

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

Comprehensive Annual Financial Report

for the Fiscal Year Ended

June 30, 2012

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, 2012

Shawn Lewis-Lakin
Superintendent of Schools

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Executive Director of Business Services and Finance

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INTRODUCTORY SECTION

SCHOOL DISTRICT OF THE CITY OF ROYAL OAK

Board of Education
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Royal Oak, Michigan 48073-2499



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October 1, 2012

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 Executive Director, Business Services and Finance. It serves as an introduction to our Comprehensive Annual Financial Report for the fiscal year which ended June 30, 2012. 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.

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 year 2012, 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 early childhood developmentally

delayed programs to students reaching the age of 26. The high school, middle school, all elementary schools and continuing education are fully accredited by Advanced Ed. In addition, the District operates preschool, childcare and before and after school programs as a part of the wide array of services that are provided to the community.

The curriculum of the District is a broad-based curriculum designed to meet the individual needs of all students including the regular daytime, academically talented, at-risk, special needs and adult continuing education students. In addition, there are many opportunities for students to participate in extra-curricular activities including 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, and today, we are still feeling the effects of this shift in school funding from local to state control. These changes significantly reduced local sources of revenue (property taxes) and increased the reliance on State funding. Currently, funding received by each school district is based upon the number of students and the per pupil foundation allowance received for each student. Any increase or decrease in the per pupil foundation allowance from year to year is directly tied to available revenue in the State School Aid Fund. Under this funding system, school districts are very much dependent upon the State for their revenue. With the unprecedented economic downturn in the State of Michigan, school districts have been faced with the financial challenge of declining revenues, rising costs and increasing demands for student achievement.

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. Student enrollment projections prepared by an outside firm indicate that this trend of declining enrollment will continue, albeit at a slower rate, before stabilizing in 2014. In 2011-12, student enrollment decreased by 108 students. This enrollment decline is a marked improvement over years when student loss approached 300.

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. In many of those years, money promised and committed to local school districts has been taken away mid-year by the State of Michigan due to insufficient State revenue and the inability of State lawmakers to generate the courage to make the necessary structural changes in the State budget. Insufficient state funding for education has placed a significant financial burden on all school districts across the state when wage, benefit, retirement, and utility costs are increasing at rates above inflation. The dependence upon sales tax and statewide property tax revenue for school funding will continue to result in significant cyclical effects tied to the performance of the economy. Any future increase in the District’s per-pupil foundation allowance will be based on the growth in sales tax, statewide property tax and other state revenue. As a result, there are very serious concerns about the financial impact of Michigan’s current and future economic downturns on the revenue stream for the State School Aid Fund. Unfortunately, the financial outlook for school districts in Michigan remains challenging. The State Legislature adopted a 2011-12 State School Aid Act which included a \$470 reduction in per pupil funding. This reduced funding level will continue in 2012-2013 and represents a loss in revenue for Royal Oak of over \$2.4 million. School districts across Michigan continue to be overwhelmed with financial uncertainty and continue to struggle to maintain instructional and support programs for students.

Revenue Base

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

	<u>Amount</u>	<u>Percentage of Total</u>
Local Sources	\$ 19,915,989	35.61%
Interdistrict Sources	\$ 4,210,781	7.53%
State Sources	\$ 29,169,198	52.16%
Federal Sources	\$ 2,631,679	4.71%
<u>Total Revenue</u>	<u>\$ 55,927,647</u>	<u>100.00%</u>

Local Sources are comprised mainly of local property taxes, facility rentals, and miscellaneous fees. Property tax revenue is a function of two variables: taxable valuation of property located in the District and the millage rate. The real and personal property within the District is assessed at the rate of 50% of true cash value. However, there is a cap on the annual growth in taxable valuation. This annual growth is limited to the rate of inflation or 5%, whichever is less. In 2011-12, the operating millage rate for Royal Oak homeowners was 3.02 mills and 18.0000 mills for businesses. In addition, there is also a statewide property tax of 6.00 mills levied on all classes of property. The revenue from this statewide property tax goes directly to the State School Aid Fund.

A comparison of 2011-12 General Fund revenue to the prior year reveals the following:

	2011-12	2010-11	Increase (Decrease)	% Increase (Decrease) By Source
Local Sources	\$ 19,915,989	\$ 20,488,374	\$ (572,385)	-2.79%
Interdistrict Sources	\$ 4,210,781	\$ 5,220,718	\$ (1,009,937)	-19.34%
State Sources	\$ 29,169,198	\$ 29,659,838	\$ (490,640)	-1.65%
Federal Sources	\$ 2,631,679	\$ 3,114,539	\$ (482,860)	-15.50%
Total Revenues	<u>\$ 55,927,647</u>	<u>\$ 58,483,469</u>	<u>\$ (2,555,822)</u>	<u>-4.37%</u>

The decrease in Local Sources of \$572,385 is mostly attributed to the decline in property tax revenue which resulted from lower taxable valuations within the District. Decreases in other miscellaneous local revenue also attributed to the decline.

The decrease in Interdistrict Sources of \$1,009,937 was due to the decrease in Public Act (PA) 18 distribution from the county. PA 18 is a special education millage rate levied on all of Oakland County, collected by the Oakland Intermediate School District, and distributed to all Local Education Agencies. The decrease in distribution is attributed to the decline in property tax revenue which resulted from lower taxable valuation within the County.

The decrease in State Sources of \$490,640 was primarily the result of a 108 student decrease from the previous year. A decrease in student enrollment decreases the states per pupil foundation allowance obligation to our district.

The decrease in Federal Sources of \$482,860 resulted from a decrease in our IDEA allocation as well as no Medicaid Reimbursement Outreach revenue recorded for the fiscal year.

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 (Sources) Uses for the General Fund totaled \$54,736,188 for the year ended June 30, 2012. 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	\$ 16,289,716	29.76%
Added Needs	\$ 2,856,399	5.22%
Continuing Education	\$ 141,044	0.26%
Employee Benefits	\$ 10,247,873	18.72%
Total Instruction	\$ 29,535,032	53.96%
Support Services:		
Pupil Services	\$ 3,134,485	5.73%
Instructional Services	\$ 1,376,078	2.51%
General Administration	\$ 505,682	0.92%
School Administration	\$ 2,075,127	3.79%
Business Services	\$ 6,412,103	11.71%
Central Staff	\$ 822,949	1.50%
Athletic Activities	\$ 445,893	0.81%
Employee Benefits	\$ 4,296,076	7.85%
Total Support Services	\$ 19,068,393	34.84%
Community Services	\$ 94,780	0.17%
Capital Outlay	\$ 122,670	0.22%
Total Expenditures	\$ 48,820,875	89.19%
Other Financing Uses	\$ 5,915,313	10.81%
Total Expenditures and Other Financing Sources Uses	\$ 54,736,188	100.00%

A comparison of 2011-12 General Fund expenditures to the prior year is as follows:

Function	2011-12	2010-11	Increase (Decrease)	% Increase (Decrease) By Source
Instruction:				
Basic Programs	\$ 16,289,716	\$ 17,410,698	\$ (1,120,982)	-6.44%
Added Needs	\$ 2,856,399	\$ 3,281,279	\$ (424,880)	-12.95%
Continuing Education	\$ 141,044	\$ 144,870	\$ (3,826)	-2.64%
Employee Benefits	\$ 10,247,873	\$ 10,523,574	\$ (275,701)	-2.62%
Total Instruction	\$ 29,535,032	\$ 31,360,421	\$ (1,825,389)	-5.82%
Support Services:				
Pupil Services	\$ 3,134,485	\$ 3,030,725	\$ 103,760	3.42%
Instructional Services	\$ 1,376,078	\$ 1,287,388	\$ 88,690	6.89%
General Administration	\$ 505,682	\$ 544,271	\$ (38,589)	-7.09%
School Administration	\$ 2,075,127	\$ 2,152,357	\$ (77,230)	-3.59%
Business Services	\$ 6,412,103	\$ 7,089,407	\$ (677,304)	-9.55%
Central Staff	\$ 822,949	\$ 768,903	\$ 54,046	7.03%
Athletic Activities	\$ 445,893	\$ 441,760	\$ 4,133	0.94%
Employee Benefits	\$ 4,296,076	\$ 4,304,270	\$ (8,194)	-0.19%
Total Support Services	\$ 19,068,393	\$ 19,619,081	\$ (550,688)	-2.81%
Community Services	\$ 94,780	\$ 157,562	\$ (62,782)	-39.85%
Capital Outlay	\$ 122,670	\$ 219,508	\$ (96,838)	-44.12%
Total Expenditures	\$ 48,820,875	\$ 51,356,572	\$ (2,535,697)	-4.94%
Other Financing Uses	\$ 5,915,313	\$ 4,724,309	\$ 1,191,004	25.21%
Total Expenditures and Other Financing Sources Uses	\$ 54,736,188	\$ 56,080,881	\$ (1,344,693)	-2.40%

The most significant dollar changes from 2010-11 to 2011-12 can be explained as follows:

The decrease in expenditures for Instruction is attributable to teacher retirements and layoffs that occurred at the end of the previous fiscal year. Because of these layoffs and retirements, wage and benefit costs were reduced.

The reduction of Support Services expenses was largely in the area of Business Services. Specifically, we had substantial savings in heating our buildings due to the warm winter. We also saved in our contracted transportation services.

Community Services and Capital Outlay expenses were insignificantly lower in fiscal year 2011-12.

The increase of \$1,191,004 in Other Financing (Sources) Uses resulted from a \$2.25 million transfer from the General Fund to the Capital Projects Fund. This was \$225,000 larger than the transfer that occurred in 2010-11. A transfer to cover the principal and interest payment on our QSCB bonds of \$243,873 also attributed to the increase in expenses.

Fund Balance

The District ended fiscal year 2012 in stable financial condition; however, with the current economic climate, this stable financial condition is tenuous. The General Fund's fund balance of \$10,554,468 achieves the stated goal of 15% of expenditures and other financing uses. A conscious effort was made a number of years ago to establish an adequate fund balance level to assist with cash flow needs, prevent borrowing, provide adequate reserves during economic downturns, and provide for unforeseen emergencies. Our District has achieved this goal; however, the current financial challenges and uncertainty of school funding have made the goal of maintaining stable fund equity a significant challenge. It should also be noted that a large portion of the fund balance is assigned for specific uses. These include assignments for the subsequent year's budget, unemployment and compensated absences. The unassigned fund balance of \$7.62 million at the end of fiscal year 2012 represents 13.93% of expenditures and other financing uses.

Debt Service

The District continues to meet its debt service obligations by levying a local debt retirement millage. The millage levied in fiscal year 2012 was 4.71 mills, the same as in the previous year. The District issued \$2.65 million of Qualified School Construction Bonds during 2010-11. Part of the proceeds was used for energy conservation improvements during the 2011-12 fiscal year. The funds for the repayment of principal and interest of these bonds were and will be funded from the energy savings associated with the energy conservation projects.

Fiscal Planning

For more than 25 years, the District has been engaged in long-range financial planning which is reviewed on a semi-annual basis. The financial forecasting model has been a proven tool for forecasting revenue and expenditures and has been the basis for proactive decision making. Long-range planning under the current funding system will continue to be particularly difficult and challenging.

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

Despite a significant construction and renovation program that was initiated in 2005, there remains a considerable need to maintain, renovate and improve our existing facilities and sites. Projects identified in 2005 have still not been completed due to funding shortfalls. Currently, there is no dedicated funding source to address the District's facility needs. Discussion will occur during the upcoming fiscal year to determine the best course of action to generate the funding needed to maintain our facilities.

The marketing of all vacant sites to prospective developers continued during fiscal 2011-12. During this past year, there has been some interest from individuals and home developers. Purchase agreements were signed, but these sales have not yet closed. As a result, sufficient cash proceeds from the sale of property have not been received to provide funding for the District's much needed building renovation program.

Since the current State funding system so closely ties our revenue to student enrollment, the District continues its proven process for enrollment projections. The District's enrollment projection efforts have utilized an outside firm with expertise in enrollment forecasting. These forecasts have had a very high correlation to actual results. The importance of an established long-range planning process and model, with extremely accurate enrollment projections, will continue to be especially important in upcoming years.

Since student enrollment is so critical to the District's financial well being, several short and long term initiatives have been developed to address this key issue. These include engaging the services of a marketing agency to continue our comprehensive advertising campaign. Once again, the District was a successful participant in the Schools of Choice Program during fiscal 2012. This program allows students residing in other Oakland County districts to enroll in our District. This program has enabled the District to generate revenue to maintain programs despite a decline in resident students. For fiscal year 2012, 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.

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

The concern of a structural imbalance between revenue and expenditures in the State School Aid Fund still exists. At this moment, a State School Aid Act has been approved for 2012-13 that continues a \$470 per pupil funding reduction. We will proceed with caution as we develop amendments and prepare the following fiscal years budget.

Other Financial Highlights

The District maintains a prudent and fiscally conservative cash management program. The General Fund investment income earned was \$27,161. This amount is the result of a low interest rate environment.

During the fiscal year, there were four union groups recognized within the District. We began negotiations with two of the four groups with a goal of reaching a successor collective bargaining agreement. We were successful in reaching an Agreement with the Royal Oak Educational Support Association (ROESA) and we will continue to negotiate with the Royal Oak Education Association (ROEA) in the upcoming fiscal year.

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

The Food Service Fund ended the year with a slight excess of revenues over expenditures in the amount of \$25,817.

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.

The District maintains a fully insured program for property, casualty and liability insurance. To manage and reduce risk, the District's Safety Committee is in place to review accident records, recommend courses of action to address areas of concern and to train staff in best practices for a safer work environment. With the privatization of the custodial, maintenance and transportation employee groups, workers' compensation claims have maintained low in 2011-12.

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

Curriculum Highlights

School Quality

The District and school staff are engaged in an ongoing process to address school quality. A five-part framework from AdvancEd is utilized to evaluate current practice and make changes to ensure continuous improvement. The five areas identified for evaluation are Purpose and Direction, Governance and Leadership, Teaching and Assessing for Learning, Resources and Support Systems, and Using Results for Continuous Improvement. In the Spring of 2013 Royal

Oak Schools will engage in a Quality Assurance Review by AdvancEd. This is an external review of the systems the district has in place.

The District continues to use the model of a School Quality Team, comprised of administrators and teacher leaders from each school. This Team focuses on the implementation of Response to Intervention and oversees the collection and use of student data for decision-making purposes. In 2011-12, Royal Oak added a school culture component to our data-driven learning in Response to Intervention. All of our schools will join forces at the District level to pursue a K-12 system of Positive Behavior Intervention and Support.

Accreditation

The high school, middle school, all elementaries and continuing education are fully accredited through the AdvancEd/North Central Association as well as by the Michigan Department of Education. Both set rigorous standards for accreditation. The accreditation process focuses on documented enhanced student achievement for both the individual student as well as the instructional program as a whole. In the Spring of 2013 Royal Oak Schools will engage in a Quality Assurance Review by AdvancEd. This is an external review of the systems the district has in place.

Curriculum and Instruction Overview

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

Keller Elementary School received the designation as an authorized International Baccalaureate Primary Years Programme in the spring of 2011. Royal Oak Middle School and Royal Oak High School are in the process of seeking accreditation from the International Baccalaureate Organization as Middle Years Programme for grades 6-10. The District's application for candidacy for the Middle Years Programme was accepted by the International Baccalaureate Organization in early summer. All three of these schools are implementing inquiry-based learning methods, which are student-centered approaches that encourage inquiry, exploration and problem-solving.

