

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

**Comprehensive Annual Financial Report**

**for the Fiscal Year Ended**

**June 30, 2013**

# **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, 2013

Shawn Lewis-Lakin  
Superintendent of Schools

Rick West  
Executive Director of Finance and Operations

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# **INTRODUCTORY SECTION**



**Board of Education**  
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September 6, 2013

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, Finance and Operations. It serves as an introduction to our Comprehensive Annual Financial Report for the fiscal year which ended June 30, 2013. The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The introductory section includes the District's organizational chart, a list of principal officials and this transmittal letter. The financial section includes the Management's Discussion and Analysis, the Independent Auditor's Report, district-wide financial statements, fund financial statements and notes to the financial statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. For an additional narrative about the financial performance of the District, please direct your attention to the Management's Discussion and Analysis.

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

### **The District**

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 2013, the District operated six K-5 elementary schools, one 6-8 middle school, one 9-12 senior high school, an early childhood center, a community education center, an alternative high school, an administration building and a maintenance/transportation facility. The district provided shared services to private and parochial schools located within the bounds of the district, most significantly to Shrine Schools.

## **Student Services Provided**

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

The curriculum of the District is a broad-based curriculum designed to meet the individual needs of all students including the regular daytime, academically talented, at-risk, special needs and adult continuing education students. In addition, there are many opportunities for students to participate in extra-curricular activities including 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 past decade's unprecedented economic downturn in the State of Michigan, along with state budget decisions, have presented school districts with the financial challenges 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 2012-13, student enrollment decreased by 91 students. This decrease was offset through the 138 students we received as a result of our shared service agreement with Royal Oak Shrine. This enrollment decline is a marked improvement over years when student loss approached 300.

From a local district’s perspective, the school funding system instituted following the passage of proposal A in 1994 has not lived up to its promise of adequately funding public education. Over time, increases in the per-pupil foundation allowance have not kept pace with inflation. In many of those years, money promised and committed to local school districts has been taken away mid-year by the State of Michigan due to insufficient State revenue and the inability of State lawmakers to make the necessary structural changes in the State budget. Decisions by the state to fund higher education through the school aid budget have eroded funding available for K-12 schools, even as revenue and expenditures in the school aid budget rebound. Insufficient state funding for education has placed a significant financial burden on all school districts across the state when wage, benefit, retirement, and utility costs are increasing at rates above inflation. The dependence upon sales tax and statewide property tax revenue for school funding will continue to result in significant cyclical effects tied to the performance of the economy. Any future increase in the District’s per-pupil foundation allowance will be based on the growth in sales tax, statewide property tax and other state revenue. As a result, there are very serious concerns about the financial impact of Michigan’s current and future economic downturns on the revenue stream for the State School Aid Fund. The financial outlook for school districts in Michigan remains challenging. The \$470 reduction in per pupil funding adopted by the State Legislature in 2011-12 continues to have a lingering effect. This reduced funding continued in 2012-2013 and represented a loss in revenue for Royal Oak of over \$2.4 million. School districts across Michigan continue to be challenged by financial uncertainty.

**Revenue Base**

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

|                       | <u>Amount</u>        | <u>Percentage of Total</u> |
|-----------------------|----------------------|----------------------------|
| Local Sources         | \$ 20,119,124        | 36.40%                     |
| Interdistrict Sources | \$ 3,743,564         | 6.77%                      |
| State Sources         | \$ 29,689,691        | 53.72%                     |
| Federal Sources       | \$ 1,712,589         | 3.10%                      |
| <u>Total Revenue</u>  | <u>\$ 55,264,968</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 2012-13, 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 2012-13 General Fund revenue to the prior year reveals the following:

|                       | 2012-13       | 2011-12       | Increase<br>(Decrease) | % Increase<br>(Decrease)<br>By Source |
|-----------------------|---------------|---------------|------------------------|---------------------------------------|
| Local Sources         | \$ 20,119,124 | \$ 19,915,989 | \$ 203,135             | 1.02%                                 |
| Interdistrict Sources | \$ 3,743,564  | \$ 4,210,781  | \$ (467,217)           | -11.10%                               |
| State Sources         | \$ 29,689,691 | \$ 29,169,198 | \$ 520,493             | 1.78%                                 |
| Federal Sources       | \$ 1,712,589  | \$ 2,631,679  | \$ (919,090)           | -34.92%                               |
| Total Revenues        | \$ 55,264,968 | \$ 55,927,647 | \$ (662,679)           | -1.18%                                |

The increase in Local Sources of \$203,135 is mostly attributed to the increase in property tax revenue.

The decrease in Interdistrict Sources of \$467,217 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 increase in State Sources of \$520,493 was primarily the result of an increase in student enrollment due to our shared service agreement with Shrine Schools.

The decrease in Federal Sources of \$919,090 resulted in large part from not receiving Edu Jobs grant money. There was also a reduction in our consolidated application grant and IDEA funding.

In May of 2006, the electors of the District overwhelmingly approved a renewal of operating 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. Looking beyond 2013-2014, voter approval of operating millage renewal proposals is of utmost importance for the district.

## Expenditures

Expenditures and Other Financing (Sources) Uses for the General Fund totaled \$52,953,570 for the year ended June 30, 2013. 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   | \$ 16,431,049 | 31.03%            |
| Added Needs  | \$ 2,948,636  | 5.57%             |
| Continuing Education                                   | \$ 115,180    | 0.22%             |
| Employee Benefits                                      | \$ 9,657,059  | 18.24%            |
| Total Instruction                                      | \$ 29,151,924 | 55.05%            |
| Support Services:                                      |               |                   |
| Pupil Services   | \$ 3,145,836  | 5.94%             |
| Instructional Services                                 | \$ 1,312,486  | 2.48%             |
| General Administration                                 | \$ 543,944    | 1.03%             |
| School Administration                                  | \$ 1,837,736  | 3.47%             |
| Business Services                                      | \$ 6,096,684  | 11.51%            |
| Central Staff  | \$ 1,543,609  | 2.92%             |
| Athletic Activities                                    | \$ 498,456    | 0.94%             |
| Employee Benefits                                      | \$ 3,529,532  | 6.67%             |
| Total Support Services                                 | \$ 18,508,283 | 34.95%            |
| Payments to other governmental units                   | \$ 2,508,425  | 4.74%             |
| Community Services                                     | \$ 745,972    | 1.41%             |
| Capital Outlay   | \$ 997,251    | 1.88%             |
| Debt Service   | \$ 31,348     | 0.06%             |
| Total Expenditures                                     | \$ 51,943,203 | 98.09%            |
| Other Financing Uses                                   | \$ 1,010,367  | 1.91%             |
| Total Expenditures and<br>Other Financing Sources Uses | \$ 52,953,570 | 100.00%           |

A comparison of 2012-13 General Fund expenditures to the prior year is as follows:

| Function   | 2012-13       | 2011-12       | Increase<br>(Decrease) | % Increase<br>(Decrease)<br>By Source |
|--|---------------|---------------|------------------------|---------------------------------------|
| Instruction:   |               |               |                        |                                       |
| Basic Programs   | \$ 16,431,049 | \$ 16,289,716 | \$ 141,333             | 0.87%                                 |
| Added Needs  | \$ 2,948,411  | \$ 2,856,399  | \$ 92,012              | 3.22%                                 |
| Continuing Education                                   | \$ 115,180    | \$ 141,044    | \$ (25,864)            | -18.34%                               |
| Employee Benefits                                      | \$ 9,657,059  | \$ 10,247,873 | \$ (590,814)           | -5.77%                                |
| Total Instruction                                      | \$ 29,151,699 | \$ 29,535,032 | \$ (383,333)           | -1.30%                                |
| Support Services:                                      |               |               |                        |                                       |
| Pupil Services   | \$ 3,145,836  | \$ 3,134,485  | \$ 11,351              | 0.36%                                 |
| Instructional Services                                 | \$ 1,312,486  | \$ 1,376,078  | \$ (63,592)            | -4.62%                                |
| General Administration                                 | \$ 543,944    | \$ 505,682    | \$ 38,262              | 7.57%                                 |
| School Administration                                  | \$ 1,837,736  | \$ 2,075,127  | \$ (237,391)           | -11.44%                               |
| Business Services                                      | \$ 6,096,684  | \$ 6,412,103  | \$ (315,419)           | -4.92%                                |
| Central Staff  | \$ 1,543,609  | \$ 822,949    | \$ 720,660             | 87.57%                                |
| Athletic Activities                                    | \$ 498,456    | \$ 445,893    | \$ 52,563              | 11.79%                                |
| Employee Benefits                                      | \$ 3,529,532  | \$ 4,295,105  | \$ (765,573)           | -17.82%                               |
| Total Support Services                                 | \$ 18,508,283 | \$ 19,067,422 | \$ (559,139)           | -2.93%                                |
| Payments to other governmental units                   | \$ 2,508,425  | \$ 2,807,290  | \$ (298,865)           | -10.65%                               |
| Community Services                                     | \$ 745,972    | \$ 94,780     | \$ 651,192             | 687.06%                               |
| Capital Outlay   | \$ 997,476    | \$ 122,670    | \$ 874,806             | 713.14%                               |
| Debt Service   | \$ 31,348     | \$ -          | \$ 31,348              | 100.00%                               |
| Total Expenditures                                     | \$ 51,943,203 | \$ 51,627,194 | \$ 316,009             | 0.61%                                 |
| Other Financing Uses                                   | \$ 1,010,367  | \$ 3,108,023  | \$ (2,097,656)         | -67.49%                               |
| Total Expenditures and<br>Other Financing Sources Uses | \$ 52,953,570 | \$ 54,735,217 | \$ (1,781,647)         | -3.26%                                |

The most significant dollar changes from 2011-12 to 2012-13 can be explained as follows:

The decrease in expenditures for Instruction is largely attributable to decrease in employee benefit costs. The reduction in MESSA healthcare premium costs as well as increased employee contributions due to implementation of PA 152 reduced our benefit costs.

The reduction of Support Services expenses was also due to decreasing benefit costs.

The increase in Community Services expenses is attributable to our shared services agreement with Royal Oak Shrine.

The increase in Central Staff expenses is a result of the account conversion that took place between 2011-12 and 2012-13 school years. During the conversion, all expenses was aligned with the 1022 accounting manual which resulted in many expense lines moving from business services to central staff.

The decrease of \$2,097,656 in Other Financing (Sources) Uses was due to the fact that funds were not transferred from the General Fund to the Property Maintenance Fund.

### **Fund Balance**

The District ended fiscal year 2013 in stable financial condition; however, we remain cautious as the State continues to discuss the funding system of K-12 education. The General Fund's fund balance of \$12,865,866 achieves the stated goal of 15% of expenditures and other financing uses. A conscious effort was made a number of years ago to establish an adequate fund balance level to assist with cash flow needs, prevent borrowing, provide adequate reserves during economic downturns, and provide for unforeseen emergencies. Our District has achieved this goal; however, the current financial challenges and uncertainty of school funding have made the goal of maintaining stable fund equity a significant challenge. It should also be noted that a large portion of the fund balance is assigned for specific uses. These include assignments for the subsequent year's budget and compensated absences. The unassigned fund balance of \$10.03 million at the end of fiscal year 2013 represents 18.95% 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 2013 was 4.71 mills, the same as in the previous year. The total fund balance in the debt retirement funds of \$3,656,271 is adequate to meet our future years debt obligation and interest payments provided our property tax values remain relatively stable.

### **Fiscal Planning**

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

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

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

The marketing of all vacant sites to prospective developers continued during fiscal 2012-13. Significant activity occurred with the real estate available in the district and we were able to recognize over \$2 million in revenue from property sales. This revenue is put in the property maintenance fund and used for building renovation projects.

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

Since student enrollment is so critical to the District's financial well being, several short and long term initiatives have been developed to address this key issue. These include engaging the services of a marketing agency to continue our comprehensive advertising campaign. Once again, the District was a successful participant in the Schools of Choice Program during fiscal 2013. 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 2013, this program used a targeted, space available and grade specific approach.

Other long term initiatives have been implemented to maintain student enrollment. These include: An Early Childhood Center that provides Child Care and Preschool services and introduces families to 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.

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

### **Other Financial Highlights**

The District maintains a prudent and fiscally conservative cash management program. The General Fund investment income earned was \$21,330. This amount is the result of a low interest rate environment.

During the fiscal year, there were four union groups recognized within the District. We successfully negotiated contracts with all four groups and settled contracts are in place for the 2013-2014 school year.

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

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

The Food Service Fund ended the year with a slight excess of revenues over expenditures in the amount of \$17,666.

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 2012-13.

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

## **Curriculum Highlights**

### *School Quality*

The District and school staff are engaged in an ongoing process to address school quality. A five-part framework from AdvancEd is utilized to evaluate current practice and make changes to ensure continuous improvement. The five areas identified for evaluation are Purpose and Direction, Governance and Leadership, Teaching and Assessing for Learning, Resources and Support Systems, and Using Results for Continuous Improvement. In the Spring of 2013 Royal Oak Schools engaged in a Quality Assurance Review by AdvancEd. This was an external review of the systems the district has in place.

The District 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 2012-13, Royal Oak maintained school culture component to our data-driven learning in Response to Intervention. All of our schools joined forces at the District level to pursue a K-12 system of Positive Behavior Intervention and Support.

### *Accreditation*

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

### *Curriculum and Instruction Overview*

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

Keller Elementary School received the designation as an authorized International Baccalaureate Primary Years Programme in the spring of 2011. Royal Oak Middle School and Royal Oak High School are in the process of seeking accreditation from the International Baccalaureate Organization as Middle Years Programme for grades 6-10. The District's application for candidacy for the Middle Years Programme was accepted by the International Baccalaureate Organization in early summer of 2012. 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 2014 and beyond to meet these challenges. At the same time, the high school has focused on "Learning for All" in efforts to leave no student behind during this transition to stronger graduation requirements.

### *Core Curriculum*

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

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

### *Language Arts*

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

### *Math*

Our math curriculum is both broad and deep, ensuring that all students will master the math content expectations as laid out by the State. Students at all levels work toward mastering computational math skills. Equal emphasis is placed on math concepts and operations to ensure that students develop the problem-solving skills needed for the 21<sup>st</sup> 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. For the 2013-2014 school year, Royal Oak Schools has initiated a partnership with Oakland Schools Technology Services Department to formalize technology integration initiatives for the classroom, as well as professional development for teachers and administrators.

