

**School District of the City of Royal Oak
Royal Oak, Michigan**

Comprehensive Annual Financial Report

for the Fiscal Year Ended

June 30, 2008

School District of the City of Royal Oak

Comprehensive Annual Financial Report

of

The School District of the City of Royal Oak

Royal Oak, Michigan

As prepared by the Finance Department

For the Fiscal Year Ended June 30, 2008

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September 16, 2008

The Board of Education
School District of the City of Royal Oak
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 the School District of the City of Royal Oak from the perspective of the Superintendent and the District's Executive Administrators in the Business Department. It serves as an introduction to our Comprehensive Annual Financial Report for the fiscal year which ended June 30, 2008. 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 unqualified opinion.

Financial Reporting

The Association of School Business Officials International (ASBO) has awarded a Certificate of Excellence in Financial Reporting to the School District of the City of Royal Oak for its Comprehensive Annual Financial Report for the last twenty-two fiscal years, June 30, 1986 through June 30, 2007.

To receive a Certificate of Excellence in Financial Reporting, a public school district must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, with contents conforming to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Excellence is valid for a period of one year only. We believe our current report



continues to conform to Certificate of Excellence program requirements, and we are submitting it to ASBO to determine its eligibility for another year's certificate.

The District

The School District of the City of Royal Oak 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 2008, 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.

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 preprimary impaired programs to students reaching the age of 26. Included in these special education programs are three area center programs funded by a county-wide millage, tuition paid by sending districts and the State of Michigan. The high school, middle school, all elementary schools and continuing education are fully accredited by the North Central Association. In addition, the District operates preschool and childcare 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 music, drama, sports, clubs and numerous other special interest activities.

Accounting System and Budgetary Control

The Governmental Funds of the School District of the City of Royal Oak 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-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. These changes significantly reduced local sources of revenue (property taxes) and increased State funding. Funding for all Michigan districts is now tied directly to the number of students. Under the previous school finance system, the district's funding was almost entirely generated from local property taxes. Together, these changes mean that the School District of the City of Royal Oak is much more dependent upon the State of Michigan for its revenue.

The School District of the City of Royal Oak has, for a number of years, experienced significant declines in enrollment as the demographics of the community have shifted toward a higher average age. Projections prepared by an outside analyst indicate that this trend of declining enrollment will continue into the foreseeable future, albeit at a slower rate.

From a local district's perspective, the current funding system 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. This places a significant financial burden on school districts across the state when wage, benefit, retirement, vehicle fuel, and utility costs are increasing at rates above inflation. 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. This dependence upon sales and statewide property tax will continue to result in significant cyclical effects tied to the performance of the economy. As a result, there continues to be 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. Despite the continuing financial difficulties of the State of Michigan during fiscal 2007-08, there was a \$48 increase in the amount the District received for each student. This represented a measly 0.5% increase in our per pupil foundation allowance. Unfortunately, the financial picture for school districts in Michigan continues to be bleak. At present, the State Legislature just recently reached agreement on a 2008-09 State School Aid Act which will result in a \$56 increase in per pupil funding for Royal Oak. Once again, this represents an extremely small percentage increase, 0.6%, in our foundation allowance per student. Time will tell whether there is enough State school aid revenue to support the increase. With per pupil funding increases less than the rate of inflation and many costs rising greater than the rate of inflation, school districts across Michigan continue to be overwhelmed with financial uncertainty and continue to struggle to maintain instructional and support programs for students. Purchasing power continues to be eroded as increases in per pupil funding lag behind the growth in the CPI.

Revenue Base

The District is supported primarily by funding received from State sources. This State funding is based upon two components: a per-pupil foundation allowance and the number of students enrolled in the District. 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	\$21,417,640	34.92%
Interdistrict Sources	5,628,026	9.18%
State Sources	32,158,320	52.44%
Federal Sources	<u>2,123,988</u>	<u>3.46%</u>
Total Revenues	<u>\$61,327,974</u>	<u>100.00%</u>

Local Sources are comprised mainly of local property taxes, interest earnings on investments, facility rentals, and miscellaneous fees. Property tax revenue is a function of two variables: property valuation 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 2007-08, the operating millage rate for Royal Oak homeowners was 2.8957 mills and 18.0000 mills for businesses. In addition, there is also a statewide property tax of 6.00 mills on all classes of property. The revenue from this statewide property tax goes directly to the State School Aid Fund.

A comparison of 2007-08 General Fund revenue to the prior year reveals the following:

	<u>2007-08</u>	<u>2006-07</u>	<u>Increase (Decrease)</u>	<u>% Increase (Decrease) By Source</u>
Local Sources	\$21,417,640	\$ 21,302,087	\$ 115,553	0.54%
Interdistrict Sources	5,628,026	5,040,560	587,466	11.65%
State Sources	32,158,320	33,698,811	(1,540,491)	(4.57%)
Federal Sources	<u>2,123,988</u>	<u>1,987,091</u>	<u>136,897</u>	6.89%
Total Revenues	<u>\$61,327,974</u>	<u>\$62,028,549</u>	<u>(\$ 700,575)</u>	(1.13%)

The increase in Local Sources of \$115,553 was primarily the result of the increase in taxable valuation, a slightly higher DDA refund of previously captured property taxes, and the receipt of funding in 2007-08 for the universal service fund. The increase in local sources for the items mentioned above more than offset the significant reduction in interest earnings from investments.

The increase in Interdistrict Sources of \$587,466 was the result of increased P.A.18 funding received from the Intermediate School District in 2007-08. P.A.18 funding is a county-wide Special Education millage distributed to each Oakland County School District.

The revenue from State Sources decreased by \$1,540,491. This substantial decline is attributed to declining student enrollment. Since our funding is heavily dependent upon the number of students within the District, the loss of 200.37 students from the previous year significantly reduced our State Foundation revenue. This loss in revenue was mitigated by the \$48 increase in the per pupil foundation allowance received during 2007-08.

The increase in Federal Sources of \$136,897 resulted primarily from the increase in revenue generated from the IDEA grant.

In May of 2006, the electors of the District overwhelmingly approved a renewal of property tax levies that maintain current per-pupil revenue levels. This renewal was for an eight-year period and represents an important element of financial stability. This operating millage will extend through the end of the 2013-14 fiscal year.

Expenditures

Expenditures and Other Financing Uses for the General Fund totaled \$61,094,793 for the year ended June 30, 2008. 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	\$19,402,924	31.76%
Added Needs	3,433,761	5.62%
Continuing Education	159,049	0.26%
Employee Benefits	<u>9,737,269</u>	<u>15.94%</u>
Total Instruction	32,733,003	53.58%
Support Services:		
Pupil Services	3,572,906	5.85%
Instructional Services	1,630,971	2.67%
General Administration	583,406	0.95%
School Administration	2,017,650	3.30%
Business Services	8,306,281	13.60%
Central Staff	823,762	1.35%
Employee Benefits	<u>5,798,901</u>	<u>9.49%</u>
Total Support Services	22,733,877	37.21%
Community Services	259,060	0.42%
Capital Outlay	<u>461,460</u>	<u>0.76%</u>
Total Expenditures	56,187,400	91.97%
Other Financing Uses	<u>4,907,393</u>	<u>8.03%</u>
Total Expenditures and Other Financing Uses	<u>\$61,094,793</u>	<u>100.00%</u>

A comparison of 2007-08 General Fund expenditures to the prior year is as follows:

	<u>2007-08</u>	<u>2006-07</u>	<u>Increase (Decrease)</u>	<u>% Increase (Decrease) By Source</u>
Instruction:				
Basic Programs	\$ 19,402,924	\$ 19,926,502	(\$523,578)	(2.63%)
Added Needs	3,433,761	3,565,809	(132,048)	(3.70%)
Continuing Education	159,049	146,767	12,282	8.37%
Employee Benefits	<u>9,737,269</u>	<u>10,603,743</u>	<u>(866,474)</u>	(8.17%)
Total Instruction	32,733,003	34,242,821	(1,509,818)	(4.41%)
Support Services:				
Pupil Services	3,572,906	3,799,280	(226,374)	(5.96%)
Instructional Services	1,630,971	1,662,792	(31,821)	(1.91%)
General Administration	583,406	528,481	54,925	10.39%
School Administration	2,017,650	2,520,245	(502,595)	(19.94%)
Business Services	8,306,281	7,985,698	320,583	4.01%
Central Staff	823,762	855,625	(31,863)	(3.72%)
Employee Benefits	<u>5,798,901</u>	<u>5,965,020</u>	<u>(166,119)</u>	(2.78%)
Total Support Services	22,733,877	23,317,141	(583,264)	(2.50%)
Community Services	259,060	252,245	6,815	2.70%
Capital Outlay	<u>461,460</u>	<u>719,525</u>	<u>(258,065)</u>	(35.87%)
Total Expenditures	58,187,400	58,531,732	(2,344,332)	(4.01%)
Other Financing Uses	<u>4,907,393</u>	<u>5,848,622</u>	<u>(941,229)</u>	(16.09%)
Total Expenditures and Other Financing Uses	<u>\$61,094,793</u>	<u>\$64,380,354</u>	<u>(\$3,285,561)</u>	(5.10%)

The most significant dollar changes from 2006-07 to 2007-08 can be explained as follows:

Overall, the reduction of \$3,285,561 in total General Fund Expenditures and Other Financing Uses represents the vigorous response to the loss in funding from continued enrollment decline and the erosion of purchasing power associated with the lack of substantial growth in per pupil funding. These cost reductions were essential to maintain the District's comprehensive instructional programs.

The decrease of \$523,578 in Basic Programs was the direct result of the staffing efficiencies gained through the building consolidation that occurred during 2007-08. With two fewer elementaries and one less middle school in 2007-08, more efficient staffing levels yielded significant budgetary savings.

The decrease of \$132,048 in Added Needs was the direct result of the decline in the number of students who qualified for special education services. This resulted in the reduction of personnel related expenditures for those students. The decrease in expenditures for Employee Benefits of \$866,474 for Instructional staff and the decrease of \$166,119 for Support Services staff resulted from savings generated from the change in health insurance prescription drug benefits and the staff reductions from the building consolidation initiative.

The decrease in expenditures for Pupil Services of \$226,374 and School Administration of \$502,595 was primarily the result of the savings associated with the elementary and middle school consolidation during fiscal 2008. The consolidation yielded staffing efficiencies that resulted in significant budgetary savings.

The increase in Business Services of \$320,583 resulted from higher fuel costs, increased electrical usage in renovated buildings, and repairs to buildings and sites that were a necessary part of our consolidation program.

Capital Outlay expenditures declined by \$258,065 which is the direct result of the purchase of three (3) school buses during fiscal 2007. No buses were purchased in fiscal 2008.

The decrease of \$941,229 in Other Financing Uses can be attributed to the \$1,000,000 transfer to the Property Maintenance Fund that was made in fiscal 2007. No such transfer occurred in fiscal 2008.

Fund Balance

The District ended fiscal 2008 in stable financial condition. The General Fund fund balance of \$12,106,196 represents a fiscally responsible level for our District. A conscious effort was made a number of years ago to establish an adequate fund balance level to assist with cash flow needs, to prevent borrowing, to provide adequate reserves during economic downturns and to provide for unforeseen emergencies. Our District has achieved this goal and this can be attributed to the prudent management of the District's budget. In addition, a significant portion of the fund balance is designated for specific uses. These designations include revenue stabilization, building carryover of unexpended budgets, unemployment and compensated absences.

Debt Service

The District continues to meet its debt service obligations by levying a local debt retirement millage. The millage levied in fiscal 2008 was 4.71 mills, the same as in the previous year. During this past year, market conditions provided an opportunity to refund a portion of future debt service. This refunding resulted in taxpayer savings and provided the District with millage rate flexibility out into the future. The refunding bonds issued during the year totaled \$17,200,000 and yielded net present value savings of \$1.2 million.

Fiscal Planning

For more than ten years, the District has been engaged in long-range financial planning which is reviewed on a semi-annual basis. The model used for these projections has had a high correlation to actual results, thus the administration believes it is a proven tool for forecasting revenue and expenditures. Long-range planning under the current funding system is particularly difficult and challenging.

Many buildings in the District are more than seventy-five years old and are in need of significant infrastructure improvements. As a result, a comprehensive evaluation of all buildings' infrastructure needs has been performed. 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. This study assisted a community-based Facilities Study Team in recommending a course of action to the Board of Education. The recommendation of the Facilities Study Team included school consolidations at all levels: secondary, middle and elementary schools. As student populations and resultant revenue sources have declined, building consolidation has been a necessary cost containment strategy. At the conclusion of fiscal 2007-08, with the exception of the Administrative Offices, the building consolidation plan has been fully implemented by the District.

Fiscal 2007-08 marked the beginning of Royal Oak Middle School. Both Addams and Keller Middle Schools were officially closed and were merged into one middle school named Royal Oak Middle School. This new middle school is housed at the former Dondero site. The dedicated work of the many students, staff, parents and citizens of the Middle School Transition Team has helped to make this transition an overwhelming success.

The last phase of a very aggressive consolidation plan was successfully implemented in the 2007-08 fiscal year. Longfellow Elementary, Starr Elementary, Twain Elementary, Whittier Elementary, Lincoln Early Childhood Center, Addams Middle School and the Keller Middle School were closed at the conclusion of the 2007 school year. In addition, the former Dondero High School was renovated and reopened as the "new" Royal Oak Middle School during the 2007-08 school year. Renovation work completed during the Summer of 2007 converted both Addams and Keller Middle Schools into Addams Elementary and Early Childhood Center and Keller Elementary. The Lincoln Early Childhood Center was relocated to Addams Elementary. Significant renovations at Royal Oak High School also were completed in the Summer of 2007. This project at the High School included the addition of an auxiliary gymnasium, the renovation of the athletic complex and infrastructure work inside the building which included heating and cooling, plumbing, flooring and technology. Tremendous progress has also been made with the construction of the new Northwood Elementary. This is the first new building in the District in over fifty years. The new Northwood Elementary will open in September 2008.

The marketing of all vacant sites to prospective developers continued during fiscal 2007-08. A very deliberate sales approach for vacant properties has been utilized by the District which included the development of a Request for Proposal for each property, the analysis of all proposals received from developers, the interview of the potential purchasers, the identification of the finalists, a presentation to the Board of Education from the finalists and a final review of

the revised proposals from the developers. Unfortunately, the economic climate in Michigan has made the sale of our District's available property very difficult. Numerous properties remain available and unsold as developers are reluctant to close on the properties at their agreed upon offer. As a result, sufficient cash proceeds from the sale of property have not been received to fund the District's building renovation program. Out of necessity, projects have been completed and paid for by the General Fund. Proceeds from future property sales are to repay the General Fund. This situation has created a projected cash shortfall for the District in 2008-09.

As in past years, school buildings were allowed to carry over unexpended supply, materials and capital outlay funds into next year's budget. This concept has been extremely well received and successful as building administrators and staff are now able to incorporate unexpended funds into long-term decision making for their own buildings. These initiatives have resulted in substantial savings and better planning, and will limit future growth in this area of the budget.

Since the current State funding system so closely ties our revenue to student enrollment, the District felt it necessary to continue the process for enrollment projections. The District's past enrollment projection efforts have utilized an outside firm with expertise in enrollment forecasting. These forecasts have had a 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 to maintain the "Royal Oak Neighborhood Schools" brand. The District was again a successful, but limited, participant in the Schools of Choice Program during fiscal 2008. This program allows students residing in other Oakland County districts to enroll in our District. This program has enabled us to generate revenue and maintain programs despite a decline in resident students. For fiscal 2008, this program used a targeted, space available and grade specific approach. The Board of Education limited new Schools of Choice enrollment to kindergarten, 1st – 3rd grades. Siblings of currently enrolled students and Royal Oak residents who move out of the District are also eligible to participate in the Schools of Choice program.

Two other long term initiatives include an Early Childhood Center to provide Child Care services and to introduce families to the Royal Oak Neighborhood Schools at an early age, and a Dream Home Expo to encourage residents with children to "improve rather than move". For 2008-09, the District will be implementing an all day Kindergarten program in two elementaries, Oakland and Upton. This pilot initiative will provide students with increased instructional time and hopefully will help keep young families in the District. An initiative that began a number of years ago was the development of a Strategic Plan. This was a community-based effort, encompassing hundreds of residents and staff and thousands of hours of time. The planning process includes annual reviews. The District views this development as particularly important, given the recent changes in funding. Numerous Strategic Plan initiatives, some of which included transition to Middle Schools, community based decision-making on facility consolidation, efforts in District-wide public relations and marketing, and curriculum updates have been implemented over the past ten or more years.