Royal Oak High School is well poised to take on the challenges of the rigorous graduation requirements mandated by the State. The high school has curricular programs for the graduating classes of 2013 and beyond to meet these challenges. At the same time, the high school has focused on "Learning for All" in efforts to leave no student behind during this transition to stronger graduation requirements.

Core Curriculum

Royal Oak is currently engaged in a process to plan, create and implement the Common Core Standards for Math and ELA (including literacy skills in both Science and Social Studies).

Language Arts

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

Math

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

Science

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

Social Studies

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

Individualized Instruction

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

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

Instructional Technology

Instructional Technology is integrated into the curriculum to address different learning styles, to provide access to a wide array of information, and to encourage real-world application of academic content and skills. All elementary and secondary schools in Royal Oak have excellent media centers and support staff who are trained in applications of multi-media materials and technology.

The District provides appropriate interventions to students who are in need of such instruction. The District uses the Response to Intervention model to screen all students and then provides the necessary interventions. Furthermore, continual progress monitoring is performed to gain feedback on whether the interventions are working for each student. The District's Instructional Technology and Curriculum Team uses the following programs to aid in this process: Pearson Successmaker, AIMSWeb, E2020, Scientific Learning's FastForWord, 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 District uses common assessments at all grade levels to evaluate student progress and to improve instructional practices. The District Uses AIMSWeb (Academic Improvement Monitoring System) and NWEA Map testing to collect academic growth data on students in grades K-10. The information collected is norm-referenced. The Michigan Education Assessment Program (MEAP) is administered in the four core content areas of English Language Arts (ELA), Math, Science, and Social Studies. ELA and Math MEAP tests are administered in grades three through eight. The Science MEAP is administered in grades five and eight. The Social Studies MEAP is administered in grades six and nine. In accordance with new State law, the high school assessment has been changed to the Michigan Merit Exam (MME) in conjunction with the ACT. The MME/ACT is administered in the Spring of each year to students in eleventh grade and also covers all four core content areas.

In the 2011-2012 academic year, the District has again scored above the State and county averages in all areas of the MEAP, administered in grades 3-9, and the MME, administered in Grade 11. Classroom and Common Assessments are administered to monitor student achievement and to guide instructional decision-making. A formal system has been put in place to manage and communicate all assessment data and associated information.

Communication

Communication between home and school has never been more important. The District utilizes multiple tools to stay connected with our constituents. All staff members are reachable via telephone or email. Parent-teacher conferences are scheduled in the Fall and Spring. Each school holds an informational Curriculum Night at the beginning of the school year to acclimate families to the school and its offerings. Many staff members maintain classroom websites or blogs where students and parents can go for the latest information and direction for more classroom enrichment opportunities. The District is pleased to provide parents with online access to student information regarding academic progress, grades, and daily attendance using Mi-Star Parent Connect.

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

In Appreciation

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

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

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

Respectfully submitted,



Shawn Lewis-Lakin
Superintendent of Schools



Rick West
Executive Director, Business Services & Finance

School District of the City of Royal Oak
Members of the Board of Education and Principal Officials
June 30, 2012

Board of Education

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

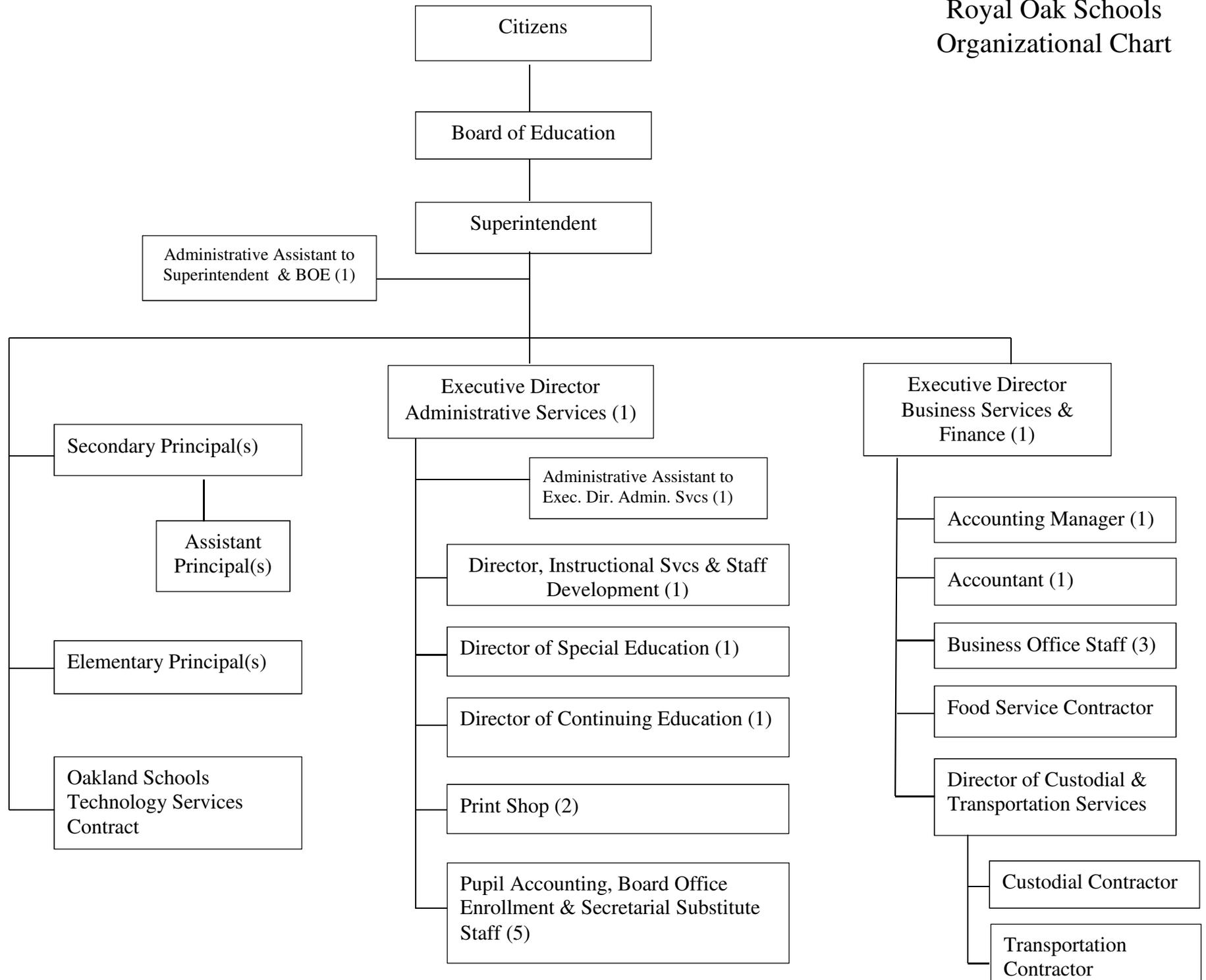
Administration

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

Board of Education Regular Meetings: Second Thursday of each month

Accreditation:
AdvancED

Royal Oak Schools Organizational Chart



FINANCIAL SECTION



3023 Davenport
Saginaw, MI 48602
(989) 793-9830 / (800) 968-0010
Fax (989) 793-0186

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 the School District of the City of Royal Oak as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 the School District of the City of Royal Oak as of June 30, 2012, 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 October 1, 2012, 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 *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information

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

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

We also have previously audited, in accordance with auditing standards generally accepted in the United States, the School District of the City of Royal Oak's financial statements for the year ended June 30, 2011, which are not presented with the accompanying financial statements. In our report dated August 31, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of the City of Royal Oak's financial statements as a whole. The 2011 information in the comparative statements is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2011 information in the comparative statements is fairly stated in all material respects in relation to the financial statements from which they have been derived.

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
October 1, 2012

School District of the City of Royal Oak
Management's Discussion and Analysis
June 30, 2012

This section of the Comprehensive Annual Financial Report (CAFR) presents management's discussion and analysis of the District's financial position and results of operations for the year ended June 30, 2012. It should be read in conjunction with the District's financial statements, which immediately follow this section.

Understanding the Comprehensive Annual Financial Report

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

Financial Section

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

- Required Supplemental Information
 - Budgetary Comparison Schedule – General Fund

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

- Statistical Section

School District of the City of Royal Oak
Management's Discussion and Analysis
June 30, 2012

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, and are presented using the accrual basis of accounting, the accounting method used by most private-sector companies. All of the current year's revenues and expenditures are taken into account regardless of when cash is received or paid.

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

In addition, the Statement of Net 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 provide the funding for most of these activities.

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

The Fund Financial Statements provide detailed information for the various funds used in the District. Some funds have been established because they are required by State law or bond covenants. Other funds have been established by the District to help control and manage financial resources that are used for specific purposes such as Food Service and Community Services. Funds are also established to meet legal responsibilities for certain taxes, grants, bond and property maintenance revenue. The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. The financial reporting in these funds focuses on the revenue and expenditures and the balances remaining at year end. Transactions are accounted for using the modified accrual method of

**School District of the City of Royal Oak
Management's Discussion and Analysis
June 30, 2012**

accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term financial view of the operations of the School District. Governmental fund statements provide information to illustrate whether there has been an increase or decrease in available financial resources that can be expended in future years. The relationship between governmental activities and governmental funds is illustrated in a reconciliation included in the financial section on page 3-5.

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 the District's operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

The Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparative summary of the School District's net assets as of June 30, 2012 and June 30, 2011.

TABLE 1

Governmental Activities

2012 2011

(in millions)

Assets

Current and other assets	\$	26.6	\$	23.2
Capital assets		<u>122.1</u>		<u>126.1</u>
Total Assets		148.7		149.3

Liabilities

Current liabilities		7.5		8.6
Long-term liabilities		<u>70.5</u>		<u>77.2</u>
Total Liabilities		78.0		85.8

School District of the City of Royal Oak
Management's Discussion and Analysis
June 30, 2012

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
	(in millions)	
Net Assets		
Invested in property and equipment		
Net of related debt	\$ 52.3	\$ 51.7
Restricted	4.1	2.7
Unrestricted	<u>14.3</u>	<u>9.1</u>
Total Net Assets	<u>\$ 70.7</u>	<u>\$ 63.5</u>

The previous schedule (Table 1) reports the net assets of the District. The School District's net assets were \$70.7 million and \$63.5 million at June 30, 2012 and 2011, respectively. Capital assets, net of related debt totaled \$52.3 million. This represents the original cost of the School District's capital assets less accumulated depreciation, and net of the long-term debt used to finance the acquisition of those assets. General obligation long-term debt will be repaid from voter-approved property tax collections as the principal and interest comes due. The principal and interest obligations of the newly issued Qualified School Construction Bonds (QSCB) will be repaid from energy savings generated by the energy conservation projects funded from the proceeds of the QSCB. Restricted net assets are reported separately to highlight any legal constraints included in debt covenants and legislation that may limit the School District's ability to use those net assets for day-to-day operations. The unrestricted net assets are \$14.3 million.

The \$14.3 million in unrestricted net assets of governmental activities represents the *cumulative* results of all past years' operations. The current level of unrestricted net assets provides sufficient working capital and available cash to carry the District through future uncertainties. The operating results and cash position of the General Fund have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for fiscal year 2012 and fiscal year 2011.

School District of the City of Royal Oak
Management's Discussion and Analysis
June 30, 2012

TABLE 2

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 2.4	\$ 2.4
Federal Grants and entitlements	3.4	3.6
State categoricals	3.5	3.5
Operating grants	4.2	5.2
General revenue:		
Property taxes	29.6	30.2
State foundation allowance	25.9	26.3
Other	<u>1.0</u>	<u>1.3</u>
Total Revenue	70.0	72.5
Functions/Program Expenses		
Instruction	33.0	34.4
Support services	19.4	20.0
Food services	1.3	1.3
Community services	0.6	0.7
Interest on long-term debt	3.2	3.3
Depreciation (unallocated)	<u>5.2</u>	<u>4.4</u>
Total Functions/program Expenses	<u>62.7</u>	<u>64.1</u>
Increase (Decrease) in Net Assets	<u>\$ 7.3</u>	<u>\$ 8.4</u>

School District of the City of Royal Oak
Management's Discussion and Analysis
June 30, 2012

As reported in the Statement of Activities, the expenditures for all *governmental* activities this year was \$62.7 million. Certain activities were partially funded from those who benefited from the programs (\$2.4 million). In addition, other governmental units and organizations subsidized certain programs with grants and contributions (\$11.0 million). The remaining "public benefit" portion of our governmental activities was funded with \$29.6 million in taxes, \$25.9 million in State foundation allowance, and \$1.0 million in other revenues, such as interest earnings, proceeds from the sale of property and general entitlements.

During fiscal 2012, the School District experienced an increase in net assets of approximately \$7.3 million.

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

The School District's Funds

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

At the end of fiscal 2012, the governmental funds reported a combined fund balance of approximately \$19.3 million, which represents an increase of \$4.7 million from last year. The changes in fund balance, major and non-major funds are as follows:

In the General Fund, the fund balance increased by approximately \$1.2 million for a total year-end fund balance of \$10.55 million. A portion of the General Fund's fund balance is assigned for specific purposes with the remaining unassigned portion available for unforeseen emergencies. This level of fund balance meets the target of 15% of expenditures and provides the District with sufficient resources to handle unforeseen emergencies, prevent cash flow borrowing and cover potential state revenue shortfalls.

The Special Revenue Funds combined fund balance increased by \$.36 million from the prior year.

The Debt Service Funds showed a combined fund balance of approximately \$4.1 million, an increase of \$1.4 million from last year. The Debt Retirement millage rate was the same as in the previous year, 4.71 mills. The millage rate is determined annually to ensure that the School District accumulates sufficient resources to pay principal and

School District of the City of Royal Oak
Management's Discussion and Analysis
June 30, 2012

interest obligations of the bonded debt. Debt Service fund balances are reserved and can only be used to pay debt service obligations.

The combined Capital Projects Funds' fund balance increased from the prior year. The increase of \$1.8 million resulted from property sale proceeds received from the sale of individual lots at the former Franklin Elementary, Whittier Elementary and Longfellow Elementary sites; and an incoming transfer received from the General Fund. Approximately \$1.3 million was expended in the Capital Projects Funds in fiscal 2012.

General Fund Budgetary Highlights

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

The revisions made to the fiscal 2012 General Fund original revenue and expenditure budgets were significant. This is consistent with previous years. Overall, budgeted revenues were increased by approximately \$1.7 million which included revisions to: property tax revenue estimates; reductions to interest revenue due to declining interest rates and lower available cash balances; increases in state revenue to reflect supplemental appropriations and prior year State Aid adjustments; revised student counts; increased federal program revenue for remaining IDEA, Title I and Edu Jobs funding. Budgeted expenditures and other financing uses were increased by approximately \$1.1 million. This significant increase resulted from the following: the carryover of prior years' unexpended supply, material and capital outlay budgets; revised staffing levels; increased allocations for federal grant programs; inclusion of a significant transfer to the Capital Projects Funds; adjusted fringe benefit expenditures; and the increase in the retirement rate. There were no unexpected, material variances between the final budget and actual amounts.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2012 and 2011, the School District had \$122.1 million and \$126.1 million, respectively, invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. The 2012 amount represents a net decrease of approximately \$4.0 million, or 3.2 percent, from the previous year. This change from the previous year includes all additions, disposals, and depreciation.