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

## *Assessment*

The District's Instruction Office maintains a prescribed assessment program to monitor the progress of individual students as well as the effectiveness of our instructional programs. The District uses common assessments at all grade levels to evaluate student progress and to improve instructional practices. The District Uses AIMSWeb (Academic Improvement Monitoring System) and NWEA Map testing to collect academic growth data on students in grades K-10. The information collected is norm-referenced. The Michigan Education Assessment Program (MEAP) is administered in the four core content areas of English Language Arts (ELA), Math, Science, and Social Studies. ELA and Math MEAP tests are administered in grades three through eight. The Science MEAP is administered in grades five and eight. The Social Studies MEAP is administered in grades six and nine. In accordance with new State law, the high school assessment has been changed to the Michigan Merit Exam (MME) in conjunction with the ACT. The MME/ACT is administered in the Spring of each year to students in eleventh grade and also covers all four core content areas.

In the 2012-13 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,



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Shawn Lewis-Lakin  
Superintendent of Schools



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Rick West  
Executive Director, Finance & Operations

# School District of the City of Royal Oak

## Members of the Board of Education and Principal Officials

June 30, 2013

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### Board of Education

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

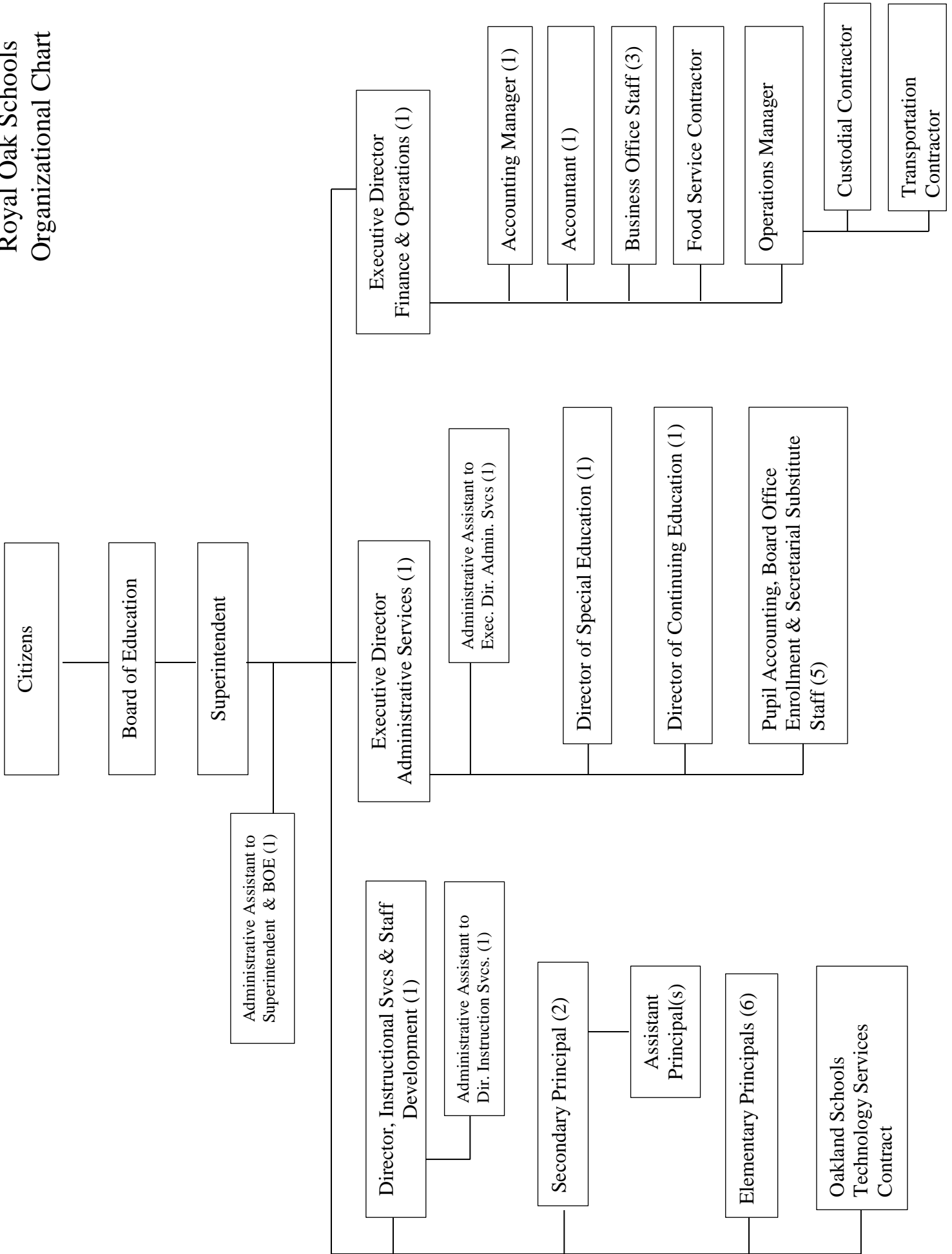
### Administration

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

Board of Education Regular Meetings: Second Thursday of each month

Accreditation:  
AdvancED

# Royal Oak Schools Organizational Chart



# **FINANCIAL SECTION**

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## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of the City of Royal Oak, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of the City of Royal Oak, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Adoption of New Accounting Standards**

As described in Note 1 to the financial statements, during the year ended June 30, 2013, the District adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

## **Other Matters:**

### ***Required Supplemental Information***

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

### ***Other Supplemental Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of the City of Royal Oak's basic financial statements. The list of the Members of the Board of Education and Principal Officials, Introductory section, other supplemental information, as identified in the table of contents, and statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, is the responsibility of management and, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and

other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other than the prior year information, the other supplemental information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The list of the Members of the Board of Education and Administration, introductory section and statistical sections, which are the responsibility of management, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### ***Report on Summarized Comparative Information and Prior Year Supplemental Information***

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the School District of the City of Royal Oak's financial statements as of and for the year ended June 30, 2012, which are not presented with the accompanying financial statements. In our report dated October 1, 2012, we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of the City of Royal Oak's financial statements as a whole. The 2012 information in the comparative supplemental schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2012 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 2012 summarized comparative information presented in the basic financial statements and information in the comparative supplemental schedules is fairly stated in all material respects in relation to the financial statements from which they have been derived.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District of the City of Royal Oak's internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Saginaw, Michigan  
September 6, 2013



**School District of the City of Royal Oak**  
**Management's Discussion and Analysis**  
**June 30, 2013**

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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, 2013. It should be read in conjunction with the District's financial statements, which immediately follow this section.

**Understanding the Comprehensive Annual Financial Report**

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

Financial Section

- Basic Financial Statements
  - District-wide Financial Statements
  - Fund Financial Statements
  - Fiduciary Fund
  - Notes to Financial Statements
  
- Required Supplemental Information
  - Budgetary Comparison Schedule – General Fund
  
- Other Supplemental Information
  - Combining Balance Sheet - Nonmajor Governmental Funds
  - Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds
  - Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Budget to Actual – Special Revenue Funds
  - Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Budget to Actual – Debt Service Funds
  - Combining Statement of Revenue, Expenditures, and Changes in Fund Balance – Capital Projects Fund
  - Schedule of Bonded Indebtedness
  
- Statistical Section

**School District of the City of Royal Oak**  
**Management's Discussion and Analysis**  
**June 30, 2013**

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

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

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

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

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

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

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

**School District of the City of Royal Oak**  
**Management's Discussion and Analysis**  
**June 30, 2013**

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accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term financial view of the operations of the School District. Governmental fund statements provide information to illustrate whether there has been an increase or decrease in available financial resources that can be expended in future years. The relationship between governmental activities and governmental funds is illustrated in a reconciliation included in the financial section on page 3-6.

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

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

**The School District as a Whole**

The Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a comparative summary of the School District's net position as of June 30, 2013 and June 30, 2012.

| <b><u>TABLE 1</u></b>    | <b><u>Governmental Activities</u></b> |                    |
|--------------------------|---------------------------------------|--------------------|
|                          | <b><u>2013</u></b>                    | <b><u>2012</u></b> |
|                          | (in millions)                         |                    |
| <b>Assets</b>            |                                       |                    |
| Current and other assets | \$ 29.2                               | \$ 26.6            |
| Capital assets           | <u>120.1</u>                          | <u>122.1</u>       |
| Total Assets             | 149.3                                 | 148.7              |
| <b>Liabilities</b>       |                                       |                    |
| Current liabilities      | 7.6                                   | 7.5                |
| Long-term liabilities    | <u>62.6</u>                           | <u>70.5</u>        |
| Total Liabilities        | 70.2                                  | 78.0               |

**School District of the City of Royal Oak**  
**Management's Discussion and Analysis**  
**June 30, 2013**

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|                                  | <u>Governmental Activities</u> |                |
|----------------------------------|--------------------------------|----------------|
|                                  | <u>2013</u>                    | <u>2012</u>    |
|                                  | (in millions)                  |                |
| <b>Net Position</b>              |                                |                |
| Net investment in capital assets | \$ 58.1                        | \$ 52.3        |
| Restricted                       | 3.6                            | 4.1            |
| Unrestricted                     | <u>17.4</u>                    | <u>14.3</u>    |
| Total Net Position               | <u>\$ 79.1</u>                 | <u>\$ 70.7</u> |

The previous schedule (Table 1) reports the net position of the District. The School District's net position was \$79.1 million and \$70.7 million at June 30, 2013 and 2012, respectively. Net investment in capital assets totaled \$58.1 million. This represents the original cost of the School District's capital assets less accumulated depreciation, and net of the long-term debt used to finance the acquisition of those assets. General obligation long-term debt will be repaid from voter-approved property tax collections as the principal and interest comes due. The principal and interest obligations of the Qualified School Construction Bonds (QSCB) will be repaid from energy savings generated by the energy conservation projects funded from the proceeds of the QSCB. Restricted net position are reported separately to highlight any legal constraints included in debt covenants and legislation that may limit the School District's ability to use those net position for day-to-day operations. The unrestricted net position is \$17.4 million.

The \$17.4 million in unrestricted net position of governmental activities represents the *cumulative* results of all past years' operations. The current level of unrestricted net position provides sufficient working capital and available cash to carry the District through future uncertainties. The operating results and cash position of the General Fund have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net position for fiscal year 2013 and fiscal year 2012.

**School District of the City of Royal Oak**  
**Management's Discussion and Analysis**  
**June 30, 2013**

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**TABLE 2**

|  | <u>Governmental Activities</u> |                      |
|--|--------------------------------|----------------------|
|  | <u>2013</u>                    | <u>2012</u>          |
|  | (in millions)                  |                      |
| <b>Revenue</b>                             |                                |                      |
| Program revenue:                           |                                |                      |
| Charges for services                       | \$ 2.2                         | \$ 2.4               |
| Operating grants and contributions         | 9.5                            | 11.1                 |
| General revenue:                           |                                |                      |
| Property taxes                             | 29.7                           | 29.6                 |
| State foundation allowance                 | 26.5                           | 25.9                 |
| Other                                      | <u>2.0</u>                     | <u>1.0</u>           |
| Total Revenue                              | 70.0                           | 70.0                 |
| <b>Functions/Program Expenses</b>          |                                |                      |
| Instruction                                | 32.5                           | 33.0                 |
| Support services                           | 19.0                           | 19.4                 |
| Food services                              | 1.2                            | 1.3                  |
| Community services                         | 1.3                            | 0.6                  |
| Interest on long-term debt                 | 3.1                            | 3.2                  |
| Depreciation (unallocated)                 | <u>4.5</u>                     | <u>5.2</u>           |
| Total Functions/program Expenses           | <u>61.5</u>                    | <u>62.7</u>          |
| <b>Increase (Decrease) in Net Position</b> | <b><u>\$ 8.4</u></b>           | <b><u>\$ 7.3</u></b> |

As reported in the Statement of Activities, the expenditures for all *governmental* activities this year was \$61.5 million. Certain activities were partially funded from those who benefited from the programs (\$2.2 million). In addition, other governmental units and organizations subsidized certain programs with grants and contributions (\$9.5

**School District of the City of Royal Oak**  
**Management's Discussion and Analysis**  
**June 30, 2013**

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million). The remaining "public benefit" portion of our governmental activities was funded with \$29.7 million in taxes, \$26.5 million in State foundation allowance, and \$2.0 million in other revenues, such as interest earnings, proceeds from the sale of property and general entitlements.

During fiscal 2013, the School District experienced an increase in net position of approximately \$8.4 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 2013, the governmental funds reported a combined fund balance of approximately \$22.0 million, which represents an increase of \$2.7 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 \$2.3 million for a total year-end fund balance of \$12.86 million. A portion of the General Fund's fund balance is assigned for specific purposes with the remaining unassigned portion available for unforeseen emergencies. This level of fund balance meets the target of 15% of expenditures and provides the District with sufficient resources to handle unforeseen emergencies, prevent cash flow borrowing and cover potential state revenue shortfalls.

The Special Revenue Funds combined fund balance increased by \$.32 million from the prior year.

The Debt Service Funds showed a combined fund balance of approximately \$3.66 million, a decrease of \$.41 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 interest obligations of the bonded debt. Debt Service fund balances are reserved and are only used to pay debt service obligations.

The combined Capital Projects Funds' fund balance increased from the prior year. The increase of \$.473 million resulted from property sale proceeds received from the sale of

**School District of the City of Royal Oak**  
**Management's Discussion and Analysis**  
**June 30, 2013**

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individual lots at the former Franklin Elementary, Whittier Elementary and Longfellow Elementary sites; proceeds from a land contract at the former Star Elementary site; and proceeds from the sale of the entire Lincoln Elementary site. Approximately \$2.2 million was expended in the Capital Projects Funds in fiscal 2013.

In addition to the activities in the Property Maintenance Fund, a transfer of \$600,000 was made from the General Fund to the Instructional Technology Fund to prepare for implementation of new technology throughout the District.

**General Fund Budgetary Highlights**

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

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

**Capital Assets and Debt Administration**

***Capital Assets***

As of June 30, 2013 and 2012, the School District had \$120.1 million and \$122.1 million, respectively, invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. The 2013 amount represents a net decrease of approximately \$2.0 million, or 1.6 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, 2013**

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|                                    | <u>2013</u>            | <u>2012</u>           |
|------------------------------------|------------------------|-----------------------|
|                                    | (in millions)          |                       |
| Land                               | \$ 5.2                 | \$ 5.4                |
| Construction in Progress           | 0.9                    | 0.3                   |
| Building and building improvements | 189.9                  | 188.2                 |
| Buses and other equipment          | <u>4.6</u>             | <u>30.0</u>           |
| Total Capital Assets               | 199.7                  | 223.9                 |
| Less accumulated depreciation      | <u>80.6</u>            | <u>101.8</u>          |
| Net Capital Assets                 | <b><u>\$ 120.1</u></b> | <b><u>\$122.1</u></b> |

**Debt**

At the end of this year, the School District had approximately \$59.1 million in bonds outstanding compared to a little over \$66.9 million in the previous year. Of this total, general obligation bonds amounted to \$57.0 million and Qualified School Construction Bonds totaled \$2.1 million. The Qualified School Construction Bonds were issued during 2011 with the proceeds being used for energy conservation projects.