A major uncertainty is the future rate of growth in per-pupil revenue. This rate of increase is dependent upon economic growth due to the State School Aid Fund's reliance on property and sales tax. In addition, concerns have been raised regarding the structural balance between revenue and expenditures for the State School Aid Fund. At this moment, we are expecting a per pupil increase for fiscal 2008-09 of \$56 per student.

Other Financial Highlights

The District maintains a prudent and fiscally conservative cash management and investment program. The General Fund investment income earned was \$617,720. This amount is significantly lower than in previous years due to the dramatic reduction in interest rates during 2007-08 and the much lower available cash position in the General Fund.

Currently there are five union groups recognized within the District. All five of the union groups have settled agreements for the 2008-09 school year. However, there are wage and benefit re-openers for three of the five groups.

The Food Service Fund ended the year with revenues over expenditures in the amount of \$4,924. Considering the better than two month delay in full lunch service at the new Royal Oak Middle School and the elimination of the snack break at Royal Oak High School, the goal of running a financially self sufficient food service program has been reached.

The District has one tax capture authority within its boundaries: a Downtown Development Authority (DDA). 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. During 2007-08, the refund of excess captured tax revenue returned to the District totaled \$1,931,681.

For the first six months of the fiscal year, the District's risk management program included participation in a property, casualty and liability pool made up of school districts throughout the state. The District moved to a fully insured program for property, casualty and liability in January of 2008. In addition, the District's Safety Committee and Staff Development programs are 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.

To cope with the increased uncertainty and slow growth rate of revenue, the District has employed a number of expenditure and revenue management strategies. 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, carryover for unexpended instructional materials and equipment funds, use of a targeted Schools of Choice Program, building consolidation, standardized office automation software and hardware, restructured delivery of the Talented and Gifted Program, purchasing card usage, purchase of software and hardware to handle administrative functions,

development of a Quality Assurance Plan for custodial operations, implementation of a preventive maintenance program for facilities, use of a computerized bus routing system, improved effectiveness of our facility rental process, an automated substitute calling system, the evaluation of direct purchase of electricity and insourced special needs transportation services.

Curriculum Highlights

School Quality

All of the District's schools are engaged in an ongoing process to reflect on school quality. Each school uses a five-part framework to evaluate current practice and make changes to ensure continuous improvement. The five areas identified for evaluation are Teaching and Learning, Leadership, Professional Learning Communities, School and Community Relations, and Data and Information Management.

Accreditation

The high school, middle school, all elementaries and continuing education are fully accredited through the 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.

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 and Royal Oak Middle School are both in the process of seeking accreditation from the International Baccalaureate Organization. Both schools are implementing Inquiry-based learning methods, which is a student-centered approach that encourages inquiry, exploration, and problem-solving.

Royal Oak High School is well poised to take on the challenges of new rigorous graduation requirements as mandated by the state. The high school has revamped its curricular programs for the graduating classes of 2011 and beyond to meet the challenges of this new law. 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.

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 are reading 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 are working on 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 that we are in 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

The District is currently in the process of evaluating our Social Studies content. We anticipate the release of new state content expectations in social studies in the near future. In the early grades, students spend time on topics such family, community, economics, and state and regional themes. In the upper grades, students are learning 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. We work with the classroom teacher, support staff, administration, and the family to ensure that we meet the needs of all of our students. Advanced and Accelerated work is available at all grade levels to students who are ready for a challenge.

We are committed to meeting the needs of all students, and we use a collaborative, individualized approach to identify those needs. Special Education students have support both

in the general education classroom and with special education staff who work with them to reach their 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.

The School District of the City of Royal Oak is dedicated to providing appropriate interventions to students who are deemed in need for such instruction. We use the Response to Intervention model to screen all students and then provide interventions when necessary. Furthermore, we are engaged in continual progress monitoring to gain feedback on whether our interventions are working for each student. Our strong Instructional Technology and Curriculum Team allows us to use some of the following programs to aid in this process: Pearson Successmaker, AIMSweb, E2020, Scientific Learning's Fastword, Pearson Waterford, 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 Stanford Achievement Test is a norm-referenced test that indicates individual student progress every year students in grades one through ten. 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.

For the 2007-2008 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 check 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. We have multiple ways to stay connected. All staff members are reachable via telephone or email. Parent-

Teacher Conferences are scheduled in the Fall and Spring. Each school presents an informational Curriculum Night at the beginning of the school year to acclimate families to the school and its offering. Many staff members now keep updated classroom websites or blogs where students and parents can go for the latest information. This is also where families can go for direction to classroom enrichment opportunities. Royal Oak Schools is pleased to provide parents with online access to student information regarding academic progress, grades, and daily attendance using Pinnacle Internet Viewer. All of our elementary and secondary schools use Pinnacle, and Royal Oak Middle School and Royal Oak High School both are using the Internet Viewer to assist in communication with students and parents.

We believe all students can and will learn and effective teaching makes a positive difference in their 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

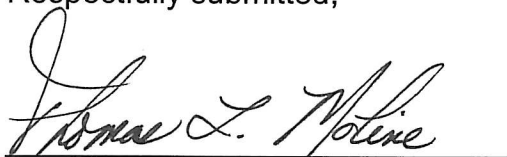
The preparation of this report could not have been accomplished without the commitment and dedication of a fine Business Office staff. Special commendation is extended to the Finance Department and the professional auditing staff of Yeo & Yeo for their desire to produce a report that qualifies for the Certificate of Excellence Award.

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.

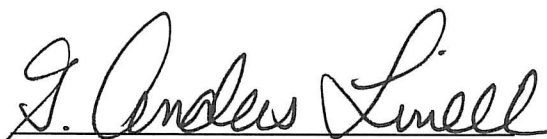
In addition, there is a wide, all-encompassing array of support provided by parents, students, employees, citizens, civic organizations and hundreds of volunteers, which enables the District to achieve high goals.

For this continued support, we are most grateful!

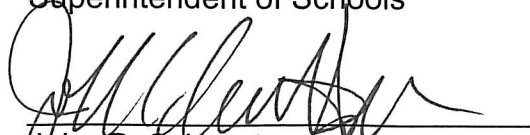
Respectfully submitted,



Dr. Thomas L. Moline
Superintendent of Schools



G. Anders Linell
Executive Director, Business & Technology Services



John R. Schwartz
Executive Director, Business & Personnel Services

INTRODUCTORY SECTION

School District of the City of Royal Oak
Members of the Board of Education and Principal Officials
June 30, 2008

Board of Education

Gary Briggs	President
Michael Hartman	Vice President
Kevin McLogan	Secretary
Daniel Champagne	Treasurer
Christine Hartwig	Trustee
Deborah Anderson	Trustee
Lisa Bradford	Trustee

Administration

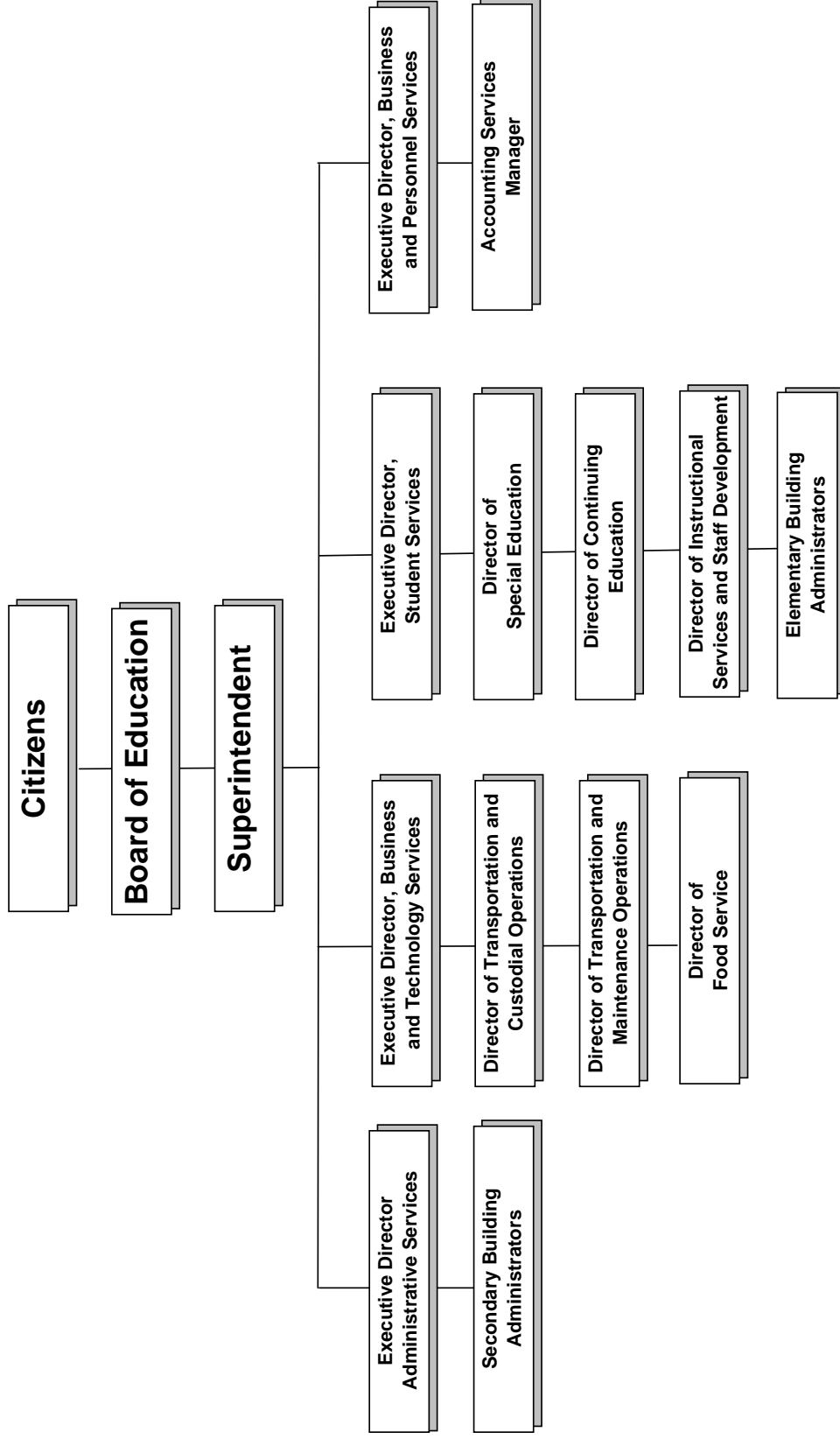
Dr. Thomas L. Moline	Superintendent of Schools
Cheryl Goodgine	Executive Director, Administrative Services
G. Anders Linell	Executive Director, Business and Technology Services
John R. Schwartz	Executive Director, Business and Personnel Services
Carol Hansen	Executive Director, Student Services

Board of Education Regular Meetings: Second and fourth Thursday of each month

Accreditation:
North Central Association
University of Michigan

School District of the City of Royal Oak Organizational Chart

June 30, 2008



**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

SCHOOL DISTRICT OF THE CITY OF ROYAL OAK

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2007

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

FINANCIAL SECTION

Independent Auditors' Report

To the Board of Education
School District of the City of Royal Oak
Royal Oak, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of School District of the City of Royal Oak as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of School District of the City of Royal Oak's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 School District of the City of Royal Oak as of June 30, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 16, 2008, on our consideration of the School District of the City of Royal Oak's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of the City of Royal Oak's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory section and statistical tables, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Yeo & Yeo, P.C.

Saginaw, Michigan
September 16, 2008

School District of the City of Royal Oak

Management's Discussion and Analysis

June 30, 2008

This section of the 2008 Comprehensive Annual Financial Report (CAFR) presents our discussion and analysis of the District's financial performance for the year ended June 30, 2008. Please read it 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. These statements are organized to assist the reader in understanding the overall financial picture of The School District of the City of Royal Oak. The *District-wide Financial Statements* provide information about the financial activities of the entire School District. The Fund Financial Statements provide the next level of detail. For governmental activities, these statements illustrate the source of the financial resources used to support the instructional programs and other support services. The Fund Financial Statements present the School District's operations in more detail than the District-wide Financial Statements by presenting the School District's most significant fund, the General Fund, separately with all other funds combined and presented in one column labeled as Non-Major Funds. The remaining statement, the Statement of Fiduciary Net Assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of 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

School District of the City of Royal Oak

Management's Discussion and Analysis

June 30, 2008

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

The Statement of Net Assets 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, using the accrual basis of accounting, which is similar to the accounting 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 assets, the difference between assets and liabilities, as a way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets, as reported in the Statement of Activities, are indicators of whether the financial health is either improving or declining. The relationship 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 for our students, not to generate "profits" as commercial entities do. There are many other non-financial factors that must be considered when assessing the overall health of the School District. These include the quality of the educational services provided, the safety of our students and the wide array of programs and services provided to the community.

In addition, the Statement of Net Assets 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 finance most of these activities.

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

The School District's Fund Financial Statements provide detailed information for the most significant funds, not the School District as a whole. Some funds are required to be established by State law or through bond covenants. However, the School District has established many other funds to help control and manage financial resources that are used for specific purposes such as Food Service, Special Education Center Programs, Community Services, and Athletics. Other funds are also established to meet legal responsibilities for certain taxes, grants, 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. Reporting in these funds focuses on the revenue and expenditures and the balances left at year end that are available for future spending. Transactions are accounted for using an accounting method called modified accrual 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 help determine whether there is growth or decline of available financial resources that can be spent in the near future for the School

School District of the City of Royal Oak
Management's Discussion and Analysis
June 30, 2008

District's programs. The relationship between governmental activities and governmental funds is illustrated in a reconciliation included in the financial section on page 3-5.

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 Assets. These activities are excluded from the School District's other financial statements because these assets cannot be used to finance its 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 Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2008.

TABLE 1

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
	(in millions)	
Assets		
Current and other assets	\$ 22.7	\$ 74.8
Capital assets	<u>137.2</u>	<u>95.8</u>
Total Assets	159.9	170.6
Liabilities		
Current liabilities	11.0	14.6
Long-term liabilities	<u>98.1</u>	<u>106.6</u>
Total Liabilities	109.1	121.2
Net Assets		
Invested in property and equipment		
Net of related debt	\$ 52.7	\$ 9.6
Restricted	1.5	2.7
Unrestricted	<u>(3.4)</u>	<u>37.1</u>
Total Net Assets	<u>\$ 50.8</u>	<u>\$ 49.4</u>

School District of the City of Royal Oak
Management's Discussion and Analysis
June 30, 2008

The previous schedule (Table 1) reports the net assets of the District. The School District's net assets were \$50.8 million and \$49.4 million at June 30, 2008 and 2007, respectively. Capital assets, net of related debt totaled \$52.7 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. This debt will be repaid from voter-approved property tax collections as the principal and interest comes due. Restricted net assets are reported separately to highlight any legal constraints included in debt covenants and enabling legislation that may limit the School District's ability to use those net assets for day-to-day operations. The unrestricted net assets is a negative \$3.4 million.

The shortfall of \$3.4 million in unrestricted net assets of governmental activities represents the *cumulative* results of all past years' operations. The unrestricted net asset deficit illustrates the School District's working capital and cash shortfall that will not be available to provide a safeguard from future uncertainties. The operating results and cash position of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The change in net assets (see Table 2) of the School District's governmental activities is presented below. 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 assets for fiscal year 2008.

TABLE 2

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 2.2	\$ 2.3
Federal Grants and entitlements	2.5	2.3
State categoricals	4.3	4.4
Operating grants	7.5	7.1
General revenue:		
Property taxes	31.6	30.7
State foundation allowance	29.3	31.0
Other	<u>2.4</u>	<u>8.5</u>
Total Revenue	79.8	86.3

School District of the City of Royal Oak
Management's Discussion and Analysis
June 30, 2008

Functions/Program Expenses

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
	(in millions)	
Instruction	\$ 37.8	\$ 39.2
Support services	27.8	26.7
Food services	1.1	1.2
Athletics	0.7	0.9
Community services	0.9	1.0
Interest on long-term debt	5.4	6.0
Depreciation (unallocated)	<u>4.8</u>	<u>3.9</u>
Total Functions/program Expenses	<u>78.5</u>	<u>78.9</u>
Increase (Decrease) in Net Assets	<u>\$ 1.3</u>	<u>\$ 7.4</u>

As reported in the Statement of Activities, the expenditures for all *governmental* activities this year was \$78.5 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 (\$14.3 million). The remaining "public benefit" portion of our governmental activities were funded with \$31.6 million in taxes, \$29.3 million in State foundation allowance, and with \$2.5 million other revenues, such as, interest earnings, gain on the sale of property and general entitlements.