School District of the City of Royal Oak
Management's Discussion and Analysis
June 30, 2012

	<u>2012</u>	<u>2011</u>
	(in millions)	
Land	\$ 5.4	\$ 10.0
Construction in Progress	.3	0.8
Building and building improvements	188.2	181.8
Buses and other equipment	<u>30.0</u>	<u>30.0</u>
Total Capital Assets	223.9	222.6
Less accumulated depreciation	<u>101.8</u>	<u>96.5</u>
Net Capital Assets	<u>\$ 122.1</u>	<u>\$126.1</u>

Debt

At the end of this year, the School District had approximately \$66.9 million in bonds outstanding compared to a little over \$72.8 million in the previous year. Of this total, general obligation bonds amounted to \$64.5 million and Qualified School Construction Bonds totaled \$2.4 million. The Qualified School Construction Bonds were issued during 2011 with the proceeds being used for energy conservation projects.

The School District's 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 is significantly below the statutorily imposed limit.

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

Economic Factors and Next Year's Budgets

The Board of Education and administration considered many variables when the School District's 2012-13 fiscal year budget was developed. The two most important factors that determine the overwhelming majority of the District's revenue are student enrollment (blended count) and the per pupil foundation allowance. Through a formula mandated by the State, the blended student count for the 2012-13 fiscal year will be 10 percent of the February 2012 actual student count and 90 percent of the September 2012 student count. Based on early student enrollment data, we anticipate that the fall student count will be close to the estimates used in developing the 2012-13 budget.

School District of the City of Royal Oak
Management's Discussion and Analysis
June 30, 2012

Any change in the per pupil foundation allowance is determined by the State and is dependent upon the State's economic climate and the financial condition of the State School Aid Fund. The 2012-13 budget was adopted by the Board of Education on June 28, 2012.

There remains great uncertainty in public school funding. The 2012-13 adopted budget takes into consideration these uncertainties while maintaining a strong commitment to the education of our students.

Contacting the School District's Financial Management

This Comprehensive Annual Financial Report (CAFR) is designed to provide the School District's citizens, taxpayers, customers, and creditors with a picture of the School District's financial position and the results of operations for fiscal year 2012 and to demonstrate the District's fiscal responsibility and accountability over its financial resources. The CAFR is available on the District's website and at the Administrative offices for public inspection. If you have any questions or would like additional information, please feel free to contact the Finance Department at 1123 Lexington Blvd., Royal Oak, MI 48073.

School District of the City of Royal Oak
Statement of Net Assets
June 30, 2012

	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 19,986,408
Investments	10,948
Receivables - net	430,843
Due from other governments	5,982,291
Prepaid expenditures	182,405
Inventories	26,843
Capital assets - not being depreciated	5,726,115
Capital assets - less accumulated depreciation of \$101,833,900	116,368,672
Total assets	148,714,525
Liabilities	
Current liabilities	
Accounts payable and other liabilities	1,110,781
Accrued payroll and related liabilities	4,959,898
Unearned revenue	1,428,278
Noncurrent liabilities	
Due within one year	7,876,675
Due in more than one year	62,631,468
Total liabilities	78,007,100
Net assets	
Investment in capital assets - net of related debt	52,291,388
Restricted for:	
Debt service	4,067,813
Unrestricted	14,348,224
Total net assets	\$ 70,707,425

See Accompanying Notes to Financial Statements

School District of the City of Royal Oak
Statement of Activities
Year Ended June 30, 2012

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	
Primary government			
Government activities			
Instruction	\$ 33,046,290	\$ 60,916	\$ 4,600,751
Supporting services	19,389,775	231,887	5,635,280
Food services	1,275,493	624,267	677,043
Community services	622,865	1,501,390	159,292
Interest on long-term debt	3,187,457	-	-
Depreciation (unallocated)	5,234,270	-	-
Total primary government	<u>\$ 62,756,150</u>	<u>\$ 2,418,460</u>	<u>\$ 11,072,366</u>
Governmental activities			(49,265,324)
General revenues			
Taxes			
Property taxes, levied for general purpose			18,925,737
Property taxes, levied for debt services			10,647,453
State aid not restricted to specific purposes			25,927,663
Interest and investment earnings			41,643
Gain on sale of capital assets			680,496
Other			293,841
Total general revenues			<u>56,516,833</u>
Change in net assets			7,251,509
Net assets - beginning of year			<u>63,455,916</u>
Net assets - end of year			<u>\$ 70,707,425</u>

See Accompanying Notes to Financial Statements

School District of the City of Royal Oak
Governmental Funds - Balance Sheet
June 30, 2012

	General Fund	2004 Debt	General Property Maintenance Fund	Other Nonmajor Governmental Funds	Total	
					2012	2011
Assets						
Cash and cash equivalents	\$ 11,129,069	\$ 2,707,918	\$ 2,664,987	\$ 3,484,434	\$ 19,986,408	\$ 16,240,090
Investments	10,948	-	-	-	10,948	10,948
Receivables - net	38,154	-	387,222	5,467	430,843	716,879
Due from other funds	-	-	-	-	-	237,022
Due from other governmental units	5,944,575	-	-	37,716	5,982,291	6,179,074
Prepaid expenditures	72,405	-	-	110,000	182,405	-
Inventories	-	-	-	26,843	26,843	26,580
Total assets	\$ 17,195,151	\$ 2,707,918	\$ 3,052,209	\$ 3,664,460	\$ 26,619,738	\$ 23,410,593
Liabilities and fund balance						
Liabilities						
Accounts payable and other liabilities	\$ 458,837	\$ -	\$ 5,673	\$ 91,271	\$ 555,781	\$ 1,044,615
Due to other funds	-	-	-	-	-	237,022
Accrued payroll and related liabilities	4,839,635	-	-	120,263	4,959,898	5,614,726
Deferred revenue	1,342,211	-	397,222	76,067	1,815,500	1,974,976
Total liabilities	6,640,683	-	402,895	287,601	7,331,179	8,871,339
Fund balance (deficit)						
Non-spendable						
Inventory	-	-	-	26,843	26,843	26,580
Prepaid Items	72,405	-	-	110,000	182,405	-
Restricted for:						
Debt Service Funds	-	2,707,918	-	1,359,895	4,067,813	2,636,146
Capital Project Fund	-	-	-	-	-	1,744,654
Committed						
Encumbrances	67,685	-	16,018	6,859	90,562	61,259
Assigned						
Assigned for various operating purposes	2,791,585	-	2,633,296	1,873,262	7,298,143	6,248,031
Unassigned						
General Fund	7,622,793	-	-	-	7,622,793	4,061,055
Capital Project Funds	-	-	-	-	-	(238,471)
Total fund balance	10,554,468	2,707,918	2,649,314	3,376,859	19,288,559	14,539,254
Total liabilities and fund balance	\$ 17,195,151	\$ 2,707,918	\$ 3,052,209	\$ 3,664,460	\$ 26,619,738	\$ 23,410,593

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, 2012

Total fund balance - government funds \$ 19,288,559

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 contracts 387,222

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

Cost of capital assets	223,928,687	
Accumulated depreciation on capital assets	<u>(101,833,900)</u>	122,094,787

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

Bonds payable	(66,995,000)	
Bond premium payable	(2,808,399)	
Compensated absences	(653,069)	
Accrued workers' compensation and other claims	<u>(51,675)</u>	(70,508,143)

Accrued interest payable is not included as a liability in governmental funds (555,000)

Net assets of governmental activities \$ 70,707,425

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, 2012

	General Fund	2004 Debt	General Property Maintenance Fund	Other Nonmajor Governmental Funds	Total	
					2012	2011
Revenue						
Local sources	\$ 19,915,989	\$ 861,407	\$ -	\$ 11,566,920	\$ 32,344,316	\$ 33,130,242
Interdistrict sources	4,210,781	-	-	-	4,210,781	5,220,718
State sources	29,169,198	-	-	234,126	29,403,324	29,834,724
Federal sources	2,631,679	-	-	737,063	3,368,742	3,705,749
Total revenue	<u>55,927,647</u>	<u>861,407</u>	<u>-</u>	<u>12,538,109</u>	<u>69,327,163</u>	<u>71,891,433</u>
Expenditures						
Current						
Instruction	29,535,032	-	-	928,182	30,463,214	32,205,984
Supporting services	19,068,393	-	-	143,040	19,211,433	19,795,357
Community services	94,780	-	-	528,085	622,865	678,492
Food services	-	-	-	1,275,493	1,275,493	1,284,725
Capital outlay	122,670	-	217,783	1,125,923	1,466,376	1,400,706
Debt service						
Principal	-	-	-	5,850,000	5,850,000	5,395,000
Interest	-	224,250	-	3,420,127	3,644,377	3,769,475
Other	-	9,388	-	105,140	114,528	113,744
Total expenditures	<u>48,820,875</u>	<u>233,638</u>	<u>217,783</u>	<u>13,375,990</u>	<u>62,648,286</u>	<u>64,643,483</u>
Excess of revenues over (under) expenditures	<u>7,106,772</u>	<u>627,769</u>	<u>(217,783)</u>	<u>(837,881)</u>	<u>6,678,877</u>	<u>7,247,950</u>
Other financing sources (uses)						
Proceeds from sale of assets	22,150	-	855,568	-	877,718	405,924
Operating transfers in	-	1,351,610	2,250,000	880,173	4,481,783	3,577,001
Operating transfers out	(3,130,173)	-	-	(1,351,610)	(4,481,783)	(3,577,001)
Payments to other governmental units	(2,807,290)	-	-	-	(2,807,290)	(2,606,948)
Proceeds from issuance of bonds	-	-	-	-	-	2,650,000
Total other financing sources (uses)	<u>(5,915,313)</u>	<u>1,351,610</u>	<u>3,105,568</u>	<u>(471,437)</u>	<u>(1,929,572)</u>	<u>448,976</u>
Net change in fund balance	1,191,459	1,979,379	2,887,785	(1,309,318)	4,749,305	7,696,926
Fund balance (deficit) - beginning of year	9,363,009	728,539	(238,471)	4,686,177	14,539,254	6,842,328
Fund balance - end of year	<u>\$ 10,554,468</u>	<u>\$ 2,707,918</u>	<u>\$ 2,649,314</u>	<u>\$ 3,376,859</u>	<u>\$ 19,288,559</u>	<u>\$ 14,539,254</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, 2012

Net change in fund balances - total governmental funds \$ 4,749,305

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	\$ (5,234,270)	
Capitalized capital outlay	<u>1,205,106</u>	
		(4,029,164)

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

Land contracts		(197,222)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net assets.

Amortization of premium on debt		518,448
Repayment of bonds payable		5,850,000
Change in accreted interest on capital appreciation bonds		53,000
Change in compensated absences		113,524
Change in unreported self insurance claims		<u>193,618</u>

Change in net assets of governmental activities **\$ 7,251,509**

See Accompanying Notes to Financial Statements

School District of the City of Royal Oak
Statement of Fiduciary Assets and Liabilities
June 30, 2012 and 2011

	Student Activities Agency Funds	
	2012	2011
Assets		
Cash and cash equivalents	\$ 307,505	\$ 242,591
Liabilities		
Accounts payable	\$ 7,901	\$ 14,334
Due to student groups	299,604	228,257
Total liabilities	\$ 307,505	\$ 242,591

See Accompanying Notes to Financial Statements

School District of the City of Royal Oak
Notes to Financial Statements
June 30, 2012

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

The Statement of Net 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 and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

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

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net 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, 2012

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

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

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

The School District reports the General Fund, 2004 Debt fund and the General Property Maintenance Fund as major funds as described below.

The School District reports the following governmental funds:

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

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

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

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

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

2004 Debt – used to record tax, interest, and other revenue and the payment of principal, interest, and other expenditures on long-term debt issued in 2004.

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

School District of the City of Royal Oak
Notes to Financial Statements
June 30, 2012

2008 Debt – used to record tax, interest, and other revenue and the payment of principal, interest, and other expenditures on long-term debt issued in 2008.

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

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

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

Instructional Technology Fund – used to record revenue and the disbursement of monies specifically assigned for the purchase of instructional technology equipment and software.

Performance Contracting Fund – used to record bond proceeds and other revenue and the disbursement of monies specifically restricted for building energy conservation improvement projects.

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 the result of the transfer of revenues and expenditures between funds to ensure the proper reporting in each respective fund. These balances are paid back as cash flow permits.

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

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2012, the millage rates are as follows per \$1,000 of taxable value.

<u>General Fund</u>	
Principal residence and industrial personal property	3.0200
Non principal residence	18.0000
Commercial personal property	9.0200
<u>Debt Service Fund</u>	
All classes of property	4.7100

School District of the City of Royal Oak
Notes to Financial Statements
June 30, 2012

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

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

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

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

Capital Assets – 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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

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

School District of the City of Royal Oak
Notes to Financial Statements
June 30, 2012

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 fund balance in the following categories:

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

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

Committed – amounts constrained on use imposed by the School District's highest level of decision-making, its Board of Education. A fund balance commitment may be established, modified, or rescinded by a resolution of the board of education.

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

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

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

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

Summarized Comparative Data

Summarized comparative data for the prior year has been presented for the major and nonmajor funds and in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds.

Eliminations and Reclassifications

In the process of aggregating data for the Statement of Net 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.

School District of the City of Royal Oak

Notes to Financial Statements

June 30, 2012

Upcoming Accounting and Reporting Changes

The Government Accounting Standards Board has issued Statements 63 and 65, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and Items Previously Reported as Assets and Liabilities*. The new standards provide guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of financial position and related disclosures. These statements will be adopted for the fiscal year ending June 30, 2013.

The Government Accounting Standards Board has issued *Statements 67, Financial Reporting for Pension Plans and 68 Accounting and Financial Reporting for Pensions*. Statement 67 changes how public employee pension plans calculate and report their total pension liability. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The effect of these changes has not been determined. Statement 67 is effective for the year ending June 30, 2014 and Statement 68 is effective for the year ending June 30, 2015.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. The Uniform Budgeting and Accounting Act requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted on a functional level are a violation of the Uniform Budgeting and Accounting Act. The Uniform Budgeting and Accounting Act permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. Revenue amendments were made during the year to reflect revisions to property tax revenue estimates; reductions to interest revenue due to declining interest rates and lower available cash balances; increases in state revenue to reflect supplemental appropriations and prior year State Aid adjustments; revised student counts; increased federal program revenue for remaining IDEA, Title I and EduJobs. Budgeted expenditures were amended to reflect the carryover of prior years' unexpended supply, material and capital outlay budgets; revised staffing levels; increased allocations for federal grant programs; inclusion of a significant transfer to the Capital Projects Funds; and adjusted fringe benefit expenditures.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as committed 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 incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

School District of the City of Royal Oak
Notes to Financial Statements
June 30, 2012

<u>Function</u>	<u>Final Budget</u>	<u>Amount of Expenditures</u>	<u>Budget Variances</u>
General Fund			
Capital Outlay	\$ 116,299	\$ 122,670	\$ 6,371
Food Service	1,270,100	1,275,493	5,393

NOTE 3 - DEPOSITS AND INVESTMENTS

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

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Deposits	\$ 19,986,408	\$ 307,505	\$ 20,293,913
Investments	10,948	-	10,948
Total	<u>\$ 19,997,356</u>	<u>\$ 307,505</u>	<u>\$ 20,304,861</u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 20,287,869
Investments in securities, mutual funds, and similar vehicles	10,948
Petty cash and cash on hand	6,044
	<u>\$ 20,304,861</u>

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

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

Interest rate risk – While the School District does have a formal investment policy, it does not address the management of its exposure to fair value losses arising from changes in interest rates.