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

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

**Economic Factors and Next Year's Budgets**

The Board of Education and administration considered many variables when the School District's 2013-14 fiscal year budget was developed. The two most important factors that determine the overwhelming majority of the District's revenue are student enrollment (blended count) and the per pupil foundation allowance. The formula mandated by the State to calculate the blended student count for 2013-14 has changes from previous years. The blended student count for the 2013-14 fiscal year will be 90 percent of the September 2013 actual student count and 10 percent of the February 2014 student count. We have projected 45 less students from the 2012-2013 school



**School District of the City of Royal Oak**  
**Management's Discussion and Analysis**  
**June 30, 2013**

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year. Any change in the per pupil foundation allowance is determined by the State and is dependent upon the State's economic climate and the financial condition of the State School Aid Fund. The 2013-14 budget was adopted by the Board of Education on June 28, 2013.

There remains great uncertainty in public school funding. The 2013-14 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 2013 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 Position**  
**June 30, 2013**

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|  | Governmental<br>Activities |
|--|----------------------------|
| <b>Assets</b>                                  |                            |
| Current assets                                 |                            |
| Cash and cash equivalents                      | \$ 22,544,349              |
| Investments                                    | 10,948                     |
| Receivables - net                              | 256,559                    |
| Due from other governments                     | 6,253,754                  |
| Prepaid expenditures                           | 116,186                    |
| Inventories                                    | 18,665                     |
| Capital assets - not being depreciated         | 6,052,212                  |
| Capital assets - less accumulated depreciation | 114,021,812                |
| Total assets                                   | 149,274,485                |
| <b>Liabilities</b>                             |                            |
| Current liabilities                            |                            |
| Accounts payable and other liabilities         | 1,325,469                  |
| Accrued payroll and related liabilities        | 5,004,581                  |
| Unearned revenue                               | 1,238,220                  |
| Noncurrent liabilities                         |                            |
| Due within one year                            | 7,428,792                  |
| Due in more than one year                      | 55,136,465                 |
| Total liabilities                              | 70,133,527                 |
| <b>Net position</b>                            |                            |
| Net investment in capital assets               | 58,096,056                 |
| Restricted for:                                |                            |
| Debt service                                   | 3,656,271                  |
| Unrestricted                                   | 17,388,631                 |
| Total net position                             | \$ 79,140,958              |

See Accompanying Notes to Financial Statements

**School District of the City of Royal Oak**  
**Statement of Activities**  
**Year Ended June 30, 2013**

| Functions/Programs                            | Program Revenues     |                         |  | Net (Expense)<br>Revenue and<br>Changes in<br>Net position |
|---|----------------------|-------------------------|--|--|
|   | Expenses             | Charges for<br>Services | Operating<br>Grants and<br>Contributions |  |
| Primary government                            |                      |                         |  |  |
| Government activities                         |                      |                         |  |  |
| Instruction                                   | \$ 32,453,172        | \$ 61,311               | \$ 8,239,751                             | \$ (24,152,110)  |
| Supporting services                           | 18,992,270           | 238,864                 | 550,136                                  | (18,203,270)   |
| Food services                                 | 1,153,903            | 581,116                 | 597,160                                  | 24,373   |
| Community services                            | 1,261,333            | 1,353,860               | 139,110                                  | 231,637  |
| Interest on long-term debt                    | 3,121,759            | -                       | -  | (3,121,759)  |
| Depreciation (unallocated)                    | 4,516,412            | -                       | -  | (4,516,412)  |
| Total primary government                      | <u>\$ 61,498,849</u> | <u>\$ 2,235,151</u>     | <u>\$ 9,526,157</u>                      | <u>(49,737,541)</u>  |
| Governmental activities                       |                      |                         |  |  |
| General revenues                              |                      |                         |  |  |
| Taxes   |                      |                         |  |  |
| Property taxes, levied for general purpose    |                      |                         |  | 19,163,973   |
| Property taxes, levied for debt services      |                      |                         |  | 10,542,052   |
| State aid not restricted to specific purposes |                      |                         |  | 26,477,203   |
| Interest and investment earnings              |                      |                         |  | 33,163   |
| Gain on sale of capital assets                |                      |                         |  | 1,538,403  |
| Other   |                      |                         |  | 416,280  |
| Total general revenues                        |                      |                         |  | <u>58,171,074</u>  |
| Change in net position                        |                      |                         |  | 8,433,533  |
| Net position - beginning of year              |                      |                         |  | <u>70,707,425</u>  |
| Net position - end of year                    |                      |                         |  | <u>\$ 79,140,958</u>                                       |

See Accompanying Notes to Financial Statements

**School District of the City of Royal Oak**  
**Governmental Funds - Balance Sheet**  
**June 30, 2013 (With Comparative Summarized Totals for 2012)**

|   | General<br>Fund      | 2005 Debt           | General Property<br>Maintenance<br>Fund | Other<br>Nonmajor<br>Governmental<br>Funds | Total                |                      |
|---|----------------------|---------------------|---|--|----------------------|----------------------|
|   |                      |                     |   |  | 2013                 | 2012                 |
| <b>Assets</b>   |                      |                     |   |  |                      |                      |
| Cash and cash equivalents   | \$ 12,913,151        | \$ 3,653,902        | \$ 3,509,205                            | \$ 2,468,091                               | \$ 22,544,349        | \$ 19,986,408        |
| Investments   | 10,948               | -                   | -                                       | -  | 10,948               | 10,948               |
| Receivables - net   | 75,732               | -                   | 173,750                                 | 7,077                                      | 256,559              | 430,843              |
| Due from other governmental units                                 | 6,245,282            | -                   | -                                       | 8,472                                      | 6,253,754            | 5,982,291            |
| Prepaid expenditures  | 3,817                | 2,369               | -                                       | 110,000                                    | 116,186              | 182,405              |
| Inventories   | -                    | -                   | -                                       | 18,665                                     | 18,665               | 26,843               |
| Total assets  | <u>\$ 19,248,930</u> | <u>\$ 3,656,271</u> | <u>\$ 3,682,955</u>                     | <u>\$ 2,612,305</u>                        | <u>\$ 29,200,461</u> | <u>\$ 26,619,738</u> |
| <b>Liabilities</b>  |                      |                     |   |  |                      |                      |
| Accounts payable and other liabilities                            | \$ 362,710           | \$ -                | \$ 402,709                              | \$ 69,050                                  | \$ 834,469           | \$ 555,781           |
| Accrued payroll and related liabilities                           | 4,875,658            | -                   | -                                       | 128,923                                    | 5,004,581            | 4,959,898            |
| Unearned revenue  | 1,132,341            | -                   | 10,000                                  | 95,879                                     | 1,238,220            | 1,815,500            |
| Total liabilities   | <u>6,370,709</u>     | <u>-</u>            | <u>412,709</u>                          | <u>293,852</u>                             | <u>7,077,270</u>     | <u>7,331,179</u>     |
| <b>Deferred Inflows of Resources</b>                              |                      |                     |   |  |                      |                      |
| Unavailable revenue   | <u>12,355</u>        | <u>-</u>            | <u>128,750</u>                          | <u>-</u>                                   | <u>141,105</u>       | <u>-</u>             |
| <b>Fund balance (deficit)</b>                                     |                      |                     |   |  |                      |                      |
| Non-spendable   |                      |                     |   |  |                      |                      |
| Inventory   | -                    | -                   | -                                       | 18,665                                     | 18,665               | 26,843               |
| Prepaid Items   | 3,817                | 2,369               | -                                       | 110,000                                    | 116,186              | 182,405              |
| Restricted for:   |                      |                     |   |  |                      |                      |
| Debt Service Funds  | -                    | 3,653,902           | -                                       | -  | 3,653,902            | 4,067,813            |
| Assigned  |                      |                     |   |  |                      |                      |
| Assigned for various operating purposes                           | 2,824,754            | -                   | 3,141,496                               | 2,189,788                                  | 8,156,038            | 7,388,705            |
| Unassigned  |                      |                     |   |  |                      |                      |
| General Fund  | <u>10,037,295</u>    | <u>-</u>            | <u>-</u>                                | <u>-</u>                                   | <u>10,037,295</u>    | <u>7,622,793</u>     |
| Total fund balance  | <u>12,865,866</u>    | <u>3,656,271</u>    | <u>3,141,496</u>                        | <u>2,318,453</u>                           | <u>21,982,086</u>    | <u>19,288,559</u>    |
| Total liabilities, deferred inflows of resources and fund balance | <u>\$ 19,248,930</u> | <u>\$ 3,656,271</u> | <u>\$ 3,682,955</u>                     | <u>\$ 2,612,305</u>                        | <u>\$ 29,200,461</u> | <u>\$ 26,619,738</u> |

See Accompanying Notes to Financial Statements

# School District of the City of Royal Oak

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2013

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**Total fund balance - government funds** \$ 21,982,086

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

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

|                       |               |         |
|-----------------------|---------------|---------|
| Land contracts        | 128,750       |         |
| Settlement receivable | <u>12,355</u> | 141,105 |

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

|  |                     |             |
|--|---------------------|-------------|
| Cost of capital assets                     | 200,580,211         |             |
| Accumulated depreciation on capital assets | <u>(80,506,187)</u> | 120,074,024 |

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

|                       |                  |              |
|-----------------------|------------------|--------------|
| Bonds payable         | (59,170,000)     |              |
| Bond premium payable  | (2,493,439)      |              |
| Capital lease payable | (314,529)        |              |
| Compensated absences  | <u>(587,289)</u> | (62,565,257) |

Accrued interest payable is not included as a liability in governmental funds (491,000)

**Net position of governmental activities** \$ 79,140,958

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, 2013 (With Comparative Summarized Totals for 2012)**

|  | General<br>Fund | 2005 Debt    | General Property<br>Maintenance<br>Fund | Other<br>Nonmajor<br>Governmental<br>Funds | Total         |               |
|--|-----------------|--------------|---|--|---------------|---------------|
|  |                 |              |   |  | 2013          | 2012          |
| <b>Revenue</b>                               |                 |              |   |  |               |               |
| Local sources                                | \$ 20,119,124   | \$ 8,217,576 | \$ -                                    | \$ 4,062,908                               | \$ 32,399,608 | \$ 32,344,316 |
| Interdistrict sources                        | 3,743,564       | -            | -                                       | -  | 3,743,564     | 4,210,781     |
| State sources                                | 29,689,691      | -            | -                                       | 189,173                                    | 29,878,864    | 29,403,324    |
| Federal sources                              | 1,712,589       | -            | -                                       | 646,999                                    | 2,359,588     | 3,368,742     |
| Total revenue                                | 55,264,968      | 8,217,576    | -                                       | 4,899,080                                  | 68,381,624    | 69,327,163    |
| <b>Expenditures</b>                          |                 |              |   |  |               |               |
| <b>Current</b>                               |                 |              |   |  |               |               |
| Instruction                                  | 29,151,924      | -            | -                                       | 878,565                                    | 30,030,489    | 30,463,214    |
| Supporting services                          | 18,508,283      | -            | -                                       | 90,674                                     | 18,598,957    | 19,211,433    |
| Community services                           | 745,972         | -            | -                                       | 515,361                                    | 1,261,333     | 622,865       |
| Food services                                | -               | -            | -                                       | 1,153,903                                  | 1,153,903     | 1,275,493     |
| Payments to other governmental units         | 2,508,425       | -            | -                                       | -  | 2,508,425     | 2,807,290     |
| Capital outlay                               | 997,251         | -            | 1,543,593                               | 618,731                                    | 3,159,575     | 1,466,376     |
| <b>Debt service</b>                          |                 |              |   |  |               |               |
| Principal                                    | 25,836          | 3,100,000    | -                                       | 4,725,000                                  | 7,850,836     | 5,850,000     |
| Interest                                     | 5,512           | 3,005,000    | -                                       | 338,720                                    | 3,349,232     | 3,644,377     |
| Other  | -               | 117,358      | -                                       | 34,129                                     | 151,487       | 114,528       |
| Total expenditures                           | 51,943,203      | 6,222,358    | 1,543,593                               | 8,355,083                                  | 68,064,237    | 65,455,576    |
| Excess of revenues over (under) expenditures | 3,321,765       | 1,995,218    | (1,543,593)                             | (3,456,003)                                | 317,387       | 3,871,587     |
| <b>Other financing sources (uses)</b>        |                 |              |   |  |               |               |
| Proceeds from capital lease                  | 340,365         | -            | -                                       | -  | 340,365       | -             |
| Proceeds from sale of assets                 | -               | -            | 2,035,775                               | -  | 2,035,775     | 877,718       |
| Operating transfers in                       | -               | 301,158      | -                                       | 1,350,732                                  | 1,651,890     | 4,481,783     |
| Operating transfers out                      | (1,350,732)     | -            | -                                       | (301,158)                                  | (1,651,890)   | (4,481,783)   |
| Total other financing sources (uses)         | (1,010,367)     | 301,158      | 2,035,775                               | 1,049,574                                  | 2,376,140     | 877,718       |
| Net change in fund balance                   | 2,311,398       | 2,296,376    | 492,182                                 | (2,406,429)                                | 2,693,527     | 4,749,305     |
| Fund balance - beginning of year             | 10,554,468      | 1,359,895    | 2,649,314                               | 4,724,882                                  | 19,288,559    | 14,539,254    |
| Fund balance - end of year                   | \$ 12,865,866   | \$ 3,656,271 | \$ 3,141,496                            | \$ 2,318,453                               | \$ 21,982,086 | \$ 19,288,559 |

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, 2013**

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**Net change in fund balances - total governmental funds** \$ 2,693,527

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

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

|                                   |                  |             |
|-----------------------------------|------------------|-------------|
| Depreciation expense              | \$ (4,516,412)   |             |
| Net book value of assets disposed | (238,900)        |             |
| Capitalized capital outlay        | <u>2,734,549</u> |             |
|                                   |                  | (2,020,763) |

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     | \$ (258,472)  |           |
| Settlement revenue | <u>12,355</u> |           |
|                    |               | (246,117) |

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

|   |  |               |
|---|--|---------------|
| Capital lease issued                                      |  | (340,365)     |
| Repayment of capital lease                                |  | 25,836        |
| Amortization of premium on debt                           |  | 314,960       |
| Repayment of bonds payable                                |  | 7,825,000     |
| Change in accreted interest on capital appreciation bonds |  | 64,000        |
| Change in compensated absences                            |  | 65,780        |
| Change in unreported self insurance claims                |  | <u>51,675</u> |

**Change in net position of governmental activities** **\$ 8,433,533**

See Accompanying Notes to Financial Statements

**School District of the City of Royal Oak**  
**Statement of Fiduciary Net Position**  
**June 30, 2013 and 2012**

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|                           | <u>Student<br/>Activities<br/>Agency Funds</u> |                       |
|---------------------------|--|-----------------------|
|                           | <u>2013</u>                                    | <u>2012</u>           |
| <b>Assets</b>             |  |                       |
| Cash and cash equivalents | <u>\$ 336,370</u>                              | <u>\$ 307,505</u>     |
| <b>Liabilities</b>        |  |                       |
| Accounts payable          | \$ 22,225                                      | \$ 6,504              |
| Due to student groups     | <u>314,145</u>                                 | <u>301,001</u>        |
| <br>Total liabilities     | <br><u>\$ 336,370</u>                          | <br><u>\$ 307,505</u> |

See Accompanying Notes to Financial Statements



# School District of the City of Royal Oak

## Notes to Financial Statements

June 30, 2013

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

#### **Fund Financial Statements**

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

**School District of the City of Royal Oak**  
**Notes to Financial Statements**  
**June 30, 2013**

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

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

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

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

The School District reports the following governmental funds:

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

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

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

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

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

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, 2013**

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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 Net Position or Equity**

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

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are the result of the transfer of revenues and expenditures between funds to ensure the proper reporting in each respective fund. These balances are paid back as cash flow permits.

