

Royal Oak Schools

Royal Oak, Michigan

Comprehensive Annual Financial Report

for the Fiscal Year Ended

June 30, 2014



Comprehensive Annual Financial Report
of
Royal Oak Schools
Royal Oak, Michigan

As prepared by the Finance Department

For the Fiscal Year Ended June 30, 2014

Shawn Lewis-Lakin
Superintendent of Schools

Rick West
Executive Director of Finance and Operations

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INTRODUCTORY SECTION



Board of Education
1123 Lexington Boulevard
Royal Oak, Michigan 48073-2499

(248) 435-8400
FAX (248) 288-8700

September 5, 2014

The Board of Education
Royal Oak Schools
1123 Lexington Boulevard
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 Executive Director, Finance and Operations. It serves as an introduction to our Comprehensive Annual Financial Report for the fiscal year which ended June 30, 2014. 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 2014, 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 2014-15. Student enrollment decreased by 177 student from the 2012-13 school year.

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	\$ 20,027,153	36.81%
Interdistrict Sources	\$ 3,700,185	6.80%
State Sources	\$ 29,178,665	53.64%
Federal Sources	\$ 1,495,945	2.75%
<u>Total Revenue</u>	<u>\$ 54,401,948</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 2013-14, the operating millage rate for Royal Oak homeowners was 2.98 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 2013-14 General Fund revenue to the prior year reveals the following:

	2013-14	2012-13	Increase (Decrease)	% Increase (Decrease) By Source
Local Sources	\$ 20,027,153	\$ 20,119,124	\$ (91,971)	-0.46%
Interdistrict Sources	\$ 3,700,185	\$ 3,743,564	\$ (43,379)	-1.16%
State Sources	\$ 29,178,665	\$ 29,689,691	\$ (511,026)	-1.72%
Federal Sources	\$ 1,495,945	\$ 1,712,589	\$ (216,644)	-12.65%
Total Revenues	\$ 54,401,948	\$ 55,264,968	\$ (863,020)	-1.56%

The decrease in Local Sources of \$91,971 is mostly attributed to the decrease in our hold harmless tax revenue as a result of decreasing the millage rate from 3.02 to 2.98 as well as the loss of students.

The decrease in Interdistrict Sources of \$43,379 was due to the decrease in county distributions of Public Act (PA) 18, Vocation Education Transportation, and Career Technical Education funding. 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 decrease in distribution is attributed to the decline in property tax revenue which resulted from lower taxable valuation within the County.

The net decrease in State Sources of \$511,026 was primarily the result of a loss of 177 students.

The net decrease in Federal Sources of \$216,644 is attributable to the decrease 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 \$53,404,881 for the year ended June 30, 2014. 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	\$ 25,200,106	47.19%
Added Needs	\$ 4,225,080	7.91%
Compensatory Education	\$ 311,272	0.58%
Vocational Education	\$ 505,005	0.95%
Continuing Education	\$ 142,969	0.27%
Total Instruction	\$ 30,384,432	56.89%
Support Services:		
Pupil Services	\$ 4,686,290	8.78%
Instructional Services	\$ 1,840,714	3.45%
General Administration	\$ 570,881	1.07%
School Administration	\$ 2,914,383	5.46%
Business Services	\$ 6,554,363	12.27%
Central Staff	\$ 103,816	0.19%
Central Staff - Human Resources	\$ 703,832	1.32%
Central Staff - Technology	\$ 1,057,677	1.98%
Athletic Activities	\$ 585,482	1.10%
Total Support Services	\$ 19,017,438	35.61%
Payments to other governmental units	\$ 2,293,166	4.29%
Community Services	\$ 749,920	1.40%
Capital Outlay	\$ 350,450	0.66%
Debt Service	\$ 75,234	0.14%
Total Expenditures	\$ 52,870,640	99.00%
Other Financing Uses	\$ 534,241	1.00%
Total Expenditures and Other Financing Sources Uses	<u>\$ 53,404,881</u>	<u>100.00%</u>

A comparison of 2013-14 General Fund expenditures to the prior year is as follows:

Function	2013-14	2012-13	Increase (Decrease)	% Increase (Decrease) By Source
Instruction:				
Basic Programs	\$ 25,200,106	\$ 24,510,216	\$ 689,890	2.81%
Added Needs	\$ 4,225,080	\$ 3,674,719	\$ 550,361	14.98%
Compensatory Education	\$ 311,272	\$ 413,372	\$ (102,100)	-24.70%
Vocational Education	\$ 505,005	\$ 413,377	\$ 91,628	22.17%
Continuing Education	\$ 142,969	\$ 140,240	\$ 2,729	1.95%
Total Instruction	\$ 30,384,432	\$ 29,151,924	\$ 1,229,779	4.22%
Support Services:				
Pupil Services	\$ 4,686,290	\$ 4,602,549	\$ 83,741	1.82%
Instructional Services	\$ 1,840,714	\$ 1,778,673	\$ 62,041	3.49%
General Administration	\$ 570,881	\$ 635,854	\$ (64,973)	-10.22%
School Administration	\$ 2,914,383	\$ 2,683,724	\$ 230,659	8.59%
Business Services	\$ 6,554,363	\$ 6,472,517	\$ 81,846	1.26%
Central Staff	\$ 103,816	\$ 83,518	\$ 20,298	24.30%
Central Staff - Human Resources	\$ 703,832	\$ 584,470	\$ 119,362	20.42%
Central Staff - Technology	\$ 1,057,677	\$ 1,084,346	\$ (26,669)	-2.46%
Athletic Activities	\$ 585,482	\$ 582,632	\$ 2,850	0.49%
Total Support Services	\$ 19,017,438	\$ 18,508,283	\$ 506,305	2.74%
Payments to other governmental units	\$ 2,293,166	\$ 2,508,425	\$ (215,259)	-8.58%
Community Services	\$ 749,920	\$ 745,972	\$ 3,948	0.53%
Capital Outlay	\$ 350,450	\$ 997,251	\$ (646,801)	-64.86%
Debt Service	\$ 75,234	\$ 31,348	\$ 43,886	140.00%
Total Expenditures	\$ 52,870,640	\$ 51,943,203	\$ 927,437	1.79%
Other Financing Uses	\$ 534,241	\$ 1,010,367	\$ (476,126)	-47.12%
Total Expenditures and Other Financing Sources Uses	\$ 53,404,881	\$ 52,953,570	\$ 451,311	0.85%

The most significant dollar changes from 2012-13 to 2013-14 can be explained as follows:

The 4.22% 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 \$1,269,299 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 4.56% 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 2.74% in Support Services expenses is also partially attributable to the accounting of retirement costs. More specifically, the increase in expenses in Central Staff – Human Resources was due to a contractual payout to the Executive Director, Administrative Services upon retirement. This was a one-time expense and similar provisions are no longer a part of such contracts.

The 8.58% 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 fiscal year 2012-13, a number of management decisions were made in the area of capital outlay which increased expenses in this category. For example, we accounted for over \$300,000 in multi-functional printing devices that we did not have to account for in this fiscal year. Additionally, in 2012-13, \$225,210 of site improvement projects was expensed in the general fund whereas this fiscal year such expenses were accounted for in the sinking fund or property maintenance fund.

Along the same lines, Other Financing Uses decrease of 47.12% is because of a \$600,000 transfer to the technology fund made in 2012-13 in which a similar transfer was not made this fiscal year.

Overall expenditures increase was .85% from the previous fiscal year.

Fund Balance

The District ended fiscal year 2014 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 \$13,862,933 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 large 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 \$10.86 million at the end of fiscal year 2014 represents 20.33% of expenditures and other financing uses.

Debt Service

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 2014 was 3.75 mills, .96 mill less than the previous year. The total fund balance in the debt retirement funds of \$2,138,043 along with anticipated tax revenues is adequate to meet our future year's debt obligation and interest payments provided our property tax values remain relatively stable. In fiscal year 2015, we will be looking to refinance the current 2005 bond issue.

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 2013-14. 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 2014. 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 2014, 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 \$29,540. 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 \$43,034 which increases the fund balance to \$279,025.

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 2013-14.

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 2013-14, Royal Oak maintained 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/North Central Association 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. 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 are in the process of seeking accreditation from the International Baccalaureate Organization as Middle Years Programme for grades 6-10. The District's application for candidacy for the Middle Years Programme was accepted by the International Baccalaureate Organization in early summer of 2012, and the application for authorization as an IB World school was completed in the Spring of 2014. 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.

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).

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, 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 Michigan Education Assessment Program (MEAP) is administered in the four core content areas of English Language Arts (ELA), Math, Science, and Social Studies. ELA and Math MEAP tests are administered in grades three through eight. The Science MEAP is administered in grades five and eight. The Social Studies MEAP is administered in grades six and nine. In accordance with new State law, the high school assessment has been changed to the Michigan Merit Exam (MME) in conjunction with the ACT. The MME/ACT is administered in the Spring of each year to students in eleventh grade and also covers all four core content areas.

In the 2013-2014 academic year, the District has again scored above the State and county averages in all areas of the MEAP, administered in grades 3-9, and the MME, administered in Grade 11. 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.

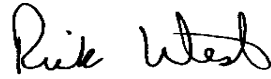
This School District is highly committed to a program of excellence. A dedicated Board of Education has adopted sound policies that facilitate the continued growth and improvement of the total school program.

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



Rick West
Executive Director, Finance & Operations

Royal Oak Schools

Members of the Board of Education and Principal Officials

June 30, 2014

Board of Education

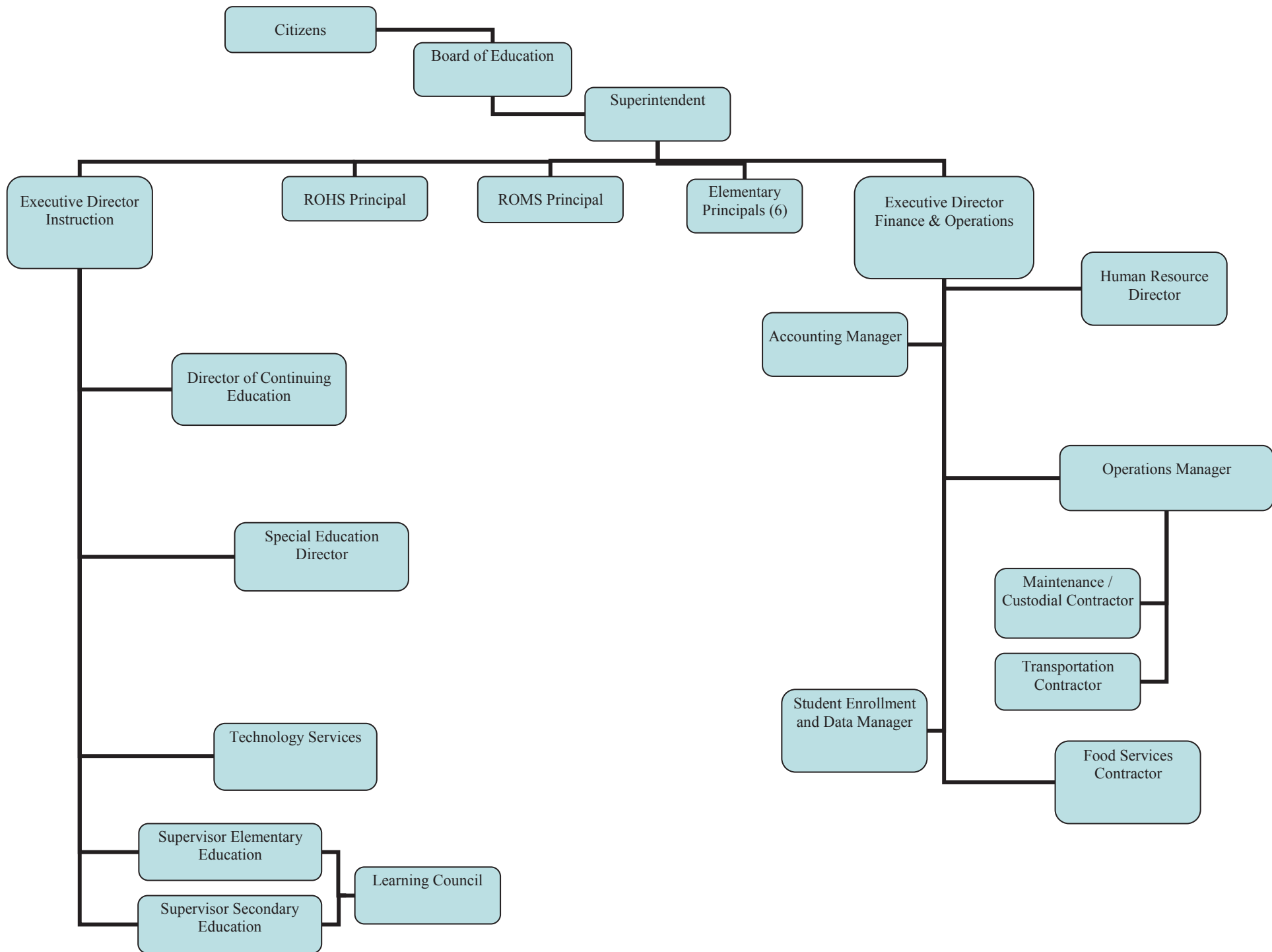
Gary Briggs	President
Deborah Anderson	Vice President
Marty Cardamone	Secretary
Jeff Brinker	Treasurer
Carrie Beerer	Trustee
Lisa Bradford	Trustee
Michael Hartman	Trustee