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

School District of the City of Royal Oak
Notes to Financial Statements
June 30, 2012

risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits – This is the risk that in the event of a bank failure, the School District's deposits may not be returned. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2012, \$20,369,169 of the School District's bank balance of \$20,624,099 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:

	General Fund	Property Maintenance	Nonmajor and Other Funds	Total
Receivables:				
Taxes	\$ 23,968	\$ -	\$ 13,449	\$ 37,417
Accounts	38,154	387,222	5,467	430,843
Less allowances	<u>(23,968)</u>	<u>-</u>	<u>(13,449)</u>	<u>(37,417)</u>
	<u>\$ 38,154</u>	<u>\$ 387,222</u>	<u>\$ 5,467</u>	<u>\$ 430,843</u>
Due from other governments				
Federal	\$ 223,279	\$ -	\$ -	\$ 223,279
State	5,255,145	-	37,716	5,292,861
Local	<u>466,151</u>	<u>-</u>	<u>-</u>	<u>466,151</u>
	<u>\$ 5,944,575</u>	<u>\$ -</u>	<u>\$ 37,716</u>	<u>\$ 5,982,291</u>

The School District considers all accounts and intergovernmental receivables to be fully collectible within one year, except for three land contracts. One land contract is expected to be paid in full by November 2013. The other land contract is to be repaid as the residential units are sold and are expected to be paid in full by January, 2014. If there are remaining unsold residential units at that time, they will be removed from the land contract, and the receivable will be adjusted accordingly.

School District of the City of Royal Oak
Notes to Financial Statements
June 30, 2012

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2011	Additions	Disposals and Adjustments	Balance June 30, 2012
Capital assets not being depreciated				
Land	\$ 9,981,612	\$ -	\$ 4,571,201	\$ 5,410,411
Construction in progress	854,503	315,704	854,503	315,704
Total capital assets not being depreciated	<u>10,836,115</u>	<u>315,704</u>	<u>5,425,704</u>	<u>5,726,115</u>
Capital assets being depreciated				
Building and building improvements	181,756,172	883,912	(5,591,649)	188,231,733
Buses, vehicles, and equipment	29,965,349	5,490	-	29,970,839
Total capital assets being depreciated	<u>211,721,521</u>	<u>889,402</u>	<u>(5,591,649)</u>	<u>218,202,572</u>
Less: accumulated depreciation				
Building and building improvements	67,436,990	4,956,021	(165,945)	72,558,956
Buses, vehicles, and equipment	28,996,695	278,249	-	29,274,944
Total accumulated depreciation	<u>96,433,685</u>	<u>5,234,270</u>	<u>(165,945)</u>	<u>101,833,900</u>
Net capital assets being depreciated	<u>115,287,836</u>	<u>(4,344,868)</u>	<u>(5,425,704)</u>	<u>116,368,672</u>
Net capital assets	<u>\$ 126,123,951</u>	<u>\$ (4,029,164)</u>	<u>\$ -</u>	<u>\$ 122,094,787</u>

Depreciation expense was \$5,234,270 for the year ended June 30, 2012. 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.

NOTE 6 - INTERFUND RECEIVABLE AND PAYABLE AND TRANSFERS

Interfund transfers consist of the following:

	General Fund	Other Non Major Governmental Funds	Total
Transfers in	\$ -	\$ 4,481,783	\$ 4,481,783
Transfers out	(3,130,173)	(1,351,610)	(4,481,783)
	<u>\$ (3,130,173)</u>	<u>\$ 3,130,173</u>	<u>\$ -</u>

Transfers were primarily made to cover the costs of School District programs that were in excess of revenues generated from those activities. Transfers were also made to close out funds in the current year.

During the year, transfers were made to close the 2008 Debt fund in the amount of \$1,351,610. The General Fund transferred funds totaling \$636,300 to the Community Services Fund to fund services. The General Fund transferred funds for capital improvements in the amount of \$243,873 to the QSCB Fund and \$2,250,000 to the General Property Maintenance Fund.

School District of the City of Royal Oak

Notes to Financial Statements

June 30, 2012

NOTE 7 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is 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:

	Unavailable	Unearned	Total
Deferred property taxes	\$ -	\$ 1,311,911	\$ 1,311,911
Land contract	387,222	-	387,222
Deposits received for potential land purchases	-	10,000	10,000
Food service student accounts	-	14,514	14,514
Grant, categorical aid, and other payments received prior to meeting all eligibility requirements	-	91,853	91,853
Total	\$ 387,222	\$ 1,428,278	\$ 1,815,500

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

NOTE 8 - LONG-TERM DEBT

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

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within one Year
General obligation bonds	\$ 72,845,000	\$ -	\$ 5,850,000	\$ 66,995,000	\$ 7,825,000
Unamortized premium	3,326,847	-	518,448	2,808,399	-
Compensated absences	766,593	49,641	163,165	653,069	-
Workers' compensation	581	4,480	4,066	995	995
Unemployment	244,712	-	194,032	50,680	50,680
	\$ 77,183,733	\$ 54,121	\$ 6,729,711	\$ 70,508,143	\$ 7,876,675

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

School District of the City of Royal Oak
Notes to Financial Statements
June 30, 2012

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

\$18,020,000 of 2004 serial refunding bonds due in a final installment of \$4,485,000 on May 1, 2013; interest at 5.00%	\$ 4,485,000
\$65,500,000 of 2005 building and site bonds due in annual installments of \$3,100,000 to \$7,125,000 through May 1, 2021; interest at 5.00%	60,100,000
\$2,650,000 of 2011 energy conservation bonds due in annual installments of \$240,000 to \$245,000 through November 1, 2021; interest at 2.75% to 6.0%	<u>2,410,000</u>
	<u>\$ 66,995,000</u>

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

	Principal	Interest	Total
Year Ending June 30,			
2013	\$ 7,825,000	\$ 3,343,720	\$ 11,168,720
2014	7,365,000	2,956,970	10,321,970
2015	7,365,000	2,591,420	9,956,420
2016	7,365,000	2,224,370	9,589,370
2017	7,365,000	1,856,240	9,221,240
2018-2022	<u>29,710,000</u>	<u>3,739,135</u>	<u>33,449,135</u>
Total	<u>\$ 66,995,000</u>	<u>\$ 16,711,855</u>	<u>\$ 83,706,855</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the funds had a balance of \$4,067,813 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 \$3,644,377.

Compensated Absences

Accrued compensated absences at year end was \$653,069 and consisted of \$187,392 of vacation hours earned and vested, \$450,963 in accrued termination pay, and \$14,714 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 in the next year.

School District of the City of Royal Oak
Notes to Financial Statements
June 30, 2012

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 for health, property and general liability claims. The School District is self insured for workers' compensation claims. Additionally, reinsurance has been purchased by the School District to protect against claims exceeding a specific dollar amount. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The School District estimates the liability for workers' compensation claims, based on historical experience, that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the district-wide statement.

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 \$161,323 and an estimate for total possible future claims in the district-wide statement of \$50,680.

NOTE 10 – PENSION PLANS AND POST EMPLOYMENT BENEFITS

Plan Description

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

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

MPERS operates within the Michigan Department of Technology, Management and Budget, Office of Retirement Services which has the authority to establish and amend benefit provisions. The Michigan Department of Technology, Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. 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 to the Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671, calling 800-381-5111 or on the web at <http://www.michigan.gov/orsschools>.

In 2010 MPERS created a new Pension Plus plan. All Michigan public school employees who begin work on or after July 1, 2010, are enrolled in the Pension Plus plan. The Pension Plus plan includes two components: (a) a defined benefit pension component, and (b) a defined contribution savings component.

School District of the City of Royal Oak
Notes to Financial Statements
June 30, 2012

Funding Policy

The School District is required by the School Finance Reform Act to contribute to MPSERS an actuarially determined percentage of payroll for all participating employees. The School District's actual contributions match the required contributions. Additionally, employees participating in the Member Investment Plan contributed 3% to 6.4% 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 pension funding for the three-year period beginning July 1, 2009 through June 30, 2012.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Funding percentage range	10.96-15.96%	8.63-12.16%	9.73-10.13%
Total payroll	26,852,972	\$ 28,325,193	\$ 35,489,585
Total covered payroll	26,455,188	27,527,176	34,480,966
District pension contributions	3,909,626	3,174,455	3,449,380
Employee pension contributions	735,858	1,113,758	1,023,738

Defined Contribution Savings Plan

For the Pension Plus savings plan, participants are automatically enrolled and 2% of their pay is withheld and deposited into the account. Participants may elect to not contribute, or may elect to increase their personal contribution up to the annual limits established by the IRS. The School District matches 50 percent of the employee contributions into the Pension Plus savings plan, up to 1 percent. Participants opting to not contribute receive no employer matching contribution. Contributions by the School District and participants during the year ended June 30, 2012, were:

	<u>School District</u>	<u>Participants</u>
Contributions to the Pension Plus Savings Plan	<u>\$ 4,069</u>	<u>\$ 8,138</u>

Post Employment Benefits

In addition to the pension benefits described above, the School Finance Reform Act requires the School District to provide post-retirement health care, dental, and vision benefits for retirees and beneficiaries through Michigan Public School Employees Retirement System (MPSERS). Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health care, dental and vision coverage at the time of receiving the benefits. The School's actual contributions match the required contributions. Beginning July 1, 2010, all employees participating in MPSERS are required to contribute 3% of their reportable compensation to help fund post employment benefits.

School District of the City of Royal Oak
Notes to Financial Statements
June 30, 2012

The following table discloses pertinent information relative to MPERS post employment benefits funding for the three-year period beginning July 1, 2009 through June 30, 2012.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Funding percentage range	8.5%	6.81 - 8.50%	6.81%
District post employment benefits contributions	\$ 2,248,691	\$ 2,219,852	\$ 2,336,598
Employee health care contributions	661,074	442,244	-

NOTE 11 - ASSIGNED FUND BALANCE

The General Fund assigned fund balance at June 30, 2012 has been assigned for the following purposes:

Subsequent years' budget	\$ 2,086,841
Compensated absences	653,069
Workers' compensation	995
Unemployment	<u>50,680</u>
 Total fund balance assigned for various operating purposes	 <u>\$ 2,791,585</u>

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, 2012.

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 Statement - General Fund

Year Ended June 30, 2012 (with comparative actual amounts for the year ended June 30, 2011)

	2012			2011	
	Original	Final	Actual	Over (Under)	
	Budget	Budget		Final Budget	Actual
Revenue					
Local sources					
Current year tax levy	\$ 18,972,000	\$ 18,956,429	\$ 18,901,516	\$ (54,913)	\$ 19,257,385
Prior year tax levy	30,000	30,000	24,221	(5,779)	21,852
Interest on investments	50,000	42,075	27,251	(14,824)	21,558
Continuing education fees	22,500	19,021	19,126	105	47,907
Rental of school facilities	262,000	212,000	196,580	(15,420)	202,750
Student activities	242,400	231,777	231,887	110	235,330
Miscellaneous	<u>484,000</u>	<u>514,942</u>	<u>515,408</u>	<u>466</u>	<u>701,592</u>
Total local sources	20,062,900	20,006,244	19,915,989	(90,255)	20,488,374
Interdistrict sources					
Special education allocation and other	4,151,573	4,211,898	4,210,781	(1,117)	5,220,718
State sources					
State foundation allowance	24,656,000	25,868,530	25,927,663	59,133	26,346,437
Adult education	183,000	199,084	199,084	-	183,487
Special education	2,787,000	2,777,452	2,777,452	-	2,929,044
Vocational education	81,000	147,862	147,862	-	81,199
Other	<u>85,000</u>	<u>114,446</u>	<u>117,137</u>	<u>2,691</u>	<u>119,671</u>
Total state sources	27,792,000	29,107,374	29,169,198	61,824	29,659,838
Federal sources - restricted grants	2,421,167	2,765,874	2,631,679	(134,195)	3,114,539
Total revenue	<u>54,427,640</u>	<u>56,091,390</u>	<u>55,927,647</u>	<u>(163,743)</u>	<u>58,483,469</u>
Expenditures					
Current					
Instruction					
Basic programs					
Elementary					
Salaries	7,916,000	7,590,500	7,457,269	(133,231)	7,580,361
Purchased services	142,000	166,813	173,476	6,663	113,569
Supplies and other	<u>191,091</u>	<u>255,600</u>	<u>250,835</u>	<u>(4,765)</u>	<u>270,759</u>
Total elementary	<u>8,249,091</u>	<u>8,012,913</u>	<u>7,881,580</u>	<u>(131,333)</u>	<u>7,964,689</u>
Middle school					
Salaries	3,353,400	3,300,500	3,245,963	(54,537)	3,529,479
Purchased services	60,000	50,000	44,911	(5,089)	44,270
Supplies and other	<u>82,618</u>	<u>88,571</u>	<u>86,621</u>	<u>(1,950)</u>	<u>155,785</u>
Total middle school	<u>3,496,018</u>	<u>3,439,071</u>	<u>3,377,495</u>	<u>(61,576)</u>	<u>3,729,534</u>
High School					
Salaries	4,968,433	4,712,316	4,668,498	(43,818)	5,296,972
Purchased services	259,500	230,240	227,191	(3,049)	261,134
Supplies and other	<u>177,950</u>	<u>141,700</u>	<u>134,952</u>	<u>(6,748)</u>	<u>158,369</u>
Total high school	<u>5,405,883</u>	<u>5,084,256</u>	<u>5,030,641</u>	<u>(53,615)</u>	<u>5,716,475</u>
Total basic programs	17,150,992	16,536,240	16,289,716	(246,524)	17,410,698
Added needs					
Special education					
Salaries	2,309,085	2,115,601	2,095,753	(19,848)	2,402,836
Purchased services	109,000	107,500	105,506	(1,994)	107,226
Supplies and other	<u>28,670</u>	<u>83,931</u>	<u>84,803</u>	<u>872</u>	<u>144,740</u>
Total special education	2,446,755	2,307,032	2,286,062	(20,970)	2,654,802
Compensatory education					
Salaries	244,500	274,147	253,926	(20,221)	245,275
Purchased services	-	5,549	3,154	(2,395)	-
Supplies and other	<u>35,770</u>	<u>73,332</u>	<u>50,706</u>	<u>(22,626)</u>	<u>86,002</u>
Total compensatory education	280,270	353,028	307,786	(45,242)	331,277

Schedule continues on the following page

School District of the City of Royal Oak

Required Supplemental Information

Budgetary Comparison Statement - General Fund

Year Ended June 30, 2012 (with comparative actual amounts for the year ended June 30, 2011)

