

Royal Oak Schools

Financial Statements

June 30, 2015



Comprehensive Annual Financial Report

of

Royal Oak Schools

Royal Oak, Michigan

As prepared by the Finance Department

For the Fiscal Year Ended June 30, 2015

Shawn Lewis-Lakin
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INTRODUCTORY SECTION



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October 19, 2015

The Board of Education
Royal Oak Schools
800 DeVillen
Royal Oak, Michigan 48073

Dear Board Members:

This letter of transmittal is intended to provide an overview of the financial condition of Royal Oak Schools from the perspective of the Superintendent and the Finance Director. It serves as an introduction to our Comprehensive Annual Financial Report for the fiscal year which ended June 30, 2015. The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The introductory section includes the District's organizational chart, a list of principal officials and this transmittal letter. The financial section includes the Management's Discussion and Analysis, the Independent Auditor's Report, district-wide financial statements, fund financial statements and notes to the financial statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. For an additional narrative about the financial performance of the District, please direct your attention to the Management's Discussion and Analysis.

The report has been prepared by the District's Finance Office with responsibility for accuracy and completeness of the report resting with the District. This report was prepared in accordance with generally accepted accounting principles. The basic financial statements have been audited by the firm of Yeo & Yeo, an independent auditor, and the report is preceded by their unmodified opinion.

The District

Royal Oak Schools is a suburban district located two miles north of the City of Detroit. It is a fiscally independent school district governed by a seven-member elected Board of Education. In fiscal year 2015, the District operated six K-5 elementary schools, one 6-8 middle school, one 9-12 senior high school, an early childhood center, a community education center, an alternative high school, an administration building and a maintenance/transportation facility. The district provided shared services to private and parochial schools located within the bounds of the district, most significantly to Shrine Schools.

Student Services Provided

The District provides a comprehensive program of public education from pre-kindergarten through twelfth grade, as well as outstanding programs of continuing and alternative education. In addition, a wide array of special education programs and services are offered to eligible students, ranging from children in early intervention and early childhood developmentally delayed programs to students reaching the age of 26. The high school, middle school, all elementary schools and continuing education are fully accredited by Advanced Ed. In addition, the District operates preschool, childcare and before and after school programs as a part of the wide array of services that are provided to the community.

The curriculum of the District is a broad-based curriculum designed to meet the individual needs of all students including the regular daytime, academically talented, at-risk, special needs and adult continuing education students. In addition, there are many opportunities for students to participate in extra-curricular activities including athletics, music, drama, clubs and numerous other special interest activities.

Accounting System and Budgetary Control

The Governmental Funds of Royal Oak Schools are presented in accordance with statements issued by the Governmental Accounting Standards Board (GASB). The District adheres to budgetary policies and procedures as established by the Board of Education, which includes multiple reviews of the budget throughout the year with amendments submitted to the Board of Education for approval. The District utilizes a detailed line item budget that is prepared according to the guidelines in Bulletin 1022 (Revised), the State of Michigan's School Accounting Manual. Executive and building level administrators are delegated the responsibility for controlling the expenditures within their respective responsibilities according to Board policies and procedures. The existing system of budgetary and internal accounting controls provides reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period. Refer to Note 1 in the Financial Section of the report, which specifically outlines significant accounting policies of the District.

State School Finance System

In the 1994-95 fiscal year, fundamental and dramatic changes in Michigan school finance were implemented, and today, we are still feeling the effects of this shift in school funding from local to state control. These changes significantly reduced local sources of revenue (property taxes) and increased the reliance on State funding. Currently, funding received by each school district is based upon the number of students and the per pupil foundation allowance received for each student. Any increase or decrease in the per pupil foundation allowance from year to year is directly tied to available revenue in the State School Aid Fund. Under this funding system, school districts are very much dependent upon the State for their revenue. With the past decade's unprecedented economic downturn in the State of Michigan, along with state budget decisions, school districts have been presented with the financial challenges of declining revenues, rising costs and increasing demands for student achievement.

Royal Oak Schools has, for a number of years, experienced significant declines in enrollment as the demographics of the community have shifted. Student enrollment projections prepared by an outside firm indicate that this trend of declining enrollment is expected to end with fiscal year 2015-16.

From a local district's perspective, the school funding system instituted following the passage of proposal A in 1994 has not lived up to its promise of adequately funding public education. Over time, increases in the per-pupil foundation allowance have not kept pace with inflation. In many of those years, money promised and committed to local school districts has been taken away mid-year by the State of Michigan due to insufficient State revenue and the inability of State lawmakers to make the necessary structural changes in the State budget. Decisions by the state to fund higher education through the school aid budget have eroded funding available for K-12 schools, even as revenue and expenditures in the school aid budget rebound. Insufficient state funding for education has placed a significant financial burden on all school districts across the state when wage, benefit, retirement, and utility costs are increasing at rates above inflation. The dependence upon sales tax and statewide property tax revenue for school funding will continue to result in significant cyclical effects tied to the performance of the economy. Any future increase in the District's per-pupil foundation allowance will be based on the growth in sales tax, statewide property tax and other state revenue. As a result, there are very serious concerns about the financial impact of Michigan's current and future economic downturns on the revenue stream for the State School Aid Fund. The financial outlook for school districts in Michigan remains challenging. The \$470 reduction in per pupil funding adopted by the State Legislature in 2012-13 continues to have a lingering effect. School districts across Michigan continue to be challenged by financial uncertainty.

Revenue Base

The District is supported primarily by funding received from State sources. Most of this State funding is based upon two components: a per-pupil foundation allowance and the number of students enrolled in the District on the two official count days, one in February and the other in September. This reliance on State revenue as a funding source in the General Fund is illustrated as follows:

	<u>Amount</u>	<u>Percentage of Total</u>
Local Sources	\$ 19,910,595	35.83%
State Sources	\$ 30,180,869	54.31%
Federal Sources	\$ 1,632,761	2.94%
Interdistrict Sources	\$ 3,842,917	6.92%
Total Revenue	<u>\$ 55,567,142</u>	<u>100.00%</u>

Local Sources are comprised mainly of local property taxes, facility rentals, and miscellaneous fees. Property tax revenue is a function of two variables: taxable valuation of property located in the District and the millage rate. The real and personal property within the District is assessed at the rate of 50% of true cash value. However, there is a cap on the annual growth in taxable valuation. This annual growth is limited to the rate of inflation or 5%, whichever is less. In 2014-15, the operating millage rate for Royal Oak homeowners was 2.4428 mills and 18.0000 mills for businesses. In addition, there is also a statewide property tax of 6.00 mills levied on all classes of property. The revenue from this statewide property tax goes directly to the State School Aid Fund.

A comparison of 2014-15 General Fund revenue to the prior year reveals the following:

	<u>2014-15</u>	<u>2013-14</u>	Increase (Decrease)	(Decrease) By Source
Local Sources	\$ 19,910,595	\$ 20,027,153	\$ (116,558)	-0.58%
State Sources	\$ 30,180,869	\$ 29,178,665	\$ 1,002,204	3.43%
Federal Sources	\$ 1,632,761	\$ 1,495,945	\$ 136,816	9.15%
Interdistrict Sources	\$ 3,842,917	\$ 3,700,185	\$ 142,732	3.86%
Total Revenues	<u>\$ 55,567,142</u>	<u>\$ 54,401,948</u>	<u>\$ 1,165,194</u>	<u>2.14%</u>

The decrease in Local Sources of \$116,558 is mostly attributed to the decrease in our hold harmless tax revenue as a result of decreasing the millage rate from 2.98 to 2.44, as well as the loss of students.

The increase in Interdistrict Sources of \$142,732 was due to the increase in county distributions of Public Act (PA) 18. PA 18 is a special education millage rate levied on all of Oakland County, collected by the Oakland Intermediate School District, and distributed to all Local Education Agencies. The increase in distribution is attributed to the increase in property tax revenue which resulted from rising taxable valuation within the County.

The net increase in State Sources of \$1,002,204 was primarily the result of the increase in 147c MPSERS UAAL rate stabilization allocation.

The net increase in Federal Sources of \$136,816 is attributable to the increase in Title I and IDEA funding allocations.

In November 2013, the electors of the District approved a renewal of the operating property tax levies that maintain current per-pupil revenue levels. This renewal was for a seven-year period and represents an important element of financial stability. This operating millage will extend through the end of the 2020-2021 fiscal year. Voters offered this affirmation of support to the district one year following their approval of a new 1 mill sinking fund levy.

Expenditures

Expenditures and Other Financing (Sources) Uses for the General Fund totaled \$55,555,989 for the year ended June 30, 2015. The amount of expenditures for various functions and the percent of the total expenditures are as follows:

<u>Function</u>	<u>Amount</u>	<u>% of Total</u>
Instruction:		
Basic Programs	\$ 25,670,544	46.21%
Added Needs	\$ 4,531,027	8.16%
Compensatory Education	\$ 293,934	0.53%
Vocational Education	\$ 523,426	0.94%
Continuing Education	\$ 179,113	0.32%
Total Instruction	\$ 31,198,044	56.16%
Support Services:		
Pupil Services	\$ 4,618,925	8.31%
Instructional Services	\$ 2,151,361	3.87%
General Administration	\$ 635,080	1.14%
School Administration	\$ 2,939,396	5.29%
Business Services	\$ 8,052,085	14.49%
Central Staff	\$ 102,130	0.18%
Central Staff - Human Resources	\$ 701,772	1.26%
Central Staff - Technology	\$ 1,318,939	2.37%
Athletic Activities	\$ 627,746	1.13%
Total Support Services	\$ 21,147,434	38.07%
Payments to other governmental units	\$ 2,129,381	3.83%
Community Services	\$ 923,577	1.66%
Capital Outlay	\$ 3,668	0.01%
Debt Service	\$ 75,234	0.14%
Total Expenditures	\$ 55,477,338	99.86%
Other Financing Uses	\$ 78,651	0.14%
Total Expenditures and Other Financing Sources Uses	\$ 55,555,989	100.00%

A comparison of 2014-15 General Fund expenditures to the prior year is as follows:

Function	2014-15	2013-14	Increase (Decrease)	% Increase (Decrease) By Source
Instruction:				
Basic Programs	\$ 25,670,544	\$ 25,200,106	\$ 470,438	1.87%
Added Needs	\$ 4,531,027	\$ 4,225,080	\$ 305,947	7.24%
Compensatory Education	\$ 293,934	\$ 311,272	\$ (17,338)	-5.57%
Vocational Education	\$ 523,426	\$ 505,005	\$ 18,421	3.65%
Continuing Education	\$ 179,113	\$ 142,969	\$ 36,144	25.28%
Total Instruction	\$ 31,198,044	\$ 30,384,432	\$ 777,468	2.56%
Support Services:				
Pupil Services	\$ 4,618,925	\$ 4,686,290	\$ (67,365)	-1.44%
Instructional Services	\$ 2,151,361	\$ 1,840,714	\$ 310,647	16.88%
General Administration	\$ 635,080	\$ 570,881	\$ 64,199	11.25%
School Administration	\$ 2,939,396	\$ 2,914,383	\$ 25,013	0.86%
Business Services	\$ 8,052,085	\$ 6,554,363	\$ 1,497,722	22.85%
Central Staff	\$ 102,130	\$ 103,816	\$ (1,686)	-1.62%
Central Staff - Human Resources	\$ 701,772	\$ 703,832	\$ (2,060)	-0.29%
Central Staff - Technology	\$ 1,318,939	\$ 1,057,677	\$ 261,262	24.70%
Athletic Activities	\$ 627,746	\$ 585,482	\$ 42,264	7.22%
Total Support Services	\$ 21,147,434	\$ 19,017,438	\$ 2,087,732	10.98%
Payments to other governmental units	\$ 2,129,381	\$ 2,293,166	\$ (163,785)	-7.14%
Community Services	\$ 923,577	\$ 749,920	\$ 173,657	23.16%
Capital Outlay	\$ 3,668	\$ 350,450	\$ (346,782)	-98.95%
Debt Service	\$ 75,234	\$ 75,234	\$ -	0.00%
Total Expenditures	\$ 55,477,338	\$ 52,870,640	\$ 2,606,698	4.93%
Other Financing Uses	\$ (78,651)	\$ 534,241	\$ (612,892)	-114.72%
Total Expenditures and Other Financing Sources Uses	\$ 55,398,687	\$ 53,404,881	\$ 1,993,806	3.73%

The most significant dollar changes from 2013-14 to 2014-15 can be explained as follows:

The 2.56% increase in total instruction is in large part attributable to the increase in retirement costs. The district was required to make contributions in the amount of \$2,236,589 to the Michigan Public School Employee Retirement System (MPERS). This amount represents the additional employer contributions attributed to the unfunded accrued liability (UAAL) rate, which was approximately 7.63% for the year. This expenditure was offset by corresponding state revenue referred to as 147c MPERS UAAL Rate Stabilization. Essentially the state held us harmless; however, the state still required local education agencies to account for the expense. Additionally, the settlement of the collective bargaining agreements with the Royal Oak Education Association (ROEA) and the Royal Oak Educational Support Association (ROESA) included salary step increments for all eligible bargaining unit members. Benefit rates had minimal effect on the increase in expenses for the fiscal year.

The increase of 10.98% in Support Services expenses is also partially attributable to the accounting of retirement costs. In addition, there was \$1.2 million dollars of expenses for the flood that affected Royal Oak High School and Royal Oak Middle School in August 2014. This was accounted for in the Business Services line under Support Services. There is also \$882,000 of Insurance Proceeds reflected in revenues. Due to the District commitment to stay current with Technology, Central Staff Technology expenditures (for equipment deployed in schools) have increased.

The 7.14% decrease in Payments to Other Governmental Units reflects the Districts commitment to bringing our special education students back from center based programs, thus reducing our expense for tuition.

The stability in Community Services expenses is reflects our consistency with the shared services agreement with Royal Oak Shrine.

In 2014-15, site improvement projects (capital outlay) that are expensed in the general fund have been reclassified within the appropriate function. For example; desks purchased for classroom use are in the Instructional function line.

The change seen in Other Financing Uses category is primarily the result of \$832,317 insurance proceeds received due to the flood that affected the District in August of 2014.

Overall expenditures increase was 3.73% from the previous fiscal year.

Fund Balance

The District ended fiscal year 2015 in stable financial condition; however, we remain cautious as the State continues to discuss the funding system of K-12 education. The General Fund's fund balance of \$14,031,388 achieves the stated goal of 15% of expenditures and other financing uses. A conscious effort was made a number of years ago to establish an adequate fund

balance level to assist with cash flow needs, prevent borrowing, provide adequate reserves during economic downturns, and provide for unforeseen emergencies. Our District has achieved this goal; however, the current financial challenges and uncertainty of school funding have made the goal of maintaining stable fund equity a significant challenge. It should also be noted that a portion of the fund balance is assigned for specific uses. These include assignments for the subsequent year's budget and compensated absences. The unassigned fund balance of \$14.03 million at the end of fiscal year 2015 represents 25.25% of expenditures and other financing uses.

Debt Service

In the 2014-2015 the District Refunded our 2015 Debt. The savings to the tax payers over the life of the new bonds is \$3,969,283. The District continues to meet its debt service obligations by levying a local debt retirement millage and using funds on hand. The millage levied in fiscal year 2015 was 3.75 mills, same as the previous year. The total fund balance in the debt retirement funds of \$660,347 along with anticipated tax revenues is adequate to meet our future years debt obligation and interest payments provided our property tax values remain relatively stable.

Fiscal Planning

The District adopts an annual budget for the general fund and special revenue funds as required by legislation. The general fund budget is amended three times during the fiscal year to assure all stakeholders are continually aware of the changes to the districts available resources.

A comprehensive evaluation of all buildings' infrastructure needs was performed a number of years ago and was updated in November 2011. This facility assessment included an evaluation of the electrical and mechanical systems, roofing, plumbing, site, sidewalks, parking lots, heating and cooling, as well as life safety issues.

In November 2012, the Royal Oak Community approved a 1 mill sinking fund that provides a dedicated revenue source to renovate our facilities. These renovations will support and improve the construction and renovation projects that occurred in 2005.

The marketing of all vacant sites to prospective developers continued during fiscal 2014-15. Significant activity occurred with the real estate available in the district and we were able to recognize over \$1.1 million in revenue from property sales. This revenue is put in the property maintenance fund and used for building renovation projects.

Since the current State funding system so closely ties our revenue to student enrollment, the District's enrollment projection efforts have utilized an outside firm with expertise in enrollment forecasting. These forecasts have had a very high correlation to

actual results. The importance of an established long-range planning process and model, with extremely accurate enrollment projections, will continue to be especially important in upcoming years.

Since student enrollment is so critical to the District's financial well being, several short and long term initiatives have been developed to address this key issue. These include engaging the services of a marketing agency to continue our comprehensive advertising campaign. Once again, the District was a successful participant in the Schools of Choice Program during fiscal 2015. This program allows students residing in other Oakland County districts to enroll in our District. This program has enabled the District to generate revenue to maintain programs despite a decline in resident students. For fiscal year 2015, this program used a targeted, space available and grade specific approach.

Other long term initiatives have been implemented to maintain student enrollment. These include: An Early Childhood Center that provides Child Care and Preschool services and introduces families to Royal Oak Schools at an early age, and a Dream Home Expo that encourages residents with children to "improve rather than move". Numerous other initiatives have also been implemented, some of which included Board of Education and citizen based advisory committees, community based decision-making on facility consolidation, efforts in District-wide public relations and marketing, and curriculum updates.

We will proceed with caution as we develop amendments and prepare the following fiscal years budget as there remains uncertainty in the School Aid Fund and pupil enrollment

Other Financial Highlights

The District maintains a prudent and fiscally conservative cash management program. The General Fund investment income earned was \$31,181. This amount is the result of a low interest rate environment.

During the fiscal year, there were four union groups recognized within the District. We successfully negotiated contracts with all four groups and settled contracts are in place for the 2014-2015 school year.

During 2010-11, the District privatized custodial, maintenance, grounds and transportation services. This difficult decision was necessary to reduce expenditures, balance the budget and ultimately preserve instructional programs. The transition to contracted services for these services was a tremendous success. Additionally, non-mandated general education transportation was also eliminated in 2010-11 and was necessary for the future financial stability of the District.

The 2012-2013 school year was the first year in which technology services were provided through an intergovernmental agreement with Oakland Schools. This model for technology services has led to lower costs and improved district-wide technology planning and support.

The Food Service Fund ended the year with a slight excess of revenues over expenditures in the amount of \$65,999 which increases the fund balance to \$345,024.

The District has two tax capture authorities within its boundaries: a Downtown Development Authority (DDA) and the Royal Oak Brownstown Re-Development Authority. Such authorities use tax revenue generated from property value growth above a base year value in a defined geographic area to finance public infrastructure improvements. The stated purpose of these authorities is to increase the desirability of the defined area to encourage economic growth and activity. The DDA has been able to meet all of its financial obligations and return excess captured tax revenue to the respective taxing units, including our school district.

The District maintains a fully insured program for property, casualty and liability insurance. To manage and reduce risk, the District's Safety Committee is in place to review accident records, recommend courses of action to address areas of concern and to train staff in best practices for a safer work environment. With the privatization of the custodial, maintenance and transportation employee groups, workers' compensation claims have maintained low in 2014-15.

To cope with the ever increasing economic uncertainty, increasing costs, and declining revenue, the District has employed a number of expenditure and revenue enhancement strategies over the past several years. These include: an early return to work program for employees on workers' compensation, energy performance contracts, increased summer staff development activity, tuition-based day care, increased fees for facility usage, use of a targeted Schools of Choice Program, building consolidation, standardized office automation software and hardware, purchasing card usage, purchase of software and hardware to handle administrative functions, summer team cleaning of buildings, a health insurance dependent eligibility audit, advertising, development of a Quality Assurance Plan for custodial operations, implementation of a preventive maintenance program for facilities, use of a computerized bus routing system, elimination of general education transportation, restructured special education services, improved effectiveness of the facility rental process, an automated substitute calling system, and the direct purchase of fuel and electricity.