Administration

Shawn Lewis-Lakin	Superintendent of Schools
Cheryl Goodgine	Executive Director of Administrative Services
Rick West	Executive Director of Finance and Operations

Board of Education Regular Meetings: Second Thursday of each month

Accreditation:
AdvancED



FINANCIAL SECTION

Independent Auditors' Report

To Management and the Board of Education
Royal Oak Schools
Royal Oak, Michigan

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, 2014, 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, 2014, and the respective changes in financial position, thereof 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' 2013 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 6, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audit financial statements from which it has been derived.

Other Matters:

Prior Year Comparative Information

The financial statements include prior year summarized comparative information. Such information does not include all of the information required to constitute presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2013, from which such summarized information was derived.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Royal Oak Schools' basic financial statements. The introductory section, other supplemental information, as identified in the table of contents, and statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental 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. The other supplemental 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 supplemental 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, has 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 it.

Prior Year 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' financial statements as of and for the year ended June 30, 2013, which are not presented with the accompanying financial statements. In our report dated September 6, 2013, we expressed unmodified opinions on the respective 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 financial statements that collectively comprise Royal Oak Schools' financial statements as a whole. The 2013 information in the comparative supplemental 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 2013 financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2013 information in the comparative supplemental schedules is fairly stated in all material respects in relation to the 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 September 5, 2014 on our consideration of the 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 the Royal Oak Schools' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Saginaw, Michigan
September 5, 2014

Royal Oak Schools
Management's Discussion and Analysis
June 30, 2014

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, 2014. 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
- Other Supplemental Information
 - Combining Balance Sheet - Nonmajor Governmental Funds
 - Combining Statement of Revenue, Expenditures and Changes in 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, 2014

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.

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 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

Royal Oak Schools
Management's Discussion and Analysis
June 30, 2014

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 3-6.

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, 2014 and June 30, 2013.

TABLE 1

Governmental Activities

2014 2013

(in millions)

Assets

Current and other assets	\$ 29.6	\$ 29.2
Capital assets	<u>118.5</u>	<u>120.1</u>
Total Assets	148.1	149.3

Liabilities

Current liabilities	8.1	7.6
Long-term liabilities	<u>54.7</u>	<u>62.6</u>
Total Liabilities	62.8	70.2

Royal Oak Schools
Management's Discussion and Analysis
June 30, 2014

Governmental Activities

2014 2013

(in millions)

Net Position

Net investment in capital assets	\$ 64.2	\$ 58.1
Restricted	2.1	3.6
Unrestricted	<u>18.9</u>	<u>17.4</u>
Total Net Position	<u>\$ 85.2</u>	<u>\$ 79.1</u>

The previous schedule (Table 1) reports the net position of the District. The School District's net position was \$85.2 million and \$79.1 million at June 30, 2014 and 2013, respectively. Net investment in capital assets totaled \$64.2 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 \$18.9 million.

The \$18.9 million in unrestricted net position of governmental activities represents the *cumulative* results of all past years' operations. The current level of unrestricted net position provides sufficient working capital and available cash to carry the District through future uncertainties. The operating results and cash position of the General Fund have a significant impact on the change in unrestricted net position from year to year.

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 2014 and fiscal year 2013.

Royal Oak Schools
Management's Discussion and Analysis
June 30, 2014

TABLE 2

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 2.2	\$ 2.2
Operating grants and contributions	9.5	9.5
General revenue:		
Property taxes	29.7	29.7
State foundation allowance	25.9	26.5
Other	<u>2.0</u>	<u>2.0</u>
Total Revenue	69.3	70.0
Functions/Program Expenses		
Instruction	33.7	32.5
Support services	19.6	19.0
Food services	1.2	1.2
Community services	1.3	1.3
Interest on long-term debt	2.7	3.1
Depreciation (unallocated)	<u>4.7</u>	<u>4.5</u>
Total Functions/program Expenses	<u>63.2</u>	<u>61.5</u>
Increase (Decrease) in Net Position	\$ <u>6.1</u>	\$ <u>8.4</u>

As reported in the Statement of Activities, the expenditures for all *governmental* activities this year was \$63.2 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 (\$9.5

Royal Oak Schools
Management's Discussion and Analysis
June 30, 2014

million). The remaining "public benefit" portion of our governmental activities was funded with \$29.7 million in taxes, \$25.9 million in State foundation allowance, and \$2.0 million in other revenues, such as interest earnings, proceeds from the sale of property and general entitlements.

During fiscal year 2014, the School District experienced an increase in net position of approximately \$6.1 million.

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 2014, the governmental funds reported a combined fund balance of approximately \$21.6 million, which represents a decrease of \$.34 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 \$1.0 million for a total year-end fund balance of \$13.86 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 \$.03 million from the prior year.

The Debt Service Funds has a fund balance of approximately \$2.13 million, a decrease of \$1.51 million from last year. The Debt Retirement millage rate was reduced .96 mills from 4.71 mills to 3.75 mills. A strategic decision was made to reduce the millage rate levy and use cash on hand to meet the principal and interest obligations on the bonded debt. 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.

Royal Oak Schools
Management's Discussion and Analysis
June 30, 2014

The combined Capital Projects Funds' fund balance increased from the prior year. The increase of \$.15 million resulted from property sale proceeds received from the sale of individual lots at the former Franklin Elementary, Whittier Elementary and Longfellow Elementary sites; and proceeds from a land contract at the former Starr Elementary site. Approximately \$3.26 million was expended in the Capital Projects Funds in fiscal year 2014.

In addition to the activities in the Property Maintenance Fund, the Sinking Fund was established and generated \$2.25 million of revenue and expenditures.

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, 2014 and 2013, the School District had \$118.5 million and \$120.1 million, respectively, invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. The 2014 amount represents a net decrease of approximately \$1.6 million, or 1.3 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, 2014

	<u>2014</u>	<u>2013</u>
	(in millions)	
Land	\$ 5.1	\$ 5.2
Construction in Progress	0.5	0.9
Building and building improvements	193.3	189.9
Buses and other equipment	<u>3.9</u>	<u>4.6</u>
Total Capital Assets	202.8	199.7
Less accumulated depreciation	<u>84.3</u>	<u>80.6</u>
Net Capital Assets	<u>\$ 118.5</u>	<u>\$120.1</u>

Debt

At the end of this year, the School District had approximately \$51.8 million in bonds outstanding compared to a little over \$59.1 million in the previous year. Of this total, general obligation bonds amounted to \$49.9 million and Qualified School Construction Bonds totaled \$1.9 million. The Qualified School Construction Bonds were issued during 2011 with the proceeds being used for energy conservation projects.

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.

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 2014-15 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 formula mandated by the State to calculate the blended student count for 2014-15 remains unchanged from last year. The blended student count for the 2014-15 fiscal year will be

Royal Oak Schools
Management's Discussion and Analysis
June 30, 2014

90 percent of the September 2014 actual student count and 10 percent of the February 2015 student count. We have projected 50 less students from the 2013-2014 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 2014-15 budget was adopted by the Board of Education on June 26, 2014.

There remains great uncertainty in public school funding. The 2014-15 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 2014 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 1123 Lexington Blvd., Royal Oak, MI 48073.

Royal Oak Schools
Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 23,124,496
Investments	10,948
Receivables - net	483,092
Due from other governments	5,887,239
Prepaid expenditures	110,000
Inventories	19,865
Capital assets - not being depreciated	5,657,645
Capital assets - less accumulated depreciation	<u>112,824,309</u>
Total assets	<u>148,117,594</u>
Liabilities	
Current liabilities	
Accounts payable and other liabilities	1,101,184
Accrued payroll and related liabilities	5,726,075
Unearned revenue	1,316,737
Noncurrent liabilities	
Due within one year	7,431,396
Due in more than one year	<u>47,296,542</u>
Total liabilities	<u>62,871,934</u>
Net position	
Net investment in capital assets	64,247,738
Restricted for:	
Debt service	2,138,043
Unrestricted	<u>18,859,879</u>
Total net position	<u><u>\$ 85,245,660</u></u>

See Accompanying Notes to Financial Statements

Royal Oak Schools
Statement of Activities
Year Ended June 30, 2014

		Program Revenues		Net (Expense) Revenue and Changes in Net position
		Charges for Services	Operating Grants and Contributions	
	Expenses			
Functions/Programs				
Primary government				
Government activities				
Instruction	\$ 33,706,787	\$ 39,291	\$ 8,065,756	\$ (25,601,740)
Supporting services	19,639,249	221,060	516,070	(18,902,119)
Food services	1,160,434	623,393	573,520	36,479
Community services	1,281,731	1,345,498	314,329	378,096
Interest on long-term debt	2,721,696	-	-	(2,721,696)
Depreciation (unallocated)	4,693,465	-	-	(4,693,465)
Total primary government				
Governmental activities	<u>\$ 63,203,362</u>	<u>\$ 2,229,242</u>	<u>\$ 9,469,675</u>	(51,504,445)
General revenues				
Taxes				
Property taxes, levied for general purpose				18,904,444
Property taxes, levied for debt services				10,795,009
State aid not restricted to specific purposes				25,911,514
Interest and investment earnings				41,810
Gain on sale of capital assets				1,307,721
Other				<u>648,649</u>
Total general revenues				<u>57,609,147</u>
Change in net position				6,104,702
Net position - beginning of year				<u>79,140,958</u>
Net position - end of year				<u>\$ 85,245,660</u>

See Accompanying Notes to Financial Statements

Royal Oak Schools
Governmental Funds - Balance Sheet
June 30, 2014 (With Comparative Summarized Totals for 2013)

	General Fund	2005 Debt	General Property Maintenance Fund	Other Nonmajor Governmental Funds	Total	
					2014	2013
Assets						
Cash and cash equivalents	\$ 15,004,810	\$ 2,134,731	\$ 3,599,872	\$ 2,385,083	\$ 23,124,496	\$ 22,544,349
Investments	10,948	-	-	-	10,948	10,948
Receivables - net	123,295	3,312	348,750	7,735	483,092	256,559
Due from other governmental units	5,878,842	-	-	8,397	5,887,239	6,253,754
Prepaid expenditures	-	-	-	110,000	110,000	116,186
Inventories	-	-	-	19,865	19,865	18,665
Total assets	<u>\$ 21,017,895</u>	<u>\$ 2,138,043</u>	<u>\$ 3,948,622</u>	<u>\$ 2,531,080</u>	<u>\$ 29,635,640</u>	<u>\$ 29,200,461</u>
Liabilities						
Accounts payable and other liabilities	\$ 365,143	\$ -	\$ 235,189	\$ 70,852	\$ 671,184	\$ 834,469
Accrued payroll and related liabilities	5,545,077	-	-	164,460	5,709,537	5,004,581
Unearned revenue	1,241,672	-	-	75,066	1,316,738	1,238,220
Total liabilities	<u>7,151,892</u>	<u>-</u>	<u>235,189</u>	<u>310,378</u>	<u>7,697,459</u>	<u>7,077,270</u>
Deferred Inflows of Resources						
Unavailable revenue	<u>3,070</u>	<u>-</u>	<u>290,000</u>	<u>-</u>	<u>293,070</u>	<u>141,105</u>
Fund balance (deficit)						
Non-spendable						
Inventory	-	-	-	19,865	19,865	18,665
Prepaid Items	-	-	-	110,000	110,000	116,186
Restricted for:						
Debt Service Funds	-	2,138,043	-	-	2,138,043	3,653,902
Committed						
Encumbrances	137,674	-	3,050,058	950	3,188,682	-
Assigned						
Assigned for various operating purposes	3,004,594	-	373,375	2,089,887	5,467,856	8,156,038
Unassigned						
General Fund	<u>10,720,665</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,720,665</u>	<u>10,037,295</u>
Total fund balance	<u>13,862,933</u>	<u>2,138,043</u>	<u>3,423,433</u>	<u>2,220,702</u>	<u>21,645,111</u>	<u>21,982,086</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 21,017,895</u>	<u>\$ 2,138,043</u>	<u>\$ 3,948,622</u>	<u>\$ 2,531,080</u>	<u>\$ 29,635,640</u>	<u>\$ 29,200,461</u>

See Accompanying Notes to Financial Statements

Royal Oak Schools

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2014

Total fund balance - government funds \$ 21,645,111

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

Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds.