	2012			2011	
	Original Budget	Final Budget	Actual	Over (Under) Final Budget	Actual
Vocational education					
Salaries	\$ 196,000	\$ 185,500	\$ 175,746	\$ (9,754)	\$ 227,137
Purchased services	8,000	1,700	2,306	606	14,065
Supplies and other	<u>48,153</u>	<u>85,700</u>	<u>84,499</u>	<u>(1,201)</u>	<u>53,998</u>
Total vocational education	<u>252,153</u>	<u>272,900</u>	<u>262,551</u>	<u>(10,349)</u>	<u>295,200</u>
Total added needs	2,979,178	2,932,960	2,856,399	(76,561)	3,281,279
Continuing education					
Salaries	124,000	127,879	100,413	(27,466)	106,685
Purchased services	21,700	20,750	19,739	(1,011)	26,387
Supplies and other	<u>15,687</u>	<u>18,746</u>	<u>20,892</u>	<u>2,146</u>	<u>11,798</u>
Total continuing education	<u>161,387</u>	<u>167,375</u>	<u>141,044</u>	<u>(26,331)</u>	<u>144,870</u>
Employee benefits	<u>11,189,369</u>	<u>10,754,547</u>	<u>10,247,873</u>	<u>(506,674)</u>	<u>10,523,574</u>
Total instruction	31,480,926	30,391,122	29,535,032	(856,090)	31,360,421
Supporting services					
Pupil services					
Salaries	2,810,770	2,881,033	2,843,246	(37,787)	2,751,656
Purchased services	212,503	265,600	276,304	10,704	269,280
Supplies and other	<u>11,500</u>	<u>15,800</u>	<u>14,935</u>	<u>(865)</u>	<u>9,789</u>
Total pupil services	<u>3,034,773</u>	<u>3,162,433</u>	<u>3,134,485</u>	<u>(27,948)</u>	<u>3,030,725</u>
Instructional staff					
Salaries	895,650	951,636	921,855	(29,781)	940,803
Purchased services	273,936	340,935	322,066	(18,869)	265,253
Supplies and other	<u>78,165</u>	<u>130,975</u>	<u>132,157</u>	<u>1,182</u>	<u>81,332</u>
Total instructional staff	<u>1,247,751</u>	<u>1,423,546</u>	<u>1,376,078</u>	<u>(47,468)</u>	<u>1,287,388</u>
General administration					
Salaries	395,500	320,000	307,087	(12,913)	338,840
Purchased services	180,000	177,700	197,395	19,695	204,231
Supplies and other	<u>1,000</u>	<u>1,200</u>	<u>1,200</u>	<u>-</u>	<u>1,200.00</u>
Total general administration	<u>576,500</u>	<u>498,900</u>	<u>505,682</u>	<u>6,782</u>	<u>544,271</u>
School administration					
Salaries	1,991,000	2,093,500	2,032,126	(61,374)	2,137,604
Purchased services	15,000	26,100	28,884	2,784	13,753
Supplies and other	<u>4,500</u>	<u>15,000</u>	<u>14,117</u>	<u>(883)</u>	<u>1,000</u>
Total school administration	<u>2,010,500</u>	<u>2,134,600</u>	<u>2,075,127</u>	<u>(59,473)</u>	<u>2,152,357</u>
Business services					
Salaries	873,200	838,100	808,078	(30,022)	1,015,481
Purchased services	4,046,000	3,961,416	3,768,662	(192,754)	3,934,307
Supplies and other	<u>2,196,682</u>	<u>2,023,113</u>	<u>1,835,363</u>	<u>(187,750)</u>	<u>2,139,619</u>
Total business services	<u>7,115,882</u>	<u>6,822,629</u>	<u>6,412,103</u>	<u>(410,526)</u>	<u>7,089,407</u>

Schedule continues on the following page

School District of the City of Royal Oak

Required Supplemental Information

Budgetary Comparison Statement - General Fund

Year Ended June 30, 2012 (with comparative actual amounts for the year ended June 30, 2011)

	2012			2011	
	Original Budget	Final Budget	Actual	Over (Under) Final Budget	Actual
Central staff					
Salaries	\$ 411,000	\$ 440,000	\$ 425,375	\$ (14,625)	\$ 365,503
Purchased services	491,400	418,383	387,803	(30,580)	391,416
Supplies and other	<u>10,000</u>	<u>2,100</u>	<u>9,771</u>	<u>7,671</u>	<u>11,984</u>
Total central staff	912,400	860,483	822,949	(37,534)	768,903
Athletic activities					
Salaries	220,000	220,000	207,105	(12,895)	213,349
Purchased services	217,000	222,125	197,348	(24,777)	191,561
Supplies and other	<u>37,000</u>	<u>39,000</u>	<u>41,440</u>	<u>2,440</u>	<u>36,850</u>
Total athletic activities	474,000	481,125	445,893	(35,232)	441,760
Employee benefits	<u>4,207,108</u>	<u>4,508,482</u>	<u>4,296,076</u>	<u>(212,406)</u>	<u>4,304,270</u>
Total supporting services	19,578,914	19,892,198	19,068,393	(823,805)	19,619,081
Community services					
Salaries	-	12,296	4,206	(8,090)	16,146
Employee benefits	-	2,513	2,395	(118)	5,630
Purchased services	36,000	41,037	29,358	(11,679)	37,832
Supplies and other	<u>34,000</u>	<u>82,812</u>	<u>58,821</u>	<u>(23,991)</u>	<u>97,954</u>
Total community services	70,000	138,658	94,780	(43,878)	157,562
Capital outlay					
Instruction	81,582	48,599	47,736	(863)	43,218
Support services	<u>254,238</u>	<u>67,700</u>	<u>74,934</u>	<u>7,234</u>	<u>176,290</u>
Total capital outlay	<u>335,820</u>	<u>116,299</u>	<u>122,670</u>	<u>6,371</u>	<u>219,508</u>
Total expenditures	<u>51,465,660</u>	<u>50,538,277</u>	<u>48,820,875</u>	<u>(1,717,402)</u>	<u>51,356,572</u>
Other financing (sources) uses					
Proceeds from sale of assets	-	(22,150)	(22,150)	-	-
Transfers in	-	-	-	-	(682,639)
Transfers out					
Special revenue funds	891,300	880,173	880,173	-	800,000
Capital project funds	-	2,250,000	2,250,000	-	2,000,000
Payments to other governmental units - Special Education, allocation and other	<u>2,825,000</u>	<u>2,802,863</u>	<u>2,807,290</u>	<u>4,427</u>	<u>2,606,948</u>
Total other financing (sources) uses	<u>3,716,300</u>	<u>5,910,886</u>	<u>5,915,313</u>	<u>4,427</u>	<u>4,724,309</u>
Total expenditures and other financing (sources) uses	<u>55,181,960</u>	<u>56,449,163</u>	<u>54,736,188</u>	<u>(1,712,975)</u>	<u>56,080,881</u>
Net change in fund balance	(754,320)	(357,773)	1,191,459	1,549,232	2,402,588
Fund balance - beginning of year	<u>9,363,009</u>	<u>9,363,009</u>	<u>9,363,009</u>	<u>-</u>	<u>6,960,421</u>
Fund balance - end of year	<u>\$ 8,608,689</u>	<u>\$ 9,005,236</u>	<u>\$ 10,554,468</u>	<u>\$ 1,549,232</u>	<u>\$ 9,363,009</u>

OTHER SUPPLEMENTAL INFORMATION

School District of the City of Royal Oak
Other Supplemental Information
Combining Balance Sheet - Non Major Governmental Funds
June 30, 2012 (with comparative total for the year ended June 30, 2011)

	Special Revenue Funds			Debt Service Funds			
	Food Services	Community Services	Subtotal	2005 Debt	2008 Debt	QSCB	Subtotal
Assets							
Cash and cash equivalents	\$ 53,250	\$ 1,371,280	\$ 1,424,530	\$ 1,359,895	\$ -	\$ -	\$ 1,359,895
Receivables - net	2,597	2,870	5,467	-	-	-	-
Due from other governmental units	37,716	-	37,716	-	-	-	-
Prepaid expenditures	110,000	-	110,000	-	-	-	-
Inventories	26,843	-	26,843	-	-	-	-
Total assets	\$ 230,406	\$ 1,374,150	\$ 1,604,556	\$ 1,359,895	\$ -	\$ -	\$ 1,359,895
Liabilities and fund balances							
Liabilities							
Accounts payable and other liabilities	\$ 62,372	\$ 19,173	\$ 81,545	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related liabilities	-	120,263	120,263	-	-	-	-
Deferred revenue	20,094	55,973	76,067	-	-	-	-
Total liabilities	82,466	195,409	277,875	-	-	-	-
Fund balances (deficit)							
Non-spendable							
Inventories	26,843	-	26,843	-	-	-	-
Prepaid items	110,000	-	110,000	-	-	-	-
Restricted for:							
Debt service	-	-	-	1,359,895	-	-	1,359,895
Capital Project Funds	-	-	-	-	-	-	-
Committed							
Encumbrances	-	-	-	-	-	-	-
Assigned							
Assigned for various operating purposes	11,097	1,178,741	1,189,838	-	-	-	-
Total fund balances	147,940	1,178,741	1,326,681	1,359,895	-	-	1,359,895
Total liabilities and fund balances	\$ 230,406	\$ 1,374,150	\$ 1,604,556	\$ 1,359,895	\$ -	\$ -	\$ 1,359,895

Capital Projects Funds			Total	
Instructional Technology Fund	Performance Contracting Fund	Subtotal	2012	2011
\$ 71,552	\$ 628,457	\$ 700,009	\$ 3,484,434	\$ 5,067,881
-	-	-	5,467	2,884
-	-	-	37,716	45,667
-	-	-	110,000	110,000
-	-	-	26,843	26,580
<u>\$ 71,552</u>	<u>\$ 628,457</u>	<u>\$ 700,009</u>	<u>\$ 3,664,460</u>	<u>\$ 5,253,012</u>
\$ -	\$ 9,726	\$ 9,726	\$ 91,271	\$ 381,796
-	-	-	120,263	105,130
-	-	-	76,067	79,909
-	9,726	9,726	287,601	566,835
-	-	-	26,843	26,580
-	-	-	110,000	-
-	-	-	1,359,895	1,907,607
-	-	-	-	1,744,654
-	6,859	6,859	6,859	-
<u>71,552</u>	<u>611,872</u>	<u>683,424</u>	<u>1,873,262</u>	<u>1,007,336</u>
<u>71,552</u>	<u>618,731</u>	<u>690,283</u>	<u>3,376,859</u>	<u>4,686,177</u>
<u>\$ 71,552</u>	<u>\$ 628,457</u>	<u>\$ 700,009</u>	<u>\$ 3,664,460</u>	<u>\$ 5,253,012</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, 2012 (with comparative actual amounts for the year ended June 30, 2011)

	Special Revenue Funds		
	Food Services	Community Services	Subtotal
Revenue			
Local sources	\$ 624,267	\$ 1,142,215	\$ 1,766,482
State sources	74,834	159,292	234,126
Federal sources	602,209	-	602,209
	<u>1,301,310</u>	<u>1,301,507</u>	<u>2,602,817</u>
Total revenue			
Expenditures			
Current:			
Instruction	-	928,182	928,182
Support services	-	143,040	143,040
Community services	-	528,085	528,085
Food services	1,275,493	-	1,275,493
Debt service			
Principal	-	-	-
Interest	-	-	-
Other	-	-	-
Capital outlay	-	-	-
	<u>1,275,493</u>	<u>1,599,307</u>	<u>2,874,800</u>
Total expenditures			
Excess of revenues over (under) expenditures	<u>25,817</u>	<u>(297,800)</u>	<u>(271,983)</u>
Other financing sources (uses)			
Transfers in	-	636,300	636,300
Transfers out	-	-	-
Proceeds from issuance of bonds	-	-	-
	<u>-</u>	<u>636,300</u>	<u>636,300</u>
Total other financing sources (uses)			
Net change in fund balance	25,817	338,500	364,317
Fund balance - beginning of year	122,123	840,241	962,364
Fund balance - end of year	<u>\$ 147,940</u>	<u>\$ 1,178,741</u>	<u>\$ 1,326,681</u>

Debt Service Funds				Capital Projects Funds			Total	
2005 Debt	2008 Debt	QSCB	Subtotal	Instructional Technology Fund	Performance Contracting Fund	Subtotal	2012	2011
\$ 3,915,251	\$ 5,885,187	\$ -	\$ 9,800,438	\$ -	\$ -	\$ -	\$ 11,566,920	\$ 12,154,170
-	-	-	-	-	-	-	234,126	174,886
-	-	134,854	134,854	-	-	-	737,063	591,210
3,915,251	5,885,187	134,854	9,935,292	-	-	-	12,538,109	12,920,266
-	-	-	-	-	-	-	928,182	845,563
-	-	-	-	-	-	-	143,040	176,276
-	-	-	-	-	-	-	528,085	520,930
-	-	-	-	-	-	-	1,275,493	1,284,725
410,000	5,200,000	240,000	5,850,000	-	-	-	5,850,000	5,395,000
3,021,400	260,000	138,727	3,420,127	-	-	-	3,420,127	3,545,225
41,943	63,197	-	105,140	-	-	-	105,140	108,490
-	-	-	-	-	1,125,923	1,125,923	1,125,923	968,211
3,473,343	5,523,197	378,727	9,375,267	-	1,125,923	1,125,923	13,375,990	12,844,420
441,908	361,990	(243,873)	560,025	-	(1,125,923)	(1,125,923)	(837,881)	75,846
-	-	243,873	243,873	-	-	-	880,173	2,514,807
-	(1,351,610)	-	(1,351,610)	-	-	-	(1,351,610)	(745,511)
-	-	-	-	-	-	-	-	2,650,000
-	(1,351,610)	243,873	(1,107,737)	-	-	-	(471,437)	4,419,296
441,908	(989,620)	-	(547,712)	-	(1,125,923)	(1,125,923)	(1,309,318)	4,495,142
917,987	989,620	-	1,907,607	71,552	1,744,654	1,816,206	4,686,177	191,035
\$ 1,359,895	\$ -	\$ -	\$ 1,359,895	\$ 71,552	\$ 618,731	\$ 690,283	\$ 3,376,859	\$ 4,686,177

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, 2012

	Food Service		
	Final Budget	Actual	Over (Under) Final Budget
Revenue			
Local sources	\$ 619,600	\$ 624,267	\$ 4,667
State sources	74,834	74,834	-
Federal sources	584,482	602,209	17,727
Total revenue	1,278,916	1,301,310	22,394
Expenditures			
Current:			
Instruction	-	-	-
Support services	-	-	-
Community services	-	-	-
Food services	1,270,100	1,275,493	5,393
Total expenditures	1,270,100	1,275,493	5,393
Excess of revenues over (under) expenditures	8,816	25,817	17,001
Other financing sources (uses)			
Transfers in	-	-	-
Net change in fund balance	8,816	25,817	17,001
Fund balance - beginning of year	122,123	122,123	-
Fund balance - end of year	\$ 130,939	\$ 147,940	\$ 17,001

Community Services			Total		
Final Budget	Actual	Over (Under) Final Budget	Final Budget	Actual	Over (Under) Final Budget
\$ 1,136,973	\$ 1,142,215	\$ 5,242	\$ 1,756,573	\$ 1,766,482	\$ 9,909
243,825	159,292	(84,533)	318,659	234,126	(84,533)
-	-	-	584,482	602,209	17,727
<u>1,380,798</u>	<u>1,301,507</u>	<u>(79,291)</u>	<u>2,659,714</u>	<u>2,602,817</u>	<u>(56,897)</u>
1,044,195	928,182	(116,013)	1,044,195	928,182	(116,013)
153,216	143,040	(10,176)	153,216	143,040	(10,176)
528,130	528,085	(45)	528,130	528,085	(45)
-	-	-	1,270,100	1,275,493	5,393
<u>1,725,541</u>	<u>1,599,307</u>	<u>(126,234)</u>	<u>2,995,641</u>	<u>2,874,800</u>	<u>(120,841)</u>
(344,743)	(297,800)	46,943	(335,927)	(271,983)	63,944
<u>636,300</u>	<u>636,300</u>	<u>-</u>	<u>636,300</u>	<u>636,300</u>	<u>-</u>
291,557	338,500	46,943	300,373	364,317	63,944
<u>840,241</u>	<u>840,241</u>	<u>-</u>	<u>962,364</u>	<u>962,364</u>	<u>-</u>
<u>\$ 1,131,798</u>	<u>\$ 1,178,741</u>	<u>\$ 46,943</u>	<u>\$ 1,262,737</u>	<u>\$ 1,326,681</u>	<u>\$ 63,944</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, 2012