Curriculum Highlights

School Quality

The District and school staff are engaged in an ongoing process to address school quality. A five-part framework from AdvancEd is utilized to evaluate current practice and make changes to ensure continuous improvement. The five areas identified for evaluation are Purpose and Direction, Governance and Leadership, Teaching and Assessing for Learning, Resources and Support Systems, and Using Results for Continuous Improvement.

The District continues to use the model of a School Quality Team, comprised of administrators and teacher leaders from each school. This Team focuses on the implementation of Response to Intervention and oversees the collection and use of student data for decision-making purposes. In 2014-2015, Royal Oak maintained the school culture component to our data-driven

learning in Response to Intervention. All of our schools joined forces at the District level to pursue a K-12 system of Positive Behavior Intervention and Support.

Accreditation

The high school, middle school, all elementaries and continuing education are fully accredited through the AdvancEd, as well as by the Michigan Department of Education. Both set rigorous standards for accreditation. The accreditation process focuses on documented enhanced student achievement for both the individual student as well as the instructional program as a whole. In the Spring of 2013 Royal Oak Schools engaged in a Quality Assurance Review by AdvancEd. The next External Review will be five years from that time, in Spring 2018. This was an external review of the systems the district has in place. The District received district wide accreditation as a result of the review and will remain fully accredited for the following five years.

Curriculum and Instruction Overview

The District's comprehensive curriculum, which provides focus and direction for classroom instruction, is continuously evaluated and redesigned to meet the needs of our students. Curriculum renewal occurs through a process that involves all stakeholders in the learning community, including students, staff, parents, and community members. All students are prepared with the knowledge, skills, and behaviors that are essential for the future. Through their thirteen years of school, Royal Oak students receive instruction in reading, writing, communication, mathematics, social studies, and science. World languages, fine and performing arts, physical education, health, and career education are included at all levels of the curriculum.

Keller Elementary School received the designation as an authorized International Baccalaureate Primary Years Programme in the spring of 2011. Royal Oak Middle School and Royal Oak High School received full authorization as International Baccalaureate (IB) World Schools in the Spring of 2015. All three of these schools are implementing inquiry-based learning methods, which are student-centered approaches that encourage inquiry, exploration, and problem-solving.

Royal Oak High School is well poised to take on the challenges of the rigorous graduation requirements mandated by the State. The high school has curricular programs for the graduating classes of 2015 and beyond to meet these challenges. At the same time, the high school has focused on "Learning for All" in efforts to leave no student behind during this transition to stronger graduation requirements. In Spring of 2015, Royal Oak High School was named by US News and World Report as one of the top fifty high schools in the state of Michigan.

Core Curriculum

Royal Oak Schools has created a system-wide K-12 Learning Council, comprised of teachers and administrators across all grades and subjects. The charge of this team is to review, develop, and refine instructional programs and practices to meet the high standards as set by the team. Royal Oak is currently engaged in a process to plan, create and implement the Common

Core Standards for Math and ELA (including literacy skills in both Science and Social Studies). In the 2014-2015 school year, the Royal Oak Board of Education approved new curriculum in the areas of ELA, Math, and World Languages.

Language Arts

The District's Language Arts curriculum meets or exceeds state content expectations in all areas. In the early grades, students work on different literacy skills to become fluent readers. At the same time, they hone their communication and writing skills. In the upper grades, students read fiction and non-fiction in all content areas to gain knowledge and develop their skills. Writing skills become increasingly important as students are expected to express their ideas and demonstrate mastery through written language.

Math

Our math curriculum is both broad and deep, ensuring that all students will master the math content expectations as laid out by the State. Students at all levels work toward mastering computational math skills. Equal emphasis is placed on math concepts and operations to ensure that students develop the problem-solving skills needed for the 21st century.

Science

The District has recently evaluated our entire science curriculum to ensure compliance with the latest State content expectations. In the early grades, students are exposed to science concepts and the scientific method through hands-on experiences in the classroom as well as age-appropriate science texts. In the upper grades, students make use of written content and science labs. Physical, Life, and Earth Science are covered throughout the curriculum.

Social Studies

In the early grades, students spend time on topics such as family, community, economics and state and regional themes. In the upper grades, students learn about the ancient and modern world as well as different civics issues. Economics, Geography, History and Government are strands throughout the K-12 Social Studies curriculum.

Individualized Instruction

The District has a tiered process in place to monitor the progress of each student. When necessary, a child's progress is reviewed by a team of educational professionals, and interventions are put into place to meet the unique needs of each student. District leadership works with the classroom teacher, support staff, administration, and the family to ensure all student needs are met. Advanced and accelerated work is available at all grade levels to students who are ready for additional challenges.

The District is committed to meet the needs of all students. A collaborative, individualized approach is used to identify those needs. Special Education students have support in the general education classroom and with special education staff who work with them to reach their maximum potential.

Instructional Technology

Instructional Technology is integrated into the curriculum to address different learning styles, to provide access to a wide array of information, and to encourage real-world application of academic content and skills. All elementary and secondary schools in Royal Oak have excellent media centers and support staff who are trained in applications of multi-media materials and technology. Royal Oak Schools has initiated a partnership with Oakland Schools Technology Services Department to formalize technology integration initiatives for the classroom, as well as professional development for teachers and administrators.

The District provides appropriate interventions to students who are in need of such instruction. The District uses the Response to Intervention model to screen all students and then provides the necessary interventions. Furthermore, continual progress monitoring is performed to gain feedback on whether the interventions are working for each student. The District's Instructional Technology and Curriculum Team uses the following programs to aid in this process: Pearson Successmaker, NWEA MAP, AIMSWeb, E2020, Scientific Learning's FastForWord, Pearson Waterford, Compass, and Lexia.

Assessment

The District's Instruction Office maintains a prescribed assessment program to monitor the progress of individual students as well as the effectiveness of our instructional programs. The District uses common assessments at all grade levels to evaluate student progress and to improve instructional practices. The District Uses AIMSWeb (Academic Improvement Monitoring System) and NWEA Map testing to collect academic growth data on students in grades K-10. The information collected is norm-referenced. The new Michigan M-Step is administered in the Spring to all students in grades 3-8 and grade 11. The ACT was administered to all students in Grade 11 in March of 2015.

Classroom and Common Assessments are administered to monitor student achievement and to guide instructional decision-making. A formal system has been put in place to manage and communicate all assessment data and associated information.

Communication

Communication between home and school has never been more important. The District utilizes multiple tools to stay connected with our constituents. All staff members are reachable via telephone or email. Parent-teacher conferences are scheduled in the fall and spring. Each school holds an informational curriculum night at the beginning of the school year to acclimate families to the school and its offerings. Many staff members maintain classroom websites or blogs where students and parents can go for

the latest information and direction for more classroom enrichment opportunities. The District is pleased to provide parents with online access to student information regarding academic progress, grades, and daily attendance using Mi-Star Parent Connect.

We believe all students can and will learn. Without question, effective teaching makes a positive difference in students learning. Effective instruction includes mentoring and partnerships with exemplary businesses and community resources. We are convinced that success for all students must include all the resources of the community plus all the energy of parents, students and staff alike. It has been a productive year of challenge and growth.

In Appreciation

The preparation of this report could not have been accomplished without the commitment and dedication of a fine Business Office staff. Special commendation is extended to the Finance Department and the professional auditing staff of Yeo & Yeo for their desire to produce a comprehensive, easily readable, and effectively organized Comprehensive Annual Financial Report.

This School District is highly committed to a program of excellence. A dedicated Board of Education has adopted sound policies that facilitate the continued growth and improvement of the total school program.

In addition, there is a wide, all-encompassing array of support provided by parents, students, employees, citizens, civic organizations and hundreds of volunteers, which enables the District to achieve high goals. For this continued support, we are most grateful!

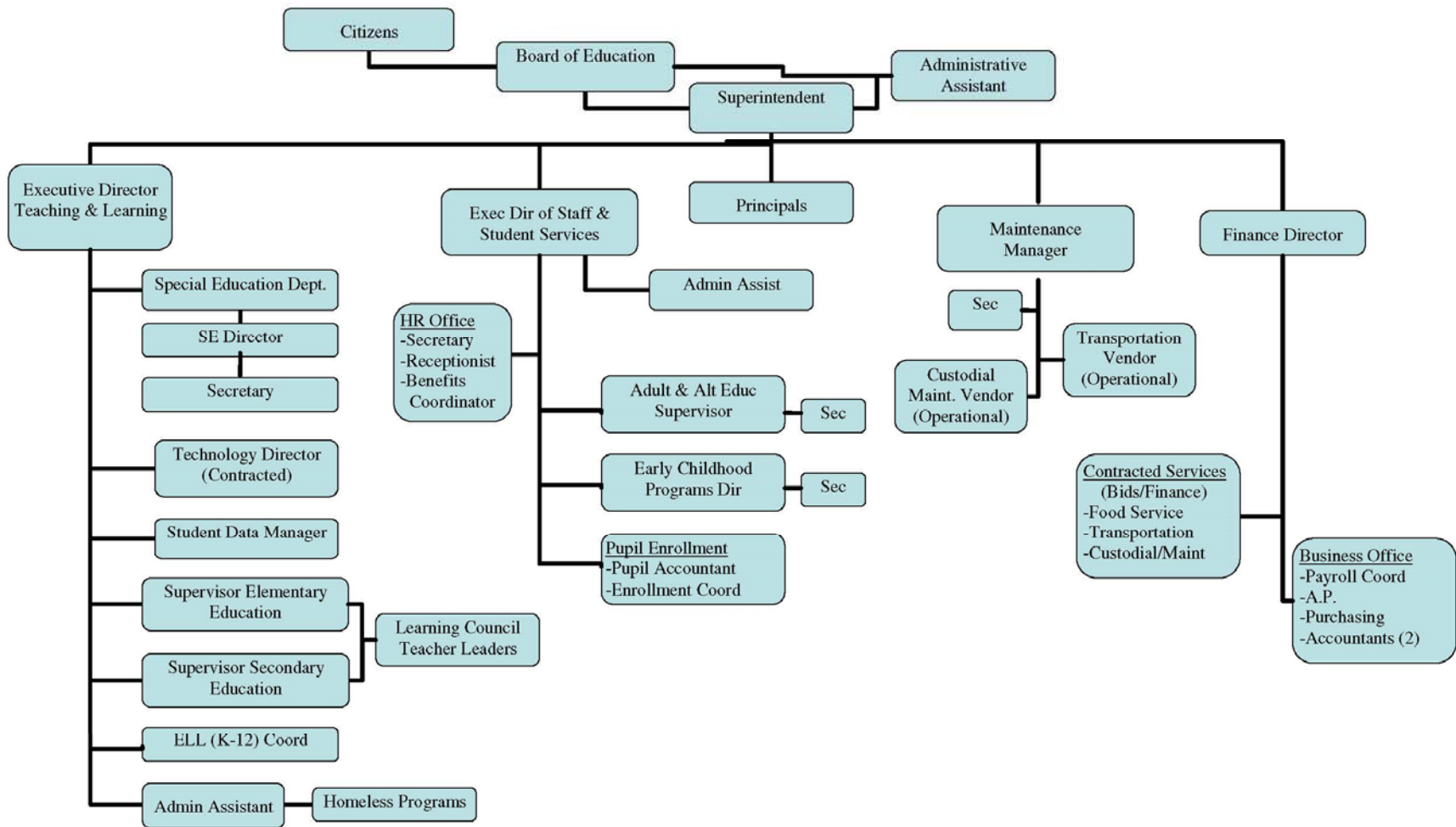
Respectfully submitted,



Shawn Lewis-Lakin
Superintendent of Schools



Katherine Abela
Finance Director



FINANCIAL SECTION

Royal Oak Schools
Members of the Board of Education and Administration
June 30, 2015

Members of the Board of Education

Gary Briggs	President
Deborah Anderson	Vice President
Marty Cardamone	Treasurer
Jeff Brinker	Secretary
Carrie Beerer	Trustee
Lisa Bradford	Trustee
Allison Sykes	Trustee

Administration

Shawn Lewis-Lakin	Superintendent of Schools
Katherine Abela	Finance Director

Board of Education Regular Meetings: Second Thursday of each month

Accreditation: AdvancED

Independent Auditors' Report

Management and the Board of Education
Royal Oak Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Royal Oak Schools, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District'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.

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 above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Royal Oak Schools, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Prior-Year Summarized Comparative Information

We have previously audited Royal Oak Schools' 2014 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated September 5, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2015, the District adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

Other Matters:

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of school district's proportionate share of net pension liability, and schedule of school district's contributions, identified 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 Royal Oak Schools' basic financial statements. The introductory section, other supplementary information, as identified in the table of contents, and statistical section is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and, other than the prior year information, was derived from and relates 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, other than the prior year information, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical sections, which are the responsibility of management, 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.

Prior Year Supplementary Information

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Royal Oak Schools' basic financial statements as of and for the year ended June 30, 2014, which are not presented with the accompanying basic financial statements. In our report dated September 5, 2014, we expressed unmodified opinions on the respective basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Royal Oak Schools' basic financial statements as a whole. The 2014 information in the comparative supplementary schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 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 2014 information in the comparative supplementary schedules is fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2015 on our consideration of Royal Oak Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Royal Oak Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Saginaw, MI
October 21, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Royal Oak Schools
Management's Discussion and Analysis
June 30, 2015

This section of the Comprehensive Annual Financial Report (CAFR) presents management's discussion and analysis of the District's financial position and results of operations for the year ended June 30, 2015. It should be read in conjunction with the District's financial statements, which immediately follow this section.

Understanding the Comprehensive Annual Financial Report

The CAFR consists of a series of financial statements and notes to those statements. The statements are organized in a way to assist the reader in understanding the overall financial condition of the School District. The *District-wide Financial Statements* provide data regarding the financial activities of the entire School District. The *Fund Financial Statements* provide the next level of detail. They present the School District's financial position and the results of operations in more detail than the District-wide Financial Statements and illustrate the various sources of funding used to support the instructional and support service programs of the District. The major funds of the District are presented separately. All other funds are combined and presented in one column labeled as Non-Major Funds. The remaining statement, the Statement of Fiduciary Net Position, presents financial information about activities for which the School District acts solely as the fiduciary for various student groups. The Comprehensive Annual Financial Report is arranged as follows:

Financial Section

- Basic Financial Statements
 - District-wide Financial Statements
 - Fund Financial Statements
 - Fiduciary Fund
 - Notes to Financial Statements

- Required Supplemental Information
 - Budgetary Comparison Schedule – General Fund
 - Schedule of School District's Proportionate Share of Net Pension Liability
 - Schedule of School District's Contributions

- Other Supplemental Information
 - Combining Balance Sheet - Nonmajor Governmental Funds
 - Combining Statement of Revenue, Expenditures and Changes in

Royal Oak Schools
Management's Discussion and Analysis
June 30, 2015

Fund Balances – Nonmajor Governmental Funds

- Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Budget to Actual – Special Revenue Funds
- Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Budget to Actual – Debt Service Funds
- Combining Statement of Revenue, Expenditures, and Changes in Fund Balance – Capital Projects Fund
- Schedule of Bonded Indebtedness

- Statistical Section

Royal Oak Schools
Management's Discussion and Analysis
June 30, 2015

Reporting the School District as a Whole - District-wide Financial Statements

The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report the financial information of the School District as a whole. These schedules assist the reader in assessing the School District's financial condition as a result of the year's activities. These statements include all assets and liabilities, and are presented using the accrual basis of accounting, the accounting method used by most private-sector companies. All of the current year's revenues and expenditures are taken into account regardless of when cash is received or paid.

These two statements report the District's net position, the difference between assets and liabilities, as one of many ways to measure the School District's financial position. Over time, increases or decreases in net position, as reported in the Statement of Activities, are indicators of whether the financial condition of the District is either improving or declining. The difference between revenues and expenditures represents the School District's operating results. It is important to remember that the District's primary mission is to provide outstanding instructional programs and support services to the students in the District, not to generate profits as commercial entities do. There are many other non-financial factors that must be considered when assessing the overall well-being of the School District. These include the quality of the educational services provided, student safety, standardized student test scores, and the wide array of programs and services provided to the community.

During the year the School District implemented GASB 68 which resulted in a restatement of beginning net position. Beginning net position in the statement of activities was reduced by \$68,114,558, restating it from \$85,245,660 to \$17,131,102. As of June 30, 2015, the estimated net pension liability for the school district is \$68,060,082. Additionally deferred inflows relating to net pension liability are \$7,524,442 and deferred outflows relating to the net pension liability are \$7,524,442. These deferrals will be amortized through the plan year 2018.

In addition, the Statement of Net Position and the Statement of Activities report the governmental activities of the School District. These activities encompass all of the School District's services, including instruction, supporting services, community services, athletics, special education and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants provide the funding for most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The Fund Financial Statements provide detailed information for the various funds used in the District. Some funds have been established because they are required by State law or bond covenants. Other funds have been established by the District to help control and manage financial resources that are used for specific purposes such as Food Service and

Royal Oak Schools
Management's Discussion and Analysis
June 30, 2015

Community Services. Funds are also established to meet legal responsibilities for certain taxes, grants, bonds and property maintenance revenue. The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. The financial reporting in these funds focuses on the revenue and expenditures and the balances remaining at year end. Transactions are accounted for using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term financial view of the operations of the School District. Governmental fund statements provide information to illustrate whether there has been an increase or decrease in available financial resources that can be expended in future years. The relationship between governmental activities and governmental funds is illustrated in a reconciliation included in the financial section on page 4-9.

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in the Statement of Fiduciary Net Position. These activities are excluded from the School District's other financial statements because these assets cannot be used to finance the District's operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

The Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a comparative summary of the School District's net position as of June 30, 2015 and June 30, 2014.

Royal Oak Schools
Management's Discussion and Analysis
June 30, 2015

TABLE 1

Governmental Activities

2015 2014 (restated)

(in millions)

Assets

Current and other assets	\$	27.1	\$	29.6
Capital assets		<u>118.8</u>		<u>118.5</u>
Total Assets		145.9		148.1
Deferred Outflows of Resources		<u>7.9</u>		<u>4.3</u>
Total assets and deferred outflows of resources		153.8		152.4

Liabilities

Current liabilities		8.0		8.1
Long-term liabilities		<u>114.7</u>		<u>127.2</u>
Total Liabilities		122.7		135.3
Deferred Inflows of Resources		<u>7.6</u>		<u>0.0</u>
Total assets and deferred inflows of resources		130.3		135.3

Royal Oak Schools
Management's Discussion and Analysis
June 30, 2015

	<u>2015</u>	<u>2014 (restated)</u>
	(in millions)	
Net Position		
Net investment in capital assets	\$ 72.6	\$ 64.2
Restricted	3.0	2.1
Unrestricted	<u>(52.1)</u>	<u>(49.2)</u>
Total Net Position	<u>\$ 23.5</u>	<u>\$ 17.1</u>

The previous schedule (Table 1) reports the net position of the District. The School District's net position was \$23.5 million and \$17.1 million at June 30, 2015 and 2014, respectively. Net investment in capital assets totaled \$72.6 million. This represents the original cost of the School District's capital assets less accumulated depreciation, and net of the long-term debt used to finance the acquisition of those assets. General obligation long-term debt will be repaid from voter-approved property tax collections as the principal and interest comes due. The principal and interest obligations of the Qualified School Construction Bonds (QSCB) will be repaid from energy savings generated by the energy conservation projects funded from the proceeds of the QSCB. Restricted net position are reported separately to highlight any legal constraints included in debt covenants and legislation that may limit the School District's ability to use those net position for day-to-day operations. The unrestricted net position is \$(52.1) million.

The \$(52.1) million in unrestricted net position of governmental activities represents the *cumulative* results of all past years' operations and includes the GASB 68 Unfunded Liability.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net position for fiscal year 2015 and fiscal year 2014.