Land contracts	290,000	
Other receivables	<u>3,071</u>	293,071

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

Cost of capital assets	202,836,164	
Accumulated depreciation on capital assets	<u>(84,354,210)</u>	118,481,954

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Bonds payable	(51,805,000)	
Bond premium payable	(2,178,479)	
Capital lease payable	(250,737)	
Compensated absences	<u>(493,722)</u>	(54,727,938)

Accrued workers' compensation and other claims not include as a liability in the governmental funds	<u>(16,538)</u>
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Accrued interest payable is not included as a liability in governmental funds	<u>(430,000)</u>
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Net position of governmental activities \$ 85,245,660

See Accompanying Notes to Financial Statements

Royal Oak Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2014 (With Comparative Summarized Totals for 2013)

	General Fund	2005 Debt	General Property Maintenance Fund	Other Nonmajor Governmental Funds	Total	
					2014	2013
Revenue						
Local sources	\$ 20,027,153	\$ 8,521,924	\$ 3,604	\$ 4,025,741	\$ 32,578,422	\$ 32,399,608
Interdistrict sources	3,700,185	-	-	-	3,700,185	3,743,564
State sources	29,178,665	-	-	369,091	29,547,756	29,878,864
Federal sources	1,495,945	-	-	623,527	2,119,472	2,359,588
Total revenue	54,401,948	8,521,924	3,604	5,018,359	67,945,835	68,381,624
Expenditures						
Current						
Instruction	30,384,432	-	-	1,085,420	31,469,852	30,030,489
Supporting services	19,017,438	-	-	174,284	19,191,722	18,598,957
Community services	749,920	-	-	531,811	1,281,731	1,261,333
Food services	-	-	-	1,160,434	1,160,434	1,153,903
Payments to other governmental units	2,293,166	-	-	-	2,293,166	2,508,425
Capital outlay	350,450	-	880,075	2,384,747	3,615,272	3,159,575
Debt service						
Principal	63,792	7,125,000	-	240,000	7,428,792	7,850,836
Interest	11,442	2,850,000	-	106,970	2,968,412	3,349,232
Other	-	65,152	-	300	65,452	151,487
Total expenditures	52,870,640	10,040,152	880,075	5,683,966	69,474,833	68,064,237
Excess of revenues over (under) expenditures	1,531,308	(1,518,228)	(876,471)	(665,607)	(1,528,998)	317,387
Other financing sources (uses)						
Proceeds from capital lease	-	-	-	-	-	340,365
Proceeds from sale of assets	33,615	-	1,158,408	-	1,192,023	2,035,775
Operating transfers in	5,926	-	-	573,782	579,708	1,651,890
Operating transfers out	(573,782)	-	-	(5,926)	(579,708)	(1,651,890)
Total other financing sources (uses)	(534,241)	-	1,158,408	567,856	1,192,023	2,376,140
Net change in fund balance	997,067	(1,518,228)	281,937	(97,751)	(336,975)	2,693,527
Fund balance - beginning of year	12,865,866	3,656,271	3,141,496	2,318,453	21,982,086	19,288,559
Fund balance - end of year	\$ 13,862,933	\$ 2,138,043	\$ 3,423,433	\$ 2,220,702	\$ 21,645,111	\$ 21,982,086

See Accompanying Notes to 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

June 30, 2014

Net change in fund balances - total governmental funds	\$	(336,975)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	\$ (4,693,465)	
Net book value of assets disposed	(45,552)	
Capitalized capital outlay	<u>3,146,947</u>	
		(1,592,070)

Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds

Land contracts	\$ 142,682	
Other receivables	<u>9,284</u>	
		151,966

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.

Repayment of capital lease		63,792
Amortization of premium on debt		314,960
Repayment of bonds payable		7,365,000
Change in accrued interest on bonds		61,000
Change in compensated absences		93,567
Change in payroll related claims		<u>(16,538)</u>

Change in net position of governmental activities	\$	<u>6,104,702</u>
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See Accompanying Notes to Financial Statements

Royal Oak Schools
Statement of Fiduciary Net Position
June 30, 2014 and 2013

	Student Activities Agency Funds	
	2014	2013
Assets		
Cash and cash equivalents	<u>\$ 355,372</u>	<u>\$ 336,370</u>
Liabilities		
Accounts payable	\$ 2,628	\$ 22,225
Due to student groups	<u>352,744</u>	<u>314,145</u>
Total liabilities	<u>\$ 355,372</u>	<u>\$ 336,370</u>

See Accompanying Notes to Financial Statements

Royal Oak Schools
Notes to Financial Statements
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of 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. The School District changed its name from "School District of the City of Royal Oak" to "Royal Oak Schools" during 2014.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the School 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 and operating 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, unrestricted state sources, federal sources, interest earnings, and other sources). 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.

Royal Oak Schools

Notes to Financial Statements

June 30, 2014

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 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 susceptible to accrual and 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 modified accrual basis of accounting.

The School District reports the General Fund, 2005 Debt fund and the General Property Maintenance 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.

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 2011 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.

Royal Oak Schools

Notes to Financial Statements

June 30, 2014

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 Fund – used to record revenue and the disbursement of monies specifically 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 and cash equivalents include 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 the result of the transfer of revenues and expenditures between funds to ensure the proper reporting in each respective fund. These balances are paid back as cash flow permits.

Property taxes and other receivables are shown net of an allowance for uncollectible amounts.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2014, the millage rates are as follows per \$1,000 of taxable value.

<u>General Fund</u>	
Principal residence and industrial personal property	2.9800
Non principal residence	18.0000
Commercial personal property	8.9800
<u>Debt Service Fund</u>	
All classes of property	3.7500

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.

Royal Oak Schools

Notes to Financial Statements

June 30, 2014

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 – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of seven years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type 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.

Royal Oak Schools

Notes to Financial Statements

June 30, 2014

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.

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.

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 order to provide an understanding of the changes in the financial position and operations of these funds.

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.

Upcoming Accounting and Reporting Changes

The Government Accounting Standards Board has issued Statements 68 *Accounting and Financial Reporting for Pensions* and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement 68 requires governments participating in

Royal Oak Schools

Notes to Financial Statements

June 30, 2014

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 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.

The GASB has also issued Statement 69, *Government Combinations and Disposals of Government Operations*. Statement 69 provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity. Statement 69 is effective for the year ending June 30, 2015.

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 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.

Royal Oak Schools

Notes to Financial Statements

June 30, 2014

Excess of Expenditures over Appropriations and Deficit balances

During the year, the School District did not incur expenditures in any budgetary funds which were materially in excess of the amounts appropriated.

Compliance- Sinking Funds

The Sinking Fund records capital project activities funded with the sinking fund millage. For this fund, management believes the School District has complied, in all material respects, with the applicable provisions of Section 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
Deposits	\$ 23,124,496	\$ 355,372	\$ 23,479,868
Investments	10,948	-	10,948
Total	<u>\$ 23,135,444</u>	<u>\$ 355,372</u>	<u>\$ 23,490,816</u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 23,473,649
Investments in securities, mutual funds, and similar vehicles	10,948
Petty cash and cash on hand	6,219
	<u>\$ 23,490,816</u>

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

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

Interest rate risk – While the School District does have a formal investment policy, it does not address the management of 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

Royal Oak Schools

Notes to Financial Statements

June 30, 2014

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 – This is the risk that in the event of a bank failure, the School District's deposits may not be returned. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$23,391,090 of the School District's bank balance of \$23,645,593 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	2005 Debt Service Fund	General Property Maintenance Fund	Nonmajor and Other Funds	Total
Receivables:					
Taxes	\$ 8,305	\$ 3,312	\$ -	\$ 949	\$ 12,566
Accounts	114,990	-	348,750	6,786	470,526
	<u>\$ 123,295</u>	<u>\$ 3,312</u>	<u>\$ 348,750</u>	<u>\$ 7,735</u>	<u>\$ 483,092</u>
Due from other governments					
Federal	\$ 148,579	\$ -	\$ -	\$ -	\$ 148,579
State	5,392,644	-	-	8,397	5,401,041
Local	337,619	-	-	-	337,619
	<u>\$ 5,878,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,397</u>	<u>\$ 5,887,239</u>

The School District considers all accounts and intergovernmental receivables to be fully collectible within one year, except for the proceeds from a legal settlement and two land contracts. The land contracts are to be repaid as the residential units are sold.

Royal Oak Schools
Notes to Financial Statements
June 30, 2014

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2013	Additions	Disposals and Adjustments	Balance June 30, 2014
Capital assets not being depreciated				
Land	\$ 5,178,857	\$ -	\$ 45,553	\$ 5,133,304
Construction in progress	873,355	524,341	873,355	524,341
Total capital assets not being depreciated	6,052,212	524,341	918,908	5,657,645
Capital assets being depreciated				
Building and building improvements	189,875,782	3,431,258	-	193,307,040
Buses, vehicles, and equipment	4,652,217	64,704	845,442	3,871,479
Total capital assets being depreciated	194,527,999	3,495,962	845,442	197,178,519
Less: accumulated depreciation				
Building and building improvements	76,841,926	4,442,658	-	81,284,584
Buses, vehicles, and equipment	3,664,261	250,807	845,442	3,069,626
Total accumulated depreciation	80,506,187	4,693,465	845,442	84,354,210
Net capital assets being depreciated	114,021,812	(1,197,503)	-	112,824,309
Net capital assets	\$ 120,074,024	\$ (673,162)	\$ 918,908	\$ 118,481,954

Depreciation expense was \$4,693,465 for the year ended June 30, 2014. 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 Contracts	Remaining Commitments at Year End	Contracts Payable at Year End
Various renovation and new construction projects	\$ 4,522,369	\$ 4,199,572	\$ 322,797

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 2015 fiscal year.

Royal Oak Schools
Notes to Financial Statements
June 30, 2014

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers consist of the following:

	General Fund	2005 Debt	Other Non Major Governmental Funds	Total
Transfers in	\$ 5,926	\$ -	\$ 573,782	\$ 579,708
Transfers out	(573,782)	-	(5,926)	(579,708)
	<u>\$ (567,856)</u>	<u>\$ -</u>	<u>\$ 567,856</u>	<u>\$ -</u>

During the year, the Food Service Fund transferred \$5,926 to the General Fund in indirect costs. The General Fund transferred funds totaling \$322,684 to the Community Services Fund to fund services. The General Fund transferred funds for capital improvements in the amount of \$251,098 to the QSCB 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:

	<u>Unearned</u>
Unearned property taxes	\$ 1,217,308
Food service student accounts	15,660
Grant, categorical aid, and other payments received prior to meeting all eligibility requirements	<u>83,770</u>
Total	<u>\$ 1,316,738</u>

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 - 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, certain risk liabilities and accreted interest on capital appreciation bonds.