	<u>2004 Debt Actual</u>	<u>2005 Debt Actual</u>	<u>2008 Debt Actual</u>
Revenue			
Local sources	\$ 861,407	\$ 3,915,251	\$ 5,885,187
Federal sources	-	-	-
	<u>861,407</u>	<u>3,915,251</u>	<u>5,885,187</u>
Expenditures - Debt Service			
Principal	-	410,000	5,200,000
Interest	224,250	3,021,400	260,000
Other	9,388	41,943	63,197
	<u>233,638</u>	<u>3,473,343</u>	<u>5,523,197</u>
Excess of revenue over (under) expenditures	627,769	441,908	361,990
Other Financing Sources (Uses)			
Transfers in	1,351,610	-	-
Transfers out	-	-	(1,351,610)
	<u>1,351,610</u>	<u>-</u>	<u>(1,351,610)</u>
Net change in fund balance	<u>1,979,379</u>	<u>441,908</u>	<u>(989,620)</u>
Fund balance - beginning of year	<u>728,539</u>	<u>917,987</u>	<u>989,620</u>
Fund balance - end of year	<u>\$ 2,707,918</u>	<u>\$ 1,359,895</u>	<u>\$ -</u>

<u>QSCB Actual</u>	<u>Total Debt Service Funds Actual</u>	<u>Total Debt Service Funds Final Budget</u>	<u>Over (Under) Final Budget</u>
\$ -	\$ 10,661,845	\$ 10,664,504	\$ (2,659)
<u>134,854</u>	<u>134,854</u>	<u>134,854</u>	<u>-</u>
<u>134,854</u>	<u>10,796,699</u>	<u>10,799,358</u>	<u>(2,659)</u>
240,000	5,850,000	5,850,000	-
138,727	3,644,377	3,644,378	(1)
<u>-</u>	<u>114,528</u>	<u>115,450</u>	<u>(922)</u>
<u>378,727</u>	<u>9,608,905</u>	<u>9,609,828</u>	<u>(923)</u>
(243,873)	1,187,794	1,189,530	(1,736)
243,873	1,595,483	1,597,093	(1,610)
<u>-</u>	<u>(1,351,610)</u>	<u>(1,352,719)</u>	<u>1,109</u>
<u>243,873</u>	<u>243,873</u>	<u>244,374</u>	<u>(501)</u>
<u>-</u>	<u>1,431,667</u>	<u>1,433,904</u>	<u>(2,237)</u>
<u>-</u>	<u>2,636,146</u>	<u>2,636,146</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 4,067,813</u>	<u>\$ 4,070,050</u>	<u>\$ (2,237)</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, 2012

	General Property Maintenance Fund	Instructional Technology Fund	Performance Contracting Fund	Total Capital Project Funds
Revenue				
Local sources	\$ -	\$ -	\$ -	\$ -
Expenditures - Capital Projects				
Capital outlay	217,783	-	1,125,923	\$ 1,343,706
Other Financing sources (uses)				
Proceeds from sale of capital assets	855,568	-	-	855,568
Operating transfers in	2,250,000	-	-	2,250,000
Total other financing sources (uses)	3,105,568	-	-	3,105,568
Net change in fund balance	2,887,785	-	(1,125,923)	1,761,862
Fund balance (deficit) - beginning of year	(238,471)	71,552	1,744,654	1,577,735
Fund balance - end of year	<u>\$ 2,649,314</u>	<u>\$ 71,552</u>	<u>\$ 618,731</u>	<u>\$ 3,339,597</u>

School District of the City of Royal Oak
Other Supplemental information
Schedule of Bonded Indebtedness
Year Ended June 30, 2012

	<u>2004 Debt</u>	<u>2005 Debt</u>	<u>2011 Debt</u>
<u>June 30</u>	<u>Principal</u>	<u>Principal</u>	<u>Principal</u>
2013	\$ 4,485,000	\$ 3,100,000	\$ 240,000
2014	-	7,125,000	240,000
2015	-	7,125,000	240,000
2016	-	7,125,000	240,000
2017	-	7,125,000	240,000
2018	-	7,125,000	240,000
2019	-	7,125,000	240,000
2020	-	7,125,000	240,000
2021	-	7,125,000	245,000
2022	-	-	245,000
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 4,485,000</u>	<u>\$ 60,100,000</u>	<u>\$ 2,410,000</u>
Principal payments due	May 1	May 1	November 1
Interest payments due	May 1 and November 1	May 1 and November 1	May 1 and November 1
Interest rate	3.00% - 5.00%	3.50%- 5.00%	1.25%- 6.00%
Original Issue	<u>\$ 18,020,000</u>	<u>\$ 65,500,000</u>	<u>\$ 2,650,000</u>

STATISTICAL SECTION (UNAUDITED)

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities										
Invested in capital assets, net of related debt	\$52,291,388	\$51,696,758	\$53,954,727	\$50,601,272	\$52,654,211	\$ 9,617,712	\$21,194,010	\$18,967,795	\$16,267,636	\$15,001,218
Restricted - Debt Service	4,067,813	2,636,146	997,709	932,613	1,508,339	2,694,178	1,307,310	773,135	976,273	3,253,740
Unrestricted	14,348,224	9,123,012	139,455	(2,160,410)	(3,400,339)	37,127,344	19,541,367	18,137,425	17,375,047	13,778,301
Total primary government	<u>\$70,707,425</u>	<u>\$63,455,916</u>	<u>\$55,091,891</u>	<u>\$49,373,475</u>	<u>\$50,762,211</u>	<u>\$49,439,234</u>	<u>\$42,042,687</u>	<u>\$37,878,355</u>	<u>\$34,618,956</u>	<u>\$32,033,259</u>

Source: School District of the City of Royal Oak Comprehensive Annual Financial Reports 2003-2012.

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
Governmental activities										
Instruction	\$ 33,046,290	\$ 34,412,197	\$ 37,440,682	\$ 37,301,542	\$ 37,801,871	\$ 39,246,596	\$ 39,606,745	\$ 39,530,593	\$ 40,140,516	\$ 43,148,756
Support services	19,389,775	20,011,511	24,450,712	29,541,877	27,818,723	26,700,072	27,760,736	26,965,264	26,470,366	27,278,777
Food services	1,275,493	1,284,725	1,249,617	1,208,841	1,115,386	1,146,258	1,178,128	1,273,339	1,308,418	1,240,855
Athletics	-	-	639,525	674,369	721,696	896,357	1,017,503	1,012,381	994,408	1,137,324
Community services	622,865	678,492	707,362	773,152	902,012	1,046,652	948,537	974,658	895,048	898,640
Interest on long-term debt	3,187,457	3,307,073	3,597,687	4,111,571	5,438,669	5,965,768	2,990,850	1,745,452	5,273,836	3,404,956
Depreciation (unallocated)	5,234,270	4,447,823	4,650,857	5,151,043	4,741,507	3,943,727	3,592,552	3,723,981	3,755,204	4,337,037
Total primary government expenses	62,756,150	64,141,821	72,736,442	78,762,395	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	60,916	59,266	61,410	103,086	100,724	79,735	-	-	-	-
Food services	624,267	638,257	687,884	750,537	691,366	775,052	808,603	864,387	970,385	980,616
Athletics	-	-	185,857	110,875	148,506	96,684	145,182	135,057	135,124	93,562
Support services	231,887	235,330	-	-	-	-	-	-	-	-
Community services	1,501,390	1,489,773	1,279,830	1,277,102	1,245,726	1,352,673	1,089,686	1,062,521	1,136,399	1,344,753
Operating grants and contributions										
Instruction	4,600,751	5,842,037	9,849,305	9,393,039	8,089,334	6,972,299	7,384,837	14,246,590	14,967,125	13,993,088
Support services	5,635,280	5,635,280	5,605,338	5,309,265	5,724,078	6,339,772	6,369,079	-	-	-
Food services	677,043	665,616	647,355	536,377	432,510	408,399	403,816	363,091	385,417	457,941
Community services	159,292	100,480	82,715	99,013	94,548	103,242	135,928	90,520	100,145	-
Total primary government program revenue	13,490,826	14,666,039	18,399,694	17,579,294	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	\$ (49,265,324)	\$ (49,475,782)	\$ (54,336,748)	\$ (61,183,101)	\$ (62,013,072)	\$ (62,817,574)	\$ (60,757,920)	\$ (58,463,502)	\$ (61,143,201)	\$ (64,576,385)

Source: School District of the City of Royal Oak Comprehensive Annual Financial Reports 2003-2012.

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net (expense) revenue										
Total primary government net expense	\$ (49,265,324)	\$ (49,475,782)	\$ (54,336,748)	\$ (61,183,101)	\$ (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	18,925,737	19,279,237	19,744,221	19,128,074	19,931,958	19,395,487	17,633,301	17,280,018	16,885,110	16,954,668
Property taxes levied for debt service	10,647,453	10,904,444	11,778,957	11,846,917	11,683,889	11,367,372	5,315,504	7,232,290	6,621,915	6,299,546
Unrestricted state aid	25,927,663	26,346,437	25,423,522	26,743,641	29,301,556	30,966,580	33,314,491	35,560,997	37,354,039	39,340,794
Interest and investment earnings	41,643	33,558	65,288	365,721	1,912,523	4,327,700	2,709,921	557,330	249,538	360,293
Gain on sale of assets	680,496	614,413	488,977	60,000	100,000	2,457,819	4,599,382	-	-	-
Insurance recoveries	-	-	2,000,000	-	-	-	-	-	-	-
Other	293,841	661,718	554,199	1,650,012	406,123	1,699,163	1,349,653	1,092,266	2,618,297	1,162,212
Total primary government	56,516,833	57,839,807	60,055,164	59,794,365	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	\$ 7,251,509	\$ 8,364,025	\$ 5,718,416	\$ (1,388,736)	\$ 1,322,977	\$ 7,396,547	\$ 4,164,332	\$ 3,259,399	\$ 2,585,698	\$ (458,872)

Source: School District of the City of Royal Oak Comprehensive Annual Financial Reports 2003-2012.

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund										
Non-spendable	\$ 72,405	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	67,685	61,259	-	-	-	-	-	-	-	-
Assigned	2,791,585	5,240,695	-	-	-	-	-	-	-	-
Unassigned	7,622,793	4,061,055	-	-	-	-	-	-	-	-
Reserved	-	-	195,205	30,442	99,015	147,604	108,941	80,376	54,150	79,631
Unreserved										
Designated	-	-	3,896,984	5,101,754	7,634,221	8,266,194	10,017,351	11,857,734	10,408,792	5,648,374
Undesignated	-	-	2,678,084	1,198,855	4,372,960	3,459,217	4,098,528	4,164,459	4,832,127	6,238,744
Total General Fund	10,554,468	9,363,009	6,770,273	6,331,051	12,106,196	11,873,015	14,224,820	16,102,569	15,295,069	11,966,749
All other governmental funds										
Non-spendable	\$ 136,843	\$ 26,580	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	4,067,813	4,380,800	-	-	-	-	-	-	-	-
Committed	22,877	-	-	-	-	-	-	-	-	-
Assigned	4,506,558	1,007,336	-	-	-	-	-	-	-	-
Unassigned	-	(238,471)	-	-	-	-	-	-	-	-
Reserved	-	-	1,120,695	1,020,753	4,129,779	44,920,653	72,317,691	1,664,524	1,005,240	3,258,634
Unreserved, reported in:										
Special Revenue Funds	-	-	1,311,216	2,185,837	2,015,393	1,419,101	1,106,447	1,128,237	1,235,871	1,080,135
Capital Project Funds	-	-	(2,359,856)	(5,298,279)	(6,980,540)	1,142,848	263,638	2,625,888	3,527,111	3,516,697
Total all other governmental funds	8,734,091	5,176,245	72,055	(2,091,689)	(835,368)	47,482,602	73,687,776	5,418,649	5,768,222	7,855,466
Total all funds	\$ 19,288,559	\$ 14,539,254	\$ 6,842,328	\$ 4,239,362	\$ 11,270,828	\$ 59,355,617	\$ 87,912,596	\$ 21,521,218	\$ 21,063,291	\$ 19,822,215

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

Source: School District of the City of Royal Oak Comprehensive Annual Financial Reports 2003-2012.

School District of the City of Royal Oak
Fund Level Revenues by Source - Last Ten Fiscal Years
(Unaudited)

Year Ended	General Fund					Total General Fund Revenues	Special Revenue Funds		
	Property Taxes	Other Local Sources	Interdistrict Sources	State Sources	Federal Sources *		Local Sources	Interdistrict Sources	State Sources
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
2009	19,128,074	1,018,240	5,429,852	29,574,837	3,955,458	59,106,461	1,838,357	1,635,792	979,873
2010	19,744,221	944,292	5,122,785	27,868,679	5,310,354	58,990,331	1,844,314	1,666,260	1,047,871
2011	19,279,237	1,209,137	5,220,718	29,659,838	3,114,539	58,483,469	1,725,212	-	174,886
2012	18,925,737	990,252	4,210,781	29,169,198	2,631,679	55,927,647	1,766,482	-	234,126

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

Source: School District of the City of Royal Oak Comprehensive Annual Financial Reports 2003-2012.

Federal Sources	Total Special Funds Revenue	Capital Project Funds			Debt Service Funds		Total Debt Service Funds Revenue	Total Revenue
		Interest and Other	State Sources	Total Capital Project Funds Revenue	Property Taxes	Interest and Other		
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
486,740	4,940,762	98,579	-	98,579	11,846,917	136,111	11,983,028	76,128,830
583,377	5,141,822	20,799	-	20,799	11,778,996	33,933	11,812,929	75,965,881
591,210	2,491,308	-	-	-	10,904,656	12,000	10,916,656	71,891,433
602,209	2,602,817	-	-	-	10,647,453	149,246	10,796,699	69,327,163

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Instruction (excluding fringe benefits)	\$ 19,287,159	\$ 20,836,847	\$ 22,789,538
Pupil services	3,134,485	3,030,725	3,894,769
Instructional support services	1,376,078	1,287,388	1,830,065
General administration	505,682	544,271	593,784
School administration	2,075,127	2,152,357	2,143,988
Business services	6,412,103	7,089,407	7,095,898
Central staff	822,949	768,903	952,911
Athletics	445,893	441,760	639,525
Employee benefits	14,546,344	14,833,474	15,262,778
Community services (excluding fringe benefits)	92,385	151,932	124,243
Capital outlay (1)	122,670	282,373	425,170
Food Services Fund	1,275,493	1,284,725	1,277,065
Community Services Fund	1,599,307	1,542,769	1,570,395
Special Education Center Program Fund	-	-	2,566,089
Debt service			
Principal	5,850,000	5,395,000	7,530,000
Interest	3,644,377	3,769,475	4,138,025
Other	114,528	113,744	79,808
Capital projects (1)	<u>1,343,706</u>	<u>1,118,333</u>	<u>1,050,748</u>
	<u>\$ 62,648,286</u>	<u>\$ 64,643,483</u>	<u>\$ 73,964,799</u>
Debt services as a percentage of noncapital expenditures	<u>15.67%</u>	<u>14.61%</u>	<u>16.11%</u>

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

Source: School District of the City of Royal Oak Comprehensive Annual Financial Reports 2003-2012.