Royal Oak Schools
Management's Discussion and Analysis
June 30, 2015

TABLE 2

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 2.2	\$ 2.2
Operating grants and contributions	10.1	9.5
General revenue:		
Property taxes	30.2	29.7
State foundation allowance	26.8	25.9
Other	<u>1.5</u>	<u>2.0</u>
Total Revenue	70.8	69.3

Royal Oak Schools
Management's Discussion and Analysis
June 30, 2015

Governmental Activities

2015 2014

(in millions)

Functions/Program Expenses

Instruction	34.3	33.7
Support services	20.1	19.6
Food services	1.2	1.2
Community services	1.5	1.3
Interest on long-term debt	2.5	2.7
Depreciation (unallocated)	<u>4.8</u>	<u>4.7</u>
Total Functions/program Expenses	<u>64.4</u>	<u>63.2</u>

Increase (Decrease) in Net Position **\$ 6.4** **\$ 6.1**

As reported in the Statement of Activities, the expenditures for all *governmental* activities this year was \$64.4 million. Certain activities were partially funded from those who benefited from the programs (\$2.2 million). In addition, other governmental units and organizations subsidized certain programs with grants and contributions (\$10.1 million). The remaining “public benefit” portion of our governmental activities was funded with \$30.2 million in taxes, \$26.8 million in State foundation allowance, and \$1.5 million in other revenues, such as interest earnings, proceeds from the sale of property and general entitlements.

During fiscal year 2015, the School District experienced an increase in net position of approximately \$6.4 million.

Royal Oak Schools
Management's Discussion and Analysis
June 30, 2015

As discussed above, the net cost of the programs and activities offered in the District illustrates the impact each program has on the resources of the District. Since property taxes for operations and unrestricted state aid constitute the vast majority of District's operating revenue sources, the Board of Education and administration must annually evaluate and prioritize the needs of the District and balance those needs with the limited available resources.

The School District's Funds

Individual funds are used by the District to control and manage resources that are dedicated for specific purposes. The following overview of these funds will demonstrate the District's strong financial stewardship over the resources provided by the taxpayers. These funds, taken individually and collectively, also provide additional insight into the District's financial condition.

At the end of fiscal year 2015, the governmental funds reported a combined fund balance of approximately \$19.1 million, which represents a decrease of \$2.5 million from last year. The changes in fund balance, major and non-major funds are as follows:

In the General Fund, the fund balance increased by approximately \$168,000 for a total year-end fund balance of \$14.03 million. A portion of the General Fund's fund balance is assigned for specific purposes with the remaining unassigned portion available for unforeseen emergencies. This level of fund balance meets the target of 15% of expenditures and provides the District with sufficient resources to handle unforeseen emergencies, prevent cash flow borrowing and cover potential state revenue shortfalls.

The Special Revenue Funds combined fund balance increased by \$30,000 from the prior year.

The Debt Service Funds has a fund balance of approximately \$.66 million, a decrease of \$1.47 million from last year. The Debt Retirement millage rate was consistent at 3.75 mills. The millage rate is determined annually to ensure that the School District accumulates sufficient resources to pay principal and interest obligations of the bonded debt. Debt Service fund balances are reserved and are only used to pay debt service obligations.

The combined Capital Projects Funds' fund balance decreased from the prior year by \$ 1.27 million. The sale of the property sale of the former Board of Education site on Lexington Boulevard is recorded in the Property Maintenance Fund. Approximately \$4.92 million was expended in the Capital Projects Funds in fiscal year 2015.

Royal Oak Schools
Management's Discussion and Analysis
June 30, 2015

General Fund Budgetary Highlights

Over the course of the year, the School District's budget was revised on multiple occasions to reflect anticipated and unanticipated changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations established by the Board of Education. The budget amendment process utilized by the District is a proven budget management tool that has been used effectively to ensure that revenue and expenditure appropriations are up-to-date throughout the year. The final amendment to the budget was adopted just before year end. A schedule comparing the School District's original and final budget amounts to actual revenues and expenditures is provided in the Required Supplemental Information Section of these financial statements.

Revenue amendments were made during the year to reflect revisions to local, state, and federal funds based on the anticipated and actual collection of funds. Adjustment in property tax collections, student enrollment, and federal grants are all examples of reasons it becomes necessary to amend the revenue budgets. Budgeted expenditures were amended to reflect changes that occurred after the adoption of the original budget which is created using conservative assumptions. Modifications in salaries and benefits are made to reflect actual staffing levels, while purchased services, supplies and materials, capital outlay, and other expenditures are modified throughout the year to reflect actual and anticipated expenses.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2015 and 2014, the School District had \$118.8 million and \$118.5 million, respectively, invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. The 2015 amount represents a net increase of approximately \$0.3 million, or 0.3 percent, from the previous year. This change from the previous year includes all additions, disposals, and depreciation.

Royal Oak Schools
Management's Discussion and Analysis
June 30, 2015

	<u>2015</u>	<u>2014</u>
	(in millions)	
Land	\$ 5.0	\$ 5.1
Construction in Progress	0.6	0.5
Building and building improvements	196.3	193.3
Buses and other equipment	<u>3.9</u>	<u>3.9</u>
Total Capital Assets	205.8	202.8
Less accumulated depreciation	<u>87.1</u>	<u>84.3</u>
Net Capital Assets	<u>\$ 118.8</u>	<u>\$118.5</u>

Debt

At the end of this year, the School District had approximately \$40.8 million in bonds outstanding compared to a little over \$51.8 million in the previous year. Of this total, general obligation bonds amounted to \$39.1 million and Qualified School Construction Bonds totaled \$1.7 million. The Qualified School Construction Bonds were issued during 2011 with the proceeds being used for energy conservation projects. The 2015 Bonds were refunded during November of 2014 at a net savings to the taxpayers of Royal Oak of \$3,969,283.

The School District bonds have a S&P rating of AA- and Moody's rating of Aa2. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding general obligation debt is significantly below the statutorily imposed limit.

Royal Oak Schools
Management's Discussion and Analysis
June 30, 2015

Other obligations include accrued vacation pay, sick leave and severance pay. Detailed information about our long-term liabilities is included in the notes to the financial statements.

Economic Factors and Next Year's Budgets

The Board of Education and administration considered many variables when the School District's 2015-16 fiscal year budget was developed. The two most important factors that determine the overwhelming majority of the District's revenue are student enrollment (blended count) and the per pupil foundation allowance. The blended student count for the 2015-16 fiscal year will be 90 percent of the October 2015 actual student count and 10 percent of the February 2016 student count. We have projected 50 less students from the 2014-2015 school year. Any change in the per pupil foundation allowance is determined by the State and is dependent upon the State's economic climate and the financial condition of the State School Aid Fund. The 2015-16 budget was adopted by the Board of Education on June 25, 2015.

There remains great uncertainty in public school funding. The 2015-16 adopted budget takes into consideration these uncertainties while maintaining a strong commitment to the education of our students.

Contacting the School District's Financial Management

This Comprehensive Annual Financial Report (CAFR) is designed to provide the School District's citizens, taxpayers, customers, and creditors with a picture of the School District's financial position and the results of operations for fiscal year 2015 and to demonstrate the District's fiscal responsibility and accountability over its financial resources. The CAFR is available on the District's website and at the Administrative offices for public inspection. If you have any questions or would like additional information, please feel free to contact the Finance Department at 800 DeVillen, Royal Oak, MI 48073.

BASIC FINANCIAL STATEMENTS

Royal Oak Schools
Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>
Assets	
Cash	\$ 20,785,895
Accounts receivable	335,354
Due from other governmental units	5,836,292
Inventory	15,275
Investments	10,948
Prepaid items	110,000
Capital assets not being depreciated	5,654,411
Capital assets - net of accumulated depreciation	<u>113,146,263</u>
 Total assets	 <u>145,894,438</u>
 Deferred Outflows of Resources	
Deferred amount of pension expense related to net pension liability	<u>7,866,920</u>
 Total deferred outflows of resources	 <u>7,866,920</u>
 Total assets and deferred outflows of resources	 <u>153,761,358</u>

See Accompanying Notes to the Financial Statements

Royal Oak Schools
Statement of Net Position
June 30, 2015

	Governmental Activities
Liabilities	
Accounts payable	\$ 714,818
Accrued expenditures	346,240
Accrued salaries payable	6,304,442
Unearned revenue	683,896
Noncurrent liabilities	
Net pension liability	68,060,082
Due within one year	7,119,106
Due in more than one year	39,418,236
Total liabilities	122,646,820
Deferred Inflows of Resources	
Deferred amount on debt refunding	71,626
Deferred amount on net pension liability	7,524,442
Total deferred inflows of resources	7,596,068
Total liabilities and deferred inflows of resources	130,242,888
Net Position	
Net investment in capital assets	72,594,218
Restricted for	
Food service	219,317
Debt service	321,347
Capital projects	2,474,891
Unrestricted (deficit)	(52,091,303)
Total net position	\$ 23,518,470

See Accompanying Notes to the Financial Statements

Royal Oak Schools
Statement of Activities
For the Year Ended June 30, 2015

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
Functions/Programs				
Governmental activities				
Instruction	\$ 34,260,122	\$ 38,484	\$ 8,952,291	\$(25,269,347)
Supporting services	20,142,019	206,409	-	(19,935,610)
Food services	1,162,690	655,274	582,981	75,565
Community services	1,485,327	1,346,909	523,210	384,792
Interest and fiscal charges on long-term debt	2,525,742	-	-	(2,525,742)
Depreciation (unallocated)	4,832,519	-	-	(4,832,519)
Total governmental activities	\$ 64,408,419	\$ 2,247,076	\$ 10,058,482	(52,102,861)
General revenues				
Property taxes, levied for general purposes				19,104,445
Property taxes, levied for debt service				8,758,980
Property taxes, levied for sinking fund				2,309,954
State aid - unrestricted				26,832,592
Interest and investment earnings				41,148
Gain on sale of capital assets				321,858
Other				288,935
Extraordinary item, insurance recoveries				832,317
Total general revenues and extraordinary				58,490,229
Change in net position				6,387,368
Net position - beginning, as restated				17,131,102
Net position - ending				\$ 23,518,470

See Accompanying Notes to the Financial Statements

**Royal Oak Schools
Governmental Funds
Balance Sheet**

June 30, 2015 (With Comparative Summarized Totals for 2014)

	General	2005	Nonmajor	Total Governmental Funds	
	Fund	Debt	Governmental Funds	2015	2014
Assets					
Cash	\$ 15,369,858	\$ -	\$ 5,416,037	\$ 20,785,895	\$ 23,124,496
Accounts receivable	30,947	-	304,407	335,354	483,092
Due from other governmental units	5,772,235	-	64,057	5,836,292	5,887,239
Inventory	-	-	15,275	15,275	19,865
Investments	10,948	-	-	10,948	10,948
Prepaid items	-	-	110,000	110,000	110,000
	<u>-</u>	<u>-</u>	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>
Total assets	\$ 21,183,988	\$ -	\$ 5,909,776	\$ 27,093,764	\$ 29,635,640
Liabilities					
Accounts payable	\$ 442,004	\$ -	\$ 272,814	\$ 714,818	\$ 671,184
Accrued salaries payable	6,044,501	-	259,941	6,304,442	5,709,537
Unearned revenue	666,095	-	17,801	683,896	1,316,738
	<u>666,095</u>	<u>-</u>	<u>17,801</u>	<u>683,896</u>	<u>1,316,738</u>
Total liabilities	7,152,600	-	550,556	7,703,156	7,697,459

See Accompanying Notes to the Financial Statements

**Royal Oak Schools
Governmental Funds
Balance Sheet**

June 30, 2015 (With Comparative Summarized Totals for 2014)

	General Fund	2005 Debt	Nonmajor Governmental Funds	Total Governmental Funds	
				2015	2014
Deferred Inflows of Resources					
Unavailable revenue	\$ -	\$ -	\$ 290,000	\$ 290,000	293,070
Fund Balance					
Non-spendable					
Inventory	-	-	15,275	15,275	19,865
Prepaid items	-	-	110,000	110,000	110,000
Restricted for					
Food service	-	-	219,317	219,317	149,160
Debt service	-	-	660,347	660,347	2,138,043
Capital projects	-	-	2,474,891	2,474,891	914,727
Committed	-	-	227,727	227,727	3,188,682
Assigned	1,452,263	-	1,361,663	2,813,926	4,403,969
Unassigned	12,579,125	-	-	12,579,125	10,720,665
Total fund balance	14,031,388	-	5,069,220	19,100,608	21,645,111
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 21,183,988</u>	<u>\$ -</u>	<u>\$ 5,909,776</u>	<u>\$ 27,093,764</u>	<u>\$ 29,635,640</u>

See Accompanying Notes to the Financial Statements

Royal Oak Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2015

Total fund balances for governmental funds	\$ 19,100,608
Total net position for governmental activities in the statement of net position is different because	
Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds	
Land contracts	290,000
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Capital assets not being depreciated	5,654,411
Capital assets - net of accumulated depreciation	113,146,263
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	(71,626)
Deferred inflows of resources resulting from net pension liability	(7,524,442)
Deferred outflows of resources from pension expenses subsequent to measurement date of net pension liability	7,866,920
Certain liabilities are not due and payable in the current period and are not reported in the funds	
Accrued interest	(339,000)
Incurred but not reported benefit claims	(7,240)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities	
Net pension liability	(68,060,082)
Compensated absences	(402,512)
Bonds payable	(40,765,000)
Other loans payable and liabilities	<u>(5,369,830)</u>
Net position of governmental activities	<u>\$ 23,518,470</u>

See Accompanying Notes to the Financial Statements

Royal Oak Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015 (With Comparative Summarized Totals for 2014)

	General Fund	2005 Debt	Nonmajor Governmental Funds	Total Governmental Funds	
				2015	2014
Revenues					
Local sources	\$ 19,910,595	\$ 8,703,250	\$ 4,151,192	\$ 32,765,037	\$ 32,578,422
State sources	30,180,869	19,839	580,621	30,781,329	3,700,185
Federal sources	1,632,761	-	622,639	2,255,400	29,547,756
Interdistrict sources	3,842,917	-	-	3,842,917	2,119,472
Total revenues	55,567,142	8,723,089	5,354,452	69,644,683	67,945,835
Expenditures					
Current					
Education					
Instruction	31,198,044	-	1,298,793	32,496,837	31,469,852
Supporting services	21,147,434	-	159,181	21,306,615	19,191,722
Food services	-	-	1,170,921	1,170,921	1,281,731
Community services	923,577	-	572,265	1,495,842	1,160,434
Intergovernmental payments	2,129,381	-	-	2,129,381	2,293,166
Capital outlay	3,668	-	4,917,767	4,921,435	3,615,272
Debt service					
Principal	66,396	7,125,000	240,000	7,431,396	7,428,792
Interest and other expenditures	8,838	1,425,300	1,010,805	2,444,943	3,033,864
Bond issuance costs	-	-	251,896	251,896	-
Payment to bond refunding escrow agent	-	-	772,000	772,000	-
Total expenditures	55,477,338	8,550,300	10,393,628	74,421,266	69,474,833
Excess (deficiency) of revenues over expenditures	89,804	172,789	(5,039,176)	(4,776,583)	(1,528,998)

See Accompanying Notes to the Financial Statements

Royal Oak Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015 (With Comparative Summarized Totals for 2014)

	General	2005	Nonmajor	Total Governmental Funds	
	Fund	Debt	Governmental	2015	2014
			Funds		
Other Financing Sources (Uses)					
Proceeds from refinancing debt	\$ -	\$ -	\$ 44,333,524	\$ 44,333,524	\$ -
Payment to bond refunding escrow agent	-	-	(44,077,791)	(44,077,791)	-
Insurance recoveries	832,317	-	-	832,317	-
Proceeds from sale of capital assets	-	-	1,144,030	1,144,030	1,192,023
Transfers in	6,392	-	3,070,890	3,077,282	579,708
Transfers out	(760,058)	(2,310,832)	(6,392)	(3,077,282)	(579,708)
Total other financing sources (uses)	78,651	(2,310,832)	4,464,261	2,232,080	1,192,023
Net change in fund balance	168,455	(2,138,043)	(574,915)	(2,544,503)	(336,975)
Fund balance - beginning	13,862,933	2,138,043	5,644,135	21,645,111	21,982,086
Fund balance - ending	\$ 14,031,388	\$ -	\$ 5,069,220	\$ 19,100,608	\$ 21,645,111

See Accompanying Notes to the Financial Statements

Royal Oak Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015

Net change in fund balances - Total governmental funds	\$ (2,544,503)
Total change in net position reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Other receivables	(3,071)
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	(4,832,519)
Capital outlay	5,973,411
Sale of capital assets (net book value)	(822,172)
Expenses are recorded when incurred in the statement of activities.	
Interest	91,000
Benefit claims	9,298
Compensated absences	91,210
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	4,341,880
Net change in the deferred inflow of resources related to the net pension liability	(5,013,171)
Net change between actual pension contributions and the cost of benefits earned net of employee contributions	1,068,245
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Debt issued	(44,333,524)
Repayments of long-term debt	52,281,187
Amortization of premiums	73,035
Amortization of deferred amount on debt refunding	7,062
Change in net position of governmental activities	\$ 6,387,368

See Accompanying Notes to the Financial Statements

Royal Oak Schools
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2015 and 2014

	Student Activities Agency Funds	
	2015	2014
Assets		
Cash	<u>\$ 394,860</u>	<u>\$ 355,372</u>
Liabilities		
Accounts payable	5,545	7,431
Due to agency fund activities	<u>389,315</u>	<u>347,941</u>
Total liabilities	<u>\$ 394,860</u>	<u>\$ 355,372</u>

See Accompanying Notes to the Financial Statements

Royal Oak Schools
Notes to Financial Statements
June 30, 2015

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Royal Oak Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as

Royal Oak Schools
Notes to Financial Statements
June 30, 2015

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, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the General Fund and the 2005 Debt Fund as major funds as described below.

The School District reports the following governmental funds:

General Fund – The General Fund is the School District’s primary operating fund. It is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District’s Special Revenue Funds are comprised of the Food Services and Community Service Funds.

Food Service Fund – The Food Service Fund is used to segregate, for administrative purposes, the transactions of cafeteria operations from regular revenue and expenditure accounts. The School District maintains full control of this fund. The annual operating deficit, if any, generated by this activity is the responsibility of the General Fund. Any operating surplus remains within the fund.

Community Service Fund - The Community Services Fund is used to account for the revenues and expenditures of the School District’s preschool, child care, and alternative education programs. The annual operating deficit, if any, generated by this activity is the responsibility of the General Fund. Any operating surplus remains within the fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of principal, interest, and other expenditures on long-term debt.

2014 Debt – used to record tax, interest, and other revenue and the payment of principal, interest, and other expenditures on long-term debt issued in 2014.

2005 Debt – used to record tax, interest, and other revenue and the payment of principal, interest, and other expenditures on long-term debt issued in 2005.

QSCB Debt – used to record tax, interest, and other revenue and the payment of principal, interest, and other expenditures on long-term debt issued in 2011.

Capital Projects Funds – Capital Projects Funds are used to record bond proceeds and other revenue and the disbursement of monies specifically for acquiring new school sites, buildings and equipment, and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

General Property Maintenance Fund – used to record revenue and the disbursement of monies specifically assigned for property maintenance and renovations.

Instructional Technology Capital Projects Fund – used to record revenue and the disbursement of monies specifically

Royal Oak Schools
Notes to Financial Statements
June 30, 2015

assigned for the purchase of instructional technology equipment and software.

Sinking Funds – used to record the sinking fund property tax levy and other revenue and the disbursement of invoices specifically for acquiring new school sites, construction, or repair of school buildings.

Fiduciary Funds – The School District’s only fiduciary fund is the Student Activities Fund, which is used to account for assets held by the School District in a trustee capacity or as an agent. The Student Activities Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school related purposes.

Assets, Liabilities and Net Position or Equity

Cash and Investments – Cash includes cash on hand, demand deposits, certificates of deposits and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2015, the rates are as follows per \$1,000 of assessed value.

General Fund	
Principal residence exemption	2.44280
Non-principal residence exemption	18.00000
Commercial personal property	8.44280
Industrial personal property	2.44280
Debt Service Funds	3.75000
Sinking Fund	1.00000

School property taxes are assessed and collected in accordance with enabling state legislation by local municipalities within the School District’s boundaries. All of the School District’s tax roll lies within Oakland County.

Property taxes are levied on July 1 for taxes due August 31 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on February 28 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

Prepaid Expenditures – Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in the governmental funds, the School District follows the consumption method, and they are therefore capitalized as prepaid items.