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

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2013, 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, 2013**

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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  |

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

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

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

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest

**School District of the City of Royal Oak**  
**Notes to Financial Statements**  
**June 30, 2013**

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method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period.

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

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

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

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

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

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

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

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

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

**Summarized Comparative Data**

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

**Eliminations and Reclassifications**

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

# School District of the City of Royal Oak

## Notes to Financial Statements

### June 30, 2013

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#### **Adoption of New Accounting Standards**

The Government Accounting Standards Board 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*, which the government adopted effective July 1, 2012. The new standards provide guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of net position and related disclosures.

#### **Upcoming Accounting and Reporting Changes**

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

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

**School District of the City of Royal Oak**  
**Notes to Financial Statements**  
**June 30, 2013**

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**Excess of Expenditures over Appropriations and Deficit balances**

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

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

|             | Governmental<br>Activities | Fiduciary<br>Funds | Total                |
|-------------|----------------------------|--------------------|----------------------|
| Deposits    | \$ 22,544,349              | \$ 336,370         | \$ 22,880,719        |
| Investments | 10,948                     | -                  | 10,948               |
| Total       | <u>\$ 22,555,297</u>       | <u>\$ 336,370</u>  | <u>\$ 22,891,667</u> |

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

|  |                      |
|--|----------------------|
| Deposits (checking, savings accounts,<br>money markets, certificates of deposit) | \$ 22,873,876        |
| Investments in securities, mutual funds,<br>and similar vehicles                 | 10,948               |
| Petty cash and cash on hand  | 6,843                |
|  | <u>\$ 22,891,667</u> |

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

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

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

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

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

**School District of the City of Royal Oak**  
**Notes to Financial Statements**  
**June 30, 2013**

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*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, 2013, \$23,648,959 of the School District’s bank balance of \$23,904,595 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

**NOTE 4 - RECEIVABLES**

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

|                            | General<br>Fund     | General<br>Property<br>Maintenance<br>Fund | Nonmajor and<br>Other Funds | Total               |
|----------------------------|---------------------|--|-----------------------------|---------------------|
| Receivables:               |                     |  |                             |                     |
| Accounts                   | <u>\$ 75,732</u>    | <u>\$ 173,750</u>                          | <u>\$ 7,077</u>             | <u>\$ 256,559</u>   |
| Due from other governments |                     |  |                             |                     |
| Federal                    | \$ 200,236          | \$ -                                       | \$ -                        | \$ 200,236          |
| State                      | 5,769,762           | -  | 8,472                       | 5,778,234           |
| Local                      | <u>275,284</u>      | <u>-</u>                                   | <u>-</u>                    | <u>275,284</u>      |
|                            | <u>\$ 6,245,282</u> | <u>\$ -</u>                                | <u>\$ 8,472</u>             | <u>\$ 6,253,754</u> |

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



**School District of the City of Royal Oak**  
**Notes to Financial Statements**  
**June 30, 2013**

**NOTE 5 - CAPITAL ASSETS**

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

|  | Balance<br>July 1, 2012 | Additions             | Disposals and<br>Adjustments | Balance<br>June 30, 2013 |
|--|-------------------------|-----------------------|------------------------------|--------------------------|
| Capital assets not being depreciated       |                         |                       |                              |                          |
| Land                                       | \$ 5,410,411            | \$ -                  | \$ 231,554                   | \$ 5,178,857             |
| Construction in progress                   | <u>315,704</u>          | <u>557,651</u>        | <u>-</u>                     | <u>873,355</u>           |
| Total capital assets not being depreciated | <u>5,726,115</u>        | <u>557,651</u>        | <u>231,554</u>               | <u>6,052,212</u>         |
| Capital assets being depreciated           |                         |                       |                              |                          |
| Building and building improvements         | 188,231,733             | 1,644,049             | -                            | 189,875,782              |
| Buses, vehicles, and equipment             | <u>29,970,839</u>       | <u>532,849</u>        | <u>25,851,471</u>            | <u>4,652,217</u>         |
| Total capital assets being depreciated     | <u>218,202,572</u>      | <u>2,176,898</u>      | <u>25,851,471</u>            | <u>194,527,999</u>       |
| Less: accumulated depreciation             |                         |                       |                              |                          |
| Building and building improvements         | 72,558,956              | 4,282,970             | -                            | 76,841,926               |
| Buses, vehicles, and equipment             | <u>29,274,944</u>       | <u>233,442</u>        | <u>25,844,125</u>            | <u>3,664,261</u>         |
| Total accumulated depreciation             | <u>101,833,900</u>      | <u>4,516,412</u>      | <u>25,844,125</u>            | <u>80,506,187</u>        |
| Net capital assets being depreciated       | <u>116,368,672</u>      | <u>(2,339,514)</u>    | <u>7,346</u>                 | <u>114,021,812</u>       |
| Net capital assets                         | <u>\$ 122,094,787</u>   | <u>\$ (1,781,863)</u> | <u>\$ 238,900</u>            | <u>\$ 120,074,024</u>    |

Depreciation expense was \$4,516,412 for the year ended June 30, 2013. Depreciation was not charged to activities of the School District because the district considers its assets to impact multiple activities and allocation of depreciation expense is not practical.

**Construction Contracts**

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

|   | <u>Total Contracts</u> | <u>Remaining<br/>Commitments at<br/>Year End</u> |
|---|------------------------|--|
| Various renovation and new<br>construction projects | \$ 3,260,979           | \$ 2,619,640                                     |

Contracts payable at year end represent actual contractor billings and are recorded in the Capital Projects Fund liability. All projects are expected to be complete by October 31, 2013.

**School District of the City of Royal Oak**  
**Notes to Financial Statements**  
**June 30, 2013**

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**NOTE 6 - INTERFUND RECEIVABLE AND PAYABLE AND TRANSFERS**

Interfund transfers consist of the following:

|               | General<br>Fund       | 2005<br>Debt      | Other Non Major<br>Governmental<br>Funds | Total        |
|---------------|-----------------------|-------------------|--|--------------|
| Transfers in  | \$ -                  | \$ 301,158        | \$ 1,350,732                             | \$ 1,651,890 |
| Transfers out | (1,350,732)           | -                 | (301,158)                                | (1,651,890)  |
|               | <u>\$ (1,350,732)</u> | <u>\$ 301,158</u> | <u>\$ 1,049,574</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 debt service funds in the current year.

During the year, transfers were made to close the 2004 Debt fund in the amount of \$301,158. The General Fund Transferred \$76,311 to the Food Service Fund in indirect costs. The General Fund transferred funds totaling \$426,260 to the Community Services Fund to fund services. The General Fund transferred funds for capital improvements in the amount of \$248,161 to the QSCB Fund and \$600,000 to the General Property Maintenance Fund.

**NOTE 7 - UNEARNED REVENUE**

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

|  | <u>Unearned</u>     |
|--|---------------------|
| Unearned property taxes  | \$ 1,120,966        |
| Deposits received for potential land purchases   | 10,000              |
| Food service student accounts  | 18,395              |
| Grant, categorical aid, and other payments received prior<br>to meeting all eligibility requirements | <u>88,859</u>       |
| Total  | <u>\$ 1,238,220</u> |

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

**NOTE 8 - LONG-TERM DEBT**

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

**School District of the City of Royal Oak**  
**Notes to Financial Statements**  
**June 30, 2013**

Long-term obligation activity is summarized as follows:

|                          | Beginning<br>Balance | Additions         | Reductions          | Ending<br>Balance    | Amount Due<br>Within one<br>Year |
|--------------------------|----------------------|-------------------|---------------------|----------------------|----------------------------------|
| General obligation bonds | \$ 66,995,000        | \$ -              | \$ 7,825,000        | \$ 59,170,000        | \$ 7,365,000                     |
| Capital Lease            | -                    | 340,365           | 25,836              | 314,529              | 63,792                           |
| Unamortized premium      | 2,808,399            | -                 | 314,960             | 2,493,439            | -                                |
| Compensated absences     | 653,069              | 31,246            | 97,026              | 587,289              | -                                |
| Workers' compensation    | 995                  | 6,565             | 7,560               | -                    | -                                |
| Unemployment             | 50,680               | -                 | 50,680              | -                    | -                                |
|                          | <u>\$ 70,508,143</u> | <u>\$ 378,176</u> | <u>\$ 8,321,062</u> | <u>\$ 62,565,257</u> | <u>\$ 7,428,792</u>              |

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

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

|   |                      |
|---|----------------------|
| \$65,500,000 of 2005 building and site bonds due in annual installments of \$3,100,000 to \$7,125,000 through May 1, 2021;<br>interest at 5.00%           | 57,000,000           |
| \$2,650,000 of 2011 energy conservation bonds due in annual installments of \$240,000 to \$245,000 through November 1, 2021;<br>interest at 2.75% to 6.0% | <u>2,170,000</u>     |
|   | <u>\$ 59,170,000</u> |

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

| Year Ending June 30, | Principal            | Interest             | Total                |
|----------------------|----------------------|----------------------|----------------------|
| 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                 | 7,365,000            | 1,487,360            | 8,852,360            |
| 2019-2022            | <u>22,345,000</u>    | <u>2,251,775</u>     | <u>24,596,775</u>    |
| Total                | <u>\$ 59,170,000</u> | <u>\$ 13,368,135</u> | <u>\$ 72,538,135</u> |

The general obligation bonds are payable from the Debt Service Funds. As of year end, the funds had a balance of \$3,592,006 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 \$3,349,232.

**School District of the City of Royal Oak**  
**Notes to Financial Statements**  
**June 30, 2013**

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**Compensated Absences**

Accrued compensated absences at year end was \$587,289 and consisted of \$196,446 of vacation hours earned and vested, \$375,466 in accrued termination pay, and \$15,377 in employer social security obligations related to the accrual. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year. Typically, the majority of the liability is liquidated in the General Fund.

**NOTE 9 – CAPITAL LEASE**

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

|      | <b>Year ending June 30,</b> |                  |                   |
|------|-----------------------------|------------------|-------------------|
|      | <u>Principal</u>            | <u>Interest</u>  | <u>Total</u>      |
| 2014 | \$ 63,792                   | \$ 11,442        | \$ 75,234         |
| 2015 | 66,396                      | 8,838            | 75,234            |
| 2016 | 69,106                      | 6,128            | 75,234            |
| 2017 | 71,928                      | 3,307            | 75,235            |
| 2018 | <u>43,307</u>               | <u>581</u>       | <u>43,888</u>     |
|      | <u>\$ 314,529</u>           | <u>\$ 30,296</u> | <u>\$ 344,825</u> |

The net book value of the copy machines as of June 30, 2013 is as follows:

|                               |                   |
|-------------------------------|-------------------|
| Machinery and equipment       | \$ 340,365        |
| Less accumulated depreciation | <u>(34,036)</u>   |
|                               | <u>\$ 306,329</u> |

**NOTE 10 - RISK MANAGEMENT**

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

The School District estimates the liability for workers' compensation claims, based on historical experience, that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are determined to be zero as of June 30, 2013.

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 \$48,695.

**School District of the City of Royal Oak**  
**Notes to Financial Statements**  
**June 30, 2013**

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**NOTE 11 – PENSION PLANS AND POST EMPLOYMENT BENEFITS**

**Plan Description**

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

The plans provide retirement, survivor and disability benefits to plan members and their beneficiaries.

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

In 2010 the Michigan legislature created a new Pension Plus plan under MPERS. All eligible Michigan public school employees who began 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 including an employee contribution, and (b) a defined contribution savings component.

In September 2012, the Michigan legislature enacted additional changes (2012 Retirement Reform) to the Retirement Act, with different aspects becoming effective in late 2012 and early 2013. With these changes MPERS offers eight retirement plans: Basic, Member Investment Plan (MIP), Basic 4%, MIP 7%, Basic DC Converted, MIP DC Converted, Pension Plus, and the Defined Contribution (DC) plan. Multiple options exist within some of these plans.

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

**Funding Policy**

For the defined benefit plans the District is required by state law to contribute to MPERS an actuarially determined percentage of payroll for all eligible participating employees. The District's actual contributions match the required contributions. Additionally, employees participating in the various defined benefit pension plans contribute the following amounts of their pretax salaries: (a) Member Investment Plan participants contribute 3% to 6.4%; (b) Basic participants contribute 0%; (c) Basic 4% participants contribute 4%; and (d) MIP 7% participants contribute 7%. The following table discloses pertinent information relative to MPERS defined benefit pension retirement plan funding for the three-year period beginning July 1, 2010 through June 30, 2013.

**School District of the City of Royal Oak**  
**Notes to Financial Statements**  
**June 30, 2013**

|   | 2013                | 2012                | 2011                |
|---|---------------------|---------------------|---------------------|
| Funding percentage range                              | 12.78 - 16.25%      | 10.66-15.96%        | 8.63-12.16%         |
| School district defined benefit pension contributions | <u>\$ 3,908,066</u> | <u>\$ 3,909,626</u> | <u>\$ 3,174,455</u> |

**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. Participants in the Basic DC Converted and MIP DC Converted plans receive 4% employer contributions to a tax-deferred 401(k) plan. The Defined Contribution Plan provides a 50% employer match (up to 3% of salary) on employee contributions. Participants in any of these defined contribution options may elect to make contributions to a tax-deferred 457 account up to the maximum amounts permitted by the IRS.