Royal Oak Schools
Notes to Financial Statements
June 30, 2014

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within one Year
General obligation bonds	\$ 59,170,000	\$ -	\$ 7,365,000	\$ 51,805,000	\$ 7,365,000
Capital Lease	314,529	-	63,792	250,737	66,396
Unamortized premium	2,493,439	-	314,960	2,178,479	-
Compensated absences	587,289	121,228	214,795	493,722	-
	<u>\$ 62,565,257</u>	<u>\$ 121,228</u>	<u>\$ 7,958,547</u>	<u>\$ 54,727,938</u>	<u>\$ 7,431,396</u>

For governmental activities, compensated absences, worker's compensation and unemployment are primarily liquidated by the general fund.

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

\$65,500,000 of 2005 building and site bonds due in annual installments of \$7,125,000 through May 1, 2021; interest at 3.50% to 5.00%	\$ 49,875,000
\$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% to 6.0%	<u>1,930,000</u>
	<u>\$ 51,805,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2015	\$ 7,365,000	\$ 2,591,420	\$ 9,956,420
2016	7,365,000	2,224,370	9,589,370
2017	7,365,000	1,856,240	9,221,240
2018	7,365,000	1,487,360	8,852,360
2019	7,365,000	1,118,060	8,483,060
2020-2022	<u>14,980,000</u>	<u>1,133,715</u>	<u>16,113,715</u>
Total	<u>\$ 51,805,000</u>	<u>\$ 10,411,165</u>	<u>\$ 62,216,165</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the funds had a balance of \$2,138,043 to pay this debt. Future debt and interest obligations will be payable from future tax levies.

Interest expenditures for the fiscal year in the Debt Service Funds were \$2,850,000.

Royal Oak Schools
Notes to Financial Statements
June 30, 2014

Compensated Absences

Accrued compensated absences at year end was \$493,722 and consisted of \$169,814 of vacation hours earned and vested, \$310,572 in accrued termination pay, and \$13,336 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.

NOTE 9 - CAPITAL LEASE

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

Year ending June 30,			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 66,396	\$ 8,838	\$ 75,234
2016	69,106	6,128	75,234
2017	71,928	3,307	75,235
2018	43,307	581	43,888
	<u>\$ 250,737</u>	<u>\$ 18,854</u>	<u>\$ 269,591</u>

The net book value of the copy machines as of June 30, 2014 is as follows:

Assets	
Machinery and equipment	\$ 340,365
Less accumulated depreciation	<u>(102,109)</u>
	<u>\$ 238,256</u>

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 is self insured for workers' compensation claims. 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 estimates the liability for workers' compensation claims, based on historical experience, that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are determined to be \$9,298 as of June 30, 2014.

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 \$7,508 in the governmental funds and accrued claims in the amount of \$7,240 in the district wide statements.

Royal Oak Schools
Notes to Financial Statements
June 30, 2014

NOTE 11 - PENSION PLANS AND POST EMPLOYMENT BENEFITS

Plan Description

The School District has a group of defined benefit and defined contribution retirement plans covering substantially all employees. The plans are operated by the State of Michigan's Public School Employees' Retirement System (MPERS), which is a cost-sharing multiple-employer public employee retirement system (PERS).

The plans provide retirement, survivor and disability benefits to plan members and their beneficiaries. The system also provides postemployment healthcare benefits to retirees and their beneficiaries who elect to receive the benefits.

MPERS operates within the Michigan Department of Technology, Management and Budget, Office of Retirement Services, under the authority established by the Michigan Public School Employees Retirement Act (Retirement Act), as enacted and amended by the Michigan Legislature. The Michigan Legislature has the authority to amend the Retirement Act. The Michigan Department of Technology, Management and Budget issues a publicly-available financial report that includes financial statements and required supplemental information for MPERS. The report provides information for the plans as a whole and information helpful for understanding the scale of the information presented relative to the School. That report may be obtained by writing Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671, calling 800-381-5111 or on the web at <http://www.michigan.gov/orsschools>.

Full details on each of these plans are available on the MPERS website at the address provided above.

Pension Benefits

Employer contributions to MPERS result from the applying rules and applicable changes of the School Finance Reform Act. Accordingly, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. Depending on the plan selected, a plan member's contribution may range from 0% to 7% of their gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

Royal Oak Schools

Notes to Financial Statements

June 30, 2014

For the period July 1, 2013 through September 30, 2013, employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP	Pension Plus	Pension Plus PHF (first worked September 4, 2012 or later)	Pension Plus to DC with PHF (first worked September 4, 2012 or later)	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	15.21%	15.02%	15.02%	12.78%	12.78%	12.78%	15.21%
Health contributions	9.11%	9.11%	8.18%	8.18%	9.11%	8.18%	8.18%
Defined contribution plan employer contributions:							
DC	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
PHF	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%

For the period October 1, 2013 through June 30, 2014, employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP	Pension Plus	Pension Plus PHF (first worked September 4, 2012 or later)	Pension Plus to DC with PHF (first worked September 4, 2012 or later)	Basic MIP DB to DC with DB Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	18.34%	18.11%	18.11%	15.44%	15.44%	15.44%	18.34%
Health contributions	6.45%	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%
Defined contribution plan employer contributions:							
DC	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
PHF	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%

The School District's required and actual contributions to the plans for the years ended June 30, 2014, 2013, and 2012 were approximately \$4,709,185, \$3,908,066, and \$3,909,626, respectively. Contributions made by the participants of the plan for the year ended June 30, 2014 were \$1,210,664.

Post Employment Benefits

In addition to the pension benefits described above, state law requires the School District to provide post-retirement 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

Royal Oak Schools

Notes to Financial Statements

June 30, 2014

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, 2013 through September 30, 2013, and October 1, 2013 through June 30, 2014, the employer contribution rate ranged from 8.18% to 9.11% and 5.52% to 6.45%, respectively. See above two tables for rates.

The District's actual contributions match the required contributions for the years ended June 30, 2014, 2013, and 2012 and were approximately \$1,685,624, \$2,327,429, and \$2,219,852, respectively.

Unfunded Accrued Liability

During the year ending June 30, 2014, the District had contributions in the amount of \$1,269,299 to the Michigan Public School Employee Retirement System (MPERS). This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 4.56% for the year. These contributions are not included in the above tables.

NOTE 12 – COMMITTED AND ASSIGNED FUND BALANCE

The General Fund assigned fund balance at June 30, 2014 has been committed or assigned for the following purposes:

	General Fund	General Property Maintenance Fund	Other Nonmajor Governmental Funds
Committed			
Encumbrances	\$ 137,674	\$ 3,050,058	\$ -
Assigned			
Subsequent years' budget	\$ 2,510,872	\$ -	\$ -
Compensated absences	493,722	-	-
Operating purposes	-	373,375	2,089,887
Total fund balance assigned for various operating purposes	\$ 3,004,594	\$ 373,375	\$ 2,089,887

Royal Oak Schools
Notes to Financial Statements
June 30, 2014

NOTE 13 - 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 June 30, 2014.

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.

REQUIRED SUPPLEMENTAL INFORMATION

Royal Oak Schools
Required Supplemental Information
Budgetary Comparison Statement - General Fund

Year Ended June 30, 2014 (with comparative actual amounts for the year ended June 30, 2013)

	2014			2013	
	Original Budget	Final Budget	Actual	Over (Under) Final Budget	Actual
Revenue					
Local sources					
Current year tax levy	\$ 19,175,411	\$ 18,993,595	\$ 18,904,444	\$ (89,151)	\$ 19,118,080
Prior year tax levy	30,000	55,102	29,858	(25,244)	45,893
Interest on investments	35,080	22,080	29,540	7,460	21,330
Continuing education fees	22,800	26,674	21,362	(5,312)	22,676
Rental of school facilities	192,500	152,500	157,662	5,162	165,021
Student activities	226,325	215,142	221,060	5,918	238,864
Miscellaneous	426,546	675,283	663,227	(12,056)	507,260
Total local sources	20,108,662	20,140,376	20,027,153	(113,223)	20,119,124
Interdistrict sources					
Special education allocation and other	3,842,913	3,707,396	3,700,185	(7,211)	3,743,564
State sources					
State foundation allowance	24,575,300	25,769,924	25,902,917	132,993	26,483,910
Adult education	207,047	221,540	221,540	-	209,479
Special education	2,721,903	2,703,016	2,703,016	-	2,711,988
Vocational education	102,216	125,931	125,931	-	102,204
Other	165,000	223,465	225,261	1,796	182,110
Total state sources	27,771,466	29,043,876	29,178,665	134,789	29,689,691
Federal sources - restricted grants	1,520,645	1,676,324	1,495,945	(180,379)	1,712,589
Total revenue	53,243,686	54,567,972	54,401,948	(166,024)	55,264,968
Expenditures					
Current					
Instruction					
Basic programs					
Elementary					
Salaries	8,562,720	7,630,055	7,606,978	(23,077)	7,713,660
Employee benefits	4,386,285	4,367,821	4,342,388	(25,433)	4,098,022
Purchased services	252,742	185,169	167,365	(17,804)	150,262
Supplies and other	347,072	708,985	703,277	(5,708)	387,322
Total elementary	13,548,819	12,892,030	12,820,008	(72,022)	12,349,266
Middle school					
Salaries	3,372,722	3,247,548	3,232,619	(14,929)	3,109,554
Employee benefits	1,765,653	1,861,240	1,849,823	(11,417)	1,680,881
Purchased services	89,902	58,964	54,126	(4,838)	87,225
Supplies and other	85,250	74,750	76,695	1,945	148,235
Total middle school	5,313,527	5,242,502	5,213,263	(29,239)	5,025,895
High School					
Salaries	4,522,290	4,401,184	4,381,709	(19,475)	4,421,455
Employee benefits	2,332,262	2,423,464	2,411,653	(11,811)	2,300,264
Purchased services	224,336	218,872	207,024	(11,848)	114,650
Supplies and other	194,080	146,313	166,449	20,136	298,686
Total high school	7,272,968	7,189,833	7,166,835	(22,998)	7,135,055
Total basic programs	26,135,314	25,324,365	25,200,106	(124,259)	24,510,216

Schedule continues on the following page

Royal Oak Schools
Required Supplemental Information
Budgetary Comparison Statement - General Fund

Year Ended June 30, 2014 (with comparative actual amounts for the year ended June 30, 2013)

	2014			2013	
	Original Budget	Final Budget	Actual	Over (Under) Final Budget	Actual
Added needs					
Special education					
Salaries	\$ 2,392,694	\$ 2,486,168	\$ 2,439,185	\$ (46,983)	\$ 2,190,165
Employee benefits	1,210,671	1,568,350	1,551,677	(16,673)	1,305,317
Purchased services	92,979	216,492	194,333	(22,159)	107,120
Supplies and other	24,800	41,691	39,885	(1,806)	72,117
Total special education	<u>3,721,144</u>	<u>4,312,701</u>	<u>4,225,080</u>	<u>(87,621)</u>	<u>3,674,719</u>
Compensatory education					
Salaries	177,096	185,672	176,183	(9,489)	262,327
Employee benefits	92,423	89,073	95,273	6,200	124,104
Purchased services	-	1,196	1,041	(155)	-
Supplies and other	31,240	112,962	38,775	(74,187)	26,941
Total compensatory education	<u>300,759</u>	<u>388,903</u>	<u>311,272</u>	<u>(77,631)</u>	<u>413,372</u>
Vocational education					
Salaries	245,197	251,108	252,310	1,202	227,423
Employee benefits	110,207	148,971	148,688	(283)	123,411
Purchased services	3,500	6,779	5,487	(1,292)	4,473
Supplies and other	49,842	93,866	98,520	4,654	58,070
Total vocational education	<u>408,746</u>	<u>500,724</u>	<u>505,005</u>	<u>4,281</u>	<u>413,377</u>
Total added needs	<u>4,430,649</u>	<u>5,202,328</u>	<u>5,041,357</u>	<u>(160,971)</u>	<u>4,501,468</u>
Continuing education					
Salaries	117,027	101,761	81,720	(20,041)	84,383
Employee benefits	21,745	29,257	27,752	(1,505)	25,060
Purchased services	19,450	14,359	1,217	(13,142)	13,272
Supplies and other	28,266	34,980	32,280	(2,700)	17,525
Total continuing education	<u>186,488</u>	<u>180,357</u>	<u>142,969</u>	<u>(37,388)</u>	<u>140,240</u>
Total instruction	<u>30,752,451</u>	<u>30,707,050</u>	<u>30,384,432</u>	<u>(322,618)</u>	<u>29,151,924</u>
Supporting services					
Pupil services					
Salaries	2,960,937	2,894,022	2,870,516	(23,506)	2,843,327
Employee benefits	1,482,429	1,560,257	1,540,018	(20,239)	1,456,713
Purchased services	343,461	297,310	264,432	(32,878)	287,230
Supplies and other	16,069	11,592	11,324	(268)	15,279
Total pupil services	<u>4,802,896</u>	<u>4,763,181</u>	<u>4,686,290</u>	<u>(76,891)</u>	<u>4,602,549</u>
Instructional staff					
Salaries	926,769	1,014,977	955,465	(59,512)	875,631
Employee benefits	474,940	530,190	508,021	(22,169)	466,187
Purchased services	352,444	418,643	308,265	(110,378)	360,672
Supplies and other	126,075	73,219	68,963	(4,256)	76,183
Total instructional staff	<u>1,880,228</u>	<u>2,037,029</u>	<u>1,840,714</u>	<u>(196,315)</u>	<u>1,778,673</u>