Inventories – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. In the Food Service Fund, inventory is capitalized at year end.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair

Royal Oak Schools
Notes to Financial Statements
June 30, 2015

and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	20-40 years
Buses, vehicles, and equipment	7-10 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

Compensated Absences – The liability for compensated absences reported in the district-wide financial statements consists of earned but unused accumulated vacation and sick leave benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums

received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the Executive Council. The Board of Education has granted the Executive Council the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

Royal Oak Schools
Notes to Financial Statements
June 30, 2015

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Summarized Comparative Data

Summarized comparative data for the prior year has been presented for the major and nonmajor funds and in the fund financial statements in total but not by fund in order to provide an understanding of the changes in the financial position and operations of these funds. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the School District's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

The Governmental Accounting Standards Board ("The GASB") has issued Statement No. 68 *Accounting and Financial Reporting for Pensions*, and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The net pension liability will be recorded on the government-wide statements. Statement 71 amends Statement 68 to address an issue concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of Statement 68 by employers and non-employer contributing entities. The School District is evaluating the impact these standards will have on its financial reporting. Statements 68 and 71 are effective for the year ending June 30, 2015.

Upcoming Accounting and Reporting Changes

The Governmental Accounting Standards Board ("The GASB") has also issued Statement 72, *Fair Value Measurements and Applications*. Statement 72 provides guidance for accounting and financial reporting issues related to fair value measurement. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The guidance establishes a three level hierarchy of inputs for valuation of fair value. The School District is evaluating the impact GASB 72 will have on the

Royal Oak Schools
Notes to Financial Statements
June 30, 2015

School District's financial statements and disclosures. Statement 72 is effective for the year ending June 30, 2016.

In addition, the Governmental Accounting Standards Board has released the following three Statements.

Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*. The first objective of this Statement is provide the readers of the financial statements information about the effects of the pension-related transactions on the financial statements of state and local government employers. It will assist in assessing the relationship between a government's inflows of resources and its total cost (including pension expense) of providing government services each period in addition to providing information about the government's pension obligation. The second objective of this Statement is to improve the information about financial support provided by certain nonemployer entities for pensions that are provided to the employees of other entities that are not within the scope of Statement No. 68. These requirements are effective for the fiscal year ending June 30, 2017. The third objective is to improve the quality of information associated with governments that hold assets accumulated for purposes of providing defined benefit pensions that are not within the scope of Statement 68 and to clarify the application of certain provisions of Statement No. 67 and 68. These requirements are effective for the fiscal year ending June 30, 2016.

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses the other postemployment benefits plans (OPEB) – defined benefit and defined contribution – administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts. This information will enhance the transparency by providing information about measures of

net OPEB liabilities and explanations of how and why those liabilities changed from year to year. Statement No. 74 is effective for the fiscal year ending June 30, 2017.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

The School District is evaluating the impact GASB 72 thru 75 will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General, and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. The Uniform Budgeting and Accounting Act requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted on a functional level are a violation of the Uniform Budgeting and Accounting Act. The Uniform Budgeting and Accounting Act permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. Revenue amendments

Royal Oak Schools
Notes to Financial Statements
June 30, 2015

were made during the year to reflect revisions to local, state, and federal funds based on the anticipated and actual collection of funds. Adjustment in property tax collections, student enrollment, and federal grants are all examples of reasons it becomes necessary to amend the revenue budgets. Budgeted expenditures were amended to reflect changes that occurred after the adoption of the original budget which is created using conservative assumptions. Modifications in salaries and benefits are made to reflect actual staffing levels, while purchased services, supplies and materials, capital outlay, and other expenditures are modified throughout the year to reflect actual and anticipated expenses.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as assigned fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Excess of Expenditures over Appropriations

The School District did not have significant expenditure budget variances.

District-Wide Deficits

The School District has an unrestricted net position deficit for District-Wide activities in the amount of \$52,091,303 as of June 30, 2015. There are no other governmental funds with a deficit.

Compliance - Sinking Funds

The Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, management believes the School District has complied, in all material respects, with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2004-4.

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 20,785,895	\$ 394,860	\$ 21,180,755
Investments	10,948	-	10,948
	\$ 20,796,843	\$ 394,860	\$ 21,191,703

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 21,173,574
Investments in securities, mutual funds, and similar vehicles	10,948
Petty cash and cash on hand	7,181
Total	\$ 21,191,703

As of year end, the School District had the following investments:

Investment	Fair Value	Maturities	Rating	Organization
U.S. Government Treasury Bond	\$ 10,948	Not required	AAA	Moody's

Royal Oak Schools
Notes to Financial Statements
June 30, 2015

Interest rate risk – The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes and the School District’s investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers’ acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The School District’s current policy places no limit on the amount the School District may invest in any one issuer, nor does it minimize the concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, \$21,468,374 of the School District’s bank balance of \$21,723,916 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the district’s investments were exposed to custodial credit risk.

Note 4 - Receivables

Receivables as of year end for the School District’s individual major fund and the non-major funds in the aggregate, including the applicable allowance for uncollectible accounts, are as follows:

	General Fund	Nonmajor Funds	Total
Receivables			
Taxes	\$ 5,265	\$ 5,919	\$ 11,184
Accounts	25,682	298,488	324,170
	\$ 30,947	\$ 304,407	\$ 335,354
Due from other governments			
Federal	\$ 119,088	\$ -	\$ 119,088
State	5,412,001	64,057	5,476,058
Local	241,146	-	241,146
	\$ 5,772,235	\$ 64,057	\$ 5,836,292

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Note 5 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 5,133,304	\$ -	\$ 111,909	\$ 5,021,395
Construction-in-progress	524,341	616,216	507,541	633,016
Total capital assets not being depreciated	5,657,645	616,216	619,450	5,654,411
Capital assets being depreciated				
Buildings and building improvements	193,307,040	5,686,276	2,660,080	196,333,236
Buses, vehicles, and equipment	3,871,479	178,460	139,376	3,910,563
Total capital assets being depreciated	197,178,519	5,864,736	2,799,456	200,243,799
Less accumulated depreciation for				
Buildings and building improvements	81,284,584	4,642,944	1,970,537	83,956,991
Buses, vehicles, and equipment	3,069,626	189,575	118,656	3,140,545
Total accumulated depreciation	84,354,210	4,832,519	2,089,193	87,097,536
Net capital assets being depreciated	112,824,309	1,032,217	710,263	113,146,263
Net capital assets	\$ 118,481,954	\$ 1,648,433	\$ 1,329,713	\$ 118,800,674

Depreciation expense was \$4,832,519 for the year ended June 30, 2015. Depreciation was not charged to activities of the School District because the district considers its assets to impact multiple activities and allocation of depreciation expense is not practical.

Construction Contracts

As of year end, the School District had the following construction contracts in progress:

	Total Contract	Remaining Construction Commitment at Year End	Contract Payable at Year End
Project			
Various renovation and new construction projects	<u>\$ 1,590,972</u>	<u>\$ 1,303,876</u>	<u>\$ 287,096</u>

Contracts payable at year end represent actual contractor billings and are recorded in the Capital Projects Fund liability. All projects are expected to be completed during the 2016 fiscal year.

Note 6 - Interfund Receivables, Payables, and Transfers

Interfund transfers consist of the following:

	Transfers Out			
	General Fund	2005 Debt	Other Governmental Funds	Total
Transfers in				
General Fund	\$ 6,392	\$ -	\$ 3,070,890	\$ 3,077,282
Other governmental funds	(760,058)	(2,310,832)	(6,392)	(3,077,282)
	<u>\$ (753,666)</u>	<u>\$ (2,310,832)</u>	<u>\$ 3,064,498</u>	<u>\$ -</u>

These transfers were made to cover the costs of School District programs that were in excess of revenues generated from those

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activities, cover indirect costs, and to close out the 2005 Debt Fund to another voter approved debt service fund.

Note 7 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

	Unearned
Unearned property taxes	\$ 648,117
Food service student accounts	17,801
Grant and categorical aid payments received prior to meeting all eligibility requirements	17,978
Total	\$ 683,896

The School District is authorized to levy a hold-harmless millage rate on homestead property located within the boundaries of the School District. The property tax revenue generated from this millage is restricted by statute to \$851 per student. Any hold-harmless tax revenue generated in excess of the allowable \$851 per student is classified as unearned revenue and is considered unearned at fiscal year end.

Note 8 - Leases

Capital Leases

The district has a capital lease for copy machines. The future minimum lease payments are as follows:

Year ended June 30,

	Principal	Interest	Total
2016	\$ 69,106	\$ 6,128	\$ 75,234
2017	71,928	3,307	75,235
2018	43,307	581	43,888
	\$ 184,341	\$ 10,016	\$ 194,357

The net book value of the copy machines as of June 30, 2015 is as follows:

Machinery and equipment	\$ 340,365
less accumulated depreciation	(170,182)
	\$ 170,183

Note 9 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

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Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 51,805,000	\$ 39,075,000	\$ 50,115,000	\$ 40,765,000	\$ 7,050,000
Capital lease	250,737	-	66,396	184,341	69,106
Compensated absences	493,722	-	91,210	402,512	-
Premium on bonds	<u>2,178,479</u>	<u>5,258,524</u>	<u>2,251,514</u>	<u>5,185,489</u>	<u>-</u>
Total	<u>\$ 54,727,938</u>	<u>\$ 44,333,524</u>	<u>\$ 52,524,120</u>	<u>\$ 46,537,342</u>	<u>\$ 7,119,106</u>

For governmental activities, compensated absences are primarily liquidated by the General Fund.

General obligation bonds payable at year end, consist of the following:

\$2,650,000 of 2011 energy conservation bonds due in annual installments of \$240,000 to \$245,000 through November 1, 2021; interest at 1.25% - 6.0%	\$ 1,690,000
\$39,075,000 refunding bond due in annual installments of \$5,565,000 to \$7,515,000 through November 1, 2020, interest at 5.0%	<u>39,075,000</u>
Total general obligation bonded debt	<u>\$ 40,765,000</u>

Future principal and interest requirements for bonded debt are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2016	\$ 7,050,000	\$ 2,040,620	\$ 9,090,620
2017	7,455,000	1,688,240	9,143,240
2018	7,755,000	1,314,860	9,069,860
2019	5,805,000	926,060	6,731,060
2020	6,080,000	634,310	6,714,310
2021 - 2025	<u>6,620,000</u>	<u>335,655</u>	<u>6,955,655</u>
Total	<u>\$ 40,765,000</u>	<u>\$ 6,939,745</u>	<u>\$ 47,704,745</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$660,347 to pay this debt. Future debt and interest will be payable from future tax levies.

Interest expenditures for the fiscal year in the General Fund and Debt Service Funds were \$8,838 and \$2,407,285, respectively.

Energy Conservation Improvement Bonds

The 2011 Energy Conservation Improvement Bonds are due November 1, 2021. The bonds are issued under the Qualified Zone Academy Bond program. Interest is eliminated through a tax credit.

Compensated Absences

Accrued compensated absences at year end was \$402,512 and consisted of \$172,934 of vacation hours earned and vested, \$216,041 in accrued termination pay, and \$13,537 in employer social security obligations related to the accrual. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year. Typically, the majority of the liability is liquidated in the General Fund.

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Advance Refunding

On November 18, 2014, the School District issued general obligation bonds of \$39,075,000 (par value) with an interest rate of 5.0% to advance refund term bonds with an interest rate of 5.0% and a par value of \$42,750,000. The term bonds mature on May 1, 2021. The general obligation bonds were issued at a premium and after paying issuance costs of \$255,733, the net proceeds were \$44,333,524. The net proceeds from the issuance of the general obligation bonds were deposited with an escrow agent to provide debt service payments until the term bonds mature. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the School District's financial statements.

As a result of the advance refunding, the School District reduced its total debt service requirements by \$3,969,283, which resulted in an economic gain of \$3,677,861.

Deferred Amount on Refunding

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$78,688. This amount is reported in the accompanying statement of net position as a deferred inflow of resources and is being charged to activities through fiscal year 2021.

Defeased Debt

The School District has defeased the 2005 bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

The final payment date is November 1, 2015. As of year end, the amount of defeased debt outstanding but removed from the School District's financial statements is as follows:

2005 Issue refunded	<u>\$ 42,750,000</u>
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Note 10 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for health, property and general liability claims. The School District was self insured for workers' compensation claims until 2015. Additionally, reinsurance has been purchased by the School District to protect against claims exceeding a specific dollar amount. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self insured basis. Under this method, the School District must reimburse the State of Michigan Unemployment Insurance Agency for all benefits charged against the School District. The School District has accrued current claims in the amount of \$6,591 in the governmental funds and accrued claims in the amount of \$7,240 in the district wide statements.

Note 11 - Pension Plans and Post-Employment Benefits

Organization

The Michigan Public School Employees' Retirement System (MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State), originally created under Public Act 136 of 1945,

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recodified, and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member. The Governor appointed board members consist of:

- Two active classroom teachers or other certified school personnel.
- One active member or retiree from a non-certified support position.
- One active school system superintendent.
- One active finance or operations (non-superintendent) member.
- One retiree from a classroom teaching position.
- One retiree from a finance or operations management position.
- One administrator or trustee of a community college that is a reporting unit of the System.
- Two from the general public, one with health insurance or actuarial science experience and one with institutional investment experience.
- One elected member of a reporting unit's board of control.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees' Retirement Act. There are 685 participating employers. A list of employers is provided in the Statistical Section. The System is a qualified pension trust fund under section 401(a) of the Internal Revenue Code. By statute, employees of K-12 public school districts, public school academies, district libraries, tax-supported community colleges and seven universities may be members. The seven universities are: Eastern Michigan, Central Michigan, Northern Michigan, Western Michigan, Ferris State, Michigan Technological, and Lake Superior State. Employees, who

first become employed by one of the seven universities on or after January 1, 1996, become members of an alternative plan.

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

MPSERS issues a publicly-available Comprehensive Annual Financial Report. That report may be obtained by writing to ORS at P.O. Box 30171, Lansing, Michigan 48909-7671, or on the Internet at <http://www.michigan.gov/orsschools>.

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Membership – At September 30, 2014, the System's membership consisted of the following:

Inactive plan members or their beneficiaries currently receiving benefits:	
Regular benefits	181,489
Survivor benefits	16,855
Disability benefits	6,168
Total	204,512
Inactive plan members entitled to, but not yet receiving benefits:	16,979
Active plan members:	
Vested	108,934
Non-vested	101,843
Total	210,777
Total plan members	432,268

Benefits Provided – Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a

former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Member Contributions – Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987, through December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008, or later including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates as a percent of wages: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987, or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the

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pension fund as of the transition date. Their options are described in detail under Pension Reform 2012. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

Employer Contributions

Each school district or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits.

Summary of Significant Accounting Policies

Basis of Accounting and Presentation – The System’s financial statements are prepared using the accrual basis of accounting. Contributions from the employers are recognized as revenue when due and payable. Benefits and refunds are recognized when due and payable in accordance with the terms of the System. The reserves are described below and details are provided in the supporting schedules.

GASB Statement No. 67, which was adopted during the year ended September 30, 2014, addresses accounting and financial reporting requirements for pension plans. The requirements for GASB Statement No. 67 require changes in presentation of the financial statements, notes to the financial statements, and required supplementary information.

Significant changes include an actuarial calculation of total and net pension liability. It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures. The implementation of GASB Statement No. 67 did not significantly impact the accounting for accounts receivable and investment balances.

Reserves – Reserve for Employee Contributions - This reserve represents active member contributions and interest less amounts transferred to the Reserve for Retired Benefit Payments for regular and disability retirement, amounts refunded to terminated members, and amounts transferred to the Reserve for Employer Contributions representing unclaimed funds.

Members no longer contribute to this reserve except to purchase eligible service credit or repay previously refunded contributions. At September 30, 2014, the balance in this reserve was \$1.5 billion.

Reserve for Pension Plus Employee Contributions - This reserve represents active member contributions and interest less amounts transferred to the Reserve for Pension Plus Retired Benefit Payments for regular retirement, amounts refunded to terminated members, and amounts transferred to the Reserve for Pension Plus Employer Contributions representing unclaimed funds. This reserve was established under the provisions of Public Act 75 of 2010. At September 30, 2014, the balance in this reserve was \$59.5 million.

Reserve for Member Investment Plan - This reserve represents MIP contributions and interest less refunds and transfers to the Reserve for Retired Benefit Payments. At September 30, 2014, the balance in this reserve was \$4.7 billion.

Reserve for Employer Contributions - This reserve represents all employer contributions, except payments for health benefits. Interest from the Reserve for Undistributed Investment Income reserve is credited annually. Amounts are transferred annually to the Reserve for Retired Benefit Payments to bring the balance of that reserve into balance with the actuarial present value of retirement allowances. At September 30, 2014, the balance in this reserve was a deficit of (\$25.8) billion.

Reserve for Pension Plus Employer Contributions - This reserve represents all employer contributions for Pension Plus members,

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except payments for health benefits. Interest from the Reserve for Undistributed Investment Income reserve is credited annually at a rate of 7%. Amounts are transferred annually to the Reserve for Retired Pension Plus Benefit Payments to bring the balance of that reserve into balance with the actuarial present value of retirement allowances. This reserve was established under the provisions of Public Act 75 of 2010. At September 30, 2014, the balance in this reserve was \$55.5 million.

Reserve for Retired Benefit Payments - This reserve represents payments of future retirement benefits to current retirees. At retirement, a member's accumulated contributions plus interest are transferred into this reserve. Monthly benefits, which are paid to the retiree, reduce this reserve. At the end of each fiscal year, an amount, determined by an annual actuarial valuation, is transferred from the Reserve for Employer Contributions to bring the balance of this reserve into balance with the actuarial present value of retirement allowances. At September 30, 2014, the balance in this reserve was \$44.6 billion.

Reserve for Retired Pension Plus Benefit Payments - This reserve represents payments of future retirement benefits to current Pension Plus retirees. At retirement, a member's accumulated contributions plus interest are transferred into this reserve. Monthly benefits, which are paid to the retiree, reduce this reserve. At the end of each fiscal year, an amount, determined by an annual actuarial valuation, is transferred from the Reserve for Pension Plus Employer Contributions to bring the balance of this reserve into balance with the actuarial present value of retirement allowances. This reserve was established under the provisions of Public Act 75 of 2010. Currently, there are no participants qualified to retire under this program. At September 30, 2014, the balance in this reserve was \$0.

Reserve for Undistributed Investment Income - This reserve represents all investment earnings. Interest is transferred annually to the other reserves. Administrative expenses of the System are paid

from the Reserve for Administrative Expenses, which is credited with amounts from the Reserve for Undistributed Investment Income to cover the expenses. For ease of reporting and understanding, the two reserves are presented as one reserve in the supporting schedules. Public Act 143 of 1997 established a stabilization subaccount within the Reserve for Undistributed Investment Income to which any over funding is credited. As of September 30, 2014, the balance in the subaccount was zero. At September 30, 2014, the balance in this reserve was \$18.6 billion.

Reserve for Health (OPEB) Related Benefits - This reserve is credited with employee and employer contributions for retirees' health, dental, and vision benefits. Starting in fiscal year 2013, the employer contribution is based on a prefunded basis and represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or funding excess) over a period not to exceed thirty years. In addition, in fiscal year 2014, federal funding for Medicare Part D and Employer Group Waiver Plan (EGWP) was paid directly to a third party vendor. The third party vendor uses the EGWP funding for any claims submitted and bills the system for any remaining claims outstanding. Premiums for health, dental and vision benefits are paid from this reserve. At September 30, 2014, the balance in this reserve was \$3.5 billion.

Reporting Entity - The System is a pension and other employee benefit trust fund of the State. As such, the System is considered part of the State and is included in the State's Comprehensive Annual Financial Report as a pension and other employee benefit trust fund. The System and its Board are not financially accountable for any other entities or other organizations. Accordingly, the System is the only entity included in this financial report.

Benefit Protection - Public Act 100 of 2002 was passed by the Michigan Legislature to protect pension benefits of public employees from alienation (being transferred). Alienation is attachment,

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garnishment, levy, execution, bankruptcy or other legal process, except for divorce orders or eligible domestic relation orders. The statutes governing the System contained an “anti-alienation” clause to provide for this protection; however, many smaller public pension systems did not have the benefit of this protection. Therefore, Public Act 100 of 2002 was passed to establish legal protection of pension assets that encompasses all public employees.