	2009	2008	2007	2006	2005	2004	2003
\$	22,968,200	\$ 22,995,734	\$ 23,639,078	\$ 23,987,353	\$ 24,270,916	\$ 24,920,477	\$ 26,290,035
	3,547,896	3,572,906	3,799,280	3,990,432	4,149,752	4,159,288	4,200,141
	1,569,359	1,630,971	1,662,792	1,909,897	1,964,051	1,958,555	1,942,163
	593,714	583,406	528,481	497,451	426,379	400,922	517,843
	2,210,699	2,017,650	2,520,245	2,616,229	2,745,387	2,602,059	3,116,373
	7,528,487	8,306,281	7,985,698	8,510,110	8,226,343	8,449,641	8,456,178
	828,829	823,762	855,625	1,023,288	959,423	974,050	993,100
	674,369	721,696	896,357	1,017,503	1,012,381	994,408	1,137,324
	15,107,125	15,546,380	16,578,710	16,920,722	15,979,359	15,093,909	14,908,890
	146,350	248,850	242,298	174,058	154,916	49,406	72,192
	382,472	492,165	795,474	505,552	907,490	810,221	1,666,098
	1,215,116	1,117,219	1,150,096	1,182,654	1,273,339	1,308,418	1,240,855
	1,606,298	1,710,488	1,982,233	1,940,627	1,986,032	2,005,206	2,233,371
	2,706,433	3,134,862	3,471,941	3,436,359	4,031,332	3,747,945	3,767,155
	4,052,732	8,125,000	5,250,000	4,465,000	2,623,937	2,609,449	5,163,124
	8,397,829	3,645,585	4,974,692	756,140	4,820,279	3,732,791	3,434,694
	108,193	215,305	51,731	19,895	94,455	271,824	71,440
	<u>7,817,337</u>	<u>48,870,643</u>	<u>39,109,809</u>	<u>6,324,113</u>	<u>159,340</u>	<u>129,433</u>	<u>518,056</u>
\$	<u>81,461,438</u>	<u>\$ 123,758,903</u>	<u>\$ 115,494,540</u>	<u>\$ 79,277,383</u>	<u>\$ 75,785,111</u>	<u>\$ 74,218,002</u>	<u>\$ 79,729,032</u>
	<u>17.05%</u>	<u>16.01%</u>	<u>13.45%</u>	<u>7.18%</u>	<u>9.97%</u>	<u>8.93%</u>	<u>10.94%</u>

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Excess of revenues over (under) expenditures	\$ 6,678,877	\$ 7,247,950	\$ 2,001,082	\$ (5,332,608)	\$ (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	877,718	405,924	1,968,372	271,111	200,000	5,848,469	1,518,150.00	-	-	-
Insurance recoveries	-	-	2,000,000	1,184,829	-	1,324,754	-	-	-	-
Transfers in	4,481,783	3,577,001	2,373,147	9,448,816	3,745,991	4,933,687	6,301,715	3,239,567	5,967,202	6,690,045
Transfers out	(4,481,783)	(3,577,001)	(2,373,147)	(9,448,816)	(3,745,991)	(4,933,687)	(6,301,715)	(3,239,567)	(5,967,202)	(6,690,045)
General long-term debt issued	-	2,650,000	-	-	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	(2,807,290)	(2,606,948)	(3,366,488)	(3,154,798)	(3,011,002)	(2,793,834)	(2,418,836)	(2,242,029)	(2,562,072)	(2,796,182)
Total other financing sources (uses)	<u>(1,929,572)</u>	<u>448,976</u>	<u>601,884</u>	<u>(1,698,858)</u>	<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 balance	<u>\$ 4,749,305</u>	<u>\$ 7,696,926</u>	<u>\$ 2,602,966</u>	<u>\$ (7,031,466)</u>	<u>\$ (48,084,789)</u>	<u>\$ (28,556,979)</u>	<u>\$ 66,391,378</u>	<u>\$ 457,927</u>	<u>\$ 1,241,076</u>	<u>\$ (1,489,797)</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 2003-2012.

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
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 %
2009	30,929,774	30,781,842	99.52 %	45,217	30,827,059	99.67 %
2010	31,470,829	31,390,959	99.75 %	52,351	31,443,310	99.91 %
2011	30,149,523	30,115,735	99.89 %	34,157	30,149,892	100.00 %
2012	29,646,026	29,597,314	99.84 %	37,812	29,635,126	99.96 %

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
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
2009	1,716,694,470	804,997,370	2,521,691,840	5,043,383,680	7.41	22.71
2010	1,679,401,510	825,078,121	2,504,479,631	5,008,959,262	7.35	22.71
2011	1,511,914,870	805,337,800	2,317,252,670	4,634,505,340	7.73	22.71
2012	1,458,200,960	791,577,970	2,249,778,930	4,499,557,860	7.73	22.71

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 Department

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			
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
2009	2.70	4.71	7.41	6.00	8.71	1.58
2010	2.64	4.71	7.35	6.00	8.71	1.58
2011	3.02	4.71	7.73	6.00	8.71	1.58
2012	3.02	4.71	7.73	6.00	8.71	1.58

Source: Oakland County Equalization Department

Overlapping Rates

<u>City of Berkley</u>	<u>City of Huntington Woods</u>	<u>City of Madison Heights</u>	<u>City of Royal Oak</u>	<u>City of Troy</u>
13.73	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
13.00	21.80	18.16	11.43	9.28
13.08	21.95	18.00	11.69	9.28
14.07	23.56	18.81	11.71	9.40
14.30	25.73	21.87	11.72	10.19

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			
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
2009	18.00	4.71	22.71	6.00	8.71	1.58
2010	18.00	4.71	22.71	6.00	8.71	1.58
2011	18.00	4.71	22.71	6.00	8.71	1.58
2012	18.00	4.71	22.71	6.00	8.71	1.58

Source: Oakland County Equalization Department

Overlapping Rates

<u>City of Berkley</u>	<u>City of Huntington Woods</u>	<u>City of Madison Heights</u>	<u>City of Royal Oak</u>	<u>City of Troy</u>
13.73	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
13.00	21.80	18.16	11.43	9.28
13.08	21.95	18.00	11.69	9.28
14.07	23.56	18.81	11.71	9.40
14.30	25.73	21.87	11.72	10.19

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	
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
2009	83,120,000	-	-	-	83,120,000
2010	75,590,000	-	-	-	75,590,000
2011	72,845,000	-	-	-	72,845,000
2012	66,995,000	-	-	-	66,995,000

* Years 2003-2006 have been updated to reflect revised personal income figures issued by the U.S. Department of Commerce

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>
0.0428%	401
0.0544%	528
0.0486%	486
0.1442%	1,496
0.1299%	1,437
0.1351%	1,467
0.1370%	1,406
N/A	1,277
N/A	1,240
N/A	1,133

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt limit	\$ 286,383,111	\$ 302,067,304	\$ 316,795,405	\$ 334,589,330
Total net debt applicable to limit	<u>25,425,591</u>	<u>33,027,271</u>	<u>30,403,333</u>	<u>91,438,333</u>
Legal debt margin	<u>\$ 260,957,520</u>	<u>\$ 269,040,033</u>	<u>\$ 286,392,072</u>	<u>\$ 243,150,997</u>
Total net debt applicable to the limit as a percentage of debt limit	8.88%	10.93%	9.60%	27.33%

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

Legal Debt Margin Calculation for Fiscal Year 2011

Taxable value	\$ 2,249,778,930
Debt limit (15%) of taxable value	337,466,840
Debt applicable to limit	<u>(66,995,000)</u>
Legal Debt Margin	<u>\$ 270,471,840</u>

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 355,404,695	\$ 374,080,544	\$ 378,253,776	\$ 375,671,945	\$ 347,587,901	\$ 337,466,840
<u>86,188,333</u>	<u>87,172,732</u>	<u>83,120,000</u>	<u>75,590,000</u>	<u>72,845,000</u>	<u>66,995,000</u>
<u>\$ 269,216,362</u>	<u>\$ 286,907,812</u>	<u>\$ 295,133,776</u>	<u>\$ 300,081,945</u>	<u>\$ 274,742,901</u>	<u>\$ 270,471,840</u>
24.25%	23.30%	21.97%	20.12%	20.96%	19.85%

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

Fiscal Year	Estimated Population	Enrollment	Full-Time and Part-Time School District Employees
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
2009	59,110	5,445	738
2010	59,188	5,488	635
2011	58,736	5,306	493
2012	59,107	5,449	453

Source: School District of the City of Royal Oak, Oakland County
 Planning and Economic Development Department, and the U.S. Census Bureau

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	
2003	\$ 59,421,401,000	63,457	\$ 1,737,264,984	28,756	\$ 60,414	6.40%
2004	60,703,773,000	62,562	1,775,424,196	28,756	61,741	5.90%
2005	62,543,581,000	62,562	1,803,297,440	28,832	62,545	6.10%
2006	63,419,982,000	61,138	1,792,994,026	28,862	62,123	6.10%
2007	66,375,041,000	59,984	1,769,553,282	28,686	61,687	6.60%
2008	64,506,257,000	59,418	1,765,259,350	28,615	61,690	7.30%
2009	60,677,507,000	59,110	1,636,404,626	27,639	59,134	13.70%
2010	N/A	59,188	N/A	28,063	N/A	12.50%
2011	N/A	58,736	N/A	N/A	N/A	10.90%
2012	N/A	59,107	N/A	N/A	N/A	8.80%

* Years 2003-2006 are revised figures issued by the U.S. Department of Commerce

** Years 2003-2010 are revised figures issued by the U.S. Department of Labor

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

N/A - Data is not available

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

Taxpayer	2012			2003		
	2011 Tax Year Taxable Value Real and Personal Property	Rank	Percentage of Total Taxable Value	2001 Tax Year Taxable Value Real and Personal Property	Rank	Percentage of Total Taxable Value
Detroit Edison	\$ 19,469,590	1	0.87%	\$ 27,034,790	1	1.42%
Beaumont Hospital	17,129,880	2	0.76%	15,563,530	3	0.82%
Flex-N-Gate	17,025,760	3	0.76%	-	-	-
Form Tech Industries	13,923,430	4	0.62%	-	-	-
Consumers Energy	13,315,880	5	0.59%	10,068,740	5	0.53%
Amber Equities, LLC	11,268,720	6	0.50%	-	-	-
Co-Op Services	10,248,050	7	0.46%	8,709,360	6	0.46%
H2 Royal Oak, LLC	9,111,940	8	0.41%	-	-	-
Main Eleven R.O.	9,032,700	9	0.40%	-	-	-
Meijer	7,970,620	10	0.35%	7,913,030	8	0.41%
Deco Grand	-	-	-	5,288,091	10	0.28%
Amber Management	-	-	-	7,550,514	9	0.40%
National City Bank	-	-	-	8,312,430	7	0.44%
Hawthorne Metal	-	-	-	11,565,010	4	0.61%
Masco	-	-	-	25,247,470	2	1.32%
Total principal taxpayers	128,496,570		5.71%	127,252,965		6.67%
Balance of valuations	<u>2,121,282,360</u>		<u>94.29%</u>	<u>1,781,967,773</u>		<u>93.33%</u>
Total taxable valuator	<u><u>\$ 2,249,778,930</u></u>		<u><u>100.00%</u></u>	<u><u>\$ 1,909,220,738</u></u>		<u><u>100.00%</u></u>

Source: City of Royal Oak Assessor

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

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

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

* Data for 2003 and 2002 is not available, therefore 2001 data is presented for comparative purposes.

2001*

<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
9,788	1	1.54%
1,086	3	0.17%
300	9	0.05%
380	6	0.06%
773	4	0.12%
-	-	-
163	10	0.03%
365	7	0.06%
-	-	-
-	-	-
1,102	2	0.17%
388	5	0.06%
348	8	0.05%
		<hr/>
		2.31%

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

<u>Fiscal Year Ended</u>	<u>Enrollment (1)</u>	<u>Operating Expenditures (2)</u>	<u>Cost per Pupil</u>	<u>Percentage Change</u>
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 %
2009	5,395	54,344,255	10,073	(1.50) %
2010	5,458	54,553,881	9,995	(0.77) %
2011	5,306	50,979,502	9,608	(3.88) %
2012	5,449	48,603,425	8,920	(7.16) %

Source: School District of the City of Royal Oak

(1) Enrollment for special education Center Program students is excluded in Years 2003 - 2010.
Center Programs were discontinued beginning Year 2011.

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

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

	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>
Administrative					
Building administrators	13.5	13.5	13.5	13.5	13.5
Central administration	7.0	6.0	5.0	7.0	7.0
Operational administration	1.0	2.0	2.0	2.0	2.0
	<u>21.5</u>	<u>21.5</u>	<u>20.5</u>	<u>22.5</u>	<u>22.5</u>
Instruction and pupil services					
Classroom teachers	247.2	266.9	268.4	276.4	283.6
Counselors	8.0	7.8	9.3	9.4	10.3
Media specialists	1.0	1.0	1.0	2.0	2.0
Psychologists	4.0	4.0	3.8	3.6	3.9
Social workers	4.6	4.6	6.6	6.4	6.3
Pupil support - professional	21.2	20.0	27.8	16.3	18.1
Paraprofessionals	45.5	43.0	43.0	43.0	44.5
Secretarial	22.5	23.5	23.5	23.5	24.0
Hall supervision (1)	-	-	3.0	4.0	6.0
	<u>354.0</u>	<u>370.8</u>	<u>386.4</u>	<u>384.6</u>	<u>398.7</u>
Business Services					
Custodial (1)	-	-	33.5	38.5	42.5
Maintenance (1)	-	-	14.0	15.0	18.0
Transportation (1)	-	-	24.0	24.0	24.5
Secretarial/clerical	9.0	11.0	13.5	14.0	14.0
Technical	5.5	5.5	5.5	7.0	5.5
	<u>14.5</u>	<u>16.5</u>	<u>90.5</u>	<u>98.5</u>	<u>104.5</u>
Total	<u>390.0</u>	<u>408.8</u>	<u>497.4</u>	<u>505.6</u>	<u>525.7</u>

Source: School District of the City of Royal Oak

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

<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	Percentage Change from <u>2001-02 to 2010-2011</u>
16.5	18.0	18.5	19.0	21.0	(35.71)%
7.0	7.0	8.0	9.0	10.0	(30.00)%
<u>2.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	(66.67)%
<u>25.5</u>	<u>28.0</u>	<u>29.5</u>	<u>31.0</u>	<u>34.0</u>	(36.76)%
302.3	320.9	336.0	345.0	387.6	(36.22)%
10.8	9.8	10.2	10.6	11.6	(31.03)%
3.0	4.0	4.0	4.0	4.5	(77.78)%
3.0	4.0	3.8	4.0	4.4	(9.09)%
7.0	7.7	6.7	8.7	10.3	(55.34)%
19.7	22.6	23.9	23.8	12.3	72.36 %
47.5	48.0	55.5	46.0	46.5	(2.15)%
28.0	34.0	35.0	34.0	38.5	(41.56)%
<u>8.0</u>	<u>9.0</u>	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>	(100.00)%
<u>429.3</u>	<u>460.0</u>	<u>485.1</u>	<u>486.1</u>	<u>525.7</u>	(32.66)%
42.5	52.0	52.0	54.0	66.5	(100.00)%
19.0	19.0	20.0	21.0	18.0	(100.00)%
28.0	23.5	27.5	27.5	27.5	(100.00)%
14.0	15.0	16.0	17.5	16.5	(45.45)%
<u>5.5</u>	<u>7.4</u>	<u>7.4</u>	<u>7.4</u>	<u>7.4</u>	(25.68)%
<u>109.0</u>	<u>116.9</u>	<u>122.9</u>	<u>127.4</u>	<u>135.9</u>	(89.33)%
<u>563.8</u>	<u>604.9</u>	<u>637.5</u>	<u>644.5</u>	<u>695.6</u>	(43.93)%

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>
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
2009	38,452	81,656
2010	38,452	81,656
2011	38,452	81,656
2012	38,452	81,656