Schedule continues on the following page

Royal Oak Schools
Required Supplemental Information
Budgetary Comparison Statement - General Fund

Year Ended June 30, 2014 (with comparative actual amounts for the year ended June 30, 2013)

	2014			2013	
	Original Budget	Final Budget	Actual	Over (Under) Final Budget	Actual
General administration					
Salaries	\$ 224,000	\$ 224,046	\$ 223,284	\$ (762)	\$ 219,563
Employee benefits	90,366	100,725	99,679	(1,046)	91,910
Purchased services	340,000	285,425	233,614	(51,811)	301,951
Supplies and other	27,500	25,967	14,304	(11,663)	22,430
Total general administration	681,866	636,163	570,881	(65,282)	635,854
School administration					
Salaries	1,784,522	1,878,928	1,873,176	(5,752)	1,750,335
Employee benefits	881,946	971,239	959,469	(11,770)	845,988
Purchased services	54,800	25,290	19,240	(6,050)	36,457
Supplies and other	73,767	67,878	62,498	(5,380)	50,944
Total school administration	2,795,035	2,943,335	2,914,383	(28,952)	2,683,724
Business services					
Salaries	626,544	618,161	612,846	(5,315)	683,589
Employee benefits	498,854	380,229	374,154	(6,075)	375,833
Purchased services	4,122,817	3,843,521	3,684,524	(158,997)	3,730,807
Supplies and other	2,087,622	2,033,302	1,882,839	(150,463)	1,682,288
Total business services	7,335,837	6,875,213	6,554,363	(320,850)	6,472,517
Central staff					
Salaries	45,000	47,884	48,531	647	58,028
Employee benefits	4,952	5,057	5,612	555	5,078
Purchased services	20,000	51,000	46,250	(4,750)	19,882
Supplies and other	1,000	3,432	3,423	(9)	530
Total central staff	70,952	107,373	103,816	(3,557)	83,518
Central staff- human resources					
Salaries	352,637	438,515	439,027	512	353,281
Employee benefits	159,802	170,417	171,667	1,250	155,550
Purchased services	70,000	72,203	76,203	4,000	62,642
Supplies and other	15,000	17,981	16,935	(1,046)	12,997
Total central staff- human resources	597,439	699,116	703,832	4,716	584,470
Central staff- technology					
Salaries	-	3,323	3,323	-	-
Employee benefits	70,000	71,097	68,801	(2,296)	48,097
Purchased services	895,000	846,353	800,334	(46,019)	833,129
Supplies and other	174,100	209,690	185,219	(24,471)	203,120
Total central staff- technology	1,139,100	1,130,463	1,057,677	(72,786)	1,084,346
Athletic activities					
Salaries	241,500	224,364	223,036	(1,328)	215,100
Employee benefits	109,750	95,687	94,438	(1,249)	84,176
Purchased services	255,609	226,764	215,936	(10,828)	212,743
Supplies and other	71,000	51,082	52,072	990	70,613
Total athletic activities	677,859	597,897	585,482	(12,415)	582,632
Total supporting services	19,981,212	19,789,770	19,017,438	(772,332)	18,508,283

Schedule continues on the following page

Royal Oak Schools
Required Supplemental Information
Budgetary Comparison Statement - General Fund

Year Ended June 30, 2014 (with comparative actual amounts for the year ended June 30, 2013)

	2014			2013	
	Original Budget	Final Budget	Actual	Over (Under) Final Budget	Actual
Community services					
Salaries	\$ 465,200	\$ 464,540	\$ 463,257	\$ (1,283)	\$ 461,848
Employee benefits	216,006	222,422	220,871	(1,551)	202,195
Purchased services	29,908	58,365	21,977	(36,388)	33,017
Supplies and other	53,327	48,777	43,815	(4,962)	48,912
Total community services	764,441	794,104	749,920	(44,184)	745,972
Payments to other governmental units	2,633,429	2,400,000	2,293,166	(106,834)	2,508,425
Capital outlay					
Instruction	113,845	285,785	275,808	(9,977)	398,393
Support services	466,468	37,599	33,836	(3,763)	343,562
Other facility acquisition	11,000	65,093	40,806	(24,287)	255,296
Total capital outlay	591,313	388,477	350,450	(38,027)	997,251
Debt service					
Principal	63,800	63,799	63,792	(7)	25,836
Interest and fiscal charges	11,445	11,445	11,442	(3)	5,512
Total debt service	75,245	75,244	75,234	(10)	31,348
Total expenditures	54,798,091	54,154,645	52,870,640	(1,284,005)	51,943,203
Other financing (sources) uses					
Capital leases	-	-	-	-	(340,365)
Proceeds from sale of assets	-	(33,615)	(33,615)	-	-
Transfers in	(25,000)	(5,000)	(5,926)	(926)	76,311
Transfers out					
Special revenue funds	673,342	687,769	573,782	(113,987)	674,421
Capital project funds	-	-	-	-	600,000
Total other financing (sources) uses	648,342	649,154	534,241	(114,913)	1,010,367
Total expenditures and other financing (sources) uses	55,446,433	54,803,799	53,404,881	(1,398,918)	52,953,570
Net change in fund balance	(2,202,747)	(235,827)	997,067	1,232,894	2,311,398
Fund balance - beginning of year	12,865,866	12,865,866	12,865,866	-	10,554,468
Fund balance - end of year	<u>\$ 10,663,119</u>	<u>\$ 12,630,039</u>	<u>\$ 13,862,933</u>	<u>\$ 1,232,894</u>	<u>\$ 12,865,866</u>

OTHER SUPPLEMENTAL INFORMATION

Royal Oak Schools
Other Supplemental Information
Combining Balance Sheet - Non Major Governmental Funds
June 30, 2014 (with comparative total for the year ended June 30, 2013)

	Special Revenue Funds			
	Food Services	Community Services	Subtotal	QSCB Debt Service Fund
Assets				
Cash and cash equivalents	\$ 207,309	\$ 1,636,421	\$ 1,843,730	\$ -
Receivables - net	2,786	4,000	6,786	-
Due from other governmental units	8,397	-	8,397	-
Prepaid expenditures	110,000	-	110,000	-
Inventories	19,865	-	19,865	-
Total assets	<u>\$ 348,357</u>	<u>\$ 1,640,421</u>	<u>\$ 1,988,778</u>	<u>\$ -</u>
Liabilities and fund balances				
Liabilities				
Accounts payable and other liabilities	\$ 53,672	\$ 17,180	\$ 70,852	\$ -
Accrued payroll and related liabilities	-	164,460	164,460	-
Unearned revenue	15,660	59,406	75,066	-
Total liabilities	<u>69,332</u>	<u>241,046</u>	<u>310,378</u>	<u>-</u>
Fund balances (deficit)				
Non-spendable				
Inventory	19,865	-	19,865	-
Prepaid items	110,000	-	110,000	-
Committed				
Encumbrances	-	-	-	-
Assigned				
Assigned for various operating purposes	149,160	1,399,375	1,548,535	-
Total fund balances	<u>279,025</u>	<u>1,399,375</u>	<u>1,678,400</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 348,357</u>	<u>\$ 1,640,421</u>	<u>\$ 1,988,778</u>	<u>\$ -</u>

Capital Projects Funds		Total	
Instructional Technology Capital Projects Fund	Sinking Fund	2014	2013
\$ 541,352	\$ 1	\$ 2,385,083	\$ 2,468,091
-	949	7,735	7,077
-	-	8,397	8,472
-	-	110,000	110,000
-	-	19,865	18,665
<u>\$ 541,352</u>	<u>\$ 950</u>	<u>\$ 2,531,080</u>	<u>\$ 2,612,305</u>
\$ -	\$ -	\$ 70,852	\$ 69,050
-	-	164,460	128,923
-	-	75,066	95,879
<u>-</u>	<u>-</u>	<u>310,378</u>	<u>293,852</u>
-	-	19,865	18,665
-	-	110,000	110,000
-	950	950	-
<u>541,352</u>	<u>-</u>	<u>2,089,887</u>	<u>2,189,788</u>
<u>541,352</u>	<u>950</u>	<u>2,220,702</u>	<u>2,318,453</u>
<u>\$ 541,352</u>	<u>\$ 950</u>	<u>\$ 2,531,080</u>	<u>\$ 2,612,305</u>

Royal Oak Schools

Other Supplemental information

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non Major Governmental Funds

Year Ended June 30, 2014 (with comparative amounts for the year ended June 30, 2013)

	Special Revenue Funds		
	Food Services	Community Services	Subtotal
Revenue			
Local sources	\$ 623,393	\$ 1,146,851	\$ 1,770,244
State sources	54,762	314,329	369,091
Federal sources	525,313	2,042	527,355
Total revenue	1,203,468	1,463,222	2,666,690
Expenditures			
Current:			
Instruction	-	1,085,420	1,085,420
Support services	-	174,284	174,284
Community services	-	531,811	531,811
Food services	1,160,434	-	1,160,434
Debt service			
Principal	-	-	-
Interest	-	-	-
Other	-	-	-
Capital outlay	-	-	-
Total expenditures	1,160,434	1,791,515	2,951,949
Excess of revenues over (under) expenditures	43,034	(328,293)	(285,259)
Other financing sources (uses)			
Transfers in	-	322,684	322,684
Transfers out	(5,926)	-	(5,926)
Total other financing sources (uses)	(5,926)	322,684	316,758
Net change in fund balance	37,108	(5,609)	31,499
Fund balance - beginning of year	241,917	1,404,984	1,646,901
Fund balance - end of year	\$ 279,025	\$ 1,399,375	\$ 1,678,400

QSCB Debt Service Fund	Capital Projects Funds		2014	2013
	Instructional Technology Capital Projects Fund	Sinking Fund		
\$ -	\$ -	\$ 2,255,497	\$ 4,025,741	\$ 4,062,908
-	-	-	369,091	189,173
96,172	-	-	623,527	646,999
96,172	-	2,255,497	5,018,359	4,899,080
-	-	-	1,085,420	878,565
-	-	-	174,284	90,674
-	-	-	531,811	515,361
-	-	-	1,160,434	1,153,903
240,000	-	-	240,000	4,725,000
106,970	-	-	106,970	338,720
300	-	-	300	34,129
-	130,200	2,254,547	2,384,747	618,731
347,270	130,200	2,254,547	5,683,966	8,355,083
(251,098)	(130,200)	950	(665,607)	(3,456,003)
251,098	-	-	573,782	1,350,732
-	-	-	(5,926)	(301,158)
251,098	-	-	567,856	1,049,574
-	(130,200)	950	(97,751)	(2,406,429)
-	671,552	-	2,318,453	4,724,882
\$ -	\$ 541,352	\$ 950	\$ 2,220,702	\$ 2,318,453