Fair Value of Investments – Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. The fair value of private investments is based on the net asset value reported in the financial statements of the respective investment entity. The net asset value is determined in accordance with governing documents of the investment entity, and is subject to an independent annual audit. Securities purchased with cash collateral under securities lending activities are recorded at estimated fair value. Other investments not having an established market are recorded at estimated fair value.

Investment Income – Dividend and interest income is recognized on the accrual basis. Fair value changes are recorded as investment income or loss. Purchases and sales of investments are recorded as of the trade date (the date upon which the transaction is initiated), except for purchase and sale of mortgages, real estate, and alternative investments which are recorded as of the settlement date (the date upon which the transaction is ultimately completed). The effect of recording such transactions as of the settlement date does not materially affect the financial statements.

Costs of Administering the System – Each year a restricted general fund appropriation is requested to fund the on-going business operations of the System. These administrative costs are ultimately funded by the System through the regular transfer of funds from the

System to the State’s general fund based on either a direct cost or allocation basis depending on the nature of the expense. Costs of administering the System are financed by undistributed investment income of the System.

Property and Equipment – Office space is leased from the State on a year to year basis. Office equipment is capitalized if the value exceeds \$5,000. These assets are recorded at cost and are reported net of depreciation in the Statement of Pension Plan and Other Post-employment Benefit Plan Fiduciary Net Position. Such assets are depreciated on a straight-line basis over 10 years. As of September 30, 1998, all capitalized equipment was fully depreciated. No additional equipment has been capitalized for the System since that date.

Related Party Transactions – Leases and Services - The System leases operating space and purchases certain administrative, data processing, legal and investment services from the State. The space and services are not otherwise available by competitive bid. The schedule below summarizes costs incurred by the System for such services.

Building rentals	\$ 789,000
Technological support	10,420,000
Attorney general	417,000
Investment services	12,846,000
Personnel services	9,922,000

Cash – At September 30, 2014, the System had \$246.7 million in a common cash investment pool maintained for various State operating funds. The participating funds in the common cash pool earn interest at various rates depending upon prevailing short-term interest rates. Earnings from these activities amounted to (\$0.6) thousand for the year ended September 30, 2014.

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Contributions and Funding Status

The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided." Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of the September 30, 2014 valuation will be amortized over a 22 year period for the plan's 2014 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2014.

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0%	18.34 - 19.61%
Member Investment Plan	3.0 - 7.0	18.34 - 19.61
Pension Plus	3.0 - 6.4	18.11
Defined Contribution	0.0	15.44 - 16.61

The System may reconcile with actuarial requirements annually. If the system reconciles in a year, any funding excess or deficiency for pension benefits is smoothed over a maximum of 5 years, with at least one-fifth (20%) of the funding excess or deficiency included in the subsequent year's contribution. This payment is not recognized as a

payable or receivable in the accounting records. If the System does not reconcile in a year, any funding excess or deficiency for pension benefits is accounted for in subsequent required contributions over the remaining amortization period. For fiscal year 2014, the System did not reconcile.

In May 1996, the Internal Revenue Service issued a private letter ruling allowing the System's members to purchase service credit and repay refunds using tax-deferred (pre-tax) dollars. The program was implemented in fiscal year 1998, and payments began in fiscal year 1999.

The program allows members to purchase service credit and repay refunds on a tax-deferred basis. Members sign an irrevocable agreement that identifies the contract duration, monthly payment, total contract amount and years of service credit being purchased. The duration of the contract can range from 1 to 20 years. The amounts are withheld from members' paychecks and are treated as employer pick-up contributions pursuant to Internal Revenue Code Section 414(h). At September 30, 2014, there were 16,503 agreements. The agreements were discounted using the assumed actuarial rate of return of 8% for September 30, 2014. The average remaining length of a contract was approximately 6.0 years for 2014. The short-term receivable was \$29.7 million and the discounted long-term receivable was \$83.6 million at September 30, 2014.

Net Pension Liability

Measurement of the MPSERS Net Pension Liability – The plan's net pension liability is to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

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MPSERS (Plan) Net Pension Liability – As of September 30, 2014:

Total Pension Liability	\$ 65,160,887,182
Plan Fiduciary Net Position	43,134,384,072
Net Pension Liability	<u>\$ 22,026,503,110</u>

Plan Fiduciary Net Position as a
Percentage of Total Pension Liability 66.20%

Net Pension Liability as a Percentage of
Covered-Employee Payroll 250.11%

Year one MPSERS implementation of GASB Statement No. 68 recognizes a 0.00% change in the employers' proportionate share between beginning net pension liability and ending net pension liability.

MPSERS (Plan) Net Pension Liability – As of October 1, 2013

Total Pension Liability	\$ 62,859,499,994
Plan Fiduciary Net Position	39,427,686,072
Net Pension Liability	<u>\$ 23,431,813,922</u>

Proportionate Share of Reporting Unit's Net Pension Liability – At September 30, 2014, the School District reported a liability of \$ 68,060,082 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The School District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all employers' statutorily required contributions for the measurement period. At September 30, 2014, the School District's proportionate share percent was .30899% percent, which is the same as the prior measurement date.

Long-Term Expected Return on Plan Assets – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	4.8%
Alternative Investment Pools	18.0	8.5
International Equity	16.0	6.1
Fixed Income Pools	10.5	1.5
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	15.5	6.3
Short Term Investment Pools	2.0	(0.2)
	<u>100.0%</u>	

*Long term rate of return does not include 2.5% inflation

Royal Oak Schools
Notes to Financial Statements
June 30, 2015

Rate of Return – For the fiscal year ended September 30, 2014, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 12.58%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate – A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – As required by GASB Statement No. 68, the following presents the School District’s proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what the School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
(Non-Hybrid/Hybrid)* 7.0% / 6.0%	(Non-Hybrid/Hybrid)* 8.0% / 7.0%	(Non-Hybrid/Hybrid)* 9.0% / 8.0%
\$ 89,731,291	\$ 68,060,082	\$ 49,801,768

*Long term rate of return does not include 2.5% inflation

Timing of the Valuation – An actuarial valuation to determine the total pension liability is required to be performed every year. If the actuarial valuation is not calculated as of the plan’s fiscal year end, the total pension liability is required to be rolled forward from the actuarial valuation date to the pension plan’s fiscal year end.

The total pension liability as of September 30, 2014, is based on the results of an actuarial valuation date of September 30, 2013, and rolled forward using generally accepted actuarial procedures.

Actuarial Valuations and Assumptions – Actuarial valuations for the pension plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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

Royal Oak Schools
Notes to Financial Statements
June 30, 2015

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.

Additional information as of the latest actuarial valuation follows:

Actuarial Assumptions:

- Wage inflation rate: 3.5%
- Investment Rate of returns:
 - MIP and Basic Plans (Non-Hybrid): 8.0%
 - Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5-12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Healthcare Cost Trend Rate: 8.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The experience study is included in the actuarial valuation described above.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.8457
- Recognition period for assets in years is 5.0000

- Full actuarial assumptions are available in the MPSERS Comprehensive Annual Financial Report.

Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the School District recognized total pension expense of \$5,512,960. At June 30, 2015, the employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 2,511,271	\$ -
Net difference between projected and actual earnings on pension plan investments	-	7,524,070
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	372
Employer contributions subsequent to the measurement date	5,355,649	-
	\$ 7,866,920	\$ 7,524,442

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Royal Oak Schools
Notes to Financial Statements
June 30, 2015

Deferred (Inflows) and Deferred Outflows of Resources by Year

Plan Year Ending September 30	Amount:
2015	\$ 4,127,542
2016	(1,228,107)
2017	(1,228,107)
2018	(1,328,850)

Post-Employment Benefits

In addition to the pension benefits described above, state law requires the School District to provide post-employment healthcare benefits for eligible retirees and beneficiaries through the Michigan Public School Employees Retirement System (MPERS).

The 2012 Retirement Reform included changes to retiree healthcare benefits. New employees hired after the effective date who elect this benefit are enrolled in the defined contribution Personal Healthcare Fund. This establishes a portable tax-deferred account in which the participant contributes up to 2% of their salary, and receives up to a 2% employer match. These funds can be used to pay for healthcare expenses in retirement.

Employees working prior to the enactment of the 2012 Retirement Reform have two options: (a) the Personal Healthcare Fund, or (b) the defined benefit Premium Subsidy benefit.

Employees electing the defined benefit Premium Subsidy benefit contribute 3% of their compensation, and the employer contributes an actuarially determined percent of payroll for all participants. Upon retirement members receive a premium subsidy towards health, dental and vision insurance. The subsidy is a percent of the premium cost, with the percentage varying based on several factors.

For the periods July 1, 2014 through September 30, 2014, and October 1, 2014 through June 30, 2015, the employer contribution rate ranged from 5.52% to 6.45% and 2.20% to 2.71%, respectively.

The School District's actual contributions match the required contributions for the years ended June 30, 2015, 2014, and 2013 and were approximately \$921,819, \$1,685,624 and \$2,327,429, respectively.

Unfunded Accrued Liability

During the year ending June 30, 2015, the School District had contributions in the amount of \$2,301,587 to the MPERS. This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 7.63% for the year.

Note 12 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year ended June 30, 2015.

The School District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School District's attorneys, the resolution of these matters will not have a material adverse effect on the financial condition of the School District.

Royal Oak Schools
Notes to Financial Statements
June 30, 2015

Note 13 - Committed and Assigned Fund Balance

activities as of July 1, 2014, by \$68,114,558, restating it from \$85,245,660 to \$17,131,102.

The fund balance has been committed or assigned for the following purposes:

	General Fund	Other Nonmajor Governmental Funds
	<u> </u>	<u> </u>
Committed		
Encumbrances	\$ -	\$ 227,727
Assigned		
Subsequent years' budget	\$ 1,049,751	\$ -
Compensated absences	402,512	-
Operating purposes	<u>-</u>	<u>1,361,663</u>
Total fund balance assigned for various operating purposes	<u>\$ 1,452,263</u>	<u>\$ 1,361,663</u>

Note 14 - Insurance Recoveries

Insurance recoveries in the amount of \$832,317 were received as a result of a flood that occurred during the year that caused significant damage to the properties.

Note 15 - Prior Period Adjustment

As indicated in Note 1, the District has adopted Government Accounting Standards Board Statements 68 and 71. These statements require the School District to record their proportionate share of the net pension liability and pension expense. Previously these amounts were not recorded on the School Districts statements. The standards require this change be applied retroactively. The impact of this change is to reduce beginning net position in the statement of

REQUIRED SUPPLEMENTARY INFORMATION

Royal Oak Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2015 (with Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			2014	
	Budgeted Amounts		Actual	Over (Under) Budget	Actual
	Original	Final			
Revenues					
Local sources	\$ 19,263,129	\$ 19,877,975	\$ 19,910,595	\$ 32,620	\$ 20,027,153
State sources	28,323,428	30,219,976	30,180,869	(39,107)	29,178,665
Federal sources	1,558,601	2,045,044	1,632,761	(412,283)	1,495,945
Interdistrict sources	3,773,357	3,843,918	3,842,917	(1,001)	3,700,185
Total revenues	52,918,515	55,986,913	55,567,142	(419,771)	54,401,948
Expenditures					
Instruction					
Basic programs	25,477,128	26,158,176	25,670,544	(487,632)	25,239,582
Added needs	5,212,579	5,726,702	5,348,387	(378,315)	5,039,893
Adult and continuing education	190,717	196,311	179,113	(17,198)	142,969
Supporting services					
Pupil	4,705,274	4,716,090	4,618,925	(97,165)	4,686,290
Instructional staff	2,401,873	2,272,890	2,151,361	(121,529)	2,078,510
General administration	686,026	675,069	635,080	(39,989)	570,881
School administration	2,895,519	2,988,301	2,939,396	(48,905)	2,914,383
Business	7,272,440	8,239,709	8,052,085	(187,624)	6,573,299
Central	2,036,062	2,130,479	2,122,841	(7,638)	1,865,325
Athletic activities	652,219	661,284	627,746	(33,538)	600,382
Community services	793,985	969,126	923,577	(45,549)	749,920
Intergovernmental payments	2,307,743	2,146,650	2,129,381	(17,269)	2,295,168
Capital outlay	15,044	4,000	3,668	(332)	38,804
Debt service					
Principal	63,800	66,400	66,396	(4)	63,792
Interest and fiscal charges	11,445	8,840	8,838	(2)	11,442
Total expenditures	54,721,854	56,960,027	55,477,338	(1,482,689)	52,870,640

Royal Oak Schools
Required Supplementary Information
Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2015 (with Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			2014	
	Budgeted Amounts		Actual	Over (Under) Budget	Actual
	Original	Final			
Excess (deficiency) of revenues over expenditures	\$ (1,803,339)	\$ (973,114)	\$ 89,804	\$ 1,062,918	\$ 1,531,308
Other Financing Sources (Uses)					
Insurance recoveries	-	1,000,000	832,317	(167,683)	-
Proceeds from sale of capital assets	-	-	-	-	33,615
Transfers in	5,000	5,000	6,392	1,392	5,926
Transfers out	(712,528)	(923,738)	(760,058)	163,680	(573,782)
Total other financing sources (uses)	(707,528)	81,262	78,651	(2,611)	(534,241)
Net change in fund balance	(2,510,867)	(891,852)	168,455	1,060,307	997,067
Fund balance - beginning	13,862,933	13,862,933	13,862,933	-	12,865,866
Fund balance - ending	<u>\$ 11,352,066</u>	<u>\$ 12,971,081</u>	<u>\$ 14,031,388</u>	<u>\$ 1,060,307</u>	<u>\$ 13,862,933</u>

Royal Oak Schools
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th)

	June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
A. Reporting unit's proportion of net pension liability (%)	0.31%									
B. Reporting unit's proportionate share of net pension liability	\$ 89,731,291									
C. Reporting unit's covered-employee payroll	\$ 26,685,495									
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered- employee payroll	336.25%									
E. Plan fiduciary net position as a percentage of total pension liability	66.20%									

Royal Oak Schools
Required Supplementary Information
Schedule of the School District's Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
A. Statutorily required contributions	\$ 5,867,007									
B. Contributions in relation to statutorily required contributions	<u>5,867,007</u>									
C. Contribution deficiency (excess)	<u>\$ -</u>									
D. Reporting unit's covered-employee payroll	26,594,474									
E. Contributions as a percentage of covered-employee payroll	22.06%									

OTHER SUPPLEMENTARY INFORMATION

Royal Oak Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2015

	Special Revenue Funds		Debt Service Funds		Capital Projects Funds			Total Nonmajor Governmental Funds	
	Food Service	Community Services	2014 Debt	QSCB Debt	General Property Maintenance Fund	Instructional Technology Capital Projects Fund	Sinking Fund	2015	2014
Assets									
Cash	\$ 252,069	\$ 1,609,319	\$ 655,674	\$ -	\$ 2,056,751	\$ 541,352	\$ 300,872	\$ 5,416,037	\$ 5,984,955
Accounts receivable	5,061	3,427	4,673	-	290,000	-	1,246	304,407	356,485
Due from other governmental units	29,147	34,910	-	-	-	-	-	64,057	8,397
Inventory	15,275	-	-	-	-	-	-	15,275	19,865
Prepaid items	110,000	-	-	-	-	-	-	110,000	110,000
Total assets	\$ 411,552	\$ 1,647,656	\$ 660,347	\$ -	\$ 2,346,751	\$ 541,352	\$ 302,118	\$ 5,909,776	\$ 6,479,702
Liabilities									
Accounts payable	\$ 48,727	\$ 23,252	\$ -	\$ -	\$ 14,516	\$ -	\$ 186,319	\$ 272,814	\$ 306,041
Accrued salaries payable	-	259,941	-	-	-	-	-	259,941	164,460
Unearned revenue	17,801	-	-	-	-	-	-	17,801	75,066
Total liabilities	66,528	283,193	-	-	14,516	-	186,319	550,556	545,567

Royal Oak Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2015

	Special Revenue Funds		Debt Service Funds		Capital Projects Funds			Total Nonmajor Governmental Funds	
	Food Service	Community Services	2014 Debt	QSCB Debt	General Property Maintenance Fund	Instructional Technology Capital Projects Fund	Sinking Fund	2015	2014
Deferred Inflows of Resources									
Unavailable revenue	\$ -	\$ -	\$ -	\$ -	\$ 290,000	\$ -	\$ -	\$ 290,000	\$ 290,000
Fund Balance									
Non-spendable									
Inventory	15,275	-	-	-	-	-	-	15,275	19,865
Prepaid items	110,000	-	-	-	-	-	-	110,000	110,000
Restricted for									
Food service	219,317	-	-	-	-	-	-	219,317	149,160
Debt service	-	-	660,347	-	-	-	-	660,347	-
Capital projects	-	-	-	-	1,933,539	541,352	-	2,474,891	914,727
Committed	432	2,800	-	-	108,696	-	115,799	227,727	3,051,008
Assigned	-	1,361,663	-	-	-	-	-	1,361,663	1,399,375
Total fund balance	345,024	1,364,463	660,347	-	2,042,235	541,352	115,799	5,069,220	5,644,135
Total liabilities, deferred inflows of resources, and fund balance	\$ 411,552	\$ 1,647,656	\$ 660,347	\$ -	\$ 2,346,751	\$ 541,352	\$ 302,118	\$ 5,909,776	\$ 6,479,702

Royal Oak Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

	Special Revenue Funds		Debt Service Funds		Capital Projects Funds			Total Nonmajor Governmental Funds	
	Food Service	Community Services	2014 Debt	QSCB Debt	General Property Maintenance Fund	Instructional Technology Capital Projects Fund	Sinking Fund	2015	2014
Revenues									
Local sources	\$ 655,274	\$ 1,158,017	\$ 30,513	\$ -	\$ (3,000)	\$ -	\$ 2,310,388	\$ 4,151,192	\$ 4,029,345
State sources	57,411	523,210	-	-	-	-	-	580,621	369,091
Federal sources	530,627	4,564	-	87,448	-	-	-	622,639	623,527
Total revenues	1,243,312	1,685,791	30,513	87,448	(3,000)	-	2,310,388	5,354,452	5,021,963
Expenditures									
Current									
Education									
Instruction	-	1,298,793	-	-	-	-	-	1,298,793	1,085,420
Supporting services	-	159,181	-	-	-	-	-	159,181	174,284
Food services	1,170,921	-	-	-	-	-	-	1,170,921	1,160,434
Community services	-	572,265	-	-	-	-	-	572,265	531,811
Capital outlay	-	-	-	-	2,722,228	-	2,195,539	4,917,767	3,264,822
Debt service									
Principal	-	-	-	240,000	-	-	-	240,000	240,000
Interest and other expenditures	-	-	912,835	97,970	-	-	-	1,010,805	107,270
Bond issuance costs	-	-	251,896	-	-	-	-	251,896	-
Payment to bond refunding escrow agent	-	-	772,000	-	-	-	-	772,000	-
Total expenditures	1,170,921	2,030,239	1,936,731	337,970	2,722,228	-	2,195,539	10,393,628	6,564,041
Excess (deficiency) of revenues over expenditures	72,391	(344,448)	(1,906,218)	(250,522)	(2,725,228)	-	114,849	(5,039,176)	(1,542,078)

Royal Oak Schools
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

	Special Revenue Funds		Debt Service Funds		Capital Projects Funds			Total Nonmajor Governmental Funds	
	Food Service	Community Services	2014 Debt	QSCB Debt	General Property Maintenance Fund	Instructional Technology Capital Projects Fund	Sinking Fund	2015	2014
Other Financing Sources (Uses)									
Proceeds from refinancing debt	\$ -	\$ -	\$ 44,333,524	\$ -	\$ -	\$ -	\$ -	\$ 44,333,524	\$ -
Payment to bond refunding escrow agent	-	-	(44,077,791)	-	-	-	-	(44,077,791)	-
Proceeds from sale of capital assets	-	-	-	-	1,144,030	-	-	1,144,030	1,158,408
Transfers in	-	309,536	2,310,832	250,522	200,000	-	-	3,070,890	573,782
Transfers out	(6,392)	-	-	-	-	-	-	(6,392)	(5,926)
Total other financing sources (uses)	(6,392)	309,536	2,566,565	250,522	1,344,030	-	-	4,464,261	1,726,264
Net change in fund balance	65,999	(34,912)	660,347	-	(1,381,198)	-	114,849	(574,915)	184,186
Fund balance - beginning	279,025	1,399,375	-	-	3,423,433	541,352	950	5,644,135	5,459,949
Fund balance - ending	\$ 345,024	\$ 1,364,463	\$ 660,347	\$ -	\$ 2,042,235	\$ 541,352	\$ 115,799	\$ 5,069,220	\$ 5,644,135