Contributions by the School District and participants during the year ended June 30, 2013, were:

|                           | School District | Participants     |
|---------------------------|-----------------|------------------|
| Contributions to the:     |                 |                  |
| Pension Plus Savings Plan | \$ 7,449        | \$ 14,898        |
| Defined Contribution Plan | <u>847</u>      | <u>1,695</u>     |
| Total                     | <u>\$ 8,296</u> | <u>\$ 16,593</u> |

**Post Employment Benefits**

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

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

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

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

**School District of the City of Royal Oak**  
**Notes to Financial Statements**  
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The District's actual contributions match the required contributions.

The following table discloses pertinent information relative to the District's MPERS defined benefit post employment benefits funding for the three-year period beginning July 1, 2010 through June 30, 2013.

|   | <u>2013</u>  | <u>2012</u>  | <u>2011</u>  |
|---|--------------|--------------|--------------|
| Funding percentage range                                | 8.18 - 9.11% | 8.50%        | 6.81 - 8.50% |
| School district defined benefit post employment benefit | \$ 2,327,429 | \$ 2,248,691 | \$ 2,219,852 |

Contributions by the District and participants to the MPERS defined contribution Personal Healthcare Fund during the year ended June 30, 2013, were:

|   | <u>School District</u> | <u>Participants</u> |
|---|------------------------|---------------------|
| Contributions to the Personal Healthcare Fund | <u>\$ 7,630</u>        | <u>\$ 7,630</u>     |

**Unfunded Accrued Liability**

During the year ending June 30, 2013, the District had contributions in the amount of \$502,526 to the Michigan Public School Employee Retirement System (MPERS). This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was 4.56% for the year. These contributions are not included in the above tables.

**NOTE 12 - ASSIGNED FUND BALANCE**

The General Fund assigned fund balance at June 30, 2013 has been assigned for the following purposes:

|  | <u>General Fund</u> | <u>General Property Maintenance Fund</u> | <u>Other Nonmajor Governmental Funds</u> |
|--|---------------------|--|--|
| Subsequent years' budget                                   | \$ 2,202,727        | \$ -                                     | \$ -                                     |
| Compensated absences                                       | 587,289             | -  | -  |
| Encumbrances   | 34,738              | 1,027,869                                | -  |
| Operating purposes   | <u>-</u>            | <u>2,113,627</u>                         | <u>2,189,788</u>                         |
| Total fund balance assigned for various operating purposes | <u>\$ 2,824,754</u> | <u>\$ 3,141,496</u>                      | <u>\$ 2,189,788</u>                      |

**School District of the City of Royal Oak**  
**Notes to Financial Statements**  
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**NOTE 13 - CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2013.

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, 2013 (with comparative actual amounts for the year ended June 30, 2012)**

|  | 2013               |                   |                   | 2012                         |                   |
|--|--------------------|-------------------|-------------------|------------------------------|-------------------|
|  | Original<br>Budget | Final<br>Budget   | Actual            | Over (Under)<br>Final Budget | Actual            |
| <b>Revenue</b>                         |                    |                   |                   |                              |                   |
| Local sources                          |                    |                   |                   |                              |                   |
| Current year tax levy                  | \$ 18,751,463      | \$ 18,922,602     | \$ 19,118,080     | \$ 195,478                   | \$ 18,901,516     |
| Prior year tax levy                    | -                  | 45,893            | 45,893            | -                            | 24,221            |
| Interest on investments                | 45,080             | 20,080            | 21,330            | 1,250                        | 27,251            |
| Continuing education fees              | 22,800             | 19,935            | 22,676            | 2,741                        | 19,126            |
| Rental of school facilities            | 192,500            | 172,000           | 165,021           | (6,979)                      | 196,580           |
| Student activities                     | 226,325            | 227,895           | 238,864           | 10,969                       | 243,080           |
| Miscellaneous                          | 466,400            | 439,872           | 507,260           | 67,388                       | 504,215           |
| Total local sources                    | <u>19,704,568</u>  | <u>19,848,277</u> | <u>20,119,124</u> | <u>270,847</u>               | <u>19,915,989</u> |
| Interdistrict sources                  |                    |                   |                   |                              |                   |
| Special education allocation and other | <u>3,842,913</u>   | <u>3,736,611</u>  | <u>3,743,564</u>  | <u>6,953</u>                 | <u>4,210,781</u>  |
| State sources                          |                    |                   |                   |                              |                   |
| State foundation allowance             | 24,690,116         | 26,182,675        | 26,483,910        | 301,235                      | 25,927,663        |
| Adult education                        | 199,083            | 207,047           | 209,479           | 2,432.00                     | 199,084           |
| Special education                      | 2,721,903          | 2,711,988         | 2,711,988         | -                            | 2,777,452         |
| Vocational education                   | 140,000            | 102,204           | 102,204           | -                            | 147,862           |
| Other                                  | 112,000            | 180,647           | 182,110           | 1,463                        | 117,137           |
| Total state sources                    | <u>27,863,102</u>  | <u>29,384,561</u> | <u>29,689,691</u> | <u>305,130</u>               | <u>29,169,198</u> |
| Federal sources - restricted grants    | <u>1,549,687</u>   | <u>1,781,211</u>  | <u>1,712,589</u>  | <u>(68,622)</u>              | <u>2,631,679</u>  |
| Total revenue                          | <u>52,960,270</u>  | <u>54,750,660</u> | <u>55,264,968</u> | <u>514,308</u>               | <u>55,927,647</u> |
| <b>Expenditures</b>                    |                    |                   |                   |                              |                   |
| Current                                |                    |                   |                   |                              |                   |
| Instruction                            |                    |                   |                   |                              |                   |
| Basic programs                         |                    |                   |                   |                              |                   |
| Elementary                             |                    |                   |                   |                              |                   |
| Salaries                               | 8,493,754          | 7,843,163         | 7,713,660         | (129,503)                    | 7,457,269         |
| Purchased services                     | 216,000            | 156,830           | 150,262           | (6,568)                      | 173,476           |
| Supplies and other                     | 349,972            | 394,438           | 387,322           | (7,116)                      | 250,835           |
| Total elementary                       | <u>9,059,726</u>   | <u>8,394,431</u>  | <u>8,251,244</u>  | <u>(143,187)</u>             | <u>7,881,580</u>  |
| Middle school                          |                    |                   |                   |                              |                   |
| Salaries                               | 3,337,507          | 3,156,237         | 3,109,554         | (46,683)                     | 3,245,963         |
| Purchased services                     | 61,000             | 91,543            | 87,225            | (4,318)                      | 44,911            |
| Supplies and other                     | 105,500            | 148,454           | 148,235           | (219)                        | 86,621            |
| Total middle school                    | <u>3,504,007</u>   | <u>3,396,234</u>  | <u>3,345,014</u>  | <u>(51,220)</u>              | <u>3,377,495</u>  |
| High School                            |                    |                   |                   |                              |                   |
| Salaries                               | 4,753,924          | 4,489,224         | 4,421,455         | (67,769)                     | 4,668,498         |
| Purchased services                     | 241,000            | 117,017           | 114,650           | (2,367)                      | 227,191           |
| Supplies and other                     | 182,500            | 297,095           | 298,686           | 1,591                        | 134,952           |
| Total high school                      | <u>5,177,424</u>   | <u>4,903,336</u>  | <u>4,834,791</u>  | <u>(68,545)</u>              | <u>5,030,641</u>  |
| Total basic programs                   | <u>17,741,157</u>  | <u>16,694,001</u> | <u>16,431,049</u> | <u>(262,952)</u>             | <u>16,289,716</u> |
| Added needs                            |                    |                   |                   |                              |                   |
| Special education                      |                    |                   |                   |                              |                   |
| Salaries                               | 2,397,965          | 2,256,758         | 2,190,165         | (66,593)                     | 2,095,753         |
| Purchased services                     | 92,000             | 106,921           | 107,120           | 199                          | 105,506           |
| Supplies and other                     | 138,588            | 75,727            | 72,117            | (3,610)                      | 84,803            |
| Total special education                | <u>2,628,553</u>   | <u>2,439,406</u>  | <u>2,369,402</u>  | <u>(70,004)</u>              | <u>2,286,062</u>  |
| Compensatory education                 |                    |                   |                   |                              |                   |
| Salaries                               | 279,994            | 278,549           | 262,327           | (16,222)                     | 253,926           |
| Purchased services                     | -                  | 2,120             | -                 | (2,120)                      | 3,154             |
| Supplies and other                     | 5,589              | 39,830            | 26,941            | (12,889)                     | 50,706            |
| Total compensatory education           | <u>285,583</u>     | <u>320,499</u>    | <u>289,268</u>    | <u>(31,231)</u>              | <u>307,786</u>    |

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# School District of the City of Royal Oak

## Required Supplemental Information

### Budgetary Comparison Statement - General Fund

**Year Ended June 30, 2013 (with comparative actual amounts for the year ended June 30, 2012)**

|                              | 2013               |                   |                   | 2012                         |                   |
|------------------------------|--------------------|-------------------|-------------------|------------------------------|-------------------|
|                              | Original<br>Budget | Final<br>Budget   | Actual            | Over (Under)<br>Final Budget | Actual            |
| Vocational education         |                    |                   |                   |                              |                   |
| Salaries                     | \$ 200,215         | \$ 231,783        | \$ 227,423        | \$ (4,360)                   | \$ 175,746        |
| Purchased services           | 3,500              | 5,640             | 4,473             | (1,167)                      | 2,306             |
| Supplies and other           | 26,545             | 51,548            | 58,070            | 6,522                        | 84,499            |
| Total vocational education   | <u>230,260</u>     | <u>288,971</u>    | <u>289,966</u>    | <u>995</u>                   | <u>262,551</u>    |
| Total added needs            | <u>3,144,396</u>   | <u>3,048,876</u>  | <u>2,948,636</u>  | <u>(100,240)</u>             | <u>2,856,399</u>  |
| Continuing education         |                    |                   |                   |                              |                   |
| Salaries                     | 121,277            | 95,014            | 84,383            | (10,631)                     | 100,413           |
| Purchased services           | 8,500              | 13,484            | 13,272            | (212)                        | 19,739            |
| Supplies and other           | 21,298             | 20,983            | 17,525            | (3,458)                      | 20,892            |
| Total continuing education   | <u>151,075</u>     | <u>129,481</u>    | <u>115,180</u>    | <u>(14,301)</u>              | <u>141,044</u>    |
| Employee benefits            | <u>10,891,252</u>  | <u>9,804,180</u>  | <u>9,657,059</u>  | <u>(147,121)</u>             | <u>10,247,873</u> |
| Total instruction            | <u>31,927,880</u>  | <u>29,676,538</u> | <u>29,151,924</u> | <u>(524,614)</u>             | <u>29,535,032</u> |
| Supporting services          |                    |                   |                   |                              |                   |
| Pupil services               |                    |                   |                   |                              |                   |
| Salaries                     | 2,848,393          | 2,872,412         | 2,843,327         | (29,085)                     | 2,843,246         |
| Purchased services           | 295,003            | 287,187           | 287,230           | 43                           | 276,304           |
| Supplies and other           | 13,500             | 15,432            | 15,279            | (153)                        | 14,935            |
| Total pupil services         | <u>3,156,896</u>   | <u>3,175,031</u>  | <u>3,145,836</u>  | <u>(29,195)</u>              | <u>3,134,485</u>  |
| Instructional staff          |                    |                   |                   |                              |                   |
| Salaries                     | 874,780            | 902,250           | 875,631           | (26,619)                     | 921,855           |
| Purchased services           | 256,624            | 369,482           | 360,672           | (8,810)                      | 322,066           |
| Supplies and other           | 110,236            | 74,090            | 76,183            | 2,093                        | 132,157           |
| Total instructional staff    | <u>1,241,640</u>   | <u>1,345,822</u>  | <u>1,312,486</u>  | <u>(33,336)</u>              | <u>1,376,078</u>  |
| General administration       |                    |                   |                   |                              |                   |
| Salaries                     | 218,963            | 225,689           | 219,563           | (6,126)                      | 307,087           |
| Purchased services           | 346,000            | 278,591           | 301,951           | 23,360                       | 197,395           |
| Supplies and other           | 10,000             | 31,000            | 22,430            | (8,570)                      | 1,200             |
| Total general administration | <u>574,963</u>     | <u>535,280</u>    | <u>543,944</u>    | <u>8,664</u>                 | <u>505,682</u>    |
| School administration        |                    |                   |                   |                              |                   |
| Salaries                     | 1,772,216          | 1,808,331         | 1,750,335         | (57,996)                     | 2,032,126         |
| Purchased services           | 109,384            | 37,237            | 36,457            | (780)                        | 28,884            |
| Supplies and other           | 85,123             | 52,157            | 50,944            | (1,213)                      | 14,117            |
| Total school administration  | <u>1,966,723</u>   | <u>1,897,725</u>  | <u>1,837,736</u>  | <u>(59,989)</u>              | <u>2,075,127</u>  |
| Business services            |                    |                   |                   |                              |                   |
| Salaries                     | 649,521            | 704,686           | 683,589           | (21,097)                     | 808,078           |
| Purchased services           | 3,842,500          | 3,744,469         | 3,730,807         | (13,662)                     | 3,768,662         |
| Supplies and other           | 1,918,500          | 1,837,153         | 1,682,288         | (154,865)                    | 1,835,363         |
| Total business services      | <u>6,410,521</u>   | <u>6,286,308</u>  | <u>6,096,684</u>  | <u>(189,624)</u>             | <u>6,412,103</u>  |
| Central staff                |                    |                   |                   |                              |                   |
| Salaries                     | 45,000             | 58,797            | 58,028            | (769)                        | 54,652            |
| Purchased services           | 15,000             | 21,007            | 19,882            | (1,125)                      | 13,955            |
| Supplies and other           | -                  | 536               | 530               | (6)                          | 8,918             |
| Total central staff          | <u>60,000</u>      | <u>80,340</u>     | <u>78,440</u>     | <u>(1,900)</u>               | <u>77,525</u>     |

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# School District of the City of Royal Oak