During fiscal 2008, the School District experienced an increase in net assets of approximately \$1.3 million.

As discussed above, the net cost of the activities in the District illustrates the financial impact of each of these functions 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 the needs of the School District and balance those needs with available resources.

The School District's Funds

As noted earlier, 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 also provide additional insight into the District's overall financial health.

School District of the City of Royal Oak

Management's Discussion and Analysis

June 30, 2008

At the end of fiscal 2008, the governmental funds reported a combined fund balance of approximately \$11.3 million, which represents a substantial decrease of \$48.1 million from last year. The changes in fund balance, major and non-major funds are as follows:

In the General Fund, our principal operating fund, the fund balance increased by approximately \$0.2 million for a total year-end fund balance of approximately \$12.1 million. The majority of the General Fund's fund balance is designated for specific purposes with the remaining undesignated portion available for unforeseen emergencies.

Our Special Revenue Fund's fund balance increased by \$0.6 million from the prior year. This increase can be attributed to the prudent management of the resources in these funds. Unexpended budget amounts can be carried forward from one year to the next and this budgetary tool has helped increase fund equity.

The Debt Service Funds showed a fund balance decrease of approximately \$1.2 million. Millage rates were the same as in the previous year. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations. During 2008, market conditions provided an opportunity to refund a portion of existing debt. This refunding resulted in significant taxpayer savings. In addition, funds on-hand were used to refund existing debt and played a big part in the reduction of fund equity in the Debt Service Funds.

The combined Capital Projects Fund's fund balance decreased significantly from the prior year. The decrease of \$47.7 million resulted from the significant capital expenditures incurred during fiscal 2008 in our building infrastructure improvement program. Approximately \$48.9 million was expended in the capital projects fund in 2008.

General Fund Budgetary Highlights

Over the course of the year, the School District's budget was revised on multiple occasions to reflect unanticipated changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. 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.

There were significant revisions made to the fiscal 2008 General Fund original budget. Budgeted revenues were increased by approximately \$1.0 million which included revisions to property tax revenue estimates, reduced interest revenue due to declining interest rates, increased state revenue to reflect the elimination of the anticipated prior year adjustments, revised student counts, and increased federal program revenue estimates. Budgeted expenditures and other uses were increased by approximately \$2.0 million. This increase resulted from adjustments required for the budgetary increase for carryover of prior years' unexpended supply, material and capital outlay budgets, to reflect revised staffing levels, and to adjust for fringe benefit expenditures for health care plans. There were no unexpected variances between the final budget and actual amounts.

School District of the City of Royal Oak
Management's Discussion and Analysis
June 30, 2008

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2008 and 2007, the School District had \$137.2 million and \$95.8 million, respectively, invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase of approximately \$41.4 million, or 43.2 percent, from the previous year. This change from the previous year includes all additions, disposals, and depreciation.

	<u>2008</u>	<u>2007</u>
	(in millions)	
Land	\$ 8.6	\$ 7.0
Building and building improvements	192.8	148.2
Buses and other equipment	<u>29.4</u>	<u>29.4</u>
Total Capital Assets	230.8	184.6
Less accumulated depreciation	<u>93.6</u>	<u>88.8</u>
Net Capital Assets	<u>\$ 137.2</u>	<u>\$ 95.8</u>

Significant renovations to existing District facilities and the building of a new elementary school took place during the 2008 fiscal year. This is part of the major capital improvement plan initiated by the District and approved by the voters in November 2005. Please refer to Footnote 5 – Capital Assets for additional information.

Debt

At the end of this year, the School District had approximately \$87.2 million in bonds outstanding compared to a little over \$86.2 million in the previous year. All bonds are general obligation bonds.

During the year, market conditions provided an opportunity to refund a portion of future debt service. The refunding bonds issued during the year totaled \$17.2 million.

The School District's general obligation bond rating continues to be AAA. 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 of \$87.2 million is significantly below the statutorily imposed limit.

School District of the City of Royal Oak

Management's Discussion and Analysis

June 30, 2008

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

Our Board of Education and administration considered many variables when the School District's 2009 fiscal year budget was developed. The most important factor that determines the majority of the District's revenue is the student count. The revenue received from the State foundation allowance is determined by multiplying the blended student count by the per pupil foundation allowance. The blended count used for budgeting purposes for the 2009 fiscal year was calculated to be 25 percent of the February 2008 actual student count and 75 percent of the projected September 2008 student count. The fiscal 2009 budget was adopted on June 12, 2008. Approximately 60 percent of total General Fund revenue is derived from state sources. Based on early enrollment data at the start of the 2009 school year, we anticipate that the fall student count may be a little higher than the estimates used in creating the 2009 budget. At this point in time, we are anticipating an increase of \$56 in the per pupil foundation allowance for fiscal 2009. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if anticipated resources are not sufficient to fund original appropriations.

Under the current school funding system, the School District cannot increase the millage rate to raise additional revenue for general operations. As a result, District funding is heavily dependent on the State's ability to fund local school operations. Because of this financial dependence, the actual revenue received depends on the financial health of the State's School Aid Fund.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, and creditors with a general overview of the School District's finances and to demonstrate the School District's fiscal responsibility and accountability over its financial resources. If you have questions about this report or need additional financial information, please contact the Finance Department at 1123 Lexington Blvd., Royal Oak, MI 48073.

School District of the City of Royal Oak
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 9,661,411
Investments	4,787,726
Receivables - net	1,518,999
Due from other governments	6,670,283
Inventories	12,283
Capital assets - not being depreciated	8,584,686
Capital assets - less accumulated depreciation of \$93,615,861	<u>128,633,100</u>
Total assets	<u>159,868,488</u>
Liabilities	
Current liabilities	
Accounts payable and other liabilities	4,050,571
Due to other governments	23,105
Accrued payroll and related liabilities	5,412,158
Deferred revenue	1,487,040
Noncurrent liabilities	
Due within one year	8,818,183
Due in more than one year	<u>89,315,220</u>
Total liabilities	<u>109,106,277</u>
Net assets	
Investment in capital assets - net of related debt	52,654,211
Restricted for:	
Debt service	1,508,339
Unrestricted	<u>(3,400,339)</u>
Total net assets	<u>\$ 50,762,211</u>

See Accompanying Notes to Financial Statements

School District of the City of Royal Oak
Statement of Activities
Year Ended June 30, 2008

Functions/Programs	<u>Expenses</u>	Program Revenues		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		Charges for Services	Operating Grants and Contributions	
Primary government				
Government activities				
Instruction	\$ 37,801,871	\$ 100,724	\$ 8,089,334	\$ (29,611,813)
Supporting services	27,818,723	-	5,724,078	(22,094,645)
Food services	1,115,386	691,366	432,510	8,490
Athletics	721,696	148,506	-	(573,190)
Community services	902,012	1,245,726	94,548	438,262
Interest on long-term debt	5,438,669	-	-	(5,438,669)
Depreciation (unallocated)	4,741,507	-	-	(4,741,507)
Total primary government				
Governmental activities	<u>\$ 78,539,864</u>	<u>\$ 2,186,322</u>	<u>\$ 14,340,470</u>	(62,013,072)
General revenues				
Taxes				
Property taxes, levied for general purpose				19,931,958
Property taxes, levied for debt services				11,683,889
State aid not restricted to specific purposes				29,301,556
Interest and investment earnings				1,912,523
Gain on sale of capital assets				100,000
Other				406,123
Total general revenues				<u>63,336,049</u>
Change in net assets				1,322,977
Net assets - beginning of year				<u>49,439,234</u>
Net assets - end of year				<u>\$ 50,762,211</u>

See Accompanying Notes to Financial Statements

School District of the City of Royal Oak

Governmental Funds - Balance Sheet

June 30, 2008

	General Fund	2005 Bond Issue Fund	General Property Maintenance Fund
Assets			
Cash and cash equivalents	\$ 5,502,249	\$ 42,019	\$ -
Investments	10,948	4,776,778	-
Receivables - net	45,696	44,064	1,401,603
Due from other funds	6,877,547	-	-
Due from other governmental units	6,662,434	-	-
Inventories	-	-	-
Total assets	\$ 19,098,874	\$ 4,862,861	\$ 1,401,603
Liabilities and fund balance			
Liabilities			
Checks written in excess of deposits	\$ -	\$ -	\$ -
Accounts payable and other liabilities	578,678	2,246,361	204,793
Due to other funds	-	7,343	6,145,300
Due to other governmental units	23,105	-	-
Accrued payroll and related liabilities	5,092,246	-	-
Deferred revenue	1,298,649	-	1,475,000
Total liabilities	6,992,678	2,253,704	7,825,093
Fund balance (deficit)			
Reserved			
Encumbrances	99,015	-	-
Debt Service Funds	-	-	-
Capital Project Fund	-	2,609,157	-
Inventory	-	-	-
Unreserved			
Designated for various operating purposes	7,634,221	-	-
Undesignated reported in			
General Fund	4,372,960	-	-
Special Revenue Funds	-	-	-
Capital Project Funds	-	-	(6,423,490)
Total fund balance	12,106,196	2,609,157	(6,423,490)
Total liabilities and fund balance	\$ 19,098,874	\$ 4,862,861	\$ 1,401,603

See Accompanying Notes to Financial Statements

2008 Debt Service fund	Other Nonmajor Governmental Funds	Total (Memorandum Only)	
		2008	2007
\$ 4,528	\$ 4,112,615	\$ 9,661,411	\$ 21,418,960
-	-	4,787,726	45,980,832
-	27,636	1,518,999	1,862,739
-	-	6,877,547	443
-	7,849	6,670,283	5,516,779
-	12,283	12,283	9,321
<u>\$ 4,528</u>	<u>\$ 4,160,383</u>	<u>\$ 29,528,249</u>	<u>\$ 74,789,074</u>
\$ -	\$ -	\$ -	\$ 4,079,441
-	127,739	3,157,571	4,235,286
-	724,904	6,877,547	443
-	-	23,105	51,260
-	319,912	5,412,158	4,600,324
-	13,391	2,787,040	2,466,703
-	1,185,946	18,257,421	15,433,457
-	-	99,015	146,906
4,528	1,503,811	1,508,339	2,694,178
-	-	2,609,157	42,217,852
-	12,283	12,283	9,321
-	-	7,634,221	8,266,194
-	-	4,372,960	3,459,217
-	2,015,393	2,015,393	1,419,101
-	(557,050)	(6,980,540)	1,142,848
<u>4,528</u>	<u>2,974,437</u>	<u>11,270,828</u>	<u>59,355,617</u>
<u>\$ 4,528</u>	<u>\$ 4,160,383</u>	<u>\$ 29,528,249</u>	<u>\$ 74,789,074</u>

See Accompanying Notes to Financial Statements

School District of the City of Royal Oak

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2008

Total fund balance - government funds \$ 11,270,828

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

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

Land contract 1,300,000

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

Cost of capital assets	230,833,647	
Accumulated depreciation on capital assets	<u>(93,615,861)</u>	137,217,786

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

Bonds payable	(87,172,732)	
Bond premium payable	(5,004,285)	
Accrued interest accretion	(3,628,305)	
Compensated absences	(2,090,081)	
Accrued workers' compensation and other claims	<u>(238,000)</u>	(98,133,403)

Accrued interest payable is not included as a liability in governmental funds (893,000)

Net assets of governmental activities \$ 50,762,211

See Accompanying Notes to Financial Statements

School District of the City of Royal Oak
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2008

	General Fund	2005 Bond Issue Fund
Revenue		
Local sources	\$ 21,417,640	\$ 858,953
Interdistrict sources	5,628,026	-
State sources	32,158,320	-
Federal sources	2,123,988	-
Total revenue	<u>61,327,974</u>	<u>858,953</u>
Expenditures		
Current		
Instruction	32,733,003	-
Supporting services	22,733,877	-
Community services	259,060	-
Food services	-	-
Athletics	-	-
Capital outlay	461,460	37,916,972
Debt service		
Principal	-	-
Interest	-	-
Other	-	-
Total expenditures	<u>56,187,400</u>	<u>37,916,972</u>
Excess (deficiency) of revenue over expenditures	<u>5,140,574</u>	<u>(37,058,019)</u>
Other financing sources (uses)		
Proceeds from sale of assets	-	-
Insurance recoveries	-	-
Payment to bond escrow agent	-	-
Operating transfers in	-	-
Operating transfers out	(3,745,991)	-
Payments to other governmental units	(1,161,402)	-
Proceeds from issuance of bonds	-	-
Bond premium/discount	-	-
Total other financing sources and uses	<u>(4,907,393)</u>	<u>-</u>
Net change in fund balance	233,181	(37,058,019)
Fund balance - beginning of year	<u>11,873,015</u>	<u>39,667,176</u>
Fund balance (deficit) - end of year	<u>\$ 12,106,196</u>	<u>\$ 2,609,157</u>

See Accompanying Notes to Financial Statements

General Property Maintenance Fund	2008 Debt Service Fund	Other Nonmajor Governmental Funds	Totals (Memorandum Only)	
			2008	2007
\$ 16,281	\$ -	\$ 13,890,678	\$ 36,183,552	\$ 37,796,559
-	-	2,115,760	7,743,786	7,367,712
-	-	1,218,667	33,376,987	35,055,561
-	-	376,023	2,500,011	2,338,340
<u>16,281</u>	<u>-</u>	<u>17,601,128</u>	<u>79,804,336</u>	<u>82,558,172</u>
-	-	2,246,729	34,979,732	36,643,415
-	-	1,955,669	24,689,546	25,576,314
-	-	642,952	902,012	1,046,652
-	-	1,117,219	1,117,219	1,150,096
-	-	721,696	721,696	896,357
9,190,447	-	1,793,929	49,362,808	39,905,283
-	-	8,125,000	8,125,000	5,250,000
-	-	3,645,585	3,645,585	4,974,692
-	152,252	63,053	215,305	51,731
<u>9,190,447</u>	<u>152,252</u>	<u>20,311,832</u>	<u>123,758,903</u>	<u>115,494,540</u>
<u>(9,174,166)</u>	<u>(152,252)</u>	<u>(2,710,704)</u>	<u>(43,954,567)</u>	<u>(32,936,368)</u>
200,000	-	-	200,000	5,848,469
-	-	-	-	1,324,754
-	(18,081,010)	(1,476,000)	(19,557,010)	-
-	-	3,745,991	3,745,991	4,933,687
-	-	-	(3,745,991)	(4,933,687)
-	-	(1,849,600)	(3,011,002)	(2,793,834)
-	17,200,000	-	17,200,000	-
-	1,037,790	-	1,037,790	-
<u>200,000</u>	<u>156,780</u>	<u>420,391</u>	<u>(4,130,222)</u>	<u>4,379,389</u>
<u>(8,974,166)</u>	<u>4,528</u>	<u>(2,290,313)</u>	<u>(48,084,789)</u>	<u>(28,556,979)</u>
<u>2,550,676</u>	<u>-</u>	<u>5,264,750</u>	<u>59,355,617</u>	<u>87,912,596</u>
<u>\$ (6,423,490)</u>	<u>\$ 4,528</u>	<u>\$ 2,974,437</u>	<u>\$ 11,270,828</u>	<u>\$ 59,355,617</u>

See Accompanying Notes to Financial Statements

School District of the City of Royal Oak
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
June 30, 2008

Net change in fund balances - total governmental funds \$ (48,084,789)

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	\$ (4,741,507)	
Capitalized capital outlay	<u>46,153,248</u>	
		41,411,741

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 contract	(100,000)	
Property taxes	<u>(41,495)</u>	
		(141,495)

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:

Debt issued		(17,200,000)
Premium on debt issued		(1,037,790)
Amortization of premium on debt		416,704
Repayment of bonds payable		16,215,601
Change in accrued interest payable		(289,000)
Change in accreted interest on capital appreciation bonds		9,760,926
Change in compensated absences		61,079
Change in self insurance claims		<u>210,000</u>

Change in net assets of governmental activities **\$ 1,322,977**

See Accompanying Notes to Financial Statements

School District of the City of Royal Oak
Statement of Fiduciary Assets and Liabilities
June 30, 2008 and 2007

	Student Activities Agency Funds	
	2008	2007
Assets		
Cash and investments	\$ 411,029	\$ 426,397
Liabilities		
Accounts payable	\$ 29,407	\$ 11,210
Due to student groups	381,622	415,187
	\$ 411,029	\$ 426,397

See Accompanying Notes to Financial Statements

School District of the City of Royal Oak

Notes to Financial Statements

June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

District-wide Financial Statements

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

The statement of net assets 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 assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

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

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

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net assets 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.