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			
	2003	2004	2005	2006
Elementary:				
Addams (1952)				
Square feet	-	-	-	-
Capacity	-	-	-	-
Enrollment	-	-	-	-
Franklin (1927)				
Square feet	31,068	31,068	-	-
Capacity	275	275	-	-
Enrollment	128	-	-	-
Keller (1961)				
Square feet	-	-	-	-
Capacity	-	-	-	-
Enrollment	-	-	-	-
Longfellow (1919)				
Square feet	40,944	40,944	40,944	40,944
Capacity	400	400	400	400
Enrollment	219	216	189	179
Northwood (1923)				
Square feet	42,174	42,174	42,174	42,174
Capacity	400	400	400	400
Enrollment	385	388	389	374
Northwood (2008)				
Square feet	-	-	-	-
Capacity	-	-	-	-
Enrollment	-	-	-	-
Oakland (1924)				
Square feet	43,257	43,257	43,257	43,257
Capacity	400	400	400	400
Enrollment	203	295	260	262
Oak Ridge (1951)				
Square feet	51,619	51,619	51,619	51,619
Capacity	475	475	475	475
Enrollment	437	444	445	449
Parker (1952)				
Square feet	33,818	33,818	-	-
Capacity	275	275	-	-
Enrollment	201	-	-	-
Starr (1919)				
Square feet	39,414	39,414	39,414	39,414
Capacity	400	400	400	400
Enrollment	309	289	273	258
Twain (1954)				
Square feet	47,276	47,276	47,276	47,276
Capacity	450	450	450	450
Enrollment	272	281	236	219
Upton (1951)				
Square feet	35,708	35,708	35,708	35,708
Capacity	325	325	325	325
Enrollment	217	370	348	316

2007	2008	2009	2010	2011	2012
-	70,890	70,890	70,890	70,890	70,890
-	625	625	625	625	625
-	464	414	418	417	452
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	78,640	78,640	78,640	78,640	78,640
-	675	675	675	675	675
-	372	361	338	314	379
40,944	-	-	-	-	-
400	-	-	-	-	-
180	-	-	-	-	-
42,174	42,174	-	-	-	-
400	400	-	-	-	-
330	312	-	-	-	-
-	-	65,000	65,000	65,000	65,000
-	-	475	475	475	475
-	-	402	463	463	467
43,257	43,257	43,257	43,257	43,257	43,257
400	400	400	400	400	400
264	258	282	297	320	334
51,619	51,619	51,619	51,619	51,619	51,619
475	475	475	475	475	475
430	482	432	435	443	437
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
39,414	-	-	-	-	-
400	-	-	-	-	-
250	-	-	-	-	-
47,276	-	-	-	-	-
450	-	-	-	-	-
180	-	-	-	-	-
35,708	35,708	35,708	35,708	35,708	35,708
325	325	325	325	325	325
323	299	331	356	367	323

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

School	Fiscal Year			
	2003	2004	2005	2006
Whittier (1922)				
Square feet	43,982	43,982	43,982	43,982
Capacity	450	450	450	450
Enrollment	323	331	317	284
Middle:				
Addams (1953)				
Square feet	70,890	70,890	70,890	70,890
Capacity	891	891	891	891
Enrollment	707	699	690	666
Keller (1961)				
Square feet	78,640	78,640	78,640	78,640
Capacity	1,161	1,161	1,161	1,161
Enrollment	763	739	702	653
ROMS (1928)				
Square feet	-	-	-	-
Capacity	-	-	-	-
Enrollment	-	-	-	-
High:				
Dondero (1928)				
Square feet	264,819	264,819	264,819	264,819
Capacity	1,188	1,188	1,188	1,188
Enrollment	947	873	830	668
Kimball (1957)				
Square feet	269,008	269,008	269,008	269,008
Capacity	1,998	1,998	1,998	1,998
Enrollment	1,333	1,271	1,225	1,290
ROHS (1957)				
Square feet	-	-	-	-
Capacity	-	-	-	-
Enrollment	-	-	-	-
Other:				
Oakland Technical Center, SE Campus (1971)				
Square feet	125,735	125,735	125,735	125,735
Capacity	-	-	-	-
Enrollment	-	-	-	-
Community Education Center (1979)				
Square feet	78,583	78,583	78,583	78,583
Capacity	540	540	540	540
Enrollment	249	177	202	170
Addams Early Childhood Center (1952)				
Square feet	-	-	-	-
Capacity	-	-	-	-
Enrollment	-	-	-	-
Lincoln Early Childhood Center (1953)				
Square feet	39,565	39,565	39,565	39,565
Capacity	350	350	350	350
Enrollment	72	115	113	108

Source: School District of the City of Royal Oak

2007	2008	2009	2010	2011	2012
43,982	-	-	-	-	-
450	-	-	-	-	-
263	-	-	-	-	-
70,890	-	-	-	-	-
891	-	-	-	-	-
670	-	-	-	-	-
78,640	-	-	-	-	-
1,161	-	-	-	-	-
621	-	-	-	-	-
-	277,161	277,161	277,161	277,161	277,161
-	1,250	1,250	1,250	1,250	1,250
-	1,205	1,204	1,172	1,127	1,094
264,819	-	-	-	-	-
1,188	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
269,008	285,508	285,508	285,508	285,508	285,508
1,998	1,998	1,998	1,998	1,998	1,998
1,867	1,798	1,743	1,713	1,614	1,533
125,735	125,735	125,735	125,735	125,735	125,735
-	-	-	-	-	-
-	-	-	-	-	-
78,583	78,583	78,583	78,583	78,583	78,583
540	540	540	540	540	540
198	179	181	181	186	341
-	25,913	25,913	25,913	25,913	25,913
-	250	250	250	250	250
-	111	101	103	55	68
39,565	-	-	-	-	-
350	-	-	-	-	-
118	-	-	-	-	-

School District of the City of Royal Oak

Royal Oak, Michigan

Single Audit Report

June 30, 2012

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of the City of Royal Oak as of and for the year ended June 30, 2012, which collectively comprise the School District of the City of Royal Oak's basic financial statements and have issued our report thereon dated October 1, 2012. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the School District of the City of Royal Oak's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District of the City of Royal Oak's financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District of the City of Royal Oak's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the School District of the City of Royal Oak in a separate letter dated October 1, 2012.

This report is intended solely for the information and use of the Board of Education, management and others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan
October 1, 2012

**Independent Auditors' Report on Compliance with Requirements That
Could Have a Direct and Material Effect on Each
Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

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

Compliance

We have audited the School District of the City of Royal Oak's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District of the City of Royal Oak's major federal programs for the year ended June 30, 2012. The School District of the City of Royal Oak's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District of the City of Royal Oak's management. Our responsibility is to express an opinion on the School District of the City of Royal Oak's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District of the City of Royal Oak's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District of the City of Royal Oak's compliance with those requirements.

In our opinion, the School District of the City of Royal Oak complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the School District of the City of Royal Oak is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District of the City of Royal Oak's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and

to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District of the City of Royal Oak's internal control over compliance.

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of the City of Royal Oak as of and for the year ended June 30, 2012, and have issued our report thereon dated October 1, 2012 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-profit Organizations and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Board of Education, management and others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan
October 1, 2012

School District of the City of Royal Oak
Schedule of Expenditures of Federal Awards
June 30, 2012

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2011	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2012
Clusters:							
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:							
National School Lunch Program:							
Cash Assistance							
	10.555						
2010-2011		\$ 502,813	\$ 456,660	\$ 30,931	\$ 77,084	\$ 46,153	\$ -
2011-2012		<u>389,504</u>	<u>-</u>	<u>-</u>	<u>366,129</u>	<u>389,504</u>	<u>23,375</u>
Total Cash Assistance		<u>892,317</u>	<u>456,660</u>	<u>30,931</u>	<u>443,213</u>	<u>435,657</u>	<u>23,375</u>
Non-cash Assistance							
Entitlement commodities - 2010-2011		64,690	58,149	(6,541)	-	6,541	-
Entitlement commodities - 2011-2012		75,654	-	-	75,654	70,074	(5,580)
Bonus commodities - 2011-2012		9,594	-	-	9,594	9,594	-
Total Non-cash Assistance		<u>149,938</u>	<u>58,149</u>	<u>(6,541)</u>	<u>85,248</u>	<u>86,209</u>	<u>(5,580)</u>
Total National School Lunch Program		<u>1,042,255</u>	<u>514,809</u>	<u>24,390</u>	<u>528,461</u>	<u>521,866</u>	<u>17,795</u>
National School Breakfast Program:							
	10.553						
2010-2011		81,785	74,774	6,070	13,081	7,011	-
2011-2012		<u>73,332</u>	<u>-</u>	<u>-</u>	<u>68,683</u>	<u>73,332</u>	<u>4,649</u>
Total National School Breakfast Program		<u>155,117</u>	<u>74,774</u>	<u>6,070</u>	<u>81,764</u>	<u>80,343</u>	<u>4,649</u>
Total Child Nutrition Cluster		<u>1,197,372</u>	<u>589,583</u>	<u>30,460</u>	<u>610,225</u>	<u>602,209</u>	<u>22,444</u>
Special Education Cluster - U.S. Department of Education - Passed through the Oakland County ISD:							
IDEA Flowthrough:							
	84.027A						
Project number 110450-1011		1,202,491	1,202,491	201,614	201,614	-	-
Project number 120450-1112		<u>992,198</u>	<u>-</u>	<u>-</u>	<u>599,480</u>	<u>992,198</u>	<u>392,718</u>
Total IDEA Flowthrough		<u>2,194,689</u>	<u>1,202,491</u>	<u>201,614</u>	<u>801,094</u>	<u>992,198</u>	<u>392,718</u>
ARRA Flowthrough:							
	84.391A						
Project number 100455-0910		<u>1,540,386</u>	<u>94,405</u>	<u>92,568</u>	<u>144,403</u>	<u>51,835</u>	<u>-</u>
Handicapped Preschool Initiative:							
	84.173A						
Project number 110460-1011		78,037	78,037	18,624	18,624	-	-
Project number 120460-1112		<u>55,670</u>	<u>-</u>	<u>-</u>	<u>40,602</u>	<u>55,670</u>	<u>15,068</u>
Total Handicapped Preschool Initiative		<u>133,707</u>	<u>78,037</u>	<u>18,624</u>	<u>59,226</u>	<u>55,670</u>	<u>15,068</u>
ARRA Preschool:							
	84.392A						
Project number 100465-0910		<u>85,945</u>	<u>24,340</u>	<u>16,451</u>	<u>16,451</u>	<u>-</u>	<u>-</u>
Total Special Education Cluster		<u>3,954,727</u>	<u>1,399,273</u>	<u>329,257</u>	<u>1,021,174</u>	<u>1,099,703</u>	<u>407,786</u>
Medicaid - U.S. Department of Health and Human Services Passed through the Oakland County ISD:							
	93.778						
Administrative Outreach Program FY 2011		<u>10,471</u>	<u>-</u>	<u>10,471</u>	<u>10,471</u>	<u>-</u>	<u>-</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

School District of the City of Royal Oak
Schedule of Expenditures of Federal Awards
June 30, 2012

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2011	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2012
Other Federal Awards:							
U.S. Department of Education-							
Passed through the Michigan Department of Education:							
Title I Cluster							
Title I Part A:	84.010						
Project number 111530-1011		\$ 619,517	\$ 462,625	\$ 83,811	\$ 128,586	\$ 44,775	\$ -
Project number 121530-1112		<u>587,764</u>	<u>-</u>	<u>-</u>	<u>360,094</u>	<u>500,321</u>	<u>140,227</u>
Total Title I		<u>1,207,281</u>	<u>462,625</u>	<u>83,811</u>	<u>488,680</u>	<u>545,096</u>	<u>140,227</u>
ARRA Title I Part A:	84.839						
Project number 101535-0910		260,458	260,458	-	-	-	-
Project number 111535-1011		<u>41,664</u>	<u>41,664</u>	<u>4,919</u>	<u>4,919</u>	<u>-</u>	<u>-</u>
Total ARRA Title I Part A		<u>302,122</u>	<u>302,122</u>	<u>4,919</u>	<u>4,919</u>	<u>-</u>	<u>-</u>
Total Title I Cluster		<u>1,509,403</u>	<u>764,747</u>	<u>88,730</u>	<u>493,599</u>	<u>545,096</u>	<u>140,227</u>
Title II, Part A:	84.367						
Project number 110520-1011		267,929	210,364	28,012	53,386	25,374	-
Project number 120520-1112		<u>221,009</u>	<u>-</u>	<u>-</u>	<u>157,835</u>	<u>203,738</u>	<u>45,903</u>
Total Title II, Part A		<u>488,938</u>	<u>210,364</u>	<u>28,012</u>	<u>211,221</u>	<u>229,112</u>	<u>45,903</u>
Title III:	84.365a						
Project number 110580-1011		37,468	11,939	1,386	6,139	4,753	-
Project number 110570-1011		36,094	27,845	10,656	14,627	3,971	-
Project number 120580-1112		41,060	-	-	10,350	19,353	9,003
Project number 120570-1112		<u>23,256</u>	<u>-</u>	<u>-</u>	<u>9,146</u>	<u>13,359</u>	<u>4,213</u>
Total Title III		<u>137,878</u>	<u>39,784</u>	<u>12,042</u>	<u>40,262</u>	<u>41,436</u>	<u>13,216</u>
Adult Basic Education:	84.002A						
Project number 121130-121137		<u>67,600</u>	<u>-</u>	<u>-</u>	<u>43,667</u>	<u>67,600</u>	<u>23,933</u>
Education Jobs Fund	84.410						
Project number 112545-1011		603,167	-	-	603,167	603,167	-
Project number 112545-1112		<u>45,565</u>	<u>-</u>	<u>-</u>	<u>45,565</u>	<u>45,565</u>	<u>-</u>
		<u>648,732</u>	<u>-</u>	<u>-</u>	<u>648,732</u>	<u>648,732</u>	<u>-</u>
Total Other Federal Awards - U.S. Department of Education		<u>2,852,551</u>	<u>1,014,895</u>	<u>128,784</u>	<u>1,437,481</u>	<u>1,531,976</u>	<u>223,279</u>
Passed through the Michigan Department of Education:							
Total Federal Awards		<u>\$ 8,015,121</u>	<u>\$ 3,003,751</u>	<u>\$ 498,972</u>	<u>\$ 3,079,351</u>	<u>\$ 3,233,888</u>	<u>\$ 653,509</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

School District of the City of Royal Oak
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2012

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2012.
3. The federal amounts reported on the Grant Auditor Report are in agreement with the Schedule of Expenditures of Federal Awards.
4. The amounts reported on the Recipient Entitlement Balance Report agree with the Schedule of Expenditures of Federal Awards for U.S.D.A. donated food commodities.
5. The following is a reconciliation between the federal revenues reported in the financial statements and the schedule of federal awards.

Federal revenues per the financial statements	\$ 3,368,742
Less federal reimbursed interest	<u>(134,854)</u>
Federal revenues per schedule of federal awards	<u>\$ 3,233,888</u>

School District of the City of Royal Oak
Schedule of Findings and Questioned Costs
June 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.555, 10.553 84.410	Child Nutrition Cluster Education Jobs Fund

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

Auditee qualified as low-risk auditee? X yes _____ no

School District of the City of Royal Oak
Schedule of Findings and Questioned Costs
June 30, 2012

SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS

There were no findings related to the financial statements which are required to be reported in accordance with governmental auditing standards generally accepted in the United States of America for the year ended June 30, 2012.

SECTION III - FEDERAL AWARD FINDINGS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2012.

School District of the City of Royal Oak
Summary Schedule of Prior Audit Findings
June 30, 2012

PRIOR AUDIT FINDINGS

SECTION IV - GOVERNMENT AUDITING STANDARDS FINDINGS

There were no findings related to the financial statements which are required to be reported in accordance with governmental auditing standards generally accepted in the United States of America for the year ended June 30, 2011.

SECTION V - FEDERAL AWARD FINDINGS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2011.