## Required Supplemental Information

### Budgetary Comparison Statement - General Fund

**Year Ended June 30, 2013 (with comparative actual amounts for the year ended June 30, 2012)**

|   | 2013                |                      |                      | 2012                         |                      |
|---|---------------------|----------------------|----------------------|------------------------------|----------------------|
|   | Original<br>Budget  | Final<br>Budget      | Actual               | Over (Under)<br>Final Budget | Actual               |
| Central staff- human resources                        |                     |                      |                      |                              |                      |
| Salaries  | \$ 343,069          | \$ 370,213           | \$ 353,281           | \$ (16,932)                  | \$ 69,266            |
| Purchased services                                    | 62,000              | 72,791               | 62,642               | (10,149)                     | 46,187               |
| Supplies and other                                    | 5,000               | 13,127               | 12,997               | (130)                        | -                    |
| Total central staff- human resources                  | <u>410,069</u>      | <u>456,131</u>       | <u>428,920</u>       | <u>(27,211)</u>              | <u>115,453</u>       |
| Central staff- technology                             |                     |                      |                      |                              |                      |
| Salaries  | -                   | -                    | -                    | -                            | 301,457              |
| Purchased services                                    | 975,000             | 845,245              | 833,129              | (12,116)                     | 327,661              |
| Supplies and other                                    | 62,000              | 210,534              | 203,120              | (7,414)                      | 853                  |
| Total central staff- technology                       | <u>1,037,000</u>    | <u>1,055,779</u>     | <u>1,036,249</u>     | <u>(19,530)</u>              | <u>629,971</u>       |
| Athletic activities                                   |                     |                      |                      |                              |                      |
| Salaries  | 219,056             | 229,344              | 215,100              | (14,244)                     | 207,105              |
| Purchased services                                    | 219,000             | 212,417              | 212,743              | 326                          | 197,348              |
| Supplies and other                                    | 39,000              | 70,717               | 70,613               | (104)                        | 41,440               |
| Total athletic activities                             | <u>477,056</u>      | <u>512,478</u>       | <u>498,456</u>       | <u>(14,022)</u>              | <u>445,893</u>       |
| Employee benefits                                     | <u>3,710,397</u>    | <u>3,534,309</u>     | <u>3,529,532</u>     | <u>(4,777)</u>               | <u>4,296,076</u>     |
| Total supporting services                             | <u>19,045,265</u>   | <u>18,879,203</u>    | <u>18,508,283</u>    | <u>(370,920)</u>             | <u>19,068,393</u>    |
| Community services                                    |                     |                      |                      |                              |                      |
| Salaries  | 3,200               | 470,982              | 461,848              | (9,134)                      | 4,206                |
| Employee benefits                                     | 1,121               | 210,740              | 202,195              | (8,545)                      | 2,395                |
| Purchased services                                    | 10,800              | 45,820               | 33,017               | (12,803)                     | 29,358               |
| Supplies and other                                    | 38,749              | 60,864               | 48,912               | (11,952)                     | 58,821               |
| Total community services                              | <u>53,870</u>       | <u>788,406</u>       | <u>745,972</u>       | <u>(42,434)</u>              | <u>94,780</u>        |
| Payments to other governmental units                  | <u>3,000,000</u>    | <u>2,533,509</u>     | <u>2,508,425</u>     | <u>(25,084)</u>              | <u>2,807,290</u>     |
| Capital outlay  |                     |                      |                      |                              |                      |
| Instruction   | 74,000              | 398,425              | 398,393              | (32)                         | 47,736               |
| Support services                                      | 350,000             | 348,294              | 343,562              | (4,732)                      | 67,373               |
| Other facility acquisition                            | 11,000              | 262,049              | 255,296              | (6,753)                      | 7,561                |
| Total capital outlay                                  | <u>435,000</u>      | <u>1,008,768</u>     | <u>997,251</u>       | <u>(11,517)</u>              | <u>122,670</u>       |
| Debt service  |                     |                      |                      |                              |                      |
| Principal   | -                   | 25,835               | 25,836               | 1                            | -                    |
| Interest and fiscal charges                           | -                   | 5,512                | 5,512                | -                            | -                    |
| Total debt service                                    | <u>-</u>            | <u>31,347</u>        | <u>31,348</u>        | <u>1</u>                     | <u>-</u>             |
| Total expenditures                                    | <u>54,462,015</u>   | <u>52,917,771</u>    | <u>51,943,203</u>    | <u>(974,568)</u>             | <u>51,628,165</u>    |
| <b>Other financing (sources) uses</b>                 |                     |                      |                      |                              |                      |
| Capital leases  | -                   | (340,365)            | (340,365)            | -                            | -                    |
| Proceeds from sale of assets                          | -                   | -                    | -                    | -                            | (22,150)             |
| Transfers out   |                     |                      |                      |                              |                      |
| Special revenue funds                                 | 585,096             | 756,444              | 750,732              | (5,712)                      | 880,173              |
| Capital project funds                                 | -                   | 600,000              | 600,000              | -                            | 2,250,000            |
| Total other financing (sources) uses                  | <u>585,096</u>      | <u>1,016,079</u>     | <u>1,010,367</u>     | <u>(5,712)</u>               | <u>3,108,023</u>     |
| Total expenditures and other financing (sources) uses | <u>55,047,111</u>   | <u>53,933,850</u>    | <u>52,953,570</u>    | <u>(980,280)</u>             | <u>54,736,188</u>    |
| Net change in fund balance                            | (2,086,841)         | 816,810              | 2,311,398            | 1,494,588                    | 1,191,459            |
| Fund balance - beginning of year                      | <u>10,554,468</u>   | <u>10,554,468</u>    | <u>10,554,468</u>    | <u>-</u>                     | <u>9,363,009</u>     |
| Fund balance - end of year                            | <u>\$ 8,467,627</u> | <u>\$ 11,371,278</u> | <u>\$ 12,865,866</u> | <u>\$ 1,494,588</u>          | <u>\$ 10,554,468</u> |

## **OTHER SUPPLEMENTAL INFORMATION**

**School District of the City of Royal Oak**  
**Other Supplemental Information**  
**Combining Balance Sheet - Non Major Governmental Funds**  
**June 30, 2013 (with comparative total for the year ended June 30, 2012)**

|  | Special Revenue Funds |                       |                     | Debt Service Funds |             |             |
|--|-----------------------|-----------------------|---------------------|--------------------|-------------|-------------|
|  | Food<br>Services      | Community<br>Services | Subtotal            | 2004 Debt          | QSCB        | Subtotal    |
| <b>Assets</b>                              |                       |                       |                     |                    |             |             |
| Cash and cash equivalents                  | \$ 177,766            | \$ 1,618,773          | \$ 1,796,539        | \$ -               | \$ -        | \$ -        |
| Receivables - net                          | 3,077                 | 4,000                 | 7,077               | -                  | -           | -           |
| Due from other governmental units          | 8,472                 | -                     | 8,472               | -                  | -           | -           |
| Prepaid expenditures                       | 110,000               | -                     | 110,000             | -                  | -           | -           |
| Inventories                                | 18,665                | -                     | 18,665              | -                  | -           | -           |
| <b>Total assets</b>                        | <b>\$ 317,980</b>     | <b>\$ 1,622,773</b>   | <b>\$ 1,940,753</b> | <b>\$ -</b>        | <b>\$ -</b> | <b>\$ -</b> |
| <b>Liabilities and fund balances</b>       |                       |                       |                     |                    |             |             |
| <b>Liabilities</b>                         |                       |                       |                     |                    |             |             |
| Accounts payable and other liabilities     | \$ 57,668             | \$ 11,382             | \$ 69,050           | \$ -               | \$ -        | \$ -        |
| Accrued payroll and related liabilities    | -                     | 128,923               | 128,923             | -                  | -           | -           |
| Unearned revenue                           | 18,395                | 77,484                | 95,879              | -                  | -           | -           |
| <b>Total liabilities</b>                   | <b>76,063</b>         | <b>217,789</b>        | <b>293,852</b>      | <b>-</b>           | <b>-</b>    | <b>-</b>    |
| <b>Fund balances (deficit)</b>             |                       |                       |                     |                    |             |             |
| <b>Non-spendable</b>                       |                       |                       |                     |                    |             |             |
| Inventory                                  | 18,665                | -                     | 18,665              | -                  | -           | -           |
| Prepaid items                              | 110,000               | -                     | 110,000             | -                  | -           | -           |
| <b>Restricted for:</b>                     |                       |                       |                     |                    |             |             |
| Debt service                               | -                     | -                     | -                   | -                  | -           | -           |
| <b>Assigned</b>                            |                       |                       |                     |                    |             |             |
| Assigned for various operating purposes    | 113,252               | 1,404,984             | 1,518,236           | -                  | -           | -           |
| <b>Total fund balances</b>                 | <b>241,917</b>        | <b>1,404,984</b>      | <b>1,646,901</b>    | <b>-</b>           | <b>-</b>    | <b>-</b>    |
| <b>Total liabilities and fund balances</b> | <b>\$ 317,980</b>     | <b>\$ 1,622,773</b>   | <b>\$ 1,940,753</b> | <b>\$ -</b>        | <b>\$ -</b> | <b>\$ -</b> |

| Capital Projects Funds              |                                    |                   | Total               |                     |
|-------------------------------------|------------------------------------|-------------------|---------------------|---------------------|
| Instructional<br>Technology<br>Fund | Performance<br>Contracting<br>Fund | Subtotal          | 2013                | 2012                |
| \$ 671,552                          | \$ -                               | \$ 671,552        | \$ 2,468,091        | \$ 4,832,457        |
| -                                   | -                                  | -                 | 7,077               | 5,467               |
| -                                   | -                                  | -                 | 8,472               | 37,716              |
| -                                   | -                                  | -                 | 110,000             | 110,000             |
| -                                   | -                                  | -                 | 18,665              | 26,843              |
| <u>\$ 671,552</u>                   | <u>\$ -</u>                        | <u>\$ 671,552</u> | <u>\$ 2,612,305</u> | <u>\$ 5,012,483</u> |
| <br>                                |                                    |                   |                     |                     |
| \$ -                                | \$ -                               | \$ -              | \$ 69,050           | \$ 91,271           |
| -                                   | -                                  | -                 | 128,923             | 120,263             |
| -                                   | -                                  | -                 | 95,879              | 76,067              |
| -                                   | -                                  | -                 | 293,852             | 287,601             |
| <br>                                |                                    |                   |                     |                     |
| -                                   | -                                  | -                 | 18,665              | 26,843              |
| -                                   | -                                  | -                 | 110,000             | 110,000             |
| -                                   | -                                  | -                 | -                   | 2,707,918           |
| <u>671,552</u>                      | <u>-</u>                           | <u>671,552</u>    | <u>2,189,788</u>    | <u>1,880,121</u>    |
| <u>671,552</u>                      | <u>-</u>                           | <u>671,552</u>    | <u>2,318,453</u>    | <u>4,724,882</u>    |
| <u>\$ 671,552</u>                   | <u>\$ -</u>                        | <u>\$ 671,552</u> | <u>\$ 2,612,305</u> | <u>\$ 5,012,483</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, 2013 (with comparative actual amounts for the year ended June 30, 2012)**

|   | Special Revenue Funds |                       |                     |
|---|-----------------------|-----------------------|---------------------|
|   | Food<br>Services      | Community<br>Services | Subtotal            |
| <b>Revenue</b>                                  |                       |                       |                     |
| Local sources                                   | \$ 581,116            | \$ 1,145,473          | \$ 1,726,589        |
| State sources                                   | 50,063                | 139,110               | 189,173             |
| Federal sources                                 | 540,390               | -                     | 540,390             |
| Total revenue                                   | <u>1,171,569</u>      | <u>1,284,583</u>      | <u>2,456,152</u>    |
| <b>Expenditures</b>                             |                       |                       |                     |
| Current:  |                       |                       |                     |
| Instruction                                     | -                     | 878,565               | 878,565             |
| Support services                                | -                     | 90,674                | 90,674              |
| Community services                              | -                     | 515,361               | 515,361             |
| Food services                                   | 1,153,903             | -                     | 1,153,903           |
| Debt service                                    |                       |                       |                     |
| Principal                                       | -                     | -                     | -                   |
| Interest  | -                     | -                     | -                   |
| Other   | -                     | -                     | -                   |
| Capital outlay                                  | -                     | -                     | -                   |
| Total expenditures                              | <u>1,153,903</u>      | <u>1,484,600</u>      | <u>2,638,503</u>    |
| Excess of revenues<br>over (under) expenditures | <u>17,666</u>         | <u>(200,017)</u>      | <u>(182,351)</u>    |
| <b>Other financing sources (uses)</b>           |                       |                       |                     |
| Transfers in                                    | 76,311                | 426,260               | 502,571             |
| Transfers out                                   | -                     | -                     | -                   |
| Total other financing sources (uses)            | <u>76,311</u>         | <u>426,260</u>        | <u>502,571</u>      |
| Net change in fund balance                      | 93,977                | 226,243               | 320,220             |
| Fund balance - beginning of year                | <u>147,940</u>        | <u>1,178,741</u>      | <u>1,326,681</u>    |
| Fund balance - end of year                      | <u>\$ 241,917</u>     | <u>\$ 1,404,984</u>   | <u>\$ 1,646,901</u> |



| Debt Service Funds |                  |                    | Capital Projects Funds              |                                    |                   | Total               |                     |
|--------------------|------------------|--------------------|-------------------------------------|------------------------------------|-------------------|---------------------|---------------------|
| 2004 Debt          | QSCB             | Subtotal           | Instructional<br>Technology<br>Fund | Performance<br>Contracting<br>Fund | Subtotal          | 2013                | 2012                |
| \$ 2,336,319       | \$ -             | \$ 2,336,319       | \$ -                                | \$ -                               | \$ -              | \$ 4,062,908        | \$ 8,513,076        |
| -                  | -                | -                  | -                                   | -                                  | -                 | 189,173             | 234,126             |
| -                  | 106,609          | 106,609            | -                                   | -                                  | -                 | 646,999             | 737,063             |
| <u>2,336,319</u>   | <u>106,609</u>   | <u>2,442,928</u>   | <u>-</u>                            | <u>-</u>                           | <u>-</u>          | <u>4,899,080</u>    | <u>9,484,265</u>    |
| -                  | -                | -                  | -                                   | -                                  | -                 | 878,565             | 928,182             |
| -                  | -                | -                  | -                                   | -                                  | -                 | 90,674              | 143,040             |
| -                  | -                | -                  | -                                   | -                                  | -                 | 515,361             | 528,085             |
| -                  | -                | -                  | -                                   | -                                  | -                 | 1,153,903           | 1,275,493           |
| 4,485,000          | 240,000          | 4,725,000          | -                                   | -                                  | -                 | 4,725,000           | 5,440,000           |
| 224,250            | 114,470          | 338,720            | -                                   | -                                  | -                 | 338,720             | 622,977             |
| 33,829             | 300              | 34,129             | -                                   | -                                  | -                 | 34,129              | 72,585              |
| -                  | -                | -                  | -                                   | 618,731                            | 618,731           | 618,731             | 1,125,923           |
| <u>4,743,079</u>   | <u>354,770</u>   | <u>5,097,849</u>   | <u>-</u>                            | <u>618,731</u>                     | <u>618,731</u>    | <u>8,355,083</u>    | <u>10,136,285</u>   |
| <u>(2,406,760)</u> | <u>(248,161)</u> | <u>(2,654,921)</u> | <u>-</u>                            | <u>(618,731)</u>                   | <u>(618,731)</u>  | <u>(3,456,003)</u>  | <u>(652,020)</u>    |
| -                  | 248,161          | 248,161            | 600,000                             | -                                  | 600,000           | 1,350,732           | 2,231,783           |
| (301,158)          | -                | (301,158)          | -                                   | -                                  | -                 | (301,158)           | (1,351,610)         |
| <u>(301,158)</u>   | <u>248,161</u>   | <u>(52,997)</u>    | <u>600,000</u>                      | <u>-</u>                           | <u>600,000</u>    | <u>1,049,574</u>    | <u>880,173</u>      |
| (2,707,918)        | -                | (2,707,918)        | 600,000                             | (618,731)                          | (18,731)          | (2,406,429)         | 228,153             |
| <u>2,707,918</u>   | <u>-</u>         | <u>2,707,918</u>   | <u>71,552</u>                       | <u>618,731</u>                     | <u>690,283</u>    | <u>4,724,882</u>    | <u>4,496,729</u>    |
| <u>\$ -</u>        | <u>\$ -</u>      | <u>\$ -</u>        | <u>\$ 671,552</u>                   | <u>\$ -</u>                        | <u>\$ 671,552</u> | <u>\$ 2,318,453</u> | <u>\$ 4,724,882</u> |