Royal Oak Schools
Other Supplementary Information
Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
For the Year Ended June 30, 2015

	Food Service			Community Services			Total		
	Final Budget	Actual	Over (Under) Final Budget	Final Budget	Actual	Over (Under) Final Budget	Final Budget	Actual	Over (Under) Final Budget
Revenues									
Local sources	\$ 657,875	\$ 655,274	\$ (2,601)	\$ 1,149,500	\$ 1,158,017	\$ 8,517	\$ 1,807,375	\$ 1,813,291	\$ 5,916
State sources	55,784	57,411	1,627	569,158	523,210	(45,948)	624,942	580,621	(44,321)
Federal sources	532,288	530,627	(1,661)	4,100	4,564	464	536,388	535,191	(1,197)
Total revenues	1,245,947	1,243,312	(2,635)	1,722,758	1,685,791	(36,967)	2,968,705	2,929,103	(39,602)
Expenditures									
Current									
Education									
Instruction	-	-	-	1,378,698	1,298,793	(79,905)	1,378,698	1,298,793	(79,905)
Supporting services	-	-	-	201,010	159,181	(41,829)	201,010	159,181	(41,829)
Food services	1,245,312	1,170,921	(74,391)	-	-	-	1,245,312	1,170,921	(74,391)
Community services	-	-	-	616,268	572,265	(44,003)	616,268	572,265	(44,003)
Total expenditures	1,245,312	1,170,921	(74,391)	2,195,976	2,030,239	(165,737)	3,441,288	3,201,160	(240,128)
Excess (deficiency) of revenues over expenditures	635	72,391	71,756	(473,218)	(344,448)	128,770	(472,583)	(272,057)	200,526
Other Financing Sources (Uses)									
Transfers in	-	-	-	473,217	309,536	163,681	473,217	309,536	163,681
Transfers out	(6,000)	(6,392)	392	-	-	-	(6,000)	(6,392)	392
Total other financing sources (uses)	(6,000)	(6,392)	392	473,217	309,536	163,681	467,217	303,144	164,073
Net change in fund balance	(5,365)	65,999	71,364	(1)	(34,912)	(34,911)	(5,366)	31,087	36,453
Fund balance - beginning	279,025	279,025	-	1,399,375	1,399,375	-	1,678,400	1,678,400	-
Fund balance - ending	\$ 273,660	\$ 345,024	\$ 71,364	\$ 1,399,374	\$ 1,364,463	\$ (34,911)	\$ 1,673,034	\$ 1,709,487	\$ 36,453

Royal Oak Schools
Other Supplementary Information
Debt Service Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
For the Year Ended June 30, 2015

	2005 Debt	2014 Debt	QSCB Debt	Total Debt Actual	Total Debt Final Budget	Over (Under) Final Budget
Revenues						
Local sources	\$ 8,703,250	\$ 30,513	\$ -	\$ 8,733,763	\$ 8,723,050	\$ (10,713)
State sources	19,839	-	-	19,839	19,839	-
Federal sources	-	-	87,448	87,448	87,448	-
Total revenues	<u>8,723,089</u>	<u>30,513</u>	<u>87,448</u>	<u>8,841,050</u>	<u>8,830,337</u>	<u>(10,713)</u>
Expenditures						
Debt service						
Principal	7,125,000	-	240,000	7,365,000	7,365,000	-
Interest and other expenditures	1,425,300	912,835	97,970	2,436,105	2,512,885	76,780
Bond issuance costs	-	251,896	-	251,896	255,733	3,837
Payment to bond refunding escrow agent	-	772,000	-	772,000	1,544,000	772,000
Total expenditures	<u>8,550,300</u>	<u>1,936,731</u>	<u>337,970</u>	<u>10,825,001</u>	<u>11,677,618</u>	<u>852,617</u>
Excess (deficiency) of revenues over expenditures	<u>172,789</u>	<u>(1,906,218)</u>	<u>(250,522)</u>	<u>(1,983,951)</u>	<u>(2,847,281)</u>	<u>(863,330)</u>
Other Financing Sources (Uses)						
Proceeds from refinancing debt	-	44,333,524	-	44,333,524	44,333,524	-
Payment to bond refunding escrow agent	-	(44,077,791)	-	(44,077,791)	(44,849,791)	(772,000)
Transfers in	-	2,310,832	250,522	2,561,354	2,559,302	(2,052)
Transfers out	(2,310,832)	-	-	(2,310,832)	(2,308,780)	2,052
Total other financing sources (uses)	<u>(2,310,832)</u>	<u>2,566,565</u>	<u>250,522</u>	<u>506,255</u>	<u>(265,745)</u>	<u>(772,000)</u>
Net change in fund balance	<u>(2,138,043)</u>	<u>660,347</u>	<u>-</u>	<u>(1,477,696)</u>	<u>(3,113,026)</u>	<u>(1,635,330)</u>
Fund balance - beginning	<u>2,138,043</u>	<u>-</u>	<u>-</u>	<u>2,138,043</u>	<u>2,138,043</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 660,347</u>	<u>\$ -</u>	<u>\$ 660,347</u>	<u>\$ (974,983)</u>	<u>\$ (1,635,330)</u>

Royal Oak Schools
Other Supplementary Information
Capital Projects Fund
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

	General Property Maintenance Fund	Instructional Technology Fund	Sinking Fund	Total Capital Projects Actual
Revenues				
Local sources	\$ (3,000)	\$ -	\$ 2,310,388	\$ 2,307,388
Expenditures				
Capital outlay	2,722,228	-	2,195,539	4,917,767
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	1,144,030	-	-	1,144,030
Transfers in	200,000	-	-	200,000
Total other financing sources (uses)	1,344,030	-	-	1,344,030
Net change in fund balance	(1,381,198)	-	114,849	(1,266,349)
Fund balance - beginning	3,423,433	541,352	950	3,965,735
Fund balance - ending	\$ 2,042,235	\$ 541,352	\$ 115,799	\$ 2,699,386

Royal Oak Schools
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2015

Year Ending June 30,	QSCB Debt	2014 Debt	Total
2016	\$ 240,000	\$ 6,810,000	\$ 7,050,000
2017	240,000	7,215,000	7,455,000
2018	240,000	7,515,000	7,755,000
2019	240,000	5,565,000	5,805,000
2020	240,000	5,840,000	6,080,000
2021	245,000	6,130,000	6,375,000
2022	245,000	-	245,000
Total	<u>\$ 1,690,000</u>	<u>\$ 39,075,000</u>	<u>\$ 40,765,000</u>

Principal payments due the first day of

May

May

Interest payments due the first day of

May and November

May and November

Interest rate

1.25% - 6.00%

5.00%

Original issue

\$ 2,650,000

\$ 39,075,000

STATISTICAL SECTION (UNAUDITED)

Royal Oak Schools
District-Wide Net Position by Component - Last Ten Fiscal Years
(Unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities										
Net investment in										
capital assets	\$ 72,594,218	\$ 64,247,738	\$ 58,096,056	\$ 52,291,388	\$ 51,696,758	\$ 53,954,727	\$ 50,601,272	\$ 52,654,211	\$ 9,617,712	\$ 21,194,010
Restricted	3,015,555	2,138,043	3,656,271	4,067,813	2,636,146	997,709	932,613	1,508,339	2,694,178	1,307,310
Unrestricted	<u>(52,091,303)</u>	<u>(49,254,679)</u>	<u>17,388,631</u>	<u>14,348,224</u>	<u>9,123,012</u>	<u>139,455</u>	<u>(2,160,410)</u>	<u>(3,400,339)</u>	<u>37,127,344</u>	<u>19,541,367</u>
Total primary government	<u>\$ 23,518,470</u>	<u>\$ 17,131,102</u>	<u>\$ 79,140,958</u>	<u>\$ 70,707,425</u>	<u>\$ 63,455,916</u>	<u>\$ 55,091,891</u>	<u>\$ 49,373,475</u>	<u>\$ 50,762,211</u>	<u>\$ 49,439,234</u>	<u>\$ 42,042,687</u>

Note: The District began reporting net pension liabilities as required by GASB Statement 68 in fiscal year 2015, resulting in a prior period adjustment in fiscal year 2014.

Source: Royal Oak Schools Comprehensive Annual Financial Reports 2006-2015.

Royal Oak Schools
District-Wide Revenues by Source and Expenses by Function - Last Ten Fiscal Years
(Unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses										
Governmental activities										
Instruction	\$ 34,260,122	\$ 33,706,787	\$ 32,453,172	\$ 33,046,290	\$ 34,412,197	\$ 37,440,682	\$ 37,301,542	\$ 37,801,871	\$ 39,246,596	\$ 39,606,745
Support services	20,142,019	19,639,249	18,992,270	19,389,775	20,011,511	24,450,712	29,541,877	27,818,723	26,700,072	27,760,736
Food services	1,162,690	1,160,434	1,153,903	1,275,493	1,284,725	1,249,617	1,208,841	1,115,386	1,146,258	1,178,128
Athletics	-	-	-	-	-	639,525	674,369	721,696	896,357	1,017,503
Community services	1,485,327	1,281,731	1,261,333	622,865	678,492	707,362	773,152	902,012	1,046,652	948,537
Interest on long-term debt	2,525,742	2,721,696	3,121,759	3,187,457	3,307,073	3,597,687	4,111,571	5,438,669	5,965,768	2,990,850
Depreciation (unallocated)	4,832,519	4,693,465	4,516,412	5,234,270	4,447,823	4,650,857	5,151,043	4,741,507	3,943,727	3,592,552
Total primary government expenses	64,408,419	63,203,362	61,498,849	62,756,150	64,141,821	72,736,442	78,762,395	78,539,864	78,945,430	77,095,051
Program revenues										
Governmental activities										
Charges for services										
Instruction	38,484	39,291	61,311	60,916	59,266	61,410	103,086	100,724	79,735	-
Food services	655,274	623,393	581,116	624,267	638,257	687,884	750,537	691,366	775,052	808,603
Athletics	-	-	-	-	-	185,857	110,875	148,506	96,684	145,182
Support services	206,409	221,060	238,864	231,887	235,330	-	-	-	-	-
Community services	1,346,909	1,345,498	1,353,860	1,501,390	1,489,773	1,279,830	1,277,102	1,245,726	1,352,673	1,089,686
Operating grants and contributions										
Instruction	8,952,291	8,065,756	8,239,751	4,600,751	5,842,037	9,849,305	9,393,039	8,089,334	6,972,299	7,384,837
Support services	-	516,070	550,136	5,635,280	5,635,280	5,605,338	5,309,265	5,724,078	6,339,772	6,369,079
Food services	582,981	573,520	597,160	677,043	665,616	647,355	536,377	432,510	408,399	403,816
Community services	523,210	314,329	139,110	159,292	100,480	82,715	99,013	94,548	103,242	135,928
Total primary government program revenue	12,305,558	11,698,917	11,761,308	13,490,826	14,666,039	18,399,694	17,579,294	16,526,792	16,127,856	16,337,131
Net (expense) revenue										
Total primary government net expense	\$ (52,102,861)	\$ (51,504,445)	\$ (49,737,541)	\$ (49,265,324)	\$ (49,475,782)	\$ (54,336,748)	\$ (61,183,101)	\$ (62,013,072)	\$ (62,817,574)	\$ (60,757,920)

Source: Royal Oak Schools Comprehensive Annual Financial Reports 2006-2015.

Royal Oak Schools
District-Wide General Revenues and Total Change in Net Position - Last Ten Fiscal Years
(Unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net (expense) revenue										
Total primary government net expense	\$ (52,102,861)	\$ (51,504,445)	\$ (49,737,541)	\$ (49,265,324)	\$ (49,475,782)	\$ (54,336,748)	\$ (61,183,101)	\$ (62,013,072)	\$ (62,817,574)	\$ (60,757,920)
General revenues and other changes in net position										
Governmental activities										
Taxes										
Property taxes levied for general purposes	19,104,445	18,904,444	19,163,973	18,925,737	19,279,237	19,744,221	19,128,074	19,931,958	19,395,487	17,633,301
Property taxes levied for debt service	8,758,980	10,795,009	10,542,052	10,647,453	10,904,444	11,778,957	11,846,917	11,683,889	11,367,372	5,315,504
Property taxes levied for sinking fund	2,309,954	-	-	-	-	-	-	-	-	-
Unrestricted state aid	26,832,592	25,911,514	26,477,203	25,927,663	26,346,437	25,423,522	26,743,641	29,301,556	30,966,580	33,314,491
Interest and investment earnings	41,148	41,810	33,163	41,643	33,558	65,288	365,721	1,912,523	4,327,700	2,709,921
Gain on sale of assets	321,858	1,307,721	1,538,403	680,496	614,413	488,977	60,000	100,000	2,457,819	4,599,382
Insurance recoveries	832,317	-	-	-	-	2,000,000	-	-	-	-
Other	288,935	648,649	416,280	293,841	661,718	554,199	1,650,012	406,123	1,699,163	1,349,653
Total primary government	58,490,229	57,609,147	58,171,074	56,516,833	57,839,807	60,055,164	59,794,365	63,336,049	70,214,121	64,922,252
Change in net position										
Total primary government	\$ 6,387,368	\$ 6,104,702	\$ 8,433,533	\$ 7,251,509	\$ 8,364,025	\$ 5,718,416	\$ (1,388,736)	\$ 1,322,977	\$ 7,396,547	\$ 4,164,332

Source: Royal Oak Schools Comprehensive Annual Financial Reports 2006-2015.

Royal Oak Schools
Fund Level Fund Balances - Last Ten Fiscal Years
(Unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund										
Non-spendable	\$ -	\$ -	\$ 3,817	\$ 72,405	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	-	137,674	-	-	-	-	-	-	-	-
Assigned	1,452,263	3,004,594	2,824,754	2,859,270	5,301,954	-	-	-	-	-
Unassigned	12,579,125	10,720,665	10,037,295	7,622,793	4,061,055	-	-	-	-	-
Reserved	-	-	-	-	-	195,205	30,442	99,015	147,604	108,941
Unreserved										
Designated	-	-	-	-	-	3,896,984	5,101,754	7,634,221	8,266,194	10,017,351
Undesignated	-	-	-	-	-	2,678,084	1,198,855	4,372,960	3,459,217	4,098,528
Total General Fund	14,031,388	13,862,933	12,865,866	10,554,468	9,363,009	6,770,273	6,331,051	12,106,196	11,873,015	14,224,820
All other governmental funds										
Non-spendable	125,275	129,865	131,034	136,843	26,580	-	-	-	-	-
Restricted	3,354,555	2,138,043	3,653,902	4,067,813	4,380,800	-	-	-	-	-
Committed	227,727	3,051,008	-	-	-	-	-	-	-	-
Assigned	1,361,663	2,463,262	5,331,284	4,529,435	1,007,336	-	-	-	-	-
Unassigned	-	-	-	-	(238,471)	-	-	-	-	-
Reserved	-	-	-	-	-	1,120,695	1,020,753	4,129,779	44,920,653	72,317,691
Unreserved, reported in:										
Special Revenue Funds	-	-	-	-	-	1,311,216	2,185,837	2,015,393	1,419,101	1,106,447
Capital Project Funds	-	-	-	-	-	(2,359,856)	(5,298,279)	(6,980,540)	1,142,848	263,638
Total all other governmental funds	5,069,220	7,782,178	9,116,220	8,734,091	5,176,245	72,055	(2,091,689)	(835,368)	47,482,602	73,687,776
Total all funds	\$ 19,100,608	\$ 21,645,111	\$ 21,982,086	\$ 19,288,559	\$ 14,539,254	\$ 6,842,328	\$ 4,239,362	\$ 11,270,828	\$ 59,355,617	\$ 87,912,596

Note: The District began reporting fund balance under new definitions as required by GASB Statement 54 in fiscal year 2011.

Source: Royal Oak Schools Comprehensive Annual Financial Reports 2006-2015.

Royal Oak Schools
Fund Level Revenues by Source - Last Ten Fiscal Years
(Unaudited)

Year Ended	General Fund					Special Revenue Funds					Capital Project Funds			Debt Service Funds		Total Revenue		
	Property Taxes	Other Local Sources	Interdistrict Sources	State Sources	Federal Sources *	Total General Fund Revenues	Local Sources	Interdistrict Sources	State Sources	Federal Sources	Total Special Revenue Funds Revenue	Interest and Other	State Sources	Total Capital Project Funds Revenue	Property Taxes		Interest and Other	Total Debt Service Funds Revenue
2006	\$17,633,301	\$ 2,067,471	\$ 5,095,037	\$ 36,396,676	\$ 2,169,924	\$ 63,362,409	\$ 2,043,471	\$ 2,240,180	\$ 1,291,034	\$ 355,220	\$ 5,929,905	\$ 1,592,477	\$ -	\$ 1,592,477	\$ 5,625,495	\$ 149,715	\$ 5,775,210	\$ 76,660,001
2007	19,395,487	1,906,600	5,040,560	33,698,811	1,987,091	62,028,549	1,847,219	2,327,152	1,356,750	351,249	5,882,370	2,983,962	-	2,983,962	11,325,877	337,414	11,663,291	82,558,172
2008	19,931,958	1,485,682	5,628,026	32,158,320	2,123,988	61,327,974	1,761,007	2,115,760	1,218,667	376,023	5,471,457	885,634	-	885,634	11,725,384	393,887	12,119,271	79,804,336
2009	19,128,074	1,018,240	5,429,852	29,574,837	3,955,458	59,106,461	1,838,357	1,635,792	979,873	486,740	4,940,762	98,579	-	98,579	11,846,917	136,111	11,983,028	76,128,830
2010	19,744,221	944,292	5,122,785	27,868,679	5,310,354	58,990,331	1,844,314	1,666,260	1,047,871	583,377	5,141,822	20,799	-	20,799	11,778,996	33,933	11,812,929	75,965,881
2011	19,279,237	1,209,137	5,220,718	29,659,838	3,114,539	58,483,469	1,725,212	-	174,886	591,210	2,491,308	-	-	-	10,904,656	12,000	10,916,656	71,891,433
2012	18,925,737	990,252	4,210,781	29,169,198	2,631,679	55,927,647	1,766,482	-	234,126	602,209	2,602,817	-	-	-	10,647,453	149,246	10,796,699	69,327,163
2013	19,163,973	955,151	3,743,464	29,689,691	1,712,589	55,264,868	1,726,589	-	189,173	540,390	2,456,152	-	-	-	10,542,062	118,442	10,660,504	68,381,524
2014	18,934,302	1,092,851	3,700,185	29,178,665	1,495,945	54,401,948	1,770,244	-	369,091	527,355	2,666,690	2,259,101	-	2,259,101	8,510,309	107,787	8,618,096	67,945,835
2015	19,139,195	771,400	3,842,917	30,180,869	1,632,761	55,567,142	1,813,291	-	580,621	535,191	2,929,103	2,307,388	-	2,307,388	8,733,763	107,287	8,841,050	69,644,683

* In 2012, 2011, 2010, and 2009, the District received \$648,732, \$800,607, \$3,217,775 and \$1,995,247 respectively in federal dollars as part of the American Recovery and Reinvestment Act.

Source: Royal Oak Schools Comprehensive Annual Financial Reports 2006-2015.