Royal Oak Schools
Other Supplemental information
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance - Budget to Actual
Special Revenue Funds
Year Ended June 30, 2014

	Food Service		
	Final Budget	Actual	Over (Under) Final Budget
Revenue			
Local sources	\$ 619,445	\$ 623,393	\$ 3,948
State sources	50,931	54,762	3,831
Federal sources	524,919	525,313	394
Total revenue	1,195,295	1,203,468	8,173
Expenditures			
Current:			
Instruction	-	-	-
Support services	-	-	-
Community services	-	-	-
Food services	1,185,341	1,160,434	(24,907)
Total expenditures	1,185,341	1,160,434	(24,907)
Excess of revenues over (under) expenditures	9,954	43,034	33,080
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	(6,000)	(5,926)	74
Total other financing sources (uses)	(6,000)	(5,926)	74
Net change in fund balance	3,954	37,108	33,154
Fund balance - beginning of year	241,917	241,917	-
Fund balance - end of year	\$ 245,871	\$ 279,025	\$ 33,154

Community Services			Total		
Final Budget	Actual	Over (Under) Final Budget	Final Budget	Actual	Over (Under) Final Budget
\$ 1,117,439	\$ 1,146,851	\$ 29,412	\$ 1,736,884	\$ 1,770,244	\$ 33,360
335,081	314,329	(20,752)	386,012	369,091	(16,921)
814	2,042	1,228	525,733	527,355	1,622
<u>1,453,334</u>	<u>1,463,222</u>	<u>9,888</u>	<u>2,648,629</u>	<u>2,666,690</u>	<u>18,061</u>
1,138,973	1,085,420	(53,553)	1,138,973	1,085,420	(53,553)
208,011	174,284	(33,727)	208,011	174,284	(33,727)
543,022	531,811	(11,211)	543,022	531,811	(11,211)
-	-	-	1,185,341	1,160,434	(24,907)
<u>1,890,006</u>	<u>1,791,515</u>	<u>(98,491)</u>	<u>3,075,347</u>	<u>2,951,949</u>	<u>(123,398)</u>
(436,672)	(328,293)	108,379	(426,718)	(285,259)	141,459
436,671	322,684	(113,987)	436,671	322,684	(113,987)
-	-	-	(6,000)	(5,926)	74
<u>436,671</u>	<u>322,684</u>	<u>(113,987)</u>	<u>430,671</u>	<u>316,758</u>	<u>(113,913)</u>
(1)	(5,609)	(5,608)	3,953	31,499	27,546
<u>1,404,984</u>	<u>1,404,984</u>	<u>-</u>	<u>1,646,901</u>	<u>1,646,901</u>	<u>-</u>
<u>\$ 1,404,983</u>	<u>\$ 1,399,375</u>	<u>\$ (5,608)</u>	<u>\$ 1,650,854</u>	<u>\$ 1,678,400</u>	<u>\$ 27,546</u>

Royal Oak Schools
Other Supplemental information
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget to Actual
Debt Service Funds
Year Ended June 30, 2014

	<u>2005 Debt Actual</u>	<u>QSCB Actual</u>
Revenue		
Local sources	\$ 8,521,924	\$ -
Federal sources	<u>-</u>	<u>96,172</u>
Total revenue	<u>8,521,924</u>	<u>96,172</u>
Expenditures - Debt Service		
Principal	7,125,000	240,000
Interest	2,850,000	106,970
Other	<u>65,152</u>	<u>300</u>
Total expenditures	<u>10,040,152</u>	<u>347,270</u>
Excess of revenue over (under) expenditures	(1,518,228)	(251,098)
Other Financing Sources (Uses)		
Transfers in	<u>-</u>	<u>251,098</u>
Total other financing sources (uses)	<u>-</u>	<u>251,098</u>
Net change in fund balance	<u>(1,518,228)</u>	<u>-</u>
Fund balance - beginning of year	<u>3,656,271</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 2,138,043</u></u>	<u><u>\$ -</u></u>

Total Debt Service Funds Actual	Total Debt Service Funds Final Budget	Over (Under) Final Budget
\$ 8,521,924	\$ 8,522,399	\$ (475)
96,172	96,172	-
<u>8,618,096</u>	<u>8,618,571</u>	<u>(475)</u>
7,365,000	7,365,000	-
2,956,970	2,956,970	-
65,452	90,563	(25,111)
<u>10,387,422</u>	<u>10,412,533</u>	<u>(25,111)</u>
(1,769,326)	(1,793,962)	24,636
<u>251,098</u>	<u>251,098</u>	<u>-</u>
<u>251,098</u>	<u>251,098</u>	<u>-</u>
<u>(1,518,228)</u>	<u>(1,542,864)</u>	<u>24,636</u>
<u>3,656,271</u>	<u>3,656,271</u>	<u>-</u>
<u>\$ 2,138,043</u>	<u>\$ 2,113,407</u>	<u>\$ 24,636</u>

Royal Oak Schools
Other Supplemental information
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Capital Projects Fund
Year Ended June 30, 2014

	General Property Maintenance Fund	Instructional Technology Fund	Sinking Fund	Total Capital Project Funds
Revenue				
Local sources	\$ 3,604	\$ -	\$ 2,255,497	\$ 2,259,101
Expenditures - Capital Projects				
Capital outlay	880,075	130,200	2,254,547	3,264,822
Other Financing sources (uses)				
Proceeds from sale of capital assets	1,158,408	-	-	1,158,408
Total other financing sources (uses)	1,158,408	-	-	1,158,408
Net change in fund balance	281,937	(130,200)	950	152,687
Fund balance - beginning of year	3,141,496	671,552	-	3,813,048
Fund balance - end of year	<u>\$ 3,423,433</u>	<u>\$ 541,352</u>	<u>\$ 950</u>	<u>\$ 3,965,735</u>

Royal Oak Schools
Other Supplemental information
Schedule of Bonded Indebtedness
Year Ended June 30, 2014

	<u>2005 Debt</u>	<u>QSCB Debt</u>
<u>June 30</u>	<u>Principal</u>	<u>Principal</u>
2015	\$ 7,125,000	\$ 240,000
2016	7,125,000	240,000
2017	7,125,000	240,000
2018	7,125,000	240,000
2019	7,125,000	240,000
2020	7,125,000	240,000
2021	7,125,000	245,000
2022	<u>-</u>	<u>245,000</u>
Total	<u>\$ 49,875,000</u>	<u>\$ 1,930,000</u>
Principal payments due	May 1	November 1
Interest payments due	May 1 and November 1	May 1 and November 1
Interest rate	3.50%- 5.00%	1.25%- 6.00%
Original Issue	<u>\$ 65,500,000</u>	<u>\$ 2,650,000</u>

STATISTICAL SECTION (UNAUDITED)

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities										
Net investment in										
capital assets	\$ 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	\$ 18,967,795
Restricted - Debt Service	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	773,135
Unrestricted	<u>18,859,879</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>	<u>18,137,425</u>
Total primary government	<u>\$ 85,245,660</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>	<u>\$ 37,878,355</u>

Source: Royal Oak Schools Comprehensive Annual Financial Reports 2005-2014.

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses										
Governmental activities										
Instruction	\$ 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	\$ 39,530,593
Support services	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	26,965,264
Food services	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	1,273,339
Athletics	-	-	-	-	639,525	674,369	721,696	896,357	1,017,503	1,012,381
Community services	1,281,731	1,261,333	622,865	678,492	707,362	773,152	902,012	1,046,652	948,537	974,658
Interest on long-term debt	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	1,745,452
Depreciation (unallocated)	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	3,723,981
Total primary government expenses	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	75,225,668
Program revenues										
Governmental activities										
Charges for services										
Instruction	39,291	61,311	60,916	59,266	61,410	103,086	100,724	79,735	-	-
Food services	623,393	581,116	624,267	638,257	687,884	750,537	691,366	775,052	808,603	864,387
Athletics	-	-	-	-	185,857	110,875	148,506	96,684	145,182	135,057
Support services	221,060	238,864	231,887	235,330	-	-	-	-	-	-
Community services	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	1,062,521
Operating grants and contributions										
Instruction	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	14,246,590
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	573,520	597,160	677,043	665,616	647,355	536,377	432,510	408,399	403,816	363,091
Community services	314,329	139,110	159,292	100,480	82,715	99,013	94,548	103,242	135,928	90,520
Total primary government program revenues	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	16,762,166
Net (expense) revenue										
Total primary government net expense	\$ (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)	\$ (58,463,502)

Source: Royal Oak Schools Comprehensive Annual Financial Reports 2005-2014.

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net (expense) revenue										
Total primary government net expense	\$ (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)	\$ (58,463,502)
General revenues and other changes in net position										
Governmental activities										
Taxes										
Property taxes levied for general purposes	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	17,280,018
Property taxes levied for debt service	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	7,232,290
Unrestricted state aid	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	35,560,997
Interest and investment earnings	41,810	33,163	41,643	33,558	65,288	365,721	1,912,523	4,327,700	2,709,921	557,330
Gain on sale of assets	1,307,721	1,538,403	680,496	614,413	488,977	60,000	100,000	2,457,819	4,599,382	-
Insurance recoveries	-	-	-	-	2,000,000	-	-	-	-	-
Other	648,649	416,280	293,841	661,718	554,199	1,650,012	406,123	1,699,163	1,349,653	1,092,266
Total primary government	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	61,722,901
Change in net position										
Total primary government	\$ 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	\$ 3,259,399

Source: Royal Oak Schools Comprehensive Annual Financial Reports 2005-2014.

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund										
Non-spendable	\$ -	\$ 3,817	\$ 72,405	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	137,674	-	-	-	-	-	-	-	-	-
Assigned	3,004,594	2,824,754	2,859,270	5,301,954	-	-	-	-	-	-
Unassigned	10,720,665	10,037,295	7,622,793	4,061,055	-	-	-	-	-	-
Reserved	-	-	-	-	195,205	30,442	99,015	147,604	108,941	80,376
Unreserved	-	-	-	-	-	-	-	-	-	-
Designated	-	-	-	-	3,896,984	5,101,754	7,634,221	8,266,194	10,017,351	11,857,734
Undesignated	-	-	-	-	2,678,084	1,198,855	4,372,960	3,459,217	4,098,528	4,164,459
Total General Fund	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	16,102,569
All other governmental funds										
Non-spendable	\$ 129,865	\$ 131,034	\$ 136,843	\$ 26,580	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	2,138,043	3,653,902	4,067,813	4,380,800	-	-	-	-	-	-
Committed	3,051,008	-	-	-	-	-	-	-	-	-
Assigned	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	1,664,524
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Special Revenue Funds	-	-	-	-	1,311,216	2,185,837	2,015,393	1,419,101	1,106,447	1,128,237
Capital Project Funds	-	-	-	-	(2,359,856)	(5,298,279)	(6,980,540)	1,142,848	263,638	2,625,888
Total all other governmental funds	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	5,418,649
Total all funds	\$ 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	\$ 21,521,218

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 2005-2014.

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

Year Ended	General Fund						Special Revenue Funds		
	Property Taxes	Other Local Sources	Interdistrict Sources	State Sources	Federal Sources *	Total General Fund Revenues	Local Sources	Interdistrict Sources	State Sources
2005	\$ 17,280,018	\$ 1,472,251	\$ 5,748,466	\$ 37,512,561	\$ 2,497,469	\$ 64,510,765	\$ 2,061,965	\$ 2,723,055	\$ 1,464,161
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
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
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
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
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
2011	19,279,237	1,209,137	5,220,718	29,659,838	3,114,539	58,483,469	1,725,212	-	174,886
2012	18,925,737	990,252	4,210,781	29,169,198	2,631,679	55,927,647	1,766,482	-	234,126
2013	19,163,973	955,151	3,743,464	29,689,691	1,712,589	55,264,868	1,726,589	-	189,173
2014	18,934,302	1,092,851	3,700,185	29,178,665	1,495,945	54,401,948	1,770,244	-	369,091

* 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 2005-2014.

