to Schedule of Contributions

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

Methods and assumptions used to determine contribution rates:

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

CITY OF ROYAL OAK, MICHIGAN

Required Supplementary Information Employees' Retirement System

Schedule of Investment Returns

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

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

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

CITY OF ROYAL OAK, MICHIGAN

Required Supplementary Information
Retiree Health Fund

Schedule of Funding Progress
(dollar amounts in thousands)

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

Schedule of Employer Contributions
(dollar amounts in thousands)

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

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

CITY OF ROYAL OAK, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2016

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



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

continued...

CITY OF ROYAL OAK, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

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

concluded.



CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2016

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

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

continued...

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2016

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

concluded.

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Major Streets Fund

For the Year Ended June 30, 2016

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

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Local Streets Fund

For the Year Ended June 30, 2016

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

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Publicity Fund

For the Year Ended June 30, 2016

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

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Senior Citizens Program Fund

For the Year Ended June 30, 2016

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

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Library Millage Fund

For the Year Ended June 30, 2016

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

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - State Construction Code Fund

For the Year Ended June 30, 2016

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

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - ROOTS Fund

For the Year Ended June 30, 2016

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

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Grants Fund
For the Year Ended June 30, 2016

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

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2016

| | Arts, Beats & Eats | Recreation Administration | Ice Arena | Farmers Market | Total Nonmajor Enterprise Funds |
|--|-----------------------|------------------------------|---------------------|---------------------|--|
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and investments | \$ 145,494 | \$ 329,475 | \$ 638,244 | \$ 645,285 | \$ 1,758,498 |
| Receivables, net | 395 | 65,900 | 2,904 | 48,411 | 117,610 |
| Total current assets | <u>145,889</u> | <u>395,375</u> | <u>641,148</u> | <u>693,696</u> | <u>1,876,108</u> |
| Noncurrent assets: | | | | | |
| Capital assets | - | 4,471,882 | 5,210,198 | 2,538,835 | 12,220,915 |
| Accumulated depreciation | - | (1,231,878) | (3,254,041) | (1,077,244) | (5,563,163) |
| Total noncurrent assets | <u>-</u> | <u>3,240,004</u> | <u>1,956,157</u> | <u>1,461,591</u> | <u>6,657,752</u> |
| Total assets | <u>145,889</u> | <u>3,635,379</u> | <u>2,597,305</u> | <u>2,155,287</u> | <u>8,533,860</u> |
| Deferred outflows of resources | | | | | |
| Deferred pension amounts | <u>-</u> | <u>79,540</u> | <u>7,696</u> | <u>3,504</u> | <u>90,740</u> |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | - | 7,909 | 86,484 | 35,036 | 129,429 |
| Accrued and other liabilities | - | 9,298 | 991 | 1,436 | 11,725 |
| Compensated absences, current | - | 10,534 | 947 | 408 | 11,889 |
| Total current liabilities | <u>-</u> | <u>27,741</u> | <u>88,422</u> | <u>36,880</u> | <u>153,043</u> |
| Noncurrent liabilities: | | | | | |
| Accrued compensated absences | - | 10,502 | 945 | 406 | 11,853 |
| Net pension liability | - | 408,675 | 39,539 | 18,007 | 466,221 |
| Net other postemployment benefits obligation | - | 148,274 | 37,820 | 8,370 | 194,464 |
| Total noncurrent liabilities | <u>-</u> | <u>567,451</u> | <u>78,304</u> | <u>26,783</u> | <u>672,538</u> |
| Total liabilities | <u>-</u> | <u>595,192</u> | <u>166,726</u> | <u>63,663</u> | <u>825,581</u> |
| Net position | | | | | |
| Investment in capital assets | - | 3,240,004 | 1,956,157 | 1,461,591 | 6,657,752 |
| Unrestricted (deficit) | <u>145,889</u> | <u>(120,277)</u> | <u>482,118</u> | <u>633,537</u> | <u>1,141,267</u> |
| Total net position | <u>\$ 145,889</u> | <u>\$ 3,119,727</u> | <u>\$ 2,438,275</u> | <u>\$ 2,095,128</u> | <u>\$ 7,799,019</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, 2016

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

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended June 30, 2016

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

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

June 30, 2016

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

CITY OF ROYAL OAK, MICHIGAN

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

Internal Service Funds

For the Year Ended June 30, 2016

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

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2016

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

continued...