School District of the City of Royal Oak

Notes to Financial Statements

June 30, 2008

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 all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

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

The School District reports the 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.

2005 Bond Issue Fund – The 2005 Bond Issue Fund is the School District's fund used to record the bond proceeds and other revenue and disbursements specifically designated for construction and renovation as identified in the 2005 bond issue.

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

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, Athletics, Community Service, and Special Education Center Program Funds.

Food Service Fund – The Food Services 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.

Athletics Fund – The Athletics Fund is used to record all transactions relating to athletic activities of the School District. The annual operating deficit generated by this activity is the responsibility of the General 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.

School District of the City of Royal Oak
Notes to Financial Statements
June 30, 2008

Special Education Center Program Fund – The Special Education Center Program Fund is used to record all revenue and expenditure activities relating to the special education services provided to eligible center program students. The annual operating deficit, if any, generated by this activity is the responsibility of the General Fund. Any operating surplus remains with 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.

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

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 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 caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

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, 2008, the millage rates are as follows per \$1,000 of taxable value.

<u>General Fund</u>	
Homestead	2.8957
Non-homestead	18.0000
 <u>Debt Service Fund</u>	
Homestead	4.7100
Non-homestead	4.7100

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

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

School District of the City of Royal Oak
Notes to Financial Statements
June 30, 2008

Inventories – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

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 assets.

Bonds payable are reported net of the applicable bond premium.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data

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.

School District of the City of Royal Oak
Notes to Financial Statements
June 30, 2008

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets 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 Change

The Government Accounting Standards Board has issued Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits other than Pensions*. The new pronouncement provides guidance for school districts in recognizing the cost of retiree health care. The new rules will cause district-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

The Government Accounting Standards Board has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses how to account for pollution remediation activities of the effects of existing pollution; it does not include prevention or control activities or remediation required upon the retirement of an asset. In general, the new rules will cause district-wide financial statements to recognize a liability on the current value of expected costs as estimated using the expected cash flows method. This statement is effective for the year ending June 30, 2009.

The Government Accounting Standards Board has issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. In general, the new rules will cause district-wide financial statements to include intangible assets as capital assets. This statement is effective for the year ending June 30, 2010

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, Special Revenue, and Debt Service Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, and object. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) 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 student counts, to revise property tax revenue, to decrease estimates for interest earnings, and to adjust for the receipt of a DDA property tax refund. Budgeted expenditures were amended to reflect revised staffing levels, to include carryover of unexpended prior year budget amounts, and to adjust fringe benefit expenditures for health care plans.

School District of the City of Royal Oak
Notes to Financial Statements
June 30, 2008

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

Excess of Expenditures over Appropriations and Deficit balances

During the year, the School District did not have any material unexpected budget variances that resulted in a violation of the Uniform Budgeting and Accounting Act.

During the year, the School District accumulated a deficit of \$6,423,290 in the General Property Maintenance Fund and \$724,904 in the Royal Oak Middle School Fire Restoration Fund. The accumulated deficit in the General Property Maintenance Fund will be eliminated through the anticipated receipts from future property sales. The accumulated deficit in the Royal Oak Middle School Fire Restoration Fund will be eliminated with the future receipt from the insurance settlement proceeds.

Compliance Bond Proceeds

The 2005 Bond Issue Fund includes capital project activities funded with bonds issued after May 1, 1994. The following is a summary of the bond issue proceeds, premiums, revenue and expenditures in the 2005 Bond Issue Fund from the inception of the fund:

	2005 Bond Issue Fund
Bond proceeds	\$ 65,500,000
Bond premium	4,409,446
Revenue	5,062,279
Expenditures	72,362,568

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	\$ 9,661,411	\$ 411,029	\$ 10,072,440
Investments	4,787,726	-	4,787,726
Total	\$ 14,449,137	\$ 411,029	\$ 14,860,166

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 6,769,509
Investments in securities, mutual funds, and similar vehicles	8,087,726
Petty cash and cash on hand	2,931
	\$ 14,860,166

School District of the City of Royal Oak
Notes to Financial Statements
June 30, 2008

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

Investment	Fair Value	Maturities	Rating	Rating Organization
Bank Investment Pool	\$ 3,300,000	Not required	Unrated	Unrated
U.S. Government Treasury Bond	10,948	Not required	Unrated	Unrated
Guaranteed interest contract	<u>4,776,778</u>	May 1, 2009	AAA	Standard and Poor's
	<u>\$ 8,087,726</u>			

Interest rate risk – While the 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 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. The School District utilizes the services of the Michigan School Investment Association to provide guidance and recommendations for investment concentration.

Custodial credit risk – deposits – This is the risk that in the event of a bank failure, the District’s deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of June 30, 2008, \$ 10,315,509 of the District’s bank balance of \$ 10,516,968 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.

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:

School District of the City of Royal Oak
Notes to Financial Statements
June 30, 2008

	General		General Property		
	Fund	2005 Bond	Maintenance	Nonmajor and	Total
	Fund	Issue Fund	Fund	Other Funds	Total
Receivables:					
Taxes	\$ 68,548	\$ -	\$ -	\$ 41,154	\$ 109,702
Accounts	40,696	-	-	27,636	68,332
Land Contract	-	-	1,401,603	-	1,401,603
Intergovernmental	6,662,434	-	-	7,849	6,670,283
Interest and other	5,000	44,064	-	-	49,064
Less allowances	<u>(68,548)</u>	<u>-</u>	<u>-</u>	<u>(41,154)</u>	<u>(109,702)</u>
	<u>\$ 6,708,130</u>	<u>\$ 44,064</u>	<u>\$ 1,401,603</u>	<u>\$ 35,485</u>	<u>\$ 8,189,282</u>

The School District considers all accounts and intergovernmental receivables to be fully collectible within one year, except for the land contract of \$ 1,400,000 which is due in full by February 2010.

NOTE 5 - CAPITAL ASSETS

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

	Balance		Disposals and	Balance
	July 1, 2007	Additions	Adjustments	June 30, 2008
Capital assets not being depreciated - land	\$ 7,033,920	\$ 1,550,766	\$ -	\$ 8,584,686
Capital assets being depreciated				
Building and building improvements	148,246,155	44,524,764	-	192,770,919
Buses, vehicles, and equipment	<u>29,400,324</u>	<u>77,718</u>	<u>-</u>	<u>29,478,042</u>
Total capital assets being depreciated	177,646,479	44,602,482	-	222,248,961
Less: accumulated depreciation				
Building and building improvements	62,763,966	3,700,310	-	66,464,276
Buses, vehicles, and equipment	<u>26,110,388</u>	<u>1,041,197</u>	<u>-</u>	<u>27,151,585</u>
Total accumulated depreciation	88,874,354	4,741,507	-	93,615,861
Net capital assets being depreciated	<u>88,772,125</u>	<u>39,860,975</u>	<u>-</u>	<u>128,633,100</u>
Net capital assets	<u>\$ 95,806,045</u>	<u>\$ 41,411,741</u>	<u>\$ -</u>	<u>\$ 137,217,786</u>

Depreciation expense was \$4,741,507 for the year ended June 30, 2008. 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	Contracts
		Commitments at	Payable at Year
		Year End	End
Various renovation and new construction projects	\$ 7,971,632	\$ 5,921,025	\$ 2,050,607

School District of the City of Royal Oak
Notes to Financial Statements
June 30, 2008

Contracts payable at year-end, represent actual contractor billings of \$2,050,607 and are recorded as a Capital Projects Fund liability. All projects are expected to be completed by end of fiscal year 2009.

NOTE 6 - INTERFUND RECEIVABLE AND PAYABLE AND TRANSFERS

Individual interfund receivable and payable balances at year end were:

Due from Fund	Due to Fund	Amount
2005 Bond Issue Fund	General Fund	\$ 7,343
General Property Maintenance Fund	General Fund	6,145,300
Royal Oak Middle School Fire Restoration Fund	General Fund	<u>724,904</u>
		<u>\$ 6,877,547</u>

The outstanding balances between funds result mainly from the time lag between the construction expenditures that were incurred and the anticipation of the proceeds from future property sales and the insurance settlement for the Royal Oak Middle School fire.

Management anticipates individual interfund balances to remain until the proceeds have been received from future property sales and insurance proceeds.

Interfund transfers consist of the following:

	General Fund	Other Governmental Funds	Total
Transfers in	\$ -	\$ (3,745,991)	\$ (3,745,991)
Transfers out	<u>3,745,991</u>	<u>-</u>	<u>3,745,991</u>
	<u>\$ 3,745,991</u>	<u>\$ (3,745,991)</u>	<u>\$ -</u>

Transfers were made to cover the costs of School District programs that were in excess of revenues generated from those activities.

The General Fund transferred funds totaling \$ 3,745,991 to various major and nonmajor funds to cover operating deficits, for capital improvement projects and for special education revenues for operating purposes.

NOTE 7 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

School District of the City of Royal Oak
Notes to Financial Statements
June 30, 2008

	Unavailable	Unearned
Deferred property taxes	\$ -	\$ 1,247,328
Land contract	1,300,000	-
Deposits received for potential land purchases	-	175,000
Grant and categorical aid payments received prior to meeting all eligibility requirements	-	64,712
	\$ 1,300,000	\$ 1,487,040

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.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within one Year
General obligation bonds	\$ 86,188,333	\$ 17,200,000	\$ 16,215,601	\$ 87,172,732	\$ 4,052,732
Accreted interest	13,389,231	353,322	10,114,248	3,628,305	3,628,305
Amortized premium	4,383,199	1,037,790	416,704	5,004,285	559,146
Compensated absences	2,151,160	80,789	141,868	2,090,081	340,000
Workers' compensation	208,000	-	191,000	17,000	17,000
Unemployment	240,000	221,000	240,000	221,000	221,000
	\$ 106,559,923	\$ 18,892,901	\$ 27,319,421	\$ 98,133,403	\$ 8,818,183

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

\$2,782,732, 1993 capital appreciation refunding bonds due in a final installment of \$2,782,732 on May 1, 2009 interest at 4.78%	\$ 2,782,732
\$590,000, 1997 serial refunding bonds due in a final installment of \$590,000 on May 1, 2009; interest at 5.20%	590,000
\$4,485,000, 2004 serial refunding bonds due in a final installment of \$4,485,000 on May 1, 2013; interest at 3.00% to 5.00%	4,485,000
\$65,000,000 2005 building and site bonds due in annual installments of \$410,000 to \$7,125,000 beginning May 1, 2009 through May 1, 2021; interest at 3.50% to 5.00%	62,115,000
\$17,200,000 2008 refunding bonds due in annual installments of \$5,000,000 to \$7,000,000 beginning May 1, 2010 through May 1, 2012; interest at 5.00%	17,200,000
	\$87,172,732

School District of the City of Royal Oak
Notes to Financial Statements
June 30, 2008

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

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2009	\$ 4,052,732	\$ 8,397,829	\$ 12,450,561
2010	7,530,000	4,138,025	11,668,025
2011	5,395,000	3,769,475	9,164,475
2012	5,610,000	3,505,650	9,115,650
2013	7,585,000	3,229,250	10,814,250
2014-2018	35,625,000	10,687,500	46,312,500
2019-2022	21,375,000	2,137,500	23,512,500
Total	\$ 87,172,732	\$ 35,865,229	\$ 123,037,961

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$ 1,508,339 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 \$3,645,585.

Compensated Absences

Accrued compensated absences at year end was \$2,090,081 and consisted of \$ 504,769 of vacation hours earned and vested, \$1,530,312 in accrued termination pay, and \$55,000 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.

Other Liabilities

Other liabilities include workers' compensation and other claims, which are the responsibility of the General Fund. The amounts are considered current as they will be paid out within the next year.

Defeased Debt

During the current year, the School District issued \$17,200,000 in general obligation bonds with an average interest rate of five percent. The proceeds of these bonds along with a premium from the issuance of the bonds of \$1,037,790, were used to advance refund \$18,081,010 of principal and accreted interest relating to the School District's 1993 refunding bonds. The net proceeds (after payment of \$152,252 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the portion of the bonds that are considered to be defeased and the liability for the bonds have been removed from the School District's long-term obligations.

In prior years, the School District has defeased various bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding

School District of the City of Royal Oak
Notes to Financial Statements
June 30, 2008

were placed in separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements. As of year end, the amount of defeased debt outstanding but removed from the School District's financial statements is \$ 17,889,532

NOTE 9 - 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 similar to past years for health, property and general liability claims and participated in the MAISL (risk pool) for claims relating to property and general liability for the first half of the year. Beginning in the second half of the year, the School District purchased commercial insurance coverage for property and general liability. The School District is uninsured for workers' compensation claims. However, 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 recorded in the district-wide statement. Changes in the estimated liability for the past two fiscal years were as follows:

	2008	2007
Estimated liability - beginning of year	\$ 208,000	\$ 265,143
Estimated claims incurred - including changes in estimates	(56,497)	61,571
Claim payments	(134,503)	(118,714)
Estimated liability - end of year	\$ 17,000	\$ 208,000

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 \$193,210 and an estimate for total possible future claims in the district-wide statement of \$221,000.

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POST EMPLOYMENT BENEFITS

Plan Description

The School District participates in the State of Michigan's Public School Employees Retirement System (MPERS), which is a cost-sharing public employee retirement system (PERS).

School District of the City of Royal Oak
Notes to Financial Statements
June 30, 2008

The pension plan provides retirement, survivor and disability benefits to plan members and their beneficiaries.

MPSERS operates within the Michigan Department of Management and Budget, Office of Retirement Systems who has the authority to establish and amend benefit provisions. The Michigan Department of Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. The report provides information for the plan 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 or calling 800-381-5111.

Funding Policy

The District is required by State statute to contribute to MPSERS an actuarially determined percentage of payroll for all participating employees. Additionally, employees participating in the Member Investment Plan contributed 3% to 4.3% of their covered wages through payroll deduction. In addition to retirement benefits, a portion of the total MPSERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPSERS funding for the three-year period beginning July 1, 2005 through June 30, 2008.

	2008	2007	2006
Funding percentage range	16.72-17.74%	16.34-17.74%	14.87-16.34%
School contributions	\$ 6,279,736	\$ 6,626,692	\$ 6,594,000
Employee MIP contributions	\$ 1,074,508	\$ 1,091,915	\$ 1,187,414
Percentage of school contributions covering health, dental and vision benefits	39%	37%	40%

Trend Information

Ten-year historical trend information is presented in the September 30, 2007, PERS Comprehensive Annual Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. The total benefit obligations and net assets available for benefits as of September 30, 2006, the latest date for which information is available, approximates \$ 49.1 billion and \$ 43.0 billion, respectively. The School's share of the total current actuarially determined employer contribution requirement under MPSERS was less than 1% for the year ended September 30, 2007.

Post Employment Benefits

In addition to the pension benefits described above, post-retirement health care, dental, and vision benefits for retirees and beneficiaries are provided through the Michigan Public School Employees Retirement System (MPSERS).

Expenditures for these benefits are recognized on a cash disbursement basis. During the year ended September 30, 2007, statewide expenditures of \$ 654 million were recognized for post-retirement health care, dental and vision. This represented approximately 18% of the total expenditures of the Michigan Public School Employees Retirement System.

School District of the City of Royal Oak
Notes to Financial Statements
June 30, 2008

NOTE 11 - UNRESERVED AND DESIGNATED FUND BALANCE

The General Fund unreserved balance at June 30, 2008 has been designated for the following purposes:

Subsequent years' budget	\$ 1,043,438
Compensated absences	2,090,081
Workers' compensation	17,000
Unemployment	221,000
Supplies, material, and capital outlay carryover	2,261,897
Revenue stabilization	1,631,121
Textbook purchases	50,399
Bus purchases	265,680
Band uniforms	44,267
Band instruments	<u>9,338</u>

Total unreserved fund balance designated for various operating purposes	<u>\$ 7,634,221</u>
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NOTE 12 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2008.