Federal Sources	Total Special Funds Revenue	Capital Project Funds			Debt Service Funds			Total Revenue
		Interest and Other	State Sources	Total Capital Project Funds Revenue	Property Taxes	Interest and Other	Total Debt Service Funds Revenue	
\$ 315,486	\$ 6,564,667	\$ 74,102	\$ -	\$ 74,102	\$ 7,232,290	\$ 103,243	\$ 7,335,533	\$ 78,485,067
355,220	5,929,905	1,592,477	-	1,592,477	5,625,495	149,715	5,775,210	76,660,001
351,249	5,882,370	2,983,962	-	2,983,962	11,325,877	337,414	11,663,291	82,558,172
376,023	5,471,457	885,634	-	885,634	11,725,384	393,887	12,119,271	79,804,336
486,740	4,940,762	98,579	-	98,579	11,846,917	136,111	11,983,028	76,128,830
583,377	5,141,822	20,799	-	20,799	11,778,996	33,933	11,812,929	75,965,881
591,210	2,491,308	-	-	-	10,904,656	12,000	10,916,656	71,891,433
602,209	2,602,817	-	-	-	10,647,453	149,246	10,796,699	69,327,163
540,390	2,456,152	-	-	-	10,542,062	118,442	10,660,504	68,381,524
527,355	2,666,690	2,259,101	-	2,259,101	8,510,309	107,787	8,618,096	67,945,835

Royal Oak Schools

Fund Level Expenditures by Function - Last Ten Fiscal Years

(Unaudited)

	2014	2013	2012	2011
Instruction (2)	\$ 30,384,432	\$ 19,494,865	\$ 19,287,159	\$ 20,836,847
Pupil services	4,686,290	3,145,836	3,134,485	3,030,725
Instructional support services	1,840,714	1,312,486	1,376,078	1,287,388
General administration	570,881	543,944	505,682	544,271
School administration	2,914,383	1,837,736	2,075,127	2,152,357
Business services	6,554,363	6,096,684	6,412,103	7,089,407
Central staff	1,865,325	1,543,609	822,949	768,903
Athletics	585,482	498,456	445,893	441,760
Employee benefits (2)	-	13,388,786	14,546,344	14,833,474
Community services (2)	749,920	543,777	92,385	151,932
Payments to other governmental units	2,293,166	2,508,425	2,807,290	2,606,948
Capital lease retirement	75,234	31,348	-	-
Capital outlay (1)	350,450	997,251	122,670	282,373
Food Services Fund	1,160,434	1,153,903	1,275,493	1,284,725
Community Services Fund	1,791,515	1,484,600	1,599,307	1,542,769
Special Education Center Program Fund	-	-	-	-
Sinking Fund	2,254,547	-	-	-
Debt service				
Principal	7,365,000	7,825,000	5,850,000	5,395,000
Interest	2,956,970	3,343,720	3,644,377	3,769,475
Other	65,452	151,487	114,528	113,744
Capital projects (1)	<u>3,264,822</u>	<u>2,162,324</u>	<u>1,343,706</u>	<u>1,118,333</u>
	<u>\$ 71,729,380</u>	<u>\$ 68,064,237</u>	<u>\$ 65,455,576</u>	<u>\$ 67,250,431</u>
Debt services as a percentage of noncapital expenditures	<u>15.69%</u>	<u>17.18%</u>	<u>14.99%</u>	<u>14.03%</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
2005-2014.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 22,789,538	\$ 22,968,200	\$ 22,995,734	\$ 23,639,078	\$ 23,987,353	\$ 24,270,916
3,894,769	3,547,896	3,572,906	3,799,280	3,990,432	4,149,752
1,830,065	1,569,359	1,630,971	1,662,792	1,909,897	1,964,051
593,784	593,714	583,406	528,481	497,451	426,379
2,143,988	2,210,699	2,017,650	2,520,245	2,616,229	2,745,387
7,095,898	7,528,487	8,306,281	7,985,698	8,510,110	8,226,343
952,911	828,829	823,762	855,625	1,023,288	959,423
639,525	674,369	721,696	896,357	1,017,503	1,012,381
15,262,778	15,107,125	15,546,380	16,578,710	16,920,722	15,979,359
124,243	146,350	248,850	242,298	174,058	154,916
3,366,488	3,154,798	3,011,002	2,793,834	2,418,836	2,242,029
-	-	-	-	-	-
425,170	382,472	492,165	795,474	505,552	907,490
1,277,065	1,215,116	1,117,219	1,150,096	1,182,654	1,273,339
1,570,395	1,606,298	1,710,488	1,982,233	1,940,627	1,986,032
2,566,089	2,706,433	3,134,862	3,471,941	3,436,359	4,031,332
-	-	-	-	-	-
7,530,000	4,052,732	8,125,000	5,250,000	4,465,000	2,623,937
4,138,025	8,397,829	3,645,585	4,974,692	756,140	4,820,279
79,808	108,193	215,305	51,731	19,895	94,455
<u>1,050,748</u>	<u>7,817,337</u>	<u>48,870,643</u>	<u>39,109,809</u>	<u>6,324,113</u>	<u>159,340</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>	<u>\$ 78,027,140</u>
<u>15.40%</u>	<u>16.35%</u>	<u>15.39%</u>	<u>12.98%</u>	<u>6.95%</u>	<u>9.68%</u>

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Excess of revenues over (under) expenditures	\$ (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)	\$ 457,927
Other financing sources (uses)										
Proceeds from capital lease	-	340,365	-	-	-	-	-	-	-	-
Proceeds from sale of assets	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	-	-	-	-	2,000,000	1,184,829	-	1,324,754	-	-
Transfers in	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	3,239,567
Transfers out	(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)	(3,239,567)
General long-term debt issued	-	-	-	2,650,000	-	-	17,200,000	-	65,500,000	-
Bond discount/premium	-	-	-	-	-	-	1,037,790	-	4,409,446	-
Payments to bond escrow agent	-	-	-	-	-	-	(19,557,010)	-	-	-
Total other financing sources (uses)	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	<u>\$ (336,975)</u>	<u>\$ 2,693,527</u>	<u>\$ 4,749,305</u>	<u>\$ 7,696,926</u>	<u>\$ 2,602,966</u>	<u>\$ (7,031,466)</u>	<u>\$ (48,084,789)</u>	<u>\$ (28,556,979)</u>	<u>\$ 66,391,378</u>	<u>\$ 457,927</u>

Note: The District began reporting accrual information when it implemented GASB Statement 34 in fiscal year 2003.

Source: Royal Oak Schools Comprehensive Annual Financial Reports 2004-2015.

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
2005	\$ 24,149,671	\$ 23,823,187	98.65 %		\$ 362,637	\$ 24,185,824	100.15 %
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 %

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
2005	\$ 1,381,918,428	\$ 730,050,937	\$ 2,111,969,365	\$ 4,223,938,730	7.50	21.21
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

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
	Operating	Non- Operating	Total			
2005	4.10	3.40	7.50	6.00	8.62	1.59
2006	3.50	2.51	6.01	6.00	8.40	1.58
2007	2.99	4.71	7.70	6.00	8.61	1.58
2008	2.90	4.71	7.61	6.00	8.61	1.58
2009	2.70	4.71	7.41	6.00	8.71	1.58
2010	2.64	4.71	7.35	6.00	8.71	1.58
2011	3.02	4.71	7.73	6.00	8.71	1.58
2012	3.02	4.71	7.73	6.00	8.71	1.58
2013	3.02	4.71	7.73	6.00	8.71	1.58
2014	2.98	3.75	6.73	6.00	8.32	1.58

Source: Oakland County Equalization Department

Overlapping Rates				
<u>City of Berkley</u>	<u>City of Huntington Woods</u>	<u>City of Madison Heights</u>	<u>City of Royal Oak</u>	<u>City of Troy</u>
13.16	20.08	17.00	11.96	9.45
12.63	19.99	17.30	11.78	9.45
13.02	20.29	17.90	11.67	9.43
12.97	21.10	18.04	11.44	9.28
13.00	21.80	18.16	11.43	9.28
13.08	21.95	18.00	11.69	9.28
14.07	23.56	18.81	11.71	9.40
14.30	25.73	21.87	11.72	10.19
14.49	26.39	22.43	15.20	10.48
17.51	26.83	22.93	15.17	10.52

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
	Operating	Non- Operating	Total			
2005	17.81	3.40	21.21	6.00	8.62	1.59
2006	17.81	2.51	20.32	6.00	8.40	1.58
2007	18.00	4.71	22.71	6.00	8.61	1.58
2008	18.00	4.71	22.71	6.00	8.61	1.58
2009	18.00	4.71	22.71	6.00	8.71	1.58
2010	18.00	4.71	22.71	6.00	8.71	1.58
2011	18.00	4.71	22.71	6.00	8.71	1.58
2012	18.00	4.71	22.71	6.00	8.71	1.58
2013	18.00	4.71	22.71	6.00	8.71	1.58
2014	18.00	4.75	22.75	6.00	8.91	1.58

Source: Oakland County Equalization Department

Overlapping Rates

<u>City of Berkley</u>	<u>City of Huntington Woods</u>	<u>City of Madison Heights</u>	<u>City of Royal Oak</u>	<u>City of Troy</u>
13.16	20.08	17.00	11.96	9.45
12.63	19.99	17.30	11.78	9.45
13.02	20.29	17.90	11.67	9.43
12.97	21.10	18.04	11.44	9.28
13.00	21.80	18.16	11.43	9.28
13.08	21.95	18.00	11.69	9.28
14.07	23.56	18.81	11.71	9.40
14.30	25.73	21.87	11.72	10.19
14.49	26.39	22.43	15.20	10.48
17.51	26.83	22.93	15.17	10.52

Royal Oak Schools

Outstanding Debt by Type - Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Governmental Activities			
	Bonded Debt	Performance Contracting Notes	Bus Notes	Capital Leases
2005	\$ 30,403,333	-	-	-
2006	91,438,333	-	-	-
2007	86,188,333	-	-	-
2008	87,172,732	-	-	-
2009	83,120,000	-	-	-
2010	75,590,000	-	-	-
2011	72,845,000	-	-	-
2012	66,995,000	-	-	-
2013	59,170,000	-	-	314,529
2014	51,805,000	-	-	250,737

* Years 2005-2006 have 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

	Total	Percentage of Personal Income *	Per Capita
\$	30,403,333	0.0486%	486
	91,438,333	0.1442%	1,496
	86,188,333	0.1299%	1,437
	87,172,732	0.1351%	1,467
	83,120,000	0.1370%	1,406
	75,590,000	N/A	1,277
	72,845,000	N/A	1,240
	66,995,000	N/A	1,133
	59,484,529	N/A	988
	52,055,737	N/A	861

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt limit	\$ 316,795,405	\$ 334,589,330	\$ 355,404,695	\$ 374,080,544
Total net debt applicable to limit	<u>30,403,333</u>	<u>91,438,333</u>	<u>86,188,333</u>	<u>87,172,732</u>
Legal debt margin	<u>\$ 286,392,072</u>	<u>\$ 243,150,997</u>	<u>\$ 269,216,362</u>	<u>\$ 286,907,812</u>
Total net debt applicable to the limit as a percentage of debt limit	9.60%	27.33%	24.25%	23.30%

Source: Oakland County Equalization Department and Royal Oak Schools

Legal Debt Margin Calculation for Fiscal Year 2014

Taxable value	\$ 2,262,050,880
Debt limit (15%) of taxable value	339,307,632
Debt applicable to limit	<u>(51,805,000)</u>
Legal Debt Margin	<u><u>\$ 287,502,632</u></u>

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 378,253,776	\$ 375,671,945	\$ 347,587,901	\$ 337,466,840	\$ 335,155,017	\$ 339,307,632
<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><u>\$ 295,133,776</u></u>	<u><u>\$ 300,081,945</u></u>	<u><u>\$ 274,742,901</u></u>	<u><u>\$ 270,471,840</u></u>	<u><u>\$ 275,985,017</u></u>	<u><u>\$ 287,502,632</u></u>
21.97%	20.12%	20.96%	19.85%	17.65%	15.27%