Royal Oak Schools
Fund Level Expenditures by Function - Last Ten Fiscal Years
(Unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Instruction (2)	\$31,198,044	\$30,384,432	\$19,494,865	\$19,287,159	\$20,836,847	\$22,789,538	\$22,968,200	\$ 22,995,734	\$ 23,639,078	\$23,987,353
Pupil services	4,618,925	4,686,290	3,145,836	3,134,485	3,030,725	3,894,769	3,547,896	3,572,906	3,799,280	3,990,432
Instructional support services	2,151,361	1,840,714	1,312,486	1,376,078	1,287,388	1,830,065	1,569,359	1,630,971	1,662,792	1,909,897
General administration	635,080	570,881	543,944	505,682	544,271	593,784	593,714	583,406	528,481	497,451
School administration	2,939,396	2,914,383	1,837,736	2,075,127	2,152,357	2,143,988	2,210,699	2,017,650	2,520,245	2,616,229
Business services	8,052,085	6,554,363	6,096,684	6,412,103	7,089,407	7,095,898	7,528,487	8,306,281	7,985,698	8,510,110
Central staff	2,122,841	1,865,325	1,543,609	822,949	768,903	952,911	828,829	823,762	855,625	1,023,288
Athletics	627,746	585,482	498,456	445,893	441,760	639,525	674,369	721,696	896,357	1,017,503
Employee benefits (2)	-	-	13,388,786	14,546,344	14,833,474	15,262,778	15,107,125	15,546,380	16,578,710	16,920,722
Community services (2)	923,577	749,920	543,777	92,385	151,932	124,243	146,350	248,850	242,298	174,058
Payments to other governmental units	2,129,381	2,293,166	2,508,425	2,807,290	2,606,948	3,366,488	3,154,798	3,011,002	2,793,834	2,418,836
Capital lease retirement	75,234	75,234	31,348	-	-	-	-	-	-	-
Capital outlay (1)	3,668	350,450	997,251	122,670	282,373	425,170	382,472	492,165	795,474	505,552
Food Services Fund	1,170,921	1,160,434	1,153,903	1,275,493	1,284,725	1,277,065	1,215,116	1,117,219	1,150,096	1,182,654
Community Services Fund	2,030,239	1,791,515	1,484,600	1,599,307	1,542,769	1,570,395	1,606,298	1,710,488	1,982,233	1,940,627
Special Education Center Program Fund	-	-	-	-	-	2,566,089	2,706,433	3,134,862	3,471,941	3,436,359
Sinking Fund	2,195,539	2,254,547	-	-	-	-	-	-	-	-
Debt service										
Principal	7,365,000	7,365,000	7,825,000	5,850,000	5,395,000	7,530,000	4,052,732	8,125,000	5,250,000	4,465,000
Interest	2,436,105	2,956,970	3,343,720	3,644,377	3,769,475	4,138,025	8,397,829	3,645,585	4,974,692	756,140
Other	1,023,896	65,452	151,487	114,528	113,744	79,808	108,193	215,305	51,731	19,895
Capital projects (1)	2,722,228	3,264,822	2,162,324	1,343,706	1,118,333	1,050,748	7,817,337	48,870,643	39,109,809	6,324,113
	<u>\$74,421,266</u>	<u>\$71,729,380</u>	<u>\$68,064,237</u>	<u>\$65,455,576</u>	<u>\$67,250,431</u>	<u>\$77,331,287</u>	<u>\$84,616,236</u>	<u>\$ 126,769,905</u>	<u>\$ 118,288,374</u>	<u>\$81,696,219</u>
Debt services as a percentage of noncapital expenditures	<u>15.57%</u>	<u>15.69%</u>	<u>17.18%</u>	<u>14.99%</u>	<u>14.03%</u>	<u>15.40%</u>	<u>16.35%</u>	<u>15.39%</u>	<u>12.98%</u>	<u>6.95%</u>

(1) Capital outlay expenditures consist of all capital-related expenditures not recorded in the capital projects funds.

(2) Starting in 2014, Employee benefits are reported by function instead of a separate line item. This also reflects General Fund expenditures only

Source: Royal Oak Schools Comprehensive Annual Financial Reports 2006-2015.

Royal Oak Schools
Fund Level Other Financing Sources and Uses and
Net Change in Fund Balances - Last Ten Fiscal Years
(Unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Excess of revenues over (under) expenditures	\$ (4,776,583)	\$ (1,528,998)	\$ 317,387	\$ 3,871,587	\$ 4,641,002	\$ (1,365,406)	\$ (8,487,406)	\$ (46,965,569)	\$ (35,730,202)	\$ (5,036,218)
Other financing sources (uses)										
Proceeds from capital lease	-	-	340,365	-	-	-	-	-	-	-
Proceeds from sale of assets	1,144,030	1,192,023	2,035,775	877,718	405,924	1,968,372	271,111	200,000	5,848,469	1,518,150.00
Insurance recoveries	832,317	-	-	-	-	2,000,000	1,184,829	-	1,324,754	-
Transfers in	3,077,282	579,708	1,651,890	4,481,783	3,577,001	2,373,147	9,448,816	3,745,991	4,933,687	6,301,715
Transfers out	(3,077,282)	(579,708)	(1,651,890)	(4,481,783)	(3,577,001)	(2,373,147)	(9,448,816)	(3,745,991)	(4,933,687)	(6,301,715)
General long-term debt issued	44,333,524	-	-	-	2,650,000	-	-	17,200,000	-	65,500,000
Bond discount/premium	-	-	-	-	-	-	-	1,037,790	-	4,409,446
Payments to bond escrow agent	(44,077,791)	-	-	-	-	-	-	(19,557,010)	-	-
Total other financing sources (uses)	2,232,080	1,192,023	2,376,140	877,718	3,055,924	3,968,372	1,455,940	(1,119,220)	7,173,223	71,427,596
Net change in fund balances	\$ (2,544,503)	\$ (336,975)	\$ 2,693,527	\$ 4,749,305	\$ 7,696,926	\$ 2,602,966	\$ (7,031,466)	\$ (48,084,789)	\$ (28,556,979)	\$ 66,391,378

Source: Royal Oak Schools Comprehensive Annual Financial Reports 2006-2015.

Royal Oak Schools
Property Tax Levies and Collections - Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Taxes Collected	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 22,948,805	\$ 22,868,119	99.65 %	\$ 58,200	\$ 22,926,319	99.90 %
2007	28,892,659	28,755,289	99.52 %	64,792	28,820,081	99.75 %
2008	29,750,565	29,640,863	99.63 %	89,868	29,730,731	99.93 %
2009	30,929,774	30,781,842	99.52 %	45,217	30,827,059	99.67 %
2010	31,470,829	31,390,959	99.75 %	52,351	31,443,310	99.91 %
2011	30,149,523	30,115,735	99.89 %	34,157	30,149,892	100.00 %
2012	29,646,026	29,597,314	99.84 %	37,812	29,635,126	99.96 %
2013	29,568,887	29,535,282	99.89 %	71,390	29,606,672	100.13 %
2014	29,783,139	29,656,242	99.57 %	43,210	29,699,453	99.72 %
2015	30,163,155	30,118,404	99.85 %	51,058	30,169,463	100.02 %

Source: Treasurers' Settlements

Royal Oak Schools
Taxable Valuation and Actual Value of Taxable Property - Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Taxable Valuation			Estimated Actual Valuation	Total District Direct Millage Rate	
	Homestead Property	Nonhomestead Property	Total		Homestead Property	Nonhomestead Property
2006	\$ 1,464,863,580	\$ 765,731,950	\$ 2,230,595,530	\$ 4,461,191,060	6.01	20.32
2007	1,543,049,030	826,315,600	2,369,364,630	4,738,729,260	7.70	22.71
2008	1,628,952,760	864,917,530	2,493,870,290	4,987,740,580	7.61	22.71
2009	1,716,694,470	804,997,370	2,521,691,840	5,043,383,680	7.41	22.71
2010	1,679,401,510	825,078,121	2,504,479,631	5,008,959,262	7.35	22.71
2011	1,511,914,870	805,337,800	2,317,252,670	4,634,505,340	7.73	22.71
2012	1,458,200,960	791,577,970	2,249,778,930	4,499,557,860	7.73	22.71
2013	1,438,626,420	795,740,360	2,234,366,780	4,468,733,560	7.73	22.71
2014	1,460,042,270	802,008,610	2,262,050,880	4,524,101,760	7.73	22.75
2015	1,491,113,290	819,178,380	2,310,291,670	4,620,583,340	6.19	22.75

Property taxes in the School District are contingent upon the taxable property values. Taxable value increases are limited by variable caps and other restrictions, which generally cause taxable values to be at or below state equalized values (which are primarily market driven).

Source: Royal Oak Schools and Oakland County Equalization Department

Royal Oak Schools
Direct and Overlapping Property Tax Rates - Homestead - Last Ten Fiscal Years
(Unaudited)

Fiscal Year	District Direct Rates			State of Michigan	Oakland County Operating and ISD	Oakland Community College	Overlapping Rates				
	Operating	Non-Operating	Total				City of Berkley	City of Huntington Woods	City of Madison Heights	City of Royal Oak	City of Troy
2006	3.50	2.51	6.01	6.00	8.40	1.58	12.63	19.99	17.30	11.78	9.45
2007	2.99	4.71	7.70	6.00	8.61	1.58	13.02	20.29	17.90	11.67	9.43
2008	2.90	4.71	7.61	6.00	8.61	1.58	12.97	21.10	18.04	11.44	9.28
2009	2.70	4.71	7.41	6.00	8.71	1.58	13.00	21.80	18.16	11.43	9.28
2010	2.64	4.71	7.35	6.00	8.71	1.58	13.08	21.95	18.00	11.69	9.28
2011	3.02	4.71	7.73	6.00	8.71	1.58	14.07	23.56	18.81	11.71	9.40
2012	3.02	4.71	7.73	6.00	8.71	1.58	14.30	25.73	21.87	11.72	10.19
2013	3.02	4.71	7.73	6.00	8.71	1.58	14.49	26.39	22.43	15.20	10.48
2014	2.98	3.75	6.73	6.00	8.32	1.58	17.51	26.83	22.93	15.17	10.52
2015	2.44	3.75	6.19	6.00	8.32	1.58	17.55	26.71	22.97	18.16	10.50

Source: Oakland County Equalization Department

Royal Oak Schools
Direct and Overlapping Property Tax Rates - Non-Homestead - Last Ten Fiscal Years
(Unaudited)

Fiscal Year	District Direct Rates			State of Michigan	Oakland County Operating and ISD	Oakland Community College	Overlapping Rates				
	Operating	Non-Operating	Total				City of Berkley	City of Huntington Woods	City of Madison Heights	City of Royal Oak	City of Troy
2006	17.81	2.51	20.32	6.00	8.40	1.58	12.63	19.99	17.30	11.78	9.45
2007	18.00	4.71	22.71	6.00	8.61	1.58	13.02	20.29	17.90	11.67	9.43
2008	18.00	4.71	22.71	6.00	8.61	1.58	12.97	21.10	18.04	11.44	9.28
2009	18.00	4.71	22.71	6.00	8.71	1.58	13.00	21.80	18.16	11.43	9.28
2010	18.00	4.71	22.71	6.00	8.71	1.58	13.08	21.95	18.00	11.69	9.28
2011	18.00	4.71	22.71	6.00	8.71	1.58	14.07	23.56	18.81	11.71	9.40
2012	18.00	4.71	22.71	6.00	8.71	1.58	14.30	25.73	21.87	11.72	10.19
2013	18.00	4.71	22.71	6.00	8.71	1.58	14.49	26.39	22.43	15.20	10.48
2014	18.00	4.75	22.75	6.00	8.91	1.58	17.51	26.83	22.93	15.17	10.52
2015	18.00	4.75	22.75	6.00	9.32	1.58	17.55	26.71	22.97	18.16	10.50

Source: Oakland County Equalization Department

Royal Oak Schools
Outstanding Debt by Type - Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Activities					Total	Percentage of Personal Income *	Per Capita
	Bonded Debt	Performance Contracting Notes	Bus Notes	Capital Leases				
2006	\$ 91,438,333	\$ -	\$ -	\$ -	\$ -	\$ 91,438,333	0.1442%	\$ 1,496
2007	86,188,333	-	-	-	-	86,188,333	0.1299%	1,437
2008	87,172,732	-	-	-	-	87,172,732	0.1351%	1,467
2009	83,120,000	-	-	-	-	83,120,000	0.1370%	1,406
2010	75,590,000	-	-	-	-	75,590,000	N/A	1,277
2011	72,845,000	-	-	-	-	72,845,000	N/A	1,240
2012	66,995,000	-	-	-	-	66,995,000	N/A	1,133
2013	59,170,000	-	-	314,529	-	59,484,529	N/A	988
2014	51,805,000	-	-	250,737	-	52,055,737	N/A	861
2015	40,765,000	-	-	184,341	-	40,949,341	N/A	648

* Year 2006 has been updated to reflect revised personal income figures issued by the U.S. Department of Commerce

Source: Royal Oak Schools

N/A - Data is not available

Royal Oak Schools
Legal Debt Margin Information - Last Ten Fiscal Years
(Unaudited)

Legal Debt Margin Calculation for Fiscal Year 2015

Taxable value	\$ 2,310,291,670
Debt limit (15%) of taxable value	346,543,751
Debt applicable to limit	<u>(40,765,000)</u>
Legal Debt Margin	<u>\$ 305,778,751</u>

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 334,589,330	\$ 355,404,695	\$ 374,080,544	\$ 378,253,776	\$ 375,671,945	\$ 347,587,901	\$ 337,466,840	\$ 335,155,017	\$ 339,307,632	\$ 346,543,751
Total net debt applicable to limit	<u>91,438,333</u>	<u>86,188,333</u>	<u>87,172,732</u>	<u>83,120,000</u>	<u>75,590,000</u>	<u>72,845,000</u>	<u>66,995,000</u>	<u>59,170,000</u>	<u>51,805,000</u>	<u>51,805,000</u>
Legal debt margin	<u>\$ 243,150,997</u>	<u>\$ 269,216,362</u>	<u>\$ 286,907,812</u>	<u>\$ 295,133,776</u>	<u>\$ 300,081,945</u>	<u>\$ 274,742,901</u>	<u>\$ 270,471,840</u>	<u>\$ 275,985,017</u>	<u>\$ 287,502,632</u>	<u>\$ 294,738,751</u>
Total net debt applicable to the limit as a percentage of debt limit	27.33%	24.25%	23.30%	21.97%	20.12%	20.96%	19.85%	17.65%	15.27%	14.95%

Source: Oakland County Equalization Department and Royal Oak Schools

Royal Oak Schools
Demographic Data - Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Estimated Population	Enrollment	Full-Time and Part-Time School District Employees
2006	61,138	5,896	814
2007	59,984	5,694	773
2008	59,418	5,480	758
2009	59,110	5,445	738
2010	59,188	5,488	635
2011	58,736	5,306	493
2012	59,107	5,449	453
2013	59,910	6,124	453
2014	60,446	5,963	453
2015	60569	5,915	465

Source: Royal Oak Schools, Oakland County
 Planning and Economic Development Department, and the U.S. Census Bureau

Royal Oak Schools
Demographic and Economic Statistics - Last Ten Calendar Years
(Unaudited)

Calendar Year	Oakland County Personal Income *	City of Royal Oak				
		Estimated Population	Estimated Total Household Income	Estimated Number of Households	Estimated Income Per Household	Unemployment Rate **
2006	\$ 63,419,982,000	61,138	1,792,994,026	28,862	62,123	6.10%
2007	66,375,041,000	59,984	1,769,553,282	28,686	61,687	6.60%
2008	64,506,257,000	59,418	1,765,259,350	28,615	61,690	7.30%
2009	60,677,507,000	59,110	1,636,404,626	27,639	59,134	13.70%
2010	N/A	59,188	N/A	28,063	N/A	12.50%
2011	N/A	58,736	N/A	N/A	N/A	10.90%
2012	68,065,416,000	59,107	N/A	N/A	55,761	8.80%
2013	N/A	59,910	N/A	28,356	60,184	9.10%
2014	N/A	60,446	N/A	N/A	N/A	8.10%
2015	N/A	60,569	N/A	N/A	N/A	6.80%

* Year 2006 contains revised figures issued by the U.S. Department of Commerce

** Years 2006-2010 are revised figures issued by the U.S. Department of Labor

Source: U.S. Department of Commerce, US Census Bureau, Southeast Michigan Council of Governments, U.S. Department of Labor

N/A - Data is not available

Royal Oak Schools
Principal Property Taxpayers - Current Year and Nine Years Ago
(Unaudited)

Taxpayer	2015			2006		
	2014 Tax Year Taxable Value Real and Personal Property	Rank	Percentage of Total Taxable Value	2005 Tax Year Taxable Value Real and Personal Property	Rank	Percentage of Total Taxable Value
Detroit Edison	\$ 23,026,880	1	1.02%	\$ 24,556,230	1	1.10%
Consumers Energy	18,603,170	2	0.82%	9,034,100	7	0.41%
Beaumont Hospital	16,788,960	3	0.74%	14,580,520	3	0.65%
Form Tech Industries	14,458,830	4	0.64%	7,611,230	9	0.34%
Meijer	6,817,740	5	0.30%			
H2 Royal Oak, LLC	6,050,190	6	0.27%			
Garber Family Partnership	5,841,580	7	0.26%			
Woodland Gardens MI	5,502,850	8	0.24%			
Alidade Mane N LLC	4,986,260	9	0.22%			
National Retail Prop	4,926,020	10	0.22%			
Metaldyne				24,101,110	2	1.08%
Flex-N-Gate				13,474,990	4	0.60%
Amber Equities, LLC				10,914,600	5	0.49%
Co-op Services	-		-	9,257,560	6	0.42%
National City Bank	-		-	7,910,400	8	0.35%
Home Properties	-		-	5,447,750	10	0.24%
Total principal taxpayers	107,002,480		4.73%	126,888,490		5.68%
Balance of valuations	2,155,048,400		95.27%	2,103,707,040		94.32%
Total taxable valuation	<u>\$ 2,262,050,880</u>		<u>100.00%</u>	<u>\$ 2,230,595,530</u>		<u>100.00%</u>

Source: City of Royal Oak Assessor

Royal Oak Schools
Principal Employers - Current Year and Nine Years Ago
(Unaudited)

Employer	2012*			2006**		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
William Beaumont Hospital	7,386	1	1.40%	12,227	1	1.99%
Royal Oak School District	520	2	0.10%	814	2	0.13%
City of Royal Oak	354	3	0.07%	380	4	0.06%
Flex-N-Gate Royal Oak	350	4	0.07%	260	7	0.04%
Detroit Zoo	340	5	0.06%	250	9	0.04%
Form Tech Industries LLC	250	6	0.05%	298	6	0.05%
Meijer	221	7	0.04%	450	3	0.07%
Kroger	190	8	0.04%	260	8	0.04%
Comau, Inc	160	9	0.03%			
Greenfield Rehab & Nursing Center	151	10	0.03%			
National City Bank	-	-	-	302	5	0.05%
Holiday Market	-	-	-	220	10	0.04%
			1.88%			2.51%

Source: Oakland County Planning and Economic Development Department and Michigan Department of Energy, Labor, and Economic Growth

* Data for 2015 is not available. 2012 data is presented for comparative purposes.

Royal Oak Schools
Operating Statistics - Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended	Enrollment (1)	Operating Expenditures (2)	Cost per Pupil	Percentage Change
2006	5,825	\$ 59,455,738	\$ 10,207	6.81 %
2007	5,633	57,559,962	10,218	0.11 %
2008	5,424	55,466,880	10,226	0.08 %
2009	5,395	54,344,255	10,073	(1.50) %
2010	5,458	54,553,881	9,995	(0.77) %
2011	5,306	50,979,502	9,608	(3.88) %
2012	5,449	48,603,425	8,920	(7.16) %
2013	6,124	47,691,330	7,788	(12.69) %
2014	5,963	49,477,104	8,297	6.54 %
2015	5,915	52,345,478	8,850	6.66 %

Source: Royal Oak Schools

(1) Enrollment for special education Center Program students is excluded in Years 2006 - 2010.
Center Programs were discontinued beginning Year 2011.