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

School District of the City of Royal Oak

Required Supplemental Information

Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2008 (with comparative actual amounts for the year ended June 30, 2007)

	2008			2007	
	Original Budget	Final Budget	Actual	Over (Under) Final Budget	Actual
Revenue					
Local sources					
Current year tax levy	\$ 18,717,123	\$ 19,841,000	\$ 19,842,090	\$ 1,090	\$ 19,330,695
Prior year tax levy	50,000	78,000	89,868	11,868	64,792
Interest on investments	1,100,000	620,000	617,720	(2,280)	1,065,001
Continuing education fees	119,000	103,500	106,384	2,884	118,205
Rental of school facilities	259,000	90,800	87,700	(3,100)	127,493
Miscellaneous	489,000	604,400	673,878	69,478	595,901
Total local sources	20,734,123	21,337,700	21,417,640	79,940	21,302,087
Interdistrict sources					
Special education allocation and other	5,392,110	5,652,179	5,628,026	(24,153)	5,040,560
State sources					
State foundation allowance	28,802,873	28,356,420	28,535,692	179,272	30,093,222
Adult education	188,153	196,243	196,243	-	188,153
Special education	3,206,990	3,284,527	3,281,516	(3,011)	3,231,491
Vocational education	56,068	128,324	137,515	9,191	112,558
Other	-	6,800	7,354	554	73,387
Total state sources	32,254,084	31,972,314	32,158,320	186,006	33,698,811
Federal sources - restricted grants	1,975,255	2,314,040	2,123,988	(190,052)	1,987,091
Total revenue	60,355,572	61,276,233	61,327,974	51,741	62,028,549
Expenditures					
Current					
Instruction					
Basic programs					
Elementary					
Salaries	8,262,000	8,153,245	8,051,364	(101,881)	8,230,604
Purchased services	2,000	5,000	7,886	2,886	2,236
Supplies and other	284,143	762,998	346,162	(416,836)	466,065
Total elementary	8,548,143	8,921,243	8,405,412	(515,831)	8,698,905
Secondary					
Salaries	10,641,000	10,747,885	10,581,415	(166,470)	10,693,452
Purchased services	75,500	122,652	84,505	(38,147)	100,230
Supplies and other	369,443	711,860	331,592	(380,268)	433,915
Total secondary	11,085,943	11,582,397	10,997,512	(584,885)	11,227,597
Total basic programs	19,634,086	20,503,640	19,402,924	(1,100,716)	19,926,502
Added needs					
Special education					
Salaries	2,877,000	2,987,694	2,818,671	(169,023)	2,952,997
Purchased services	3,000	3,000	94	(2,906)	602
Supplies and other	16,200	52,159	9,960	(42,199)	18,053
Total special education	2,896,200	3,042,853	2,828,725	(214,128)	2,971,652

Schedule continues on the following page

School District of the City of Royal Oak

Required Supplemental Information

Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2008 (with comparative actual amounts for the year ended June 30, 2007)

	2008			2007	
	Original Budget	Final Budget	Actual	Over (Under) Final Budget	Actual
Compensatory education					
Salaries	\$ 151,047	\$ 216,849	\$ 162,726	\$ (54,123)	\$ 141,989
Purchased services	2,000	-	-	-	-
Supplies and other	14,529	61,419	20,593	(40,826)	13,228
Total compensatory education	167,576	278,268	183,319	(94,949)	155,217
Vocational education					
Salaries	332,000	345,255	348,175	2,920	309,084
Purchased services	-	2,000	2,146	146	-
Supplies and other	50,866	144,000	71,396	(72,604)	129,856
Total vocational education	382,866	491,255	421,717	(69,538)	438,940
Total added needs	3,446,642	3,812,376	3,433,761	(378,615)	3,565,809
Continuing education					
Salaries	146,000	143,196	122,103	(21,093)	131,469
Purchased services	12,000	17,540	14,106	(3,434)	6,665
Supplies and other	20,937	50,975	22,840	(28,135)	8,633
Total continuing education	178,937	211,711	159,049	(52,662)	146,767
Employee benefits	10,212,312	9,896,787	9,737,269	(159,518)	10,603,743
Total instruction	33,471,977	34,424,514	32,733,003	(1,691,511)	34,242,821
Supporting services					
Pupil services					
Salaries	3,768,000	3,613,943	3,522,384	(91,559)	3,763,467
Purchased services	17,500	19,500	31,523	12,023	22,508
Supplies and other	15,750	47,634	18,999	(28,635)	13,305
Total pupil services	3,801,250	3,681,077	3,572,906	(108,171)	3,799,280
Instructional staff					
Salaries	1,217,187	1,277,046	1,229,499	(47,547)	1,214,290
Purchased services	185,700	350,951	274,991	(75,960)	275,132
Supplies and other	117,813	244,820	126,481	(118,339)	173,370
Total instructional staff	1,520,700	1,872,817	1,630,971	(241,846)	1,662,792
General administration					
Salaries	381,000	397,000	397,021	21	393,453
Purchased services	85,000	141,500	186,385	44,885	135,028
Supplies and other	900	8,249	-	(8,249)	-
Total general administration	466,900	546,749	583,406	36,657	528,481
School administration					
Salaries	3,123,000	2,146,500	2,016,015	(130,485)	2,519,769
Purchased services	3,000	2,000	-	(2,000)	-
Supplies and other	2,000	2,000	1,635	(365)	476
Total school administration	3,128,000	2,150,500	2,017,650	(132,850)	2,520,245

Schedule continues on the following page

School District of the City of Royal Oak

Required Supplemental Information

Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2008 (with comparative actual amounts for the year ended June 30, 2007)

	2008			2007	
	Original Budget	Final Budget	Actual	Over (Under) Final Budget	Actual
Business services					
Salaries	\$ 4,660,000	\$ 4,769,845	\$ 4,694,709	\$ (75,136)	\$ 4,611,626
Purchased services	1,584,805	1,977,860	1,712,586	(265,274)	1,571,703
Supplies and other	<u>1,707,401</u>	<u>2,170,605</u>	<u>1,898,986</u>	<u>(271,619)</u>	<u>1,802,369</u>
Total business services	7,952,206	8,918,310	8,306,281	(612,029)	7,985,698
Central staff					
Salaries	392,500	417,922	414,701	(3,221)	395,832
Purchased services	466,400	498,546	413,461	(85,085)	522,705
Supplies and other	<u>98,200</u>	<u>56,108</u>	<u>(4,400)</u>	<u>(60,508)</u>	<u>(62,912)</u>
Total central staff	957,100	972,576	823,762	(148,814)	855,625
Employee benefits	<u>6,187,841</u>	<u>5,893,900</u>	<u>5,798,901</u>	<u>(94,999)</u>	<u>5,965,020</u>
Total supporting services	24,013,997	24,035,929	22,733,877	(1,302,052)	23,317,141
Community services					
Salaries	25,000	25,000	21,845	(3,155)	21,726
Employee benefits	10,821	10,377	10,210	(167)	9,947
Purchased services	162,176	219,475	149,598	(69,877)	146,283
Supplies and other	<u>65,211</u>	<u>90,753</u>	<u>77,407</u>	<u>(13,346)</u>	<u>74,289</u>
Total community services	263,208	345,605	259,060	(86,545)	252,245
Capital outlay					
Instruction	159,676	696,046	144,065	(551,981)	108,324
Support services	<u>415,952</u>	<u>826,650</u>	<u>317,395</u>	<u>(509,255)</u>	<u>611,201</u>
Total capital outlay	<u>575,628</u>	<u>1,522,696</u>	<u>461,460</u>	<u>(1,061,236)</u>	<u>719,525</u>
Total expenditures	<u>58,324,810</u>	<u>60,328,744</u>	<u>56,187,400</u>	<u>(4,141,344)</u>	<u>58,531,732</u>
Other financing uses					
Transfers out					
Special revenue funds	3,783,678	3,700,000	3,693,065	(6,935)	3,879,304
Capital project funds	65,000	55,000	52,926	(2,074)	1,054,383
Payments to other governmental units - Special Education, allocation and other	<u>1,051,000</u>	<u>1,167,893</u>	<u>1,161,402</u>	<u>(6,491)</u>	<u>914,935</u>
Total other financing uses	<u>4,899,678</u>	<u>4,922,893</u>	<u>4,907,393</u>	<u>(15,500)</u>	<u>5,848,622</u>
Total expenditures and other financing uses	<u>63,224,488</u>	<u>65,251,637</u>	<u>61,094,793</u>	<u>(4,156,844)</u>	<u>64,380,354</u>
Net change in fund balance	(2,868,916)	(3,975,404)	233,181	4,208,585	(2,351,805)
Fund balance - beginning of year	<u>11,873,015</u>	<u>11,873,015</u>	<u>11,873,015</u>	-	<u>14,224,820</u>
Fund balance - end of year	<u>\$ 9,004,099</u>	<u>\$ 7,897,611</u>	<u>\$ 12,106,196</u>	<u>\$ 4,208,585</u>	<u>\$ 11,873,015</u>

OTHER SUPPLEMENTAL INFORMATION

School District of the City of Royal Oak
Other Supplemental Information
Combining Balance Sheet - Non Major Governmental Funds
June 30, 2008 (with comparative total for the year ended June 30, 2007)

	Special Revenue Funds					1990 Debt	1997 Debt
	Food Services	Athletics	Community Services	Special Education Center Program	Subtotal		
Assets							
Cash and cash equivalents	\$ 81,563	\$ 401,713	\$ 643,509	\$ 1,261,800	\$ 2,388,585	\$ -	\$ 213,870
Receivables - net	3,863	23,641	132	-	27,636	-	-
Due from other governmental units	7,849	-	-	-	7,849	-	-
Inventories	12,283	-	-	-	12,283	-	-
Total assets	\$ 105,558	\$ 425,354	\$ 643,641	\$ 1,261,800	\$ 2,436,353	\$ -	\$ 213,870
Liabilities and fund balances							
Liabilities							
Accounts payable and other liabilities	\$ 42,523	\$ 9,180	\$ 20,752	\$ 2,919	\$ 75,374	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
Accrued payroll and related liabilities	2,397	311	104,415	212,789	319,912	-	-
Deferred revenue	2,404	-	10,987	-	13,391	-	-
Total liabilities	47,324	9,491	136,154	215,708	408,677	-	-
Fund balances (deficit)							
Reserved:							
Debt service	-	-	-	-	-	-	213,870
Inventories	12,283	-	-	-	12,283	-	-
Unreserved - Undesignated, reported in							
Special Revenue Funds	45,951	415,863	507,487	1,046,092	2,015,393	-	-
Capital Project Funds	-	-	-	-	-	-	-
Total fund balances (deficit)	58,234	415,863	507,487	1,046,092	2,027,676	-	213,870
Total liabilities and fund balances	\$ 105,558	\$ 425,354	\$ 643,641	\$ 1,261,800	\$ 2,436,353	\$ -	\$ 213,870

Debt Service Funds			Capital Projects Funds				Total	
2004 Debt	2005 Debt	Subtotal	Royal Oak Middle School Fire Restoration	Instructional Technology	Performance Contracting	Subtotal	2008	2007
\$ 638,516	\$ 651,425	\$ 1,503,811	\$ -	\$ 220,219	\$ -	\$ 220,219	\$ 4,112,615	\$ 5,556,605
-	-	-	-	-	-	-	27,636	22,499
-	-	-	-	-	-	-	7,849	21,968
-	-	-	-	-	-	-	12,283	8,623
<u>\$ 638,516</u>	<u>\$ 651,425</u>	<u>\$ 1,503,811</u>	<u>\$ -</u>	<u>\$ 220,219</u>	<u>\$ -</u>	<u>\$ 220,219</u>	<u>\$ 4,160,383</u>	<u>\$ 5,609,695</u>
\$ -	\$ -	\$ -	\$ -	\$ 52,365	\$ -	\$ 52,365	\$ 127,739	\$ 46,974
-	-	-	724,904	-	-	724,904	724,904	-
-	-	-	-	-	-	-	319,912	295,618
-	-	-	-	-	-	-	13,391	2,353
-	-	-	724,904	52,365	-	777,269	1,185,946	344,945
638,516	651,425	1,503,811	-	-	-	-	1,503,811	2,694,178
-	-	-	-	-	-	-	12,283	8,623
-	-	-	-	-	-	-	2,015,393	1,419,101
-	-	-	(724,904)	167,854	-	(557,050)	(557,050)	1,142,848
<u>638,516</u>	<u>651,425</u>	<u>1,503,811</u>	<u>(724,904)</u>	<u>167,854</u>	<u>-</u>	<u>(557,050)</u>	<u>2,974,437</u>	<u>5,264,750</u>
<u>\$ 638,516</u>	<u>\$ 651,425</u>	<u>\$ 1,503,811</u>	<u>\$ -</u>	<u>\$ 220,219</u>	<u>\$ -</u>	<u>\$ 220,219</u>	<u>\$ 4,160,383</u>	<u>\$ 5,609,695</u>

School District of the City of Royal Oak
Other Supplemental information
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance -
Non Major Governmental Funds

Year Ended June 30, 2008 (with comparative actual amounts for the year ended June 30, 2007)

	Special Revenue Funds					1990 Debt	1997 Debt
	Food Services	Athletics	Community Services	Special Education Center Program	Subtotal		
Revenue							
Local sources	\$ 691,366	\$ 148,506	\$ 878,935	\$ 42,200	\$ 1,761,007	\$ 21,200	\$ 295,141
Interdistrict sources - special education	-	-	-	2,115,760	2,115,760	-	-
State sources	56,487	-	94,548	1,067,632	1,218,667	-	-
Federal sources	376,023	-	-	-	376,023	-	-
Total revenue	1,123,876	148,506	973,483	3,225,592	5,471,457	21,200	295,141
Expenditures							
Current:							
Instruction	-	-	753,674	1,493,055	2,246,729	-	-
Support services	-	-	313,862	1,641,807	1,955,669	-	-
Community services	-	-	642,952	-	642,952	-	-
Food services	1,117,219	-	-	-	1,117,219	-	-
Athletics	-	721,696	-	-	721,696	-	-
Debt service							
Principal	-	-	-	-	-	-	255,000
Interest and other	-	-	-	-	-	-	43,685
Other	-	-	-	-	-	-	1,743
Capital outlay	1,733	28,972	-	-	30,705	-	-
Total expenditures	1,118,952	750,668	1,710,488	3,134,862	6,714,970	-	300,428
Excess of revenues over (under) expenditures	4,924	(602,162)	(737,005)	90,730	(1,243,513)	21,200	(5,287)
Other financing sources (uses)							
Insurance recoveries	-	-	-	-	-	-	-
Payment to bond escrow agent	-	-	-	-	-	(735,431)	(150,000)
Transfers in	-	850,000	1,050,000	1,793,065	3,693,065	-	-
Payments to other governmental units	-	-	-	(1,849,600)	(1,849,600)	-	-
Total other financing sources (uses)	-	850,000	1,050,000	(56,535)	1,843,465	(735,431)	(150,000)
Net change in fund balance	4,924	247,838	312,995	34,195	599,952	(714,231)	(155,287)
Fund balance - beginning of year	53,310	168,025	194,492	1,011,897	1,427,724	714,231	369,157
Fund balance (deficit) - end of year	\$ 58,234	\$ 415,863	\$ 507,487	\$ 1,046,092	\$ 2,027,676	\$ -	\$ 213,870