Royal Oak Schools

Demographic Data - Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Estimated Population	Enrollment	Full-Time and Part-Time School District Employees
2005	62,562	6,219	845
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

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				Unemployment Rate **
		Estimated Population	Estimated Total Household Income	Estimated Number of Households	Estimated Income Per Household	
2005	\$ 62,543,581,000	62,562	\$ 1,803,297,440	28,832	\$62,545	6.10%
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%

* Years 2005-2006 are revised figures issued by the U.S. Department of Commerce

** Years 2005-2010 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, Oakland County Planning and Economic Development Department, 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	2014			2005		
	2013 Tax Year Taxable Value Real and Personal Property	Rank	Percentage of Total Taxable Value	2004 Tax Year Taxable Value Real and Personal Property	Rank	Percentage of Total Taxable Value
Detroit Edison	\$ 22,163,440	1	0.98%	\$ 32,052,410	1	1.52%
Beaumont Hospital	17,446,290	2	0.77%	14,252,990	3	0.67%
Consumers Energy	15,262,510	3	0.67%	12,529,764	4	0.59%
Form Tech Industries	14,292,680	4	0.63%			
Flex-N-Gate	13,896,000	5	0.61%			
Amber Equities, LLC	12,250,660	6	0.54%	10,746,551	5	0.51%
Sears Holding	8,381,480	7	0.37%			
New Par/Verizon	8,126,810	8	0.36%			
Main Eleven Royal Oak	7,013,550	9	0.31%			
CH Royal Oak LLC	6,948,350	10	0.31%			
Metaldyne				24,447,650	2	1.16%
Co-Op Services				9,043,300	6	0.43%
Veltri Metal				8,857,100	7	0.42%
National City Bank	-		-	7,664,740	8	0.36%
Meijer	-		-	7,568,720	9	0.36%
Garber Family Partnership	-		-	6,241,450	10	0.30%
Total principal taxpayers	125,781,770		5.56%	133,404,675		6.32%
Balance of valuations	2,136,269,110		94.44%	1,978,564,690		93.68%
Total taxable valuation	<u>\$ 2,262,050,880</u>		<u>100.00%</u>	<u>\$ 2,111,969,365</u>		<u>100.00%</u>

Source: City of Royal Oak Assessor

Royal Oak Schools

Principal Employers - Current and Nine Years Ago (Unaudited)

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

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

* Data for 2014 is not available. 2012 data is presented for comparative purposes.

** Data for 2005 is not available, therefore 2006 data is presented for comparative purposes.

2006**		
Employees	Rank	Percentage of Total County Employment
12,227	1	1.99%
814	2	0.13%
380	4	0.06%
260	7	0.04%
250	9	0.04%
298	6	0.05%
450	3	0.07%
260	8	0.04%
302	5	0.05%
220	10	0.04%
		2.51%

Royal Oak Schools

Operating Statistics - Last Ten Fiscal Years

(Unaudited)

<u>Fiscal Year Ended</u>	<u>Enrollment (1)</u>	<u>Operating Expenditures (2)</u>	<u>Cost per Pupil</u>	<u>Percentage Change</u>
2005	6,145	\$ 58,721,610	\$ 9,556	4.42 %
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 %

Source: Royal Oak Schools

(1) Enrollment for special education Center Program students is excluded in Years 2004 - 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>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>
Administrative					
Building administrators	13.5	13.5	13.5	13.5	13.5
Central administration	6.0	6.0	7.0	6.0	5.0
Operational administration	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>2.0</u>	<u>2.0</u>
	<u>20.5</u>	<u>20.5</u>	<u>21.5</u>	<u>21.5</u>	<u>20.5</u>
Instruction and pupil services					
Classroom teachers	253.1	251.0	247.2	266.9	268.4
Counselors	8.0	8.0	8.0	7.8	9.3
Media specialists	1.0	1.0	1.0	1.0	1.0
Psychologists	4.2	4.0	4.0	4.0	3.8
Social workers	4.6	4.6	4.6	4.6	6.6
Pupil support - professional	19.1	20.3	21.2	20.0	27.8
Paraprofessionals	46.6	45.0	45.5	43.0	43.0
Secretarial	21.0	22.0	22.5	23.5	23.5
Hall supervision (1)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3.0</u>
	<u>357.6</u>	<u>355.9</u>	<u>354.0</u>	<u>370.8</u>	<u>386.4</u>
Business Services					
Custodial (1)	-	-	-	-	33.5
Maintenance (1)	-	-	-	-	14.0
Transportation (1)	-	-	-	-	24.0
Secretarial/clerical	11.0	10.5	9.0	11.0	13.5
Technical	<u>- (3)</u>	<u>1.5 (2)</u>	<u>5.5</u>	<u>5.5</u>	<u>5.5</u>
	<u>11.0</u>	<u>12.0</u>	<u>14.5</u>	<u>16.5</u>	<u>90.5</u>
Total	<u>389.1</u>	<u>388.4</u>	<u>390.0</u>	<u>408.8</u>	<u>497.4</u>

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

<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	Percentage Change from <u>2004-05 to 2013-14</u>
13.5	13.5	16.5	18.0	18.5	(27.03)%
7.0	7.0	7.0	7.0	8.0	(25.00)%
<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	<u>3.0</u>	<u>3.0</u>	(66.67)%
<u>22.5</u>	<u>22.5</u>	<u>25.5</u>	<u>28.0</u>	<u>29.5</u>	(30.51)%
276.4	283.6	302.3	320.9	336.0	(24.66)%
9.4	10.3	10.8	9.8	10.2	(21.57)%
2.0	2.0	3.0	4.0	4.0	(75.00)%
3.6	3.9	3.0	4.0	3.8	10.53 %
6.4	6.3	7.0	7.7	6.7	(31.34)%
16.3	18.1	19.7	22.6	23.9	(20.08)%
43.0	44.5	47.5	48.0	55.5	(16.04)%
23.5	24.0	28.0	34.0	35.0	(40.00)%
<u>4.0</u>	<u>6.0</u>	<u>8.0</u>	<u>9.0</u>	<u>10.0</u>	(100.00)%
<u>384.6</u>	<u>398.7</u>	<u>429.3</u>	<u>460.0</u>	<u>485.1</u>	(26.28)%
38.5	42.5	42.5	52.0	52.0	(100.00)%
15.0	18.0	19.0	19.0	20.0	(100.00)%
24.0	24.5	28.0	23.5	27.5	(100.00)%
14.0	14.0	14.0	15.0	16.0	(31.25)%
<u>7.0</u>	<u>5.5</u>	<u>5.5</u>	<u>7.4</u>	<u>7.4</u>	(100.00)%
<u>98.5</u>	<u>104.5</u>	<u>109.0</u>	<u>116.9</u>	<u>122.9</u>	(91.05)%
<u>505.6</u>	<u>525.7</u>	<u>563.8</u>	<u>604.9</u>	<u>637.5</u>	(38.96)%

Royal Oak Schools

Teacher Base Salaries - Last Ten Fiscal Years

(Unaudited)

Fiscal Year	BA Base Minimum Salary	MA / BA +30 Maximum Salary
2005	\$ 36,141	\$ 76,175
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

Source: Royal Oak Schools

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

School	Fiscal Year			
	2005	2006	2007	2008
Elementary:				
Addams (1952)				
Square feet	-	-	-	70,890
Capacity	-	-	-	625
Enrollment	-	-	-	464
Franklin (1927)				
Square feet	-	-	-	-
Capacity	-	-	-	-
Enrollment	-	-	-	-
Keller (1961)				
Square feet	-	-	-	78,640
Capacity	-	-	-	675
Enrollment	-	-	-	372
Longfellow (1919)				
Square feet	40,944	40,944	40,944	-
Capacity	400	400	400	-
Enrollment	189	179	180	-
Northwood (1923)				
Square feet	42,174	42,174	42,174	42,174
Capacity	400	400	400	400
Enrollment	389	374	330	312
Northwood (2008)				
Square feet	-	-	-	-
Capacity	-	-	-	-
Enrollment	-	-	-	-
Oakland (1924)				
Square feet	43,257	43,257	43,257	43,257
Capacity	400	400	400	400
Enrollment	260	262	264	258
Oak Ridge (1951)				
Square feet	51,619	51,619	51,619	51,619
Capacity	475	475	475	475
Enrollment	445	449	430	482
Parker (1952)				
Square feet	-	-	-	-
Capacity	-	-	-	-
Enrollment	-	-	-	-
Starr (1919)				
Square feet	39,414	39,414	39,414	-
Capacity	400	400	400	-
Enrollment	273	258	250	-
Twain (1954)				
Square feet	47,276	47,276	47,276	-
Capacity	450	450	450	-
Enrollment	236	219	180	-
Upton (1951)				
Square feet	35,708	35,708	35,708	35,708
Capacity	325	325	325	325
Enrollment	348	316	323	299

2009	2010	2011	2012	2013	2014
70,890	70,890	70,890	70,890	70,890	70,890
625	625	625	625	625	625
414	418	417	452	442	464
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
78,640	78,640	78,640	78,640	78,640	78,640
675	675	675	675	675	675
361	338	314	379	394	400
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
65,000	65,000	65,000	65,000	65,000	65,000
475	475	475	475	475	475
402	463	463	467	512	475
43,257	43,257	43,257	43,257	43,257	43,257
400	400	400	400	400	400
282	297	320	334	303	271
51,619	51,619	51,619	51,619	51,619	51,619
475	475	475	475	475	475
432	435	443	437	458	453
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
35,708	35,708	35,708	35,708	35,708	35,708
325	325	325	325	325	325
331	356	367	323	316	294

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

School	Fiscal Year			
	2005	2006	2007	2008
Whittier (1922)				
Square feet	43,982	43,982	43,982	-
Capacity	450	450	450	-
Enrollment	317	284	263	-
Middle:				
Addams (1953)				
Square feet	70,890	70,890	70,890	-
Capacity	891	891	891	-
Enrollment	690	666	670	-
Keller (1961)				
Square feet	78,640	78,640	78,640	-
Capacity	1,161	1,161	1,161	-
Enrollment	702	653	621	-
ROMS (1928)				
Square feet	-	-	-	277,161
Capacity	-	-	-	1,250
Enrollment	-	-	-	1,205
High:				
Dondero (1928)				
Square feet	264,819	264,819	264,819	-
Capacity	1,188	1,188	1,188	-
Enrollment	830	668	-	-
Kimball (1957)				
Square feet	269,008	269,008	-	-
Capacity	1,998	1,998	-	-
Enrollment	1,225	1,290	-	-
ROHS (1957)				
Square feet	-	-	269,008	285,508
Capacity	-	-	1,998	1,998
Enrollment	-	-	1,867	1,798
Other:				
Oakland Technical Center, SE Campus (1971)				
Square feet	125,735	125,735	125,735	125,735
Capacity	-	-	-	-
Enrollment	-	-	-	-
Community Education Center (1979)				
Square feet	78,583	78,583	78,583	78,583
Capacity	540	540	540	540
Enrollment	202	170	198	179
Addams Early Childhood Center (1952)				
Square feet	-	-	-	25,913
Capacity	-	-	-	250
Enrollment	-	-	-	111
Lincoln Early Childhood Center (1953)				
Square feet	39,565	39,565	39,565	-
Capacity	350	350	350	-
Enrollment	113	108	118	-

Source: Royal Oak Schools

2009	2010	2011	2012	2013	2014
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
277,161	277,161	277,161	277,161	277,161	277,161
1,250	1,250	1,250	1,250	1,250	1,250
1,204	1,172	1,127	1,094	1,049	1,044
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
285,508	285,508	285,508	285,508	285,508	285,508
1,998	1,998	1,998	1,998	1,998	1,998
1,743	1,713	1,614	1,533	1,441	1,358
125,735	125,735	125,735	125,735	125,735	125,735
-	-	-	-	-	-
-	-	-	-	-	-
78,583	78,583	78,583	78,583	78,583	78,583
540	540	540	540	540	540
181	181	186	341	309	327
25,913	25,913	25,913	25,913	25,913	25,913
250	250	250	250	250	250
101	103	55	68	77	82
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-