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2016

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

concluded.



CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2016

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

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2016

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

continued...

CITY OF ROYAL OAK, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2016

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

concluded.

CITY OF ROYAL OAK, MICHIGAN

Balance Sheets

Component Units

June 30, 2016

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

CITY OF ROYAL OAK, MICHIGAN

Reconciliation

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

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

CITY OF ROYAL OAK, MICHIGAN

Statements of Revenues, Expenditures and Changes in Fund Balances

Component Units

For the Year Ended June 30, 2016

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

CITY OF ROYAL OAK, MICHIGAN

Reconciliation

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

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

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Tax Increment Financing Authority

For the Year Ended June 30, 2016

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

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Downtown Development Authority

For the Year Ended June 30, 2016

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

CITY OF ROYAL OAK, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Brownfield Redevelopment Authority

For the Year Ended June 30, 2016

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

STATISTICAL SECTION



CITY OF ROYAL OAK, MICHIGAN

Statistical Section Table of Contents

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

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

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

CITY OF ROYAL OAK, MICHIGAN

Financial Trends

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

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

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

Schedule 1
UNAUDITED

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

CITY OF ROYAL OAK, MICHIGAN

Financial Trends

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

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

Schedule 2
UNAUDITED

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

continued...

CITY OF ROYAL OAK, MICHIGAN

Financial Trends

Changes in Net Position
 Last Ten Fiscal Years
 (accrual basis of accounting)

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

Schedule 2
UNAUDITED

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

concluded.

CITY OF ROYAL OAK, MICHIGAN

Financial Trends

Fund Balances - Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

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

Schedule 3
UNAUDITED

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

CITY OF ROYAL OAK, MICHIGAN

Financial Trends

Changes in Fund Balances - Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

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

Schedule 4
UNAUDITED

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

CITY OF ROYAL OAK, MICHIGAN

Revenue Capacity Information

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years

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

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

Source: City Assessor's records.

Schedule 5
UNAUDITED

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

CITY OF ROYAL OAK, MICHIGAN

Revenue Capacity Information

Property Tax Rates - Direct and Overlapping
Last Ten Fiscal Years

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

Notes:

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

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

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

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

Source: City Assessor's records.

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

Revenue Capacity Information
Principal Property Taxpayers
Current Year and Nine Years Ago

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

Source: City Assessor

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

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

Source: City Treasurer's records.

CITY OF ROYAL OAK, MICHIGAN

Debt Capacity Information

Ratios of Outstanding Debt

Last Ten Fiscal Years

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

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

Source: City Finance Department

Schedule 9
UNAUDITED

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

CITY OF ROYAL OAK, MICHIGAN

Debt Capacity Information

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

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

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

Schedule 10
UNAUDITED

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



Debt Capacity Information

Direct and Overlapping Governmental Activities Debt
June 30, 2016

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

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

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

CITY OF ROYAL OAK, MICHIGAN

Debt Capacity Information

Computation of Legal Debt Margin

Last Ten Fiscal Years

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

Source: City Finance Department

Note:

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

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

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

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

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

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

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

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

Schedule 12
UNAUDITED

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



Debt Capacity Information

Pledged Revenue Coverage

Last Ten Fiscal Years

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

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

Source: City Finance Department

CITY OF ROYAL OAK, MICHIGAN

Demographic and Economic Information

Demographic Statistics

Last Ten Fiscal Years

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

Source:

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

Schedule 14
UNAUDITED

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

Demographic and Economic Information
Principal Employers
Current Year and Nine Years Ago

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

Sources: Royal Oak Finance Department

Operating Information

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

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

Source: City Departments

Note: * Information not available

CITY OF ROYAL OAK, MICHIGAN

Operating Information

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

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

Source: City Departments

Note: * Information not available

Schedule 17
UNAUDITED

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

continued...

CITY OF ROYAL OAK, MICHIGAN

Operating Information

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

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

Source: City Departments

Note: * Information not available

Schedule 17
UNAUDITED

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

concluded.

Operating Information

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

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

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

Source: City Finance Department