**School District of the City of Royal Oak**  
**Other Supplemental information**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balance - Budget to Actual**  
**Special Revenue Funds**  
**Year Ended June 30, 2013**

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|   | Food Service    |            |                              |
|---|-----------------|------------|------------------------------|
|   | Final<br>Budget | Actual     | Over (Under)<br>Final Budget |
| <b>Revenue</b>                                  |                 |            |                              |
| Local sources                                   | \$ 572,845      | \$ 581,116 | \$ 8,271                     |
| State sources                                   | 50,062          | 50,063     | 1                            |
| Federal sources                                 | 540,000         | 540,390    | 390                          |
| Total revenue                                   | 1,162,907       | 1,171,569  | 8,662                        |
| <b>Expenditures</b>                             |                 |            |                              |
| Current:  |                 |            |                              |
| Instruction                                     | -               | -          | -                            |
| Support services                                | -               | -          | -                            |
| Community services                              | -               | -          | -                            |
| Food services                                   | 1,168,646       | 1,153,903  | (14,743)                     |
| Total expenditures                              | 1,168,646       | 1,153,903  | (14,743)                     |
| Excess of revenues<br>over (under) expenditures | (5,739)         | 17,666     | 23,405                       |
| <b>Other financing sources (uses)</b>           |                 |            |                              |
| Transfers in                                    | 56,724          | 76,311     | 19,587                       |
| Net change in fund balance                      | 50,985          | 93,977     | 42,992                       |
| Fund balance - beginning of year                | 147,940         | 147,940    | -                            |
| Fund balance - end of year                      | \$ 198,925      | \$ 241,917 | \$ 42,992                    |

| Community Services  |                     |                           | Total               |                     |                           |
|---------------------|---------------------|---------------------------|---------------------|---------------------|---------------------------|
| Final Budget        | Actual              | Over (Under) Final Budget | Final Budget        | Actual              | Over (Under) Final Budget |
| \$ 1,122,760        | \$ 1,145,473        | \$ 22,713                 | \$ 1,695,605        | \$ 1,726,589        | \$ 30,984                 |
| 241,418             | 139,110             | (102,308)                 | 291,480             | 189,173             | (102,307)                 |
| -                   | -                   | -                         | 540,000             | 540,390             | 390                       |
| <u>1,364,178</u>    | <u>1,284,583</u>    | <u>(79,595)</u>           | <u>2,527,085</u>    | <u>2,456,152</u>    | <u>(70,933)</u>           |
| 987,749             | 878,565             | (109,184)                 | 987,749             | 878,565             | (109,184)                 |
| 90,854              | 90,674              | (180)                     | 90,854              | 90,674              | (180)                     |
| 515,638             | 515,361             | (277)                     | 515,638             | 515,361             | (277)                     |
| -                   | -                   | -                         | 1,168,646           | 1,153,903           | (14,743)                  |
| <u>1,594,241</u>    | <u>1,484,600</u>    | <u>(109,641)</u>          | <u>2,762,887</u>    | <u>2,638,503</u>    | <u>(124,384)</u>          |
| (230,063)           | (200,017)           | 30,046                    | (235,802)           | (182,351)           | 53,451                    |
| <u>426,260</u>      | <u>426,260</u>      | <u>-</u>                  | <u>482,984</u>      | <u>502,571</u>      | <u>19,587</u>             |
| 196,197             | 226,243             | 30,046                    | 247,182             | 320,220             | 73,038                    |
| <u>1,178,741</u>    | <u>1,178,741</u>    | <u>-</u>                  | <u>1,326,681</u>    | <u>1,326,681</u>    | <u>-</u>                  |
| <u>\$ 1,374,938</u> | <u>\$ 1,404,984</u> | <u>\$ 30,046</u>          | <u>\$ 1,573,863</u> | <u>\$ 1,646,901</u> | <u>\$ 73,038</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, 2013**

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|   | <u>2004 Debt<br/>Actual</u> | <u>2005 Debt<br/>Actual</u> |
|---|-----------------------------|-----------------------------|
| <b>Revenue</b>                              |                             |                             |
| Local sources                               | \$ 2,336,319                | \$ 8,217,576                |
| Federal sources                             | <u>-</u>                    | <u>-</u>                    |
| Total revenue                               | <u>2,336,319</u>            | <u>8,217,576</u>            |
| <b>Expenditures - Debt Service</b>          |                             |                             |
| Principal                                   | 4,485,000                   | 3,100,000                   |
| Interest                                    | 224,250                     | 3,005,000                   |
| Other                                       | <u>33,829</u>               | <u>117,358</u>              |
| Total expenditures                          | <u>4,743,079</u>            | <u>6,222,358</u>            |
| Excess of revenue over (under) expenditures | (2,406,760)                 | 1,995,218                   |
| <b>Other Financing Sources (Uses)</b>       |                             |                             |
| Transfers in                                | -                           | 301,158                     |
| Transfers out                               | <u>(301,158)</u>            | <u>-</u>                    |
| Total other financing sources (uses)        | <u>(301,158)</u>            | <u>301,158</u>              |
| Net change in fund balance                  | <u>(2,707,918)</u>          | <u>2,296,376</u>            |
| Fund balance - beginning of year            | <u>2,707,918</u>            | <u>1,359,895</u>            |
| Fund balance - end of year                  | <u>\$ -</u>                 | <u>\$ 3,656,271</u>         |

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| <u>QSCB<br/>Actual</u> | <u>Total Debt<br/>Service Funds<br/>Actual</u> | <u>Total Debt<br/>Service Funds<br/>Final<br/>Budget</u> | <u>Over<br/>(Under)<br/>Final<br/>Budget</u> |
|------------------------|--|--|--|
| \$ -                   | \$ 10,553,895                                  | \$ 10,496,393  | \$ 57,502                                    |
| <u>106,609</u>         | <u>106,609</u>                                 | <u>106,609</u>   | <u>-</u>                                     |
| <u>106,609</u>         | <u>10,660,504</u>                              | <u>10,603,002</u>  | <u>57,502</u>                                |
| 240,000                | 7,825,000                                      | 7,825,000  | -  |
| 114,470                | 3,343,720                                      | 3,343,720  | -  |
| <u>300</u>             | <u>151,487</u>                                 | <u>158,550</u>   | <u>(7,063)</u>                               |
| <u>354,770</u>         | <u>11,320,207</u>                              | <u>11,327,270</u>  | <u>(7,063)</u>                               |
| (248,161)              | (659,703)                                      | (724,268)  | 64,565                                       |
| 248,161                | 549,319  | 549,619  | (300)  |
| <u>-</u>               | <u>(301,158)</u>                               | <u>(301,158)</u>   | <u>-</u>                                     |
| <u>248,161</u>         | <u>248,161</u>                                 | <u>248,461</u>   | <u>(300)</u>                                 |
| <u>-</u>               | <u>(411,542)</u>                               | <u>(475,807)</u>   | <u>64,265</u>                                |
| <u>-</u>               | <u>4,067,813</u>                               | <u>4,067,813</u>   | <u>-</u>                                     |
| <u>\$ -</u>            | <u>\$ 3,656,271</u>                            | <u>\$ 3,592,006</u>                                      | <u>\$ 64,265</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, 2013**

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|  | General<br>Property<br>Maintenance<br>Fund | Instructional<br>Technology<br>Fund | Performance<br>Contracting<br>Fund | Total Capital<br>Project Funds |
|--|--|-------------------------------------|------------------------------------|--------------------------------|
| <b>Revenue</b>                             |  |                                     |                                    |                                |
| Local sources                              | \$ -                                       | \$ -                                | \$ -                               | \$ -                           |
| <b>Expenditures - Capital Projects</b>     |  |                                     |                                    |                                |
| Capital outlay                             | 1,543,593                                  | -                                   | 618,731                            | \$ 2,162,324                   |
| <b>Other Financing sources (uses)</b>      |  |                                     |                                    |                                |
| Proceeds from sale of capital assets       | 2,035,775                                  | -                                   | -                                  | 2,035,775                      |
| Operating transfers in                     | -  | 600,000                             | -                                  | 600,000                        |
| Total other financing sources (uses)       | 2,035,775                                  | 600,000                             | -                                  | 2,635,775                      |
| Net change in fund balance                 | 492,182                                    | 600,000                             | (618,731)                          | 473,451                        |
| Fund balance (deficit) - beginning of year | 2,649,314                                  | 71,552                              | 618,731                            | 3,339,597                      |
| Fund balance - end of year                 | <u>\$ 3,141,496</u>                        | <u>\$ 671,552</u>                   | <u>\$ -</u>                        | <u>\$ 3,813,048</u>            |

**School District of the City of Royal Oak**  
**Other Supplemental information**  
**Schedule of Bonded Indebtedness**  
**Year Ended June 30, 2013**

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|                        | <u>2005 Debt</u>        | <u>QSCB Debt</u>        |
|------------------------|-------------------------|-------------------------|
| <u>June 30</u>         | <u>Principal</u>        | <u>Principal</u>        |
| 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                 |
|                        | <u>57,000,000</u>       | <u>2,170,000</u>        |
| Total                  | <u>\$ 57,000,000</u>    | <u>\$ 2,170,000</u>     |
| Principal payments due | May 1                   | November 1              |
| Interest payments due  | May 1 and<br>November 1 | May 1 and<br>November 1 |
| Interest rate          | 3.50%- 5.00%            | 1.25%- 6.00%            |
| Original Issue         | <u>\$ 65,500,000</u>    | <u>\$ 2,650,000</u>     |

**STATISTICAL SECTION (UNAUDITED)**



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

|                                  | 2013                | 2012                | 2011                | 2010                | 2009                | 2008                | 2007                | 2006                | 2005                | 2004                |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Governmental activities          |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Net investment in capital assets | \$58,096,056        | \$52,291,388        | \$51,696,758        | \$53,954,727        | \$50,601,272        | \$52,654,211        | \$ 9,617,712        | \$21,194,010        | \$18,967,795        | \$16,267,636        |
| Restricted - Debt Service        | 3,656,271           | 4,067,813           | 2,636,146           | 997,709             | 932,613             | 1,508,339           | 2,694,178           | 1,307,310           | 773,135             | 976,273             |
| Unrestricted                     | 17,388,631          | 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          |
| Total primary government         | <u>\$79,140,958</u> | <u>\$70,707,425</u> | <u>\$63,455,916</u> | <u>\$55,091,891</u> | <u>\$49,373,475</u> | <u>\$50,762,211</u> | <u>\$49,439,234</u> | <u>\$42,042,687</u> | <u>\$37,878,355</u> | <u>\$34,618,956</u> |

Source: School District of the City of Royal Oak Comprehensive Annual Financial Reports 2004-2013.