(2) General Fund expenditures only, excluding other financing sources, payments to other governmental units, capital outlay, and community services

Royal Oak Schools
Full-Time Equivalent Employees by Type - General Fund - Last Ten Fiscal Years
(Unaudited)

	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	Percentage Change from <u>2005-06 to 2014-15</u>
Administrative											
Building administrators	14.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	16.5	18.0	(19.44)%
Central administration	5.0	6.0	6.0	7.0	6.0	5.0	7.0	7.0	7.0	7.0	(28.57)%
Operational administration	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	3.0	(66.67)%
	<u>20.5</u>	<u>20.5</u>	<u>20.5</u>	<u>21.5</u>	<u>21.5</u>	<u>20.5</u>	<u>22.5</u>	<u>22.5</u>	<u>25.5</u>	<u>28.0</u>	(26.79)%
Instruction and pupil services											
Classroom teachers	256.2	253.1	251.0	247.2	266.9	268.4	276.4	283.6	302.3	320.9	(20.16)%
Counselors	7.0	8.0	8.0	8.0	7.8	9.3	9.4	10.3	10.8	9.8	(28.57)%
Media specialists	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0	3.0	4.0	(75.00)%
Psychologists	4.2	4.2	4.0	4.0	4.0	3.8	3.6	3.9	3.0	4.0	5.00 %
Social workers	6.0	4.6	4.6	4.6	4.6	6.6	6.4	6.3	7.0	7.7	(22.08)%
Pupil support - professional	19.8	19.1	20.3	21.2	20.0	27.8	16.3	18.1	19.7	22.6	(12.39)%
Paraprofessionals	67.0	46.6	45.0	45.5	43.0	43.0	43.0	44.5	47.5	48.0	39.58 %
Secretarial	21.0	21.0	22.0	22.5	23.5	23.5	23.5	24.0	28.0	34.0	(38.24)%
Hall supervision (1)	-	-	-	-	-	3.0	4.0	6.0	8.0	9.0	(100.00)%
	<u>382.2</u>	<u>357.6</u>	<u>355.9</u>	<u>354.0</u>	<u>370.8</u>	<u>386.4</u>	<u>384.6</u>	<u>398.7</u>	<u>429.3</u>	<u>460.0</u>	(16.91)%
Business Services											
Custodial (1)	-	-	-	-	-	33.5	38.5	42.5	42.5	52.0	(100.00)%
Maintenance (1)	-	-	-	-	-	14.0	15.0	18.0	19.0	19.0	(100.00)%
Transportation (1)	-	-	-	-	-	24.0	24.0	24.5	28.0	23.5	(100.00)%
Secretarial/clerical	12.0	11.0	10.5	9.0	11.0	13.5	14.0	14.0	14.0	15.0	(20.00)%
Technical	-	-	1.5	5.5	5.5	5.5	7.0	5.5	5.5	7.4	(100.00)%
	<u>12.0</u>	<u>11.0</u>	<u>12.0</u>	<u>14.5</u>	<u>16.5</u>	<u>90.5</u>	<u>98.5</u>	<u>104.5</u>	<u>109.0</u>	<u>116.9</u>	(89.73)%
Total	<u>414.7</u>	<u>389.1</u>	<u>388.4</u>	<u>390.0</u>	<u>408.8</u>	<u>497.4</u>	<u>505.6</u>	<u>525.7</u>	<u>563.8</u>	<u>604.9</u>	(31.44)%

Source: Royal Oak Schools

(1) The District privatized custodial, maintenance, hall supervision, and transportation services in 2010-11.

(2) The District outsourced technology to Oakland Schools 2012-2013.

(3) The District closed the Print Shop in 2013-2014

Royal Oak Schools
Teacher Base Salaries - Last Ten Fiscal Years
(Unaudited)

Fiscal Year	BA Base Minimum Salary	MA / BA +30 Maximum Salary
2006	\$ 36,864	\$ 77,699
2007	37,233	78,476
2008	37,884	80,449
2009	38,452	81,656
2010	38,452	81,656
2011	38,452	81,656
2012	38,452	81,656
2013	38,452	81,656
2014	38,452	81,656
2015	38,452	81,656

Source: Royal Oak Schools

Royal Oak Schools
School Building Information - Last Ten Fiscal Years
(Unaudited)

School	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Elementary:										
Addams (1952)										
Square feet	-	-	70,890	70,890	70,890	70,890	70,890	70,890	70,890	70,890
Capacity	-	-	625	625	625	625	625	625	625	625
Enrollment	-	-	464	414	418	417	452	442	464	464
Franklin (1927)										
Square feet	-	-	-	-	-	-	-	-	-	-
Capacity	-	-	-	-	-	-	-	-	-	-
Enrollment	-	-	-	-	-	-	-	-	-	-
Keller (1961)										
Square feet	-	-	78,640	78,640	78,640	78,640	78,640	78,640	78,640	78,640
Capacity	-	-	675	675	675	675	675	675	675	675
Enrollment	-	-	372	361	338	314	379	394	400	402
Longfellow (1919)										
Square feet	40,944	40,944	-	-	-	-	-	-	-	-
Capacity	400	400	-	-	-	-	-	-	-	-
Enrollment	179	180	-	-	-	-	-	-	-	-
Northwood (1923)										
Square feet	42,174	42,174	42,174	-	-	-	-	-	-	-
Capacity	400	400	400	-	-	-	-	-	-	-
Enrollment	374	330	312	-	-	-	-	-	-	-
Northwood (2008)										
Square feet	-	-	-	65,000	65,000	65,000	65,000	65,000	65,000	65,000
Capacity	-	-	-	475	475	475	475	475	475	475
Enrollment	-	-	-	402	463	463	467	512	475	490
Oakland (1924)										
Square feet	43,257	43,257	43,257	43,257	43,257	43,257	43,257	43,257	43,257	43,257
Capacity	400	400	400	400	400	400	400	400	400	400
Enrollment	262	264	258	282	297	320	334	303	271	289
Oak Ridge (1951)										
Square feet	51,619	51,619	51,619	51,619	51,619	51,619	51,619	51,619	51,619	51,619
Capacity	475	475	475	475	475	475	475	475	475	475
Enrollment	449	430	482	432	435	443	437	458	453	434
Parker (1952)										
Square feet	-	-	-	-	-	-	-	-	-	-
Capacity	-	-	-	-	-	-	-	-	-	-
Enrollment	-	-	-	-	-	-	-	-	-	-
Starr (1919)										
Square feet	39,414	39,414	-	-	-	-	-	-	-	-
Capacity	400	400	-	-	-	-	-	-	-	-
Enrollment	258	250	-	-	-	-	-	-	-	-
Twain (1954)										
Square feet	47,276	47,276	-	-	-	-	-	-	-	-
Capacity	450	450	-	-	-	-	-	-	-	-
Enrollment	219	180	-	-	-	-	-	-	-	-
Upton (1951)										
Square feet	35,708	35,708	35,708	35,708	35,708	35,708	35,708	35,708	35,708	35,708
Capacity	325	325	325	325	325	325	325	325	325	325
Enrollment	316	323	299	331	356	367	323	316	294	285

Royal Oak Schools
School Building Information - Last Ten Fiscal Years
(Unaudited)

School	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Whittier (1922)										
Square feet	43,982	43,982	-	-	-	-	-	-	-	-
Capacity	450	450	-	-	-	-	-	-	-	-
Enrollment	284	263	-	-	-	-	-	-	-	-
Middle:										
Addams (1953)										
Square feet	70,890	70,890	-	-	-	-	-	-	-	-
Capacity	891	891	-	-	-	-	-	-	-	-
Enrollment	666	670	-	-	-	-	-	-	-	-
Keller (1961)										
Square feet	78,640	78,640	-	-	-	-	-	-	-	-
Capacity	1,161	1,161	-	-	-	-	-	-	-	-
Enrollment	653	621	-	-	-	-	-	-	-	-
ROMS (1928)										
Square feet	-	-	277,161	277,161	277,161	277,161	277,161	277,161	277,161	277,161
Capacity	-	-	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Enrollment	-	-	1,205	1,204	1,172	1,127	1,094	1,049	1,044	1,055
High:										
Dondero (1928)										
Square feet	264,819	264,819	-	-	-	-	-	-	-	-
Capacity	1,188	1,188	-	-	-	-	-	-	-	-
Enrollment	668	-	-	-	-	-	-	-	-	-
Kimball (1957)										
Square feet	269,008	-	-	-	-	-	-	-	-	-
Capacity	1,998	-	-	-	-	-	-	-	-	-
Enrollment	1,290	-	-	-	-	-	-	-	-	-
ROHS (1957)										
Square feet	-	269,008	285,508	285,508	285,508	285,508	285,508	285,508	285,508	285,508
Capacity	-	1,998	1,998	1,998	1,998	1,998	1,998	1,998	1,998	1,998
Enrollment	-	1,867	1,798	1,743	1,713	1,614	1,533	1,441	1,358	1,278
Other:										
Oakland Technical Center, SE Campus (1971)										
Square feet	125,735	125,735	125,735	125,735	125,735	125,735	125,735	125,735	125,735	125,735
Capacity	-	-	-	-	-	-	-	-	-	-
Enrollment	-	-	-	-	-	-	-	-	-	-
Community Education Center (1979)										
Square feet	78,583	78,583	78,583	78,583	78,583	78,583	78,583	78,583	78,583	51,079
Capacity	540	540	540	540	540	540	540	540	540	540
Enrollment	170	198	179	181	181	186	341	309	327	319
Addams Early Childhood Center (1952)										
Square feet	-	-	25,913	25,913	25,913	25,913	25,913	25,913	25,913	25,913
Capacity	-	-	250	250	250	250	250	250	250	250
Enrollment	-	-	111	101	103	55	68	77	82	82
Lincoln Early Childhood Center (1953)										
Square feet	39,565	39,565	-	-	-	-	-	-	-	-
Capacity	350	350	-	-	-	-	-	-	-	-
Enrollment	108	118	-	-	-	-	-	-	-	-

Source: Royal Oak Schools

Royal Oak Schools

Single Audit Report

June 30, 2015

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**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on
an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Independent Auditors' Report

Members of the Board of Education
Royal Oak Schools
Royal Oak, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Royal Oak Schools as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Royal Oak Schools' basic financial statements, and have issued our report thereon dated October 21, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Yeo & Yeo, P.C.

Saginaw, Michigan
October 21, 2015

Report on Compliance For Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditors' Report

Members of the Board of Education
Royal Oak Schools
Royal Oak, Michigan

Report on Compliance for Each Major Federal Program

We have audited Royal Oak Schools' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Royal Oak Schools' major federal programs for the year ended June 30, 2015. Royal Oak Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Royal Oak Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Royal Oak Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Royal Oak Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Royal Oak Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Royal Oak Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Royal Oak Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Royal Oak Schools' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Royal Oak Schools as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Royal Oak Schools' basic financial statements. We issued our report thereon dated October 21, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of

additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Saginaw, Michigan
October 21, 2015

Royal Oak Schools
Schedule of Expenditures of Federal Awards
June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2014	Federal Funds/ Payments In-kind Received	Expenditures	Adjustments	Accrued (Deferred) Revenue at June 30, 2015
U.S. Department of Agriculture								
Passed through the Michigan Department of Education								
Child Nutrition Cluster								
National School Breakfast Program:	10.553							
2013-2014		\$ 55,331	\$ 49,400	\$ -	\$ 5,931	\$ 5,931	\$ -	\$ -
2014-2015		<u>53,717</u>	<u>-</u>	<u>-</u>	<u>50,796</u>	<u>53,717</u>	<u>-</u>	<u>2,921</u>
Total National School Breakfast Program		<u>109,048</u>	<u>49,400</u>	<u>-</u>	<u>56,727</u>	<u>59,648</u>	<u>-</u>	<u>2,921</u>
National School Lunch Program:								
Cash Assistance	10.555							
2013-2014		392,957	347,216	-	45,741	45,741	-	-
2014-2015		<u>365,879</u>	<u>-</u>	<u>-</u>	<u>348,346</u>	<u>365,879</u>	<u>-</u>	<u>17,533</u>
Total Cash Assistance		<u>758,836</u>	<u>347,216</u>	<u>-</u>	<u>394,087</u>	<u>411,620</u>	<u>-</u>	<u>17,533</u>
Non-cash Assistance:								
Entitlement commodities - 2013-2014		80,438	80,438	-	-	-	-	-
Entitlement commodities - 2014-2015		<u>59,359</u>	<u>-</u>	<u>-</u>	<u>59,359</u>	<u>59,359</u>	<u>-</u>	<u>-</u>
Total Non-cash Assistance		<u>139,797</u>	<u>80,438</u>	<u>-</u>	<u>59,359</u>	<u>59,359</u>	<u>-</u>	<u>-</u>
Total National School Lunch Program		<u>898,633</u>	<u>427,654</u>	<u>-</u>	<u>453,446</u>	<u>470,979</u>	<u>-</u>	<u>17,533</u>
Total Child Nutrition Cluster		<u>1,007,681</u>	<u>477,054</u>	<u>-</u>	<u>510,173</u>	<u>530,627</u>	<u>-</u>	<u>20,454</u>
CACFP:	10.558							
2013-2014		2,358	2,042	-	316	316	-	-
2014-2015		<u>4,248</u>	<u>-</u>	<u>-</u>	<u>4,248</u>	<u>4,248</u>	<u>-</u>	<u>-</u>
Total CACFP		<u>6,606</u>	<u>2,042</u>	<u>-</u>	<u>4,564</u>	<u>4,564</u>	<u>-</u>	<u>-</u>
Total US Department of Agriculture		<u>1,014,287</u>	<u>479,096</u>	<u>-</u>	<u>514,737</u>	<u>535,191</u>	<u>-</u>	<u>20,454</u>
U.S. Department of Education								
Passed through the Oakland County ISD								
Special Education Cluster								
IDEA Flowthrough:	84.027A							
Project number 140450-1314		888,941	886,815	296,706	296,706	2,023	-	2,023
Project number 150450-1415		<u>951,059</u>	<u>-</u>	<u>-</u>	<u>738,125</u>	<u>942,176</u>	<u>-</u>	<u>204,051</u>
Total IDEA Flowthrough		<u>1,840,000</u>	<u>886,815</u>	<u>296,706</u>	<u>1,034,831</u>	<u>944,199</u>	<u>-</u>	<u>206,074</u>
Handicapped Preschool Initiative:	84.173A							
Project number 140460-1314		43,992	43,381	9,789	9,789	-	-	-
Project number 150460-1415		<u>43,737</u>	<u>-</u>	<u>-</u>	<u>40,136</u>	<u>43,737</u>	<u>-</u>	<u>3,601</u>
Total Handicapped Preschool Initiative		<u>87,729</u>	<u>43,381</u>	<u>9,789</u>	<u>49,925</u>	<u>43,737</u>	<u>-</u>	<u>3,601</u>
Total Special Education Cluster		<u>1,927,729</u>	<u>930,196</u>	<u>306,495</u>	<u>1,084,756</u>	<u>987,936</u>	<u>-</u>	<u>209,675</u>

See Notes to the Schedule of Expenditures of Federal Awards

Royal Oak Schools
Schedule of Expenditures of Federal Awards
June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2014	Federal Funds/ Payments In-kind Received	Expenditures	Adjustments	Accrued (Deferred) Revenue at June 30, 2015
Passed through the Michigan Department of Education								
Adult Basic Education:	84.002							
Project number 141130-121137		\$ 60,000	\$ 60,000	\$ 14,719	\$ 14,719	\$ -	\$ -	\$ -
Project number 151130-121137		60,000	-	-	57,029	59,745	-	2,716
Total Title Adult Basic Education		<u>120,000</u>	<u>60,000</u>	<u>14,719</u>	<u>71,748</u>	<u>59,745</u>	<u>-</u>	<u>2,716</u>
Title I Part A:	84.010							
Project number 141530-1314		374,870	295,158	73,874	95,177	21,303	-	-
Project number 151530-1415		423,489	-	-	260,725	336,270	-	75,545
Total Title I		<u>798,359</u>	<u>295,158</u>	<u>73,874</u>	<u>355,902</u>	<u>357,573</u>	<u>-</u>	<u>75,545</u>
Title I Part D:	84.013							
Project number 141700-1314		15,111	-	-	5,079	5,079	-	-
Title III Part A:	84.365							
Project number 140580-1314		40,464	14,659	4,061	15,721	11,681	(21)	-
Project number 150570-1415		49,421	-	-	5,312	34,800	-	29,488
Project number 150580-1415		12,318	-	-	1,392	534	-	(858)
Total Title III Part A passed through the Michigan Department of Education		<u>102,203</u>	<u>14,659</u>	<u>4,061</u>	<u>22,425</u>	<u>47,015</u>	<u>(21)</u>	<u>28,630</u>
Passed through the Oakland ISD								
Title III Part A	84.365							
Project number 140570-1314		-	745	745	2,137	1,392	-	-
Total Title III Part A		<u>102,203</u>	<u>15,404</u>	<u>4,806</u>	<u>24,562</u>	<u>48,407</u>	<u>(21)</u>	<u>28,630</u>
Passed through the Michigan Department of Education								
Title II Part A:	84.367							
Project number 140520-1314		180,300	132,642	55,925	82,567	26,642	-	-
Project number 150520-1415		206,854	-	-	122,871	134,210	-	11,339
Total Title II Part A		<u>387,154</u>	<u>132,642</u>	<u>55,925</u>	<u>205,438</u>	<u>160,852</u>	<u>-</u>	<u>11,339</u>
Total U.S Department of Education		<u>3,350,556</u>	<u>1,433,400</u>	<u>455,819</u>	<u>1,747,485</u>	<u>1,619,592</u>	<u>(21)</u>	<u>327,905</u>

See Notes to the Schedule of Expenditures of Federal Awards

Royal Oak Schools
Schedule of Expenditures of Federal Awards
June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2014	Federal Funds/ Payments In-kind Received	Expenditures	Adjustments	Accrued (Deferred) Revenue at June 30, 2015
U.S. Department of Health and Human Services								
Passed through the Oakland County ISD								
Medicaid Administrative Outreach Program FY 2015	93.778	\$ 13,190	\$ -	\$ -	\$ 13,190	\$ 13,190	\$ -	\$ -
Total U.S. Department of Health and Human Services		<u>13,190</u>	<u>-</u>	<u>-</u>	<u>13,190</u>	<u>13,190</u>	<u>-</u>	<u>-</u>
Total Federal Awards		<u>\$ 4,378,033</u>	<u>\$ 1,912,496</u>	<u>\$ 455,819</u>	<u>\$ 2,275,412</u>	<u>\$ 2,167,973</u>	<u>\$ (21)</u>	<u>\$ 348,359</u>

Royal Oak Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2015

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2015.
3. The federal amounts reported on the Grant Auditor Report are in agreement with the Schedule of Expenditures of Federal Awards, except that the Grant Auditor Report indicates \$5,079 was paid under Title I Part A, grant number 141700, project number 1314. It is reported on the Schedule of Expenditures of Federal Awards under Title I Part D, grant number 141700, project number 1314.
4. The amounts reported on the Recipient Entitlement Balance Report agree with the Schedule of Expenditures of Federal Awards for U.S.D.A. donated food commodities.
5. The following indicates amounts provided to subrecipients:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Title III Part A	84.365	
AGBU Alex-Marie Manoogian School		\$ 9,723
Clawson Public Schools		<u>19,076</u>
Total		<u>\$ 28,799</u>

6. The following is a reconciliation between the federal revenues reported in the financial statements and the schedule of federal awards:

Federal revenues per the financial statements	\$2,255,400
Less federal reimbursed interest	(87,448)
Plus adjustments	<u>21</u>
 Federal revenues per Schedule of Expenditures of Federal Awards	 <u>\$2,167,973</u>

Royal Oak Schools
Schedule of Findings and Questioned Costs
June 30, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant Deficiencies identified that are not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant Deficiencies identified that are not considered to be material weakness(es)? yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes X no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.553, 10.555 84.010	Nutrition Cluster Title I Part A

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes no

Royal Oak Schools
Schedule of Findings and Questioned Costs
June 30, 2015

SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS

There were no findings related to the financial statements which are required to be reported in accordance with governmental auditing standards generally accepted in the United States of America for the year ended June 30, 2015.

SECTION III - FEDERAL AWARD FINDINGS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2015.

Royal Oak Schools
Summary Schedule of Prior Audit Findings
June 30, 2015

PRIOR AUDIT FINDINGS

SECTION IV - GOVERNMENT AUDITING STANDARDS FINDINGS

There were no findings related to the financial statements which are required to be reported in accordance with governmental auditing standards generally accepted in the United States of America for the year ended June 30, 2014.

SECTION V - FEDERAL AWARD FINDINGS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2014.