Debt Service Funds			Capital Projects Funds				Total	
2004 Debt	2005 Debt	Subtotal	Royal Oak Middle School Fire Restoration	Instructional Technology	Performance Contracting	Subtotal	2008	2007
\$ 5,438,160	\$ 6,364,770	\$ 12,119,271	\$ -	\$ 10,400	\$ -	\$ 10,400	\$ 13,890,678	\$ 13,523,308
-	-	-	-	-	-	-	2,115,760	2,327,152
-	-	-	-	-	-	-	1,218,667	1,356,750
-	-	-	-	-	-	-	376,023	351,249
<u>5,438,160</u>	<u>6,364,770</u>	<u>12,119,271</u>	<u>-</u>	<u>10,400</u>	<u>-</u>	<u>10,400</u>	<u>17,601,128</u>	<u>17,558,459</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2,246,729	2,400,594
-	-	-	-	-	-	-	1,955,669	2,259,173
-	-	-	-	-	-	-	642,952	794,407
-	-	-	-	-	-	-	1,117,219	1,150,096
-	-	-	-	-	-	-	721,696	896,357
4,925,000	2,945,000	8,125,000	-	-	-	-	8,125,000	5,250,000
421,250	3,180,650	3,645,585	-	-	-	-	3,645,585	4,974,692
28,413	32,897	63,053	-	-	-	-	63,053	51,731
-	-	-	1,633,373	76,925	52,926	1,763,224	1,793,929	588,674
<u>5,374,663</u>	<u>6,158,547</u>	<u>11,833,638</u>	<u>1,633,373</u>	<u>76,925</u>	<u>52,926</u>	<u>1,763,224</u>	<u>20,311,832</u>	<u>18,365,724</u>
63,497	206,223	285,633	(1,633,373)	(66,525)	(52,926)	(1,752,824)	(2,710,704)	(807,265)
-	-	-	-	-	-	-	-	1,324,754
(565,569)	(25,000)	(1,476,000)	-	-	-	-	(1,476,000)	-
-	-	-	-	-	52,926	52,926	3,745,991	3,933,687
-	-	-	-	-	-	-	(1,849,600)	(1,878,899)
<u>(565,569)</u>	<u>(25,000)</u>	<u>(1,476,000)</u>	<u>-</u>	<u>-</u>	<u>52,926</u>	<u>52,926</u>	<u>420,391</u>	<u>3,379,542</u>
(502,072)	181,223	(1,190,367)	(1,633,373)	(66,525)	-	(1,699,898)	(2,290,313)	2,572,277
1,140,588	470,202	2,694,178	908,469	234,379	-	1,142,848	5,264,750	2,692,473
<u>\$ 638,516</u>	<u>\$ 651,425</u>	<u>\$ 1,503,811</u>	<u>\$ (724,904)</u>	<u>\$ 167,854</u>	<u>\$ -</u>	<u>\$ (557,050)</u>	<u>\$ 2,974,437</u>	<u>\$ 5,264,750</u>

School District of the City of Royal Oak
Other Supplemental information
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
Special Revenue Funds
Year Ended June 30, 2008

	Food Service			Athletics		
	Final Budget	Actual	Over (Under) Final Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue						
Local sources	\$ 691,000	\$ 691,366	\$ 366	\$ 146,550	\$ 148,506	\$ 1,956
Interdistrict sources - Special Education	-	-	-	-	-	-
State sources	56,000	56,487	487	-	-	-
Federal sources	370,000	376,023	6,023	-	-	-
Total revenue	<u>1,117,000</u>	<u>1,123,876</u>	<u>6,876</u>	<u>146,550</u>	<u>148,506</u>	<u>1,956</u>
Expenditures						
Current:						
Instruction	-	-	-	-	-	-
Support services	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Food services	1,143,250	1,117,219	(26,031)	-	-	-
Athletics	-	-	-	809,009	721,696	(87,313)
Capital outlay	2,500	1,733	(767)	54,928	28,972	(25,956)
Total expenditures	<u>1,145,750</u>	<u>1,118,952</u>	<u>(26,798)</u>	<u>863,937</u>	<u>750,668</u>	<u>(113,269)</u>
Excess of revenues over (under) expenditures	(28,750)	4,924	33,674	(717,387)	(602,162)	115,225
Other financing sources (uses)						
Transfers in	28,750	-	(28,750)	850,000	850,000	-
Payments to other governments	-	-	-	-	-	-
Total other financing sources (uses)	<u>28,750</u>	<u>-</u>	<u>(28,750)</u>	<u>850,000</u>	<u>850,000</u>	<u>-</u>
Net change in fund balance	-	4,924	4,924	132,613	247,838	115,225
Fund balance - beginning of year	53,310	53,310	-	168,025	168,025	-
Fund balance (deficit) - end of year	<u>\$ 53,310</u>	<u>\$ 58,234</u>	<u>\$ 4,924</u>	<u>\$ 300,638</u>	<u>\$ 415,863</u>	<u>\$ 115,225</u>

Community Services			Special Education Center Program			Total		
Final Budget	Actual	Over (Under) Final Budget	Final Budget	Actual	Over (Under) Final Budget	Final Budget	Actual	Over (Under) Final Budget
\$ 824,700	\$ 878,935	\$ 54,235	\$ 40,000	\$ 42,200	\$ 2,200	\$ 1,702,250	\$ 1,761,007	\$ 58,757
-	-	-	2,115,000	2,115,760	760	2,115,000	2,115,760	760
116,851	94,548	(22,303)	1,064,000	1,067,632	3,632	1,236,851	1,218,667	(18,184)
-	-	-	-	-	-	370,000	376,023	6,023
<u>941,551</u>	<u>973,483</u>	<u>31,932</u>	<u>3,219,000</u>	<u>3,225,592</u>	<u>6,592</u>	<u>5,424,101</u>	<u>5,471,457</u>	<u>47,356</u>
797,451	753,674	(43,777)	1,555,000	1,493,055	(61,945)	2,352,451	2,246,729	(105,722)
329,500	313,862	(15,638)	1,711,924	1,641,807	(70,117)	2,041,424	1,955,669	(85,755)
659,951	642,952	(16,999)	-	-	-	659,951	642,952	(16,999)
-	-	-	-	-	-	1,143,250	1,117,219	(26,031)
-	-	-	-	-	-	809,009	721,696	(87,313)
-	-	-	-	-	-	57,428	30,705	(26,723)
<u>1,786,902</u>	<u>1,710,488</u>	<u>(76,414)</u>	<u>3,266,924</u>	<u>3,134,862</u>	<u>(132,062)</u>	<u>7,063,513</u>	<u>6,714,970</u>	<u>(348,543)</u>
(845,351)	(737,005)	108,346	(47,924)	90,730	138,654	(1,639,412)	(1,243,513)	395,899
1,050,000	1,050,000	-	1,800,000	1,793,065	(6,935)	3,728,750	3,693,065	(35,685)
-	-	-	(1,930,000)	(1,849,600)	80,400	(1,930,000)	(1,849,600)	80,400
<u>1,050,000</u>	<u>1,050,000</u>	<u>-</u>	<u>(130,000)</u>	<u>(56,535)</u>	<u>73,465</u>	<u>1,798,750</u>	<u>1,843,465</u>	<u>44,715</u>
204,649	312,995	108,346	(177,924)	34,195	212,119	159,338	599,952	440,614
<u>194,492</u>	<u>194,492</u>	<u>-</u>	<u>1,011,897</u>	<u>1,011,897</u>	<u>-</u>	<u>1,427,724</u>	<u>1,427,724</u>	<u>-</u>
<u>\$ 399,141</u>	<u>\$ 507,487</u>	<u>\$ 108,346</u>	<u>\$ 833,973</u>	<u>\$ 1,046,092</u>	<u>\$ 212,119</u>	<u>\$ 1,587,062</u>	<u>\$ 2,027,676</u>	<u>\$ 440,614</u>

School District of the City of Royal Oak
Other Supplemental information
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget to Actual
Debt Service Funds
Year Ended June 30, 2008

	<u>1990 Debt Actual</u>	<u>1997 Debt Actual</u>
Revenue		
Local sources	\$ 21,200	\$ 295,141
 Expenditures - Debt Service		
Principal	-	255,000
Interest	-	43,685
Other	-	1,743
	<u>-</u>	<u>300,428</u>
 Total expenditures	 -	 <u>300,428</u>
 Excess of revenue over (under) expenditures	 21,200	 (5,287)
 Other Financing Sources (Uses)		
Payment to bond escrow agent	(735,431)	(150,000)
Proceeds from issuance of bonds	-	-
Bond premium/discount	-	-
	<u>(735,431)</u>	<u>(150,000)</u>
 Total other financing sources (uses)	 (735,431)	 (150,000)
 Net Change in Fund Balance	 (714,231)	 (155,287)
 Fund balance - beginning of year	 <u>714,231</u>	 <u>369,157</u>
 Fund balance - end of year	 <u>\$ -</u>	 <u>\$ 213,870</u>

<u>2004 Debt Actual</u>	<u>2005 Debt Actual</u>	<u>2008 Debt Actual</u>	<u>Total Debt Service Funds Actual</u>	<u>Total Debt Service Funds Final Budget</u>	<u>Over (Under) Final Budget</u>
\$ 5,438,160	\$ 6,364,770	\$ -	\$ 12,119,271	\$ 12,104,200	\$ 15,071
4,925,000	2,945,000	-	8,125,000	8,125,000	-
421,250	3,180,650	-	3,645,585	3,645,586	(1)
28,413	32,897	152,252	215,305	267,000	(51,695)
<u>5,374,663</u>	<u>6,158,547</u>	<u>152,252</u>	<u>11,985,890</u>	<u>12,037,586</u>	<u>(51,696)</u>
63,497	206,223	(152,252)	133,381	66,614	66,767
(565,569)	(25,000)	(18,081,010)	(19,557,010)	(19,558,000)	990
-	-	17,200,000	17,200,000	17,200,000	-
-	-	1,037,790	1,037,790	1,041,000	(3,210)
<u>(565,569)</u>	<u>(25,000)</u>	<u>156,780</u>	<u>(1,319,220)</u>	<u>(1,317,000)</u>	<u>(2,220)</u>
<u>(502,072)</u>	<u>181,223</u>	<u>4,528</u>	<u>(1,185,839)</u>	<u>(1,250,386)</u>	<u>64,547</u>
<u>1,140,588</u>	<u>470,202</u>	<u>-</u>	<u>2,694,178</u>	<u>2,694,178</u>	<u>-</u>
<u>\$ 638,516</u>	<u>\$ 651,425</u>	<u>\$ 4,528</u>	<u>\$ 1,508,339</u>	<u>\$ 1,443,792</u>	<u>\$ 64,547</u>

School District of the City of Royal Oak
Other Supplemental information
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Capital Projects Fund
Year Ended June 30, 2008

	<u>2005 Bond Issue Fund</u>	<u>General Property Maintenance Fund</u>	<u>Royal Oak Middle School Fire Restoration</u>
Revenue			
Local sources	\$ 858,953	\$ 16,281	\$ -
Expenditures - Capital Projects			
Capital outlay	<u>37,916,972</u>	<u>9,190,447</u>	<u>1,633,373</u>
Other Financing sources (uses)			
Proceeds from sale of assets	-	200,000	-
Operating transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>200,000</u>	<u>-</u>
Net change in fund balance	(37,058,019)	(8,974,166)	(1,633,373)
Fund balance - beginning of year	<u>39,667,176</u>	<u>2,550,676</u>	<u>908,469</u>
Fund balance (deficit)- end of year	<u>\$ 2,609,157</u>	<u>\$ (6,423,490)</u>	<u>\$ (724,904)</u>

<u>Instructional Technology</u>	<u>Performance Contracting</u>	<u>Total Capital Project Funds</u>
\$ 10,400	\$ -	\$ 885,634
<u>76,925</u>	<u>52,926</u>	<u>\$ 48,870,643</u>
-	-	200,000
<u>-</u>	<u>52,926</u>	<u>52,926</u>
<u>-</u>	<u>52,926</u>	<u>252,926</u>
(66,525)	-	(47,732,083)
<u>234,379</u>	<u>-</u>	<u>43,360,700</u>
<u>\$ 167,854</u>	<u>\$ -</u>	<u>\$ (4,371,383)</u>

School District of the City of Royal Oak
Other Supplemental information
Schedule of Bonded Indebtedness
Year Ended June 30, 2008

	<u>1993 Debt</u>	<u>1997 Debt</u>	<u>2004 Debt</u>	<u>2005 Debt</u>	<u>2008 Debt</u>
<u>June 30</u>	<u>Principal</u>	<u>Principal</u>	<u>Principal</u>	<u>Principal</u>	<u>Principal</u>
2009	\$ 2,782,732	\$ 590,000	\$ -	\$ 680,000	\$ -
2010	-	-	-	530,000	7,000,000
2011	-	-	-	395,000	5,000,000
2012	-	-	-	410,000	5,200,000
2013	-	-	4,485,000	3,100,000	-
2014	-	-	-	7,125,000	-
2015	-	-	-	7,125,000	-
2016	-	-	-	7,125,000	-
2017	-	-	-	7,125,000	-
2018	-	-	-	7,125,000	-
2019	-	-	-	7,125,000	-
2020	-	-	-	7,125,000	-
2021	-	-	-	7,125,000	-
Total	\$ 2,782,732	\$ 590,000	\$ 4,485,000	\$ 62,115,000	\$ 17,200,000
Principal payments due	May 1	May 1	May 1	May 1	May 1
Interest payments due	May 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1
Interest rate	3.68% - 4.78%	4.90% - 5.20%	3.00% - 5.00%	3.50%- 5.00%	5.00%
Original Issue	<u>\$ 12,047,446</u>	<u>\$ 3,165,000</u>	<u>\$ 18,020,000</u>	<u>\$ 65,500,000</u>	<u>\$ 17,200,000</u>

STATISTICAL SECTION (UNAUDITED)

School District of the City of Royal Oak
District-Wide Net Assets by Component - Last Six Fiscal Years
(Unaudited)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 52,654,211	\$ 9,617,712	\$ 21,194,010	\$ 18,967,795	\$ 16,267,636	\$ 15,001,218
Restricted - Debt Service	1,508,339	2,694,178	1,307,310	773,135	976,273	3,253,740
Unrestricted	<u>(3,400,339)</u>	<u>37,127,344</u>	<u>19,541,367</u>	<u>18,137,425</u>	<u>17,375,047</u>	<u>13,778,301</u>
Total primary government	<u>\$ 50,762,211</u>	<u>\$ 49,439,234</u>	<u>\$ 42,042,687</u>	<u>\$ 37,878,355</u>	<u>\$ 34,618,956</u>	<u>\$ 32,033,259</u>

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

Source: School District of the City of Royal Oak Comprehensive Annual Financial Reports 2003-2008.

School District of the City of Royal Oak
District-Wide Revenues by Source and Expenses by Function - Last Six Fiscal Years
(Unaudited)

	2008	2007	2006	2005	2004	2003
Expenses						
Governmental activities						
Instruction	\$ 37,801,871	\$ 39,246,596	\$ 39,606,745	\$ 39,530,593	\$ 40,140,516	\$ 43,148,756
Support services	27,818,723	26,700,072	27,760,736	26,965,264	26,470,366	27,278,777
Food services	1,115,386	1,146,258	1,178,128	1,273,339	1,308,418	1,240,855
Athletics	721,696	896,357	1,017,503	1,012,381	994,408	1,137,324
Community services	902,012	1,046,652	948,537	974,658	895,048	898,640
Interest on long-term debt	5,438,669	5,965,768	2,990,850	1,745,452	5,273,836	3,404,956
Depreciation (unallocated)	4,741,507	3,943,727	3,592,552	3,723,981	3,755,204	4,337,037
Total primary government expenses	78,539,864	78,945,430	77,095,051	75,225,668	78,837,796	81,446,345
Program revenues						
Governmental activities						
Charges for services						
Instruction	100,724	79,735	-	-	-	-
Food services	691,366	775,052	808,603	864,387	970,385	980,616
Athletics	148,506	96,684	145,182	135,057	135,124	93,562
Community services	1,245,726	1,352,673	1,089,686	1,062,521	1,136,399	1,344,753
Operating grants and contributions						
Instruction	8,089,334	6,972,299	7,384,837	14,246,590	14,967,125	13,993,088
Support services	5,724,078	6,339,772	6,369,079	-	-	-
Food services	432,510	408,399	403,816	363,091	385,417	457,941
Community services	94,548	103,242	135,928	90,520	100,145	-
Total primary government program revenues	16,526,792	16,127,856	16,337,131	16,762,166	17,694,595	16,869,960
Net (expense) revenue						
Total primary government net expense	\$ (62,013,072)	\$ (62,817,574)	\$ (60,757,920)	\$ (58,463,502)	\$ (61,143,201)	\$ (64,576,385)

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

Source: School District of the City of Royal Oak Comprehensive Annual Financial Reports 2003-2008.

School District of the City of Royal Oak
District-Wide General Revenues and Total Change in Net Assets - Last Six Fiscal Years
(Unaudited)

	2008	2007	2006	2005	2004	2003
Net (expense) revenue						
Total primary government net expense	\$ (62,013,072)	\$ (62,817,574)	\$ (60,757,920)	\$ (58,463,502)	\$ (61,143,201)	\$ (64,576,385)
General revenues and other changes in net assets						
Governmental activities						
Taxes						
Property taxes levied for general purposes	19,931,958	19,395,487	17,633,301	17,280,018	16,885,110	16,954,668
Property taxes levied for debt service	11,683,889	11,367,372	5,315,504	7,232,290	6,621,915	6,299,546
Unrestricted state aid	29,301,556	30,966,580	33,314,491	35,560,997	37,354,039	39,340,794
Interest and investment earnings	1,912,523	4,327,700	2,709,921	557,330	249,538	360,293
Gain on sale of assets	100,000	2,457,819	4,599,382	-	-	-
Other	406,123	1,699,163	1,349,653	1,092,266	2,618,297	1,162,212
Total primary government	63,336,049	70,214,121	64,922,252	61,722,901	63,728,899	64,117,513
Change in net assets						
Total primary government	\$ 1,322,977	\$ 7,396,547	\$ 4,164,332	\$ 3,259,399	\$ 2,585,698	\$ (458,872)

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

Source: School District of the City of Royal Oak Comprehensive Annual Financial Reports 2003-2008.

School District of the City of Royal Oak
Fund Level Fund Balances - Last Six Fiscal Years
(Unaudited)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Fund						
Reserved	\$ 99,015	\$ 147,604	\$ 108,941	\$ 80,376	\$ 54,150	\$ 79,631
Unreserved						
Designated	7,634,221	8,266,194	10,017,351	11,857,734	10,408,792	5,648,374
Undesignated	<u>4,372,960</u>	<u>3,459,217</u>	<u>4,098,528</u>	<u>4,164,459</u>	<u>4,832,127</u>	<u>6,238,744</u>
Total General Fund	<u>\$ 12,106,196</u>	<u>\$ 11,873,015</u>	<u>\$ 14,224,820</u>	<u>\$ 16,102,569</u>	<u>\$ 15,295,069</u>	<u>\$ 11,966,749</u>
All other governmental funds						
Reserved	\$ 4,129,779	\$ 44,920,653	\$ 72,317,691	\$ 1,664,524	\$ 1,005,240	\$ 3,258,634
Unreserved, reported in:						
Special Revenue Funds	2,015,393	1,419,101	1,106,447	1,128,237	1,235,871	1,080,135
Capital Project Funds	<u>(6,980,540)</u>	<u>1,142,848</u>	<u>263,638</u>	<u>2,625,888</u>	<u>3,527,111</u>	<u>3,516,697</u>
Total all other governmental funds	<u>\$ (835,368)</u>	<u>\$ 47,482,602</u>	<u>\$ 73,687,776</u>	<u>\$ 5,418,649</u>	<u>\$ 5,768,222</u>	<u>\$ 7,855,466</u>

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

Source: School District of the City of Royal Oak Comprehensive Annual Financial Reports 2003-2008.

School District of the City of Royal Oak

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
1999	\$ 14,646,386	\$ 1,640,704	\$ 2,036,204	\$ 40,841,950	\$ 1,376,573	\$ 60,541,817	\$ 1,290,470	\$ 6,615,031	\$ 965,105
2000	14,994,491	2,000,086	2,932,411	41,039,327	1,586,808	62,553,123	2,019,923	6,050,704	1,025,854
2001	15,539,186	2,043,474	3,171,985	42,348,180	1,503,294	64,606,119	2,269,435	2,835,257	1,103,080
2002	16,255,067	1,549,695	5,442,906	43,485,344	1,901,432	68,634,444	2,242,707	2,994,655	1,173,653
2003	16,654,841	1,491,233	4,580,106	42,811,471	1,700,466	67,238,117	2,232,516	3,158,686	1,201,234
2004	17,115,016	1,436,590	6,057,464	40,082,907	2,213,450	66,905,427	2,241,908	2,897,012	1,216,415
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

Source: School District of the City of Royal Oak Comprehensive Annual Financial Reports 1999-2008.

Federal Sources	Capital Project Funds				Debt Service Funds			Total Revenue
	Total Special Revenue Funds	Interest and Other	State Sources	Total Capital Project Funds Revenue	Property Taxes	Interest and Other	Total Debt Service Funds Revenue	
\$ 338,162	\$ 9,208,768	\$ 1,165,708	\$ -	\$ 1,165,708	\$ 4,834,262	\$ 135,000	\$ 4,969,262	\$ 75,885,555
216,034	9,312,515	458,819	-	458,819	5,367,839	170,000	5,537,839	77,862,296
214,328	6,422,100	177,979	-	177,979	5,959,161	172,763	6,131,924	77,338,122
248,820	6,659,835	201,138	-	201,138	6,305,460	135,000	6,440,460	81,935,877
339,860	6,932,296	192,608	-	192,608	6,299,546	95,000	6,394,546	80,757,567
339,478	6,694,813	84,313	-	84,313	6,621,915	63,030	6,684,945	80,369,498
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

School District of the City of Royal Oak
Fund Level Expenditures by Function - Last Ten Fiscal Years
(unaudited)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Instruction (excluding fringe benefits)	\$ 22,995,734	\$ 23,639,078	\$ 23,987,353
Pupil services	3,572,906	3,799,280	3,990,432
Instructional support services	1,630,971	1,662,792	1,909,897
General administration	583,406	528,481	497,451
School administration	2,017,650	2,520,245	2,616,229
Business services	8,306,281	7,985,698	8,510,110
Central staff	823,762	855,625	1,023,288
Employee benefits	15,546,380	16,578,710	16,920,722
Community services (3) (excluding fringe benefits)	248,850	242,298	174,058
Oakland Technical Center, Southeast Campus (1)	-	-	-
Capital outlay (2)	492,165	795,474	505,552
Food services	1,117,219	1,150,096	1,182,654
Athletics	721,696	896,357	1,017,503
Community services (3)	1,710,488	1,982,233	1,940,627
Special Education Center Program	3,134,862	3,471,941	3,436,359
Debt service			
Principal	8,125,000	5,250,000	4,465,000
Interest	3,645,585	4,974,692	756,140
Other	215,305	51,731	19,895
Capital projects (2)	<u>48,870,643</u>	<u>39,109,809</u>	<u>6,324,113</u>
	<u>\$ 123,758,903</u>	<u>\$ 115,494,540</u>	<u>\$ 79,277,383</u>
Debt services as a percentage of noncapital expenditures	<u>16.01%</u>	<u>13.45%</u>	<u>7.18%</u>

(1) Effective July 1, 2000, the District no longer operates the Oakland Technical Center. Expenditures subsequent to that date related to the final administration of the Center.

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

(3) Beginning in 1999, the expenditures of the Community Service Fund are classified separately.

Source: School District of the City of Royal Oak Comprehensive Annual Financial Reports 1999-2008.

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
\$ 24,270,916	\$ 24,920,477	\$ 26,290,035	\$ 25,458,409	\$ 25,032,773	\$ 24,743,579	\$ 24,653,410
4,149,752	4,159,288	4,200,141	4,168,529	4,093,288	4,073,745	3,909,901
1,964,051	1,958,555	1,942,163	1,969,701	1,830,498	1,814,508	1,594,684
426,379	400,922	517,843	591,127	614,752	332,767	325,591
2,745,387	2,602,059	3,116,373	3,151,466	3,058,388	3,020,639	2,887,569
8,226,343	8,449,641	8,456,178	8,117,839	7,956,364	7,765,168	7,419,916
959,423	974,050	993,100	1,091,062	854,049	578,052	992,569
15,979,359	15,093,909	14,908,890	13,906,163	13,458,631	12,725,373	11,878,299
154,916	49,406	72,192	46,920	62,083	58,133	63,554
-	-	-	-	131,413	3,641,781	4,290,651
907,490	810,221	1,666,098	1,207,510	1,791,052	1,805,695	1,112,919
1,273,339	1,308,418	1,240,855	1,234,988	1,259,879	1,261,038	1,166,543
1,012,381	994,408	1,137,324	1,107,465	1,103,846	1,118,960	1,063,452
1,986,032	2,005,206	2,233,371	2,135,804	2,139,393	1,925,463	1,309,411
4,031,332	3,747,945	3,767,155	3,638,514	3,385,540	3,436,442	3,353,413
2,623,937	2,609,449	5,163,124	3,113,066	3,042,521	2,876,046	2,855,087
4,820,279	3,732,791	3,434,694	3,118,317	2,776,871	2,478,896	2,188,830
94,455	271,824	71,440	71,830	58,603	20,609	14,673
<u>159,340</u>	<u>129,433</u>	<u>518,056</u>	<u>542,908</u>	<u>1,412,048</u>	<u>1,585,347</u>	<u>2,746,443</u>
<u>\$ 75,785,111</u>	<u>\$ 74,218,002</u>	<u>\$ 79,729,032</u>	<u>\$ 74,671,618</u>	<u>\$ 74,061,992</u>	<u>\$ 75,262,241</u>	<u>\$ 73,826,915</u>
<u>9.97%</u>	<u>8.93%</u>	<u>10.94%</u>	<u>8.50%</u>	<u>8.09%</u>	<u>7.30%</u>	<u>7.12%</u>

School District of the City of Royal Oak
Fund Level Other Financing Sources and Uses and
Net Change in Fund Balances - Last Six Fiscal Years
(Unaudited)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Excess of revenues over (under) expenditures	\$ (43,954,567)	\$ (32,936,368)	\$ (2,617,382)	\$ 2,699,956	\$ 6,151,496	\$ 1,028,535
Other financing sources (uses)						
Proceeds from sale of assets	200,000	5,848,469	1,518,150	-	-	-
Insurance recoveries	-	1,324,754	-	-	-	-
Transfers in	3,745,991	4,933,687	6,301,715	3,239,567	5,967,202	6,690,045
Transfers out	(3,745,991)	(4,933,687)	(6,301,715)	(3,239,567)	(5,967,202)	(6,690,045)
General long-term debt issued	17,200,000	-	65,500,000	-	18,020,000	277,850
Bond discount/premium	1,037,790	-	4,409,446	-	1,283,902	-
Payments to bond escrow agent	(19,557,010)	-	-	-	(21,652,250)	-
Payments to other governmental units	<u>(3,011,002)</u>	<u>(2,793,834)</u>	<u>(2,418,836)</u>	<u>(2,242,029)</u>	<u>(2,562,072)</u>	<u>(2,796,182)</u>
Total other financing sources (uses)	<u>(4,130,222)</u>	<u>4,379,389</u>	<u>69,008,760</u>	<u>(2,242,029)</u>	<u>(4,910,420)</u>	<u>(2,518,332)</u>
Net change in fund balances	<u>\$ (48,084,789)</u>	<u>\$ (28,556,979)</u>	<u>\$ 66,391,378</u>	<u>\$ 457,927</u>	<u>\$ 1,241,076</u>	<u>\$ (1,489,797)</u>

Source: School District of the City of Royal Oak Comprehensive Annual Financial Reports 2003-2007.

School District of the City of Royal Oak
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
1999	\$ 19,480,648	\$ 19,425,724	99.72 %	\$ 35,021	\$ 19,460,745	99.90 %
2000	20,362,330	20,282,859	99.61 %	46,507	20,329,366	99.84 %
2001	21,498,347	21,259,561	98.89 %	82,321	21,341,882	99.27 %
2002	22,560,527	22,314,399	98.91 %	71,977	22,386,376	99.23 %
2003	23,008,010	22,751,995	98.89 %	69,921	22,821,916	99.19 %
2004	23,670,391	23,424,073	98.96 %	66,540	23,490,613	99.24 %
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 %

Source: Treasurers' Settlements

School District of the City of Royal Oak
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
1999	1,014,527,570	531,435,174	\$ 1,545,962,744	\$ 3,091,925,488	8.90	21.20
2000	1,056,071,220	567,861,193	1,623,932,413	3,247,864,826	8.80	21.40
2001	1,118,759,863	588,218,789	1,706,978,652	3,413,957,304	8.77	21.60
2002	1,184,734,645	618,610,464	1,803,345,109	3,606,690,218	8.65	21.50
2003	1,259,357,874	649,862,864	1,909,220,738	3,818,441,476	8.15	21.21
2004	1,313,928,331	699,853,698	2,013,782,029	4,027,564,058	7.80	21.21
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

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: School District of the City of Royal Oak and Oakland County Equalization

School District of the City of Royal Oak
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			
1999	5.70	3.20	8.90	6.00	7.30	1.65
2000	5.40	3.40	8.80	6.00	7.23	1.63
2001	5.17	3.60	8.77	6.00	7.04	1.61
2002	5.05	3.60	8.65	6.00	8.42	1.60
2003	4.75	3.40	8.15	6.00	8.67	1.61
2004	4.40	3.40	7.80	5.00	8.65	1.60
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

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>
15.35	18.97	17.04	13.01	9.48
14.96	19.85	16.79	12.30	9.48
14.86	20.46	16.63	11.91	9.48
13.39	20.65	16.22	10.41	9.48
13.73	20.24	15.89	11.00	9.45
13.41	19.98	16.71	11.80	9.45
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

School District of the City of Royal Oak
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			
1999	18.00	3.20	21.20	6.00	7.30	1.65
2000	18.00	3.40	21.40	6.00	7.23	1.63
2001	18.00	3.60	21.60	6.00	7.04	1.61
2002	17.90	3.60	21.50	6.00	8.42	1.60
2003	17.81	3.40	21.21	6.00	8.67	1.61
2004	17.81	3.40	21.21	5.00	8.65	1.60
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

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>
15.35	18.97	17.04	13.01	9.48
14.96	19.85	16.79	12.30	9.48
14.86	20.46	16.63	11.91	9.48
13.39	20.65	16.22	10.41	9.48
13.73	20.24	15.89	11.00	9.45
13.41	19.98	16.71	11.80	9.45
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

School District of the City of Royal Oak
Outstanding Debt by Type - Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Activities				Total
	Bonded Debt	Performance Contracting Notes	Bus Notes	Capital Leases	
1999	\$ 35,793,882	\$ 2,439,637	\$ 104,555	\$ -	\$ 38,338,074
2000	33,218,699	2,171,527	551,802	-	35,942,028
2001	30,631,113	1,878,826	670,016	-	33,179,955
2002	28,033,515	1,567,371	709,979	-	30,310,865
2003	25,425,591	-	-	-	25,425,591
2004	33,027,271	-	-	-	33,027,271
2005	30,403,333	-	-	-	30,403,333
2006	91,438,333	-	-	-	91,438,333
2007	86,188,333	-	-	-	86,188,333
2008	87,172,732	-	-	-	87,172,732

Source: School District of the City of Royal Oak
N/A - Data is not available

<u>Percentage of Personal Income</u>	<u>Per Capita</u>
0.0732%	\$ 557
0.0638%	540
0.0582%	507
0.0522%	473
0.0417%	401
0.0534%	528
0.0479%	486
1.4050%	1,496
N/A	1,437
N/A	1,467

School District of the City of Royal Oak
Legal Debt Margin Information - Last Ten Fiscal Years
(Unaudited)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Debt limit	\$ 231,894,412	\$ 243,589,862	\$ 256,046,798	\$ 270,501,541
Total net debt applicable to limit	<u>35,793,882</u>	<u>33,218,699</u>	<u>30,631,113</u>	<u>28,033,515</u>
Legal debt margin	<u>\$ 196,100,530</u>	<u>\$ 210,371,163</u>	<u>\$ 225,415,685</u>	<u>\$ 242,468,026</u>
Total net debt applicable to the limit as a percentage of debt limit	15.44%	13.64%	11.96%	10.36%

Source: Oakland County Equalization and School District of the City of Royal Oak

Legal Debt Margin Calculation for Fiscal Year 2008

Taxable value	\$ 2,493,870,290
Debt limit (15%) of taxable value	374,080,544
Debt applicable to limit	<u>(87,172,732)</u>
Legal Debt Margin	<u>\$ 286,907,812</u>

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 286,383,111	\$ 302,067,304	\$ 316,795,405	\$ 334,589,330	\$ 355,404,695	\$ 374,080,544
<u>25,425,591</u>	<u>33,027,271</u>	<u>30,403,333</u>	<u>91,438,333</u>	<u>86,188,333</u>	<u>87,172,732</u>
<u>\$ 260,957,520</u>	<u>\$ 269,040,033</u>	<u>\$ 286,392,072</u>	<u>\$ 243,150,997</u>	<u>\$ 269,216,362</u>	<u>\$ 286,907,812</u>
8.88%	10.93%	9.60%	27.33%	24.25%	23.30%

School District of the City of Royal Oak
Direct and Overlapping Governmental Activities Debt as of June 30, 2008
(Unaudited)

<u>Governmental Unit</u>	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt	Debt per Capita (Pop. 59,418)	Percent of Taxable Value (2,493,870,290)
Oakland County	\$ 109,962,280	3.85%	\$ 4,233,548	71	0.17%
City of Royal Oak	61,041,365	98.98%	60,418,743	1,017	2.42%
City of Troy	44,828,647	1.08%	484,149	8	0.02%
City of Madison Heights	15,744,191	1.04%	163,740	3	0.01%
City of Berkley	12,046,345	2.18%	262,610	4	0.01%
City of Huntington Woods	12,493,398	0.06%	7,496	-	-
Oakland Community College	7,965,000	3.88%	309,042	5	0.01%
Oakland Intermediate School District	53,730,000	3.86%	2,073,978	35	0.08%
Subtotal, overlapping debt			67,953,306	1,143	2.72%
District direct debt			87,172,732	1,467	3.50%
Total direct and overlapping debt			<u>\$ 155,126,038</u>	<u>\$ 2,610</u>	<u>6.22%</u>

Source: School District of the City of Royal Oak, U.S. Census Bureau, and Municipal Advisory Council

School District of the City of Royal Oak
Demographic Data - Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Estimated Population</u>	<u>Enrollment</u>	<u>Full-Time and Part-Time School District Employees</u>
1999	68,886	6,931	937
2000	66,583	6,920	925
2001	65,410	6,932	923
2002	64,062	6,856	917
2003	63,457	6,765	901
2004	62,562	6,488	878
2005	62,562	6,219	845
2006	61,138	5,896	814
2007	59,984	5,694	773
2008	59,418	5,480	758

Source: School District of the City of Royal Oak and Oakland County Planning and Economic Development

School District of the City of Royal Oak
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	
1999	\$ 52,357,495,000	68,886	\$ 1,586,564,196	28,658	55,362	3.10%
2000	56,335,375,000	66,583	1,627,905,916	28,756	56,611	3.10%
2001	57,026,820,000	65,410	1,675,525,852	28,756	58,267	4.40%
2002	58,023,888,000	64,062	1,716,503,152	28,756	59,692	5.70%
2003	60,992,510,000	63,457	1,737,264,984	28,756	60,414	6.30%
2004	61,810,176,000	62,562	1,775,424,196	28,756	61,741	5.80%
2005	63,443,926,000	62,562	1,803,297,440	28,832	62,545	6.00%
2006	65,063,164,000	61,138	1,792,994,026	28,862	62,123	5.60%
2007	N/A	59,984	1,769,553,282	28,686	61,687	6.70%
2008	N/A	59,418	N/A	N/A	N/A	8.00%

Source: U.S. Department of Commerce, US Census Bureau, Southeast Michigan Council of Governments, Oakland County Planning and Economic Development, U.S. Department of Labor

N/A - Data is not available

School District of the City of Royal Oak
Principal Property Taxpayers - Current Year and Nine Years Ago
(Unaudited)

Taxpayer	2008			1999		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
Detroit Edison	\$ 25,048,640	1	1.00%	\$ 21,190,860	1	1.37%
Spirit Holdings/Form Tech	23,863,120	2	0.96%	-		-
Amber Equities, LLC	13,587,140.00	3	0.54%	-		-
Beaumont Hospital	12,389,810	4	0.50%	13,596,890	3	0.88%
Flex-N-Gate	11,050,680	5	0.44%	-		-
Co-Op Services	9,915,970	6	0.40%	8,144,070	8	0.53%
Consumer's Energy	9,598,180	7	0.38%	10,886,940	5	0.70%
National City Bank	8,662,210	8	0.35%	-		-
Meijer	8,408,670	9	0.34%	6,238,220	10	0.40%
Verizon	6,934,090	10	0.28%	-		-
Masco	-		-	15,405,400	2	1.00%
Hawthorne Metal	-		-	12,465,030	4	0.81%
First of America Bank	-		-	10,184,630	6	0.66%
Detroit Cellular	-		-	8,399,530	7	0.54%
Amber Management	-		-	6,883,349	9	0.44%
Total principal taxpayers	129,458,510		5.19%	113,394,919		7.33%
Balance of valuations	2,364,411,780		94.81%	1,432,467,825		92.67%
Total taxable valuation	<u>\$ 2,493,870,290</u>		<u>100.00%</u>	<u>\$ 1,545,862,744</u>		<u>100.00%</u>

Source: City of Royal Oak Assessor

School District of the City of Royal Oak
Principal Employers - Current and Nine Years Ago
(Unaudited)

Employer	2008		
	Employees	Rank	Percentage of Total County Employment
William Beaumont Hospital	17,869	1	2.48%
Royal Oak School District	699	2	0.10%
Detroit Zoo	510	3	0.07%
Global Automotive System LLC	502	4	0.07%
Flex-N-Gate Royal Oak	350	5	0.05%
City of Royal Oak	350	6	0.05%
Hawthorne Metal	350	7	0.05%
Newcor, Inc.	300	8	0.04%
Kroger	260	9	0.04%
Meijer	250	10	0.35%
Consumer's Energy	-	-	-
Masco	-	-	-
Deco Grand Inc.	-	-	-
Judson Center	-	-	-
First of America Bank	-	-	-
			3.30%

Source: Oakland County Planning and Economic Development

* 1999 data is not available. 1998 data is presented for comparative purposes

1998 *

<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
11,400	1	1.69%
945	2	0.14%
835	4	0.12%
390	6	0.06%
-	-	-
-	-	-
320	8	0.05%
-	-	-
-	-	-
-	-	-
615	5	0.09%
340	7	0.05%
310	9	0.05%
290	10	0.04%
840	3	<u>0.12%</u>
		2.42%

School District of the City of Royal Oak
Operating Statistics - Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended	Enrollment	Operating Expenditures	Cost per Pupil	Percentage Change
1999	6,838	\$ 53,661,939	\$ 7,848	1.35 %
2000	6,826	55,053,831	8,065	2.77 %
2001	6,842	56,898,743	8,316	3.11 %
2002	6,764	58,454,296	8,642	3.92 %
2003	6,662	60,424,723	9,070	4.95 %
2004	6,399	58,558,901	9,151	0.90 %
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 %

Source: School District of the City of Royal Oak

School District of the City of Royal Oak
Full-Time Equivalent Employees by Type - General Fund - Last Ten Fiscal Years
(Unaudited)

	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
Administrative					
Building administrators	13.5	16.5	18.0	18.5	19.0
Central administration	7.0	7.0	7.0	8.0	9.0
Operational administration	<u>2.0</u>	<u>2.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>
	<u>22.5</u>	<u>25.5</u>	<u>28.0</u>	<u>29.5</u>	<u>31.0</u>
Instruction and pupil services					
Classroom teachers	283.6	302.3	320.9	336.0	345.0
Counselors	10.3	10.8	9.8	10.2	10.6
Media specialists	2.0	3.0	4.0	4.0	4.0
Psychologists	3.9	3.0	4.0	3.8	4.0
Social workers	6.3	7.0	7.7	6.7	8.7
Pupil support - professional	18.1	19.7	22.6	23.9	23.8
Paraprofessionals	44.5	47.5	48.0	55.5	46.0
Secretarial	24.0	28.0	34.0	35.0	34.0
Hall supervision	<u>6.0</u>	<u>8.0</u>	<u>9.0</u>	<u>10.0</u>	<u>10.0</u>
	<u>398.7</u>	<u>429.3</u>	<u>460.0</u>	<u>485.1</u>	<u>486.1</u>
Business Services					
Custodial	42.5	42.5	52.0	52.0	54.0
Maintenance	18.0	19.0	19.0	20.0	21.0
Transportation	24.5	28.0	23.5	27.5	27.5
Secretarial/clerical	14.0	14.0	15.0	16.0	17.5
Technical	<u>5.5</u>	<u>5.5</u>	<u>7.4</u>	<u>7.4</u>	<u>7.4</u>
	<u>104.5</u>	<u>109.0</u>	<u>116.9</u>	<u>122.9</u>	<u>127.4</u>
Total	<u>525.7</u>	<u>563.8</u>	<u>604.9</u>	<u>637.5</u>	<u>644.5</u>

Source: School District of the City of Royal Oak

<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>	<u>1998-99 to 2007-2008</u>
21.0	21.0	21.0	22.0	22.0	(38.64)%
10.0	11.0	11.0	11.0	11.5	(39.13)%
<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>4.5</u>	(55.56)%
<u>34.0</u>	<u>35.0</u>	<u>35.0</u>	<u>36.0</u>	<u>38.0</u>	(40.79)%
387.6	383.7	378.6	382.1	395.4	(28.28)%
11.6	11.6	12.1	12.1	13.6	(24.26)%
4.5	4.5	4.5	4.5	4.5	(55.56)%
4.4	4.1	4.4	4.4	4.6	(8.70)%
10.3	10.0	10.8	7.8	7.6	(17.11)%
12.3	12.7	11.7	12.4	11.6	53.45 %
46.5	51.0	48.0	47.5	43.5	2.30 %
38.5	41.0	43.0	42.5	42.0	(42.86)%
<u>10.0</u>	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>	(40.00)%
<u>525.7</u>	<u>528.6</u>	<u>523.1</u>	<u>523.3</u>	<u>532.8</u>	(25.17)%
66.5	65.0	62.5	61.5	61.0	(30.33)%
18.0	19.5	17.5	16.5	17.0	5.88 %
27.5	27.5	24.9	9.5	9.5	157.89 %
16.5	15.5	15.0	14.1	17.6	(20.45)%
<u>7.4</u>	<u>7.4</u>	<u>7.4</u>	<u>5.4</u>	<u>4.4</u>	25.00 %
<u>135.9</u>	<u>134.9</u>	<u>127.3</u>	<u>107.0</u>	<u>109.5</u>	(4.57)%
<u>695.6</u>	<u>698.5</u>	<u>685.4</u>	<u>666.3</u>	<u>680.3</u>	(22.73)%

School District of the City of Royal Oak
Teacher Base Salaries - Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>BA Base Minimum Salary</u>	<u>MA / BA +30 Maximum Salary</u>
1999	32,094	66,663
2000	32,575	67,663
2001	33,227	70,031
2002	34,057	71,782
2003	34,823	73,397
2004	35,519	74,865
2005	36,141	76,175
2006	36,864	77,699
2007	37,233	78,476
2008	37,884	80,449

Source: School District of the City of Royal Oak

School District of the City of Royal Oak
School Building Information - Last Ten Fiscal Years
(Unaudited)

School	Fiscal Year				
	1999	2000	2001	2002	2003
Elementary:					
Addams (1952)					
Square feet	-	-	-	-	-
Capacity	-	-	-	-	-
Enrollment	-	-	-	-	-
Franklin (1927)					
Square feet	31,068	31,068	31,068	31,068	31,068
Capacity	275	275	275	275	275
Enrollment	172	150	178	181	128
Keller (1961)					
Square feet	-	-	-	-	-
Capacity	-	-	-	-	-
Enrollment	-	-	-	-	-
Longfellow (1919)					
Square feet	40,944	40,944	40,944	40,944	40,944
Capacity	400	400	400	400	400
Enrollment	196	207	224	220	219
Northwood (1923)					
Square feet	42,174	42,174	42,174	42,174	42,174
Capacity	400	400	400	400	400
Enrollment	271	280	288	284	385
Oakland (1924)					
Square feet	43,257	43,257	43,257	43,257	43,257
Capacity	400	400	400	400	400
Enrollment	286	285	249	222	203
Oak Ridge (1951)					
Square feet	51,619	51,619	51,619	51,619	51,619
Capacity	475	475	475	475	475
Enrollment	428	453	429	417	437
Parker (1952)					
Square feet	33,818	33,818	33,818	33,818	33,818
Capacity	275	275	275	275	275
Enrollment	210	213	228	231	201
Starr (1919)					
Square feet	39,414	39,414	39,414	39,414	39,414
Capacity	400	400	400	400	400
Enrollment	361	352	344	350	309
Twain (1954)					
Square feet	47,276	47,276	47,276	47,276	47,276
Capacity	450	450	450	450	450
Enrollment	300	278	297	293	272
Upton (1951)					
Square feet	35,708	35,708	35,708	35,708	35,708
Capacity	325	325	325	325	325
Enrollment	219	232	221	234	217

2004	2005	2006	2007	2008
-	-	-	-	61,016
-	-	-	-	625
-	-	-	-	464
31,068	-	-	-	-
275	-	-	-	-
-	-	-	-	-
-	-	-	-	78,640
-	-	-	-	675
-	-	-	-	372
40,944	40,944	40,944	40,944	-
400	400	400	400	-
216	189	179	180	-
42,174	42,174	42,174	42,174	42,174
400	400	400	400	400
388	389	374	330	312
43,257	43,257	43,257	43,257	43,257
400	400	400	400	400
295	260	262	264	258
51,619	51,619	51,619	51,619	51,619
475	475	475	475	475
444	445	449	430	482
33,818	-	-	-	-
275	-	-	-	-
-	-	-	-	-
39,414	39,414	39,414	39,414	-
400	400	400	400	-
289	273	258	250	-
47,276	47,276	47,276	47,276	-
450	450	450	450	-
281	236	219	180	-
35,708	35,708	35,708	35,708	35,708
325	325	325	325	325
370	348	316	323	299

School District of the City of Royal Oak
School Building Information - Last Ten Fiscal Years
(Unaudited)

School	Fiscal Year				
	1999	2000	2001	2002	2003
Whittier (1922)					
Square feet	43,982	43,982	43,982	43,982	43,982
Capacity	450	450	450	450	450
Enrollment	389	369	347	319	323
Middle:					
Addams (1953)					
Square feet	70,890	70,890	70,890	70,890	70,890
Capacity	891	891	891	891	891
Enrollment	691	693	709	739	707
Keller (1961)					
Square feet	78,640	78,640	78,640	78,640	78,640
Capacity	1,161	1,161	1,161	1,161	1,161
Enrollment	867	756	740	759	763
ROMS (1928)					
Square feet	-	-	-	-	-
Capacity	-	-	-	-	-
Enrollment	-	-	-	-	-
High:					
Dondero (1928)					
Square feet	264,819	264,819	264,819	264,819	264,819
Capacity	1,188	1,188	1,188	1,188	1,188
Enrollment	897	940	903	898	947
Kimball (1957)					
Square feet	269,008	269,008	269,008	269,008	269,008
Capacity	1,998	1,998	1,998	1,998	1,998
Enrollment	1,354	1,389	1,375	1,364	1,333
ROHS (1957)					
Square feet	-	-	-	-	-
Capacity	-	-	-	-	-
Enrollment	-	-	-	-	-
Other:					
Oakland Technical Center, SE Campus (1971)					
Square feet	125,735	125,735	125,735	125,735	125,735
Capacity	-	-	-	-	-
Enrollment	-	-	-	-	-
Community Education Center (1979)					
Square feet	78,583	78,583	78,583	78,583	78,583
Capacity	540	540	540	540	540
Enrollment	253	260	312	262	249
Addams Early Childhood Center (1952)					
Square feet	-	-	-	-	-
Capacity	-	-	-	-	-
Enrollment	-	-	-	-	-
Lincoln Early Childhood Center (1953)					
Square feet	39,565	39,565	39,565	39,565	39,565
Capacity	350	350	350	350	350
Enrollment	37	63	88	83	72

2004	2005	2006	2007	2008
43,982	43,982	43,982	43,982	-
450	450	450	450	-
331	317	284	263	-
70,890	70,890	70,890	70,890	-
891	891	891	891	-
699	690	666	670	-
78,640	78,640	78,640	78,640	-
1,161	1,161	1,161	1,161	-
739	702	653	621	-
-	-	-	-	277,161
-	-	-	-	1,250
-	-	-	-	1,205
264,819	264,819	264,819	264,819	-
1,188	1,188	1,188	1,188	-
873	830	668	-	-
269,008	269,008	269,008	-	-
1,998	1,998	1,998	-	-
1,271	1,225	1,290	-	-
-	-	-	269,008	285,508
-	-	-	1,998	1,998
-	-	-	1,867	1,798
125,735	125,735	125,735	125,735	125,735
-	-	-	-	-
-	-	-	-	-
78,583	78,583	78,583	78,583	78,583
540	540	540	540	540
177	202	170	198	179
-	-	-	-	35,787
-	-	-	-	250
-	-	-	-	111
39,565	39,565	39,565	39,565	-
350	350	350	350	-
115	113	108	118	-