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

|  | 2013                          | 2012                          | 2011                          | 2010                          | 2009                          | 2008                          | 2007                          | 2006                          | 2005                          | 2004                          |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <b>Expenses</b>                                  |                               |                               |                               |                               |                               |                               |                               |                               |                               |                               |
| <b>Governmental activities</b>                   |                               |                               |                               |                               |                               |                               |                               |                               |                               |                               |
| Instruction                                      | \$ 32,453,172                 | \$ 33,046,290                 | \$ 34,412,197                 | \$ 37,440,682                 | \$ 37,301,542                 | \$ 37,801,871                 | \$ 39,246,596                 | \$ 39,606,745                 | \$ 39,530,593                 | \$ 40,140,516                 |
| Support services                                 | 18,992,270                    | 19,389,775                    | 20,011,511                    | 24,450,712                    | 29,541,877                    | 27,818,723                    | 26,700,072                    | 27,760,736                    | 26,965,264                    | 26,470,366                    |
| Food services                                    | 1,153,903                     | 1,275,493                     | 1,284,725                     | 1,249,617                     | 1,208,841                     | 1,115,386                     | 1,146,258                     | 1,178,128                     | 1,273,339                     | 1,308,418                     |
| Athletics  | -                             | -                             | -                             | 639,525                       | 674,369                       | 721,696                       | 896,357                       | 1,017,503                     | 1,012,381                     | 994,408                       |
| Community services                               | 1,261,333                     | 622,865                       | 678,492                       | 707,362                       | 773,152                       | 902,012                       | 1,046,652                     | 948,537                       | 974,658                       | 895,048                       |
| Interest on long-term debt                       | 3,121,759                     | 3,187,457                     | 3,307,073                     | 3,597,687                     | 4,111,571                     | 5,438,669                     | 5,965,768                     | 2,990,850                     | 1,745,452                     | 5,273,836                     |
| Depreciation (unallocated)                       | 4,516,412                     | 5,234,270                     | 4,447,823                     | 4,650,857                     | 5,151,043                     | 4,741,507                     | 3,943,727                     | 3,592,552                     | 3,723,981                     | 3,755,204                     |
| <b>Total primary government expenses</b>         | <b>61,498,849</b>             | <b>62,756,150</b>             | <b>64,141,821</b>             | <b>72,736,442</b>             | <b>78,762,395</b>             | <b>78,539,864</b>             | <b>78,945,430</b>             | <b>77,095,051</b>             | <b>75,225,668</b>             | <b>78,837,796</b>             |
| <b>Program revenues</b>                          |                               |                               |                               |                               |                               |                               |                               |                               |                               |                               |
| <b>Governmental activities</b>                   |                               |                               |                               |                               |                               |                               |                               |                               |                               |                               |
| <b>Charges for services</b>                      |                               |                               |                               |                               |                               |                               |                               |                               |                               |                               |
| Instruction                                      | 61,311                        | 60,916                        | 59,266                        | 61,410                        | 103,086                       | 100,724                       | 79,735                        | -                             | -                             | -                             |
| Food services                                    | 581,116                       | 624,267                       | 638,257                       | 687,884                       | 750,537                       | 691,366                       | 775,052                       | 808,603                       | 864,387                       | 970,385                       |
| Athletics  | -                             | -                             | -                             | 185,857                       | 110,875                       | 148,506                       | 96,684                        | 145,182                       | 135,057                       | 135,124                       |
| Support services                                 | 238,864                       | 231,887                       | 235,330                       | -                             | -                             | -                             | -                             | -                             | -                             | -                             |
| Community services                               | 1,353,860                     | 1,501,390                     | 1,489,773                     | 1,279,830                     | 1,277,102                     | 1,245,726                     | 1,352,673                     | 1,089,686                     | 1,062,521                     | 1,136,399                     |
| <b>Operating grants and contributions</b>        |                               |                               |                               |                               |                               |                               |                               |                               |                               |                               |
| Instruction                                      | 8,239,751                     | 4,600,751                     | 5,842,037                     | 9,849,305                     | 9,393,039                     | 8,089,334                     | 6,972,299                     | 7,384,837                     | 14,246,590                    | 14,967,125                    |
| Support services                                 | 550,136                       | 5,635,280                     | 5,635,280                     | 5,605,338                     | 5,309,265                     | 5,724,078                     | 6,339,772                     | 6,369,079                     | -                             | -                             |
| Food services                                    | 597,160                       | 677,043                       | 665,616                       | 647,355                       | 536,377                       | 432,510                       | 408,399                       | 403,816                       | 363,091                       | 385,417                       |
| Community services                               | 139,110                       | 159,292                       | 100,480                       | 82,715                        | 99,013                        | 94,548                        | 103,242                       | 135,928                       | 90,520                        | 100,145                       |
| <b>Total primary government program revenues</b> | <b>11,761,308</b>             | <b>13,490,826</b>             | <b>14,666,039</b>             | <b>18,399,694</b>             | <b>17,579,294</b>             | <b>16,526,792</b>             | <b>16,127,856</b>             | <b>16,337,131</b>             | <b>16,762,166</b>             | <b>17,694,595</b>             |
| <b>Net (expense) revenue</b>                     |                               |                               |                               |                               |                               |                               |                               |                               |                               |                               |
| <b>Total primary government net expense</b>      | <b><u>\$ (49,737,541)</u></b> | <b><u>\$ (49,265,324)</u></b> | <b><u>\$ (49,475,782)</u></b> | <b><u>\$ (54,336,748)</u></b> | <b><u>\$ (61,183,101)</u></b> | <b><u>\$ (62,013,072)</u></b> | <b><u>\$ (62,817,574)</u></b> | <b><u>\$ (60,757,920)</u></b> | <b><u>\$ (58,463,502)</u></b> | <b><u>\$ (61,143,201)</u></b> |

Source: School District of the City of Royal Oak Comprehensive Annual Financial Reports 2004-2013.

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

|   | 2013            | 2012            | 2011            | 2010            | 2009            | 2008            | 2007            | 2006            | 2005            | 2004            |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net (expense) revenue                                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Total primary government net expense                  | \$ (49,737,541) | \$ (49,265,324) | \$ (49,475,782) | \$ (54,336,748) | \$ (61,183,101) | \$ (62,013,072) | \$ (62,817,574) | \$ (60,757,920) | \$ (58,463,502) | \$ (61,143,201) |
| General revenues and other changes<br>in net position |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Governmental activities                               |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Taxes   |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Property taxes levied for general purposes            | 19,163,973      | 18,925,737      | 19,279,237      | 19,744,221      | 19,128,074      | 19,931,958      | 19,395,487      | 17,633,301      | 17,280,018      | 16,885,110      |
| Property taxes levied for debt service                | 10,542,052      | 10,647,453      | 10,904,444      | 11,778,957      | 11,846,917      | 11,683,889      | 11,367,372      | 5,315,504       | 7,232,290       | 6,621,915       |
| Unrestricted state aid                                | 26,477,203      | 25,927,663      | 26,346,437      | 25,423,522      | 26,743,641      | 29,301,556      | 30,966,580      | 33,314,491      | 35,560,997      | 37,354,039      |
| Interest and investment earnings                      | 33,163          | 41,643          | 33,558          | 65,288          | 365,721         | 1,912,523       | 4,327,700       | 2,709,921       | 557,330         | 249,538         |
| Gain on sale of assets                                | 1,538,403       | 680,496         | 614,413         | 488,977         | 60,000          | 100,000         | 2,457,819       | 4,599,382       | -               | -               |
| Insurance recoveries                                  | -               | -               | -               | 2,000,000       | -               | -               | -               | -               | -               | -               |
| Other   | 416,280         | 293,841         | 661,718         | 554,199         | 1,650,012       | 406,123         | 1,699,163       | 1,349,653       | 1,092,266       | 2,618,297       |
| Total primary government                              | 58,171,074      | 56,516,833      | 57,839,807      | 60,055,164      | 59,794,365      | 63,336,049      | 70,214,121      | 64,922,252      | 61,722,901      | 63,728,899      |
| Change in net position                                |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Total primary government                              | \$ 8,433,533    | \$ 7,251,509    | \$ 8,364,025    | \$ 5,718,416    | \$ (1,388,736)  | \$ 1,322,977    | \$ 7,396,547    | \$ 4,164,332    | \$ 3,259,399    | \$ 2,585,698    |

Source: School District of the City of Royal Oak Comprehensive Annual Financial Reports 2004-2013.

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

|   | 2013                 | 2012                 | 2011                 | 2010                | 2009                | 2008                 | 2007                 | 2006                 | 2005                 | 2004                 |
|---|----------------------|----------------------|----------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>General Fund</b>                       |                      |                      |                      |                     |                     |                      |                      |                      |                      |                      |
| Non-spendable                             | \$ 3,817             | \$ 72,405            | \$ -                 | \$ -                | \$ -                | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| Assigned                                  | 2,824,754            | 2,859,270            | 5,301,954            | -                   | -                   | -                    | -                    | -                    | -                    | -                    |
| Unassigned                                | 10,037,295           | 7,622,793            | 4,061,055            | -                   | -                   | -                    | -                    | -                    | -                    | -                    |
| Reserved                                  | -                    | -                    | -                    | 195,205             | 30,442              | 99,015               | 147,604              | 108,941              | 80,376               | 54,150               |
| Unreserved                                | -                    | -                    | -                    | -                   | -                   | -                    | -                    | -                    | -                    | -                    |
| Designated                                | -                    | -                    | -                    | 3,896,984           | 5,101,754           | 7,634,221            | 8,266,194            | 10,017,351           | 11,857,734           | 10,408,792           |
| Undesignated                              | -                    | -                    | -                    | <u>2,678,084</u>    | <u>1,198,855</u>    | <u>4,372,960</u>     | <u>3,459,217</u>     | <u>4,098,528</u>     | <u>4,164,459</u>     | <u>4,832,127</u>     |
| <b>Total General Fund</b>                 | <u>12,865,866</u>    | <u>10,554,468</u>    | <u>9,363,009</u>     | <u>6,770,273</u>    | <u>6,331,051</u>    | <u>12,106,196</u>    | <u>11,873,015</u>    | <u>14,224,820</u>    | <u>16,102,569</u>    | <u>15,295,069</u>    |
| <b>All other governmental funds</b>       |                      |                      |                      |                     |                     |                      |                      |                      |                      |                      |
| Non-spendable                             | \$ 131,034           | \$ 136,843           | \$ 26,580            | \$ -                | \$ -                | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| Restricted                                | 3,653,902            | 4,067,813            | 4,380,800            | -                   | -                   | -                    | -                    | -                    | -                    | -                    |
| Assigned                                  | 5,331,284            | 4,529,435            | 1,007,336            | -                   | -                   | -                    | -                    | -                    | -                    | -                    |
| Unassigned                                | -                    | -                    | (238,471)            | -                   | -                   | -                    | -                    | -                    | -                    | -                    |
| Reserved                                  | -                    | -                    | -                    | 1,120,695           | 1,020,753           | 4,129,779            | 44,920,653           | 72,317,691           | 1,664,524            | 1,005,240            |
| 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            |
| Capital Project Funds                     | -                    | -                    | -                    | <u>(2,359,856)</u>  | <u>(5,298,279)</u>  | <u>(6,980,540)</u>   | <u>1,142,848</u>     | <u>263,638</u>       | <u>2,625,888</u>     | <u>3,527,111</u>     |
| <b>Total all other governmental funds</b> | <u>9,116,220</u>     | <u>8,734,091</u>     | <u>5,176,245</u>     | <u>72,055</u>       | <u>(2,091,689)</u>  | <u>(835,368)</u>     | <u>47,482,602</u>    | <u>73,687,776</u>    | <u>5,418,649</u>     | <u>5,768,222</u>     |
| <b>Total all funds</b>                    | <u>\$ 21,982,086</u> | <u>\$ 19,288,559</u> | <u>\$ 14,539,254</u> | <u>\$ 6,842,328</u> | <u>\$ 4,239,362</u> | <u>\$ 11,270,828</u> | <u>\$ 59,355,617</u> | <u>\$ 87,912,596</u> | <u>\$ 21,521,218</u> | <u>\$ 21,063,291</u> |

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 2004-2013.

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

| Year Ended | General Fund   |                     |                       |               |                   | Special Revenue Funds       |               |                       |               |
|------------|----------------|---------------------|-----------------------|---------------|-------------------|-----------------------------|---------------|-----------------------|---------------|
|            | Property Taxes | Other Local Sources | Interdistrict Sources | State Sources | Federal Sources * | Total General Fund Revenues | Local Sources | Interdistrict Sources | State Sources |
| 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       |
| 2013       | 19,163,973     | 955,151             | 3,743,564             | 29,689,691    | 1,712,589         | 55,264,968                  | 1,726,589     | -                     | 189,173       |

\* 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 2004-2013.

| Federal Sources | Capital Project Funds               |                    |               |                                     | Debt Service Funds |                    | Total Revenue |                                  |
|-----------------|-------------------------------------|--------------------|---------------|-------------------------------------|--------------------|--------------------|---------------|----------------------------------|
|                 | Total Special Revenue Funds Revenue | Interest and Other | State Sources | Total Capital Project Funds Revenue | Property Taxes     | Interest and Other |               | Total Debt Service Funds Revenue |
| \$ 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                       |
| 540,390         | 2,456,152                           | -                  | -             | -                                   | 10,542,062         | 118,442            | 10,660,504    | 68,381,624                       |

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

|  | <u>2013</u>          | <u>2012</u>          | <u>2011</u>          | <u>2010</u>          |
|--|----------------------|----------------------|----------------------|----------------------|
| Instruction (excluding fringe benefits)                  | \$ 19,494,865        | \$ 19,287,159        | \$ 20,836,847        | \$ 22,789,538        |
| Pupil services   | 3,145,836            | 3,134,485            | 3,030,725            | 3,894,769            |
| Instructional support services                           | 1,312,486            | 1,376,078            | 1,287,388            | 1,830,065            |
| General administration                                   | 543,944              | 505,682              | 544,271              | 593,784              |
| School administration                                    | 1,837,736            | 2,075,127            | 2,152,357            | 2,143,988            |
| Business services  | 6,096,684            | 6,412,103            | 7,089,407            | 7,095,898            |
| Central staff  | 1,543,609            | 822,949              | 768,903              | 952,911              |
| Athletics  | 498,456              | 445,893              | 441,760              | 639,525              |
| Employee benefits  | 13,388,786           | 14,546,344           | 14,833,474           | 15,262,778           |
| Community services (excluding fringe benefits)           | 543,777              | 92,385               | 151,932              | 124,243              |
| Payments to other governmental units                     | 2,508,425            | 2,807,290            | 2,606,948            | 3,366,488            |
| Capital lease retirement                                 | 31,348               | -                    | -                    | -                    |
| Capital outlay (1)                                       | 997,251              | 122,670              | 282,373              | 425,170              |
| Food Services Fund                                       | 1,153,903            | 1,275,493            | 1,284,725            | 1,277,065            |
| Community Services Fund                                  | 1,484,600            | 1,599,307            | 1,542,769            | 1,570,395            |
| Special Education Center Program Fund                    | -                    | -                    | -                    | 2,566,089            |
| Debt service   |                      |                      |                      |                      |
| Principal  | 7,825,000            | 5,850,000            | 5,395,000            | 7,530,000            |
| Interest   | 3,343,720            | 3,644,377            | 3,769,475            | 4,138,025            |
| Other  | 151,487              | 114,528              | 113,744              | 79,808               |
| Capital projects (1)                                     | <u>2,162,324</u>     | <u>1,343,706</u>     | <u>1,118,333</u>     | <u>1,050,748</u>     |
|  | <u>\$ 68,064,237</u> | <u>\$ 65,455,576</u> | <u>\$ 67,250,431</u> | <u>\$ 77,331,287</u> |
| Debt services as a percentage of noncapital expenditures | <u>17.18%</u>        | <u>14.99%</u>        | <u>14.03%</u>        | <u>15.40%</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 2004-2013.

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| <u>2009</u>          | <u>2008</u>           | <u>2007</u>           | <u>2006</u>          | <u>2005</u>          | <u>2004</u>          |
|----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|
| \$ 22,968,200        | \$ 22,995,734         | \$ 23,639,078         | \$ 23,987,353        | \$ 24,270,916        | \$ 24,920,477        |
| 3,547,896            | 3,572,906             | 3,799,280             | 3,990,432            | 4,149,752            | 4,159,288            |
| 1,569,359            | 1,630,971             | 1,662,792             | 1,909,897            | 1,964,051            | 1,958,555            |
| 593,714              | 583,406               | 528,481               | 497,451              | 426,379              | 400,922              |
| 2,210,699            | 2,017,650             | 2,520,245             | 2,616,229            | 2,745,387            | 2,602,059            |
| 7,528,487            | 8,306,281             | 7,985,698             | 8,510,110            | 8,226,343            | 8,449,641            |
| 828,829              | 823,762               | 855,625               | 1,023,288            | 959,423              | 974,050              |
| 674,369              | 721,696               | 896,357               | 1,017,503            | 1,012,381            | 994,408              |
| 15,107,125           | 15,546,380            | 16,578,710            | 16,920,722           | 15,979,359           | 15,093,909           |
| 146,350              | 248,850               | 242,298               | 174,058              | 154,916              | 49,406               |
| 3,154,798            | 3,011,002             | 2,793,834             | 2,418,836            | 2,242,029            | 2,562,072            |
| -                    | -                     | -                     | -                    | -                    | -                    |
| 382,472              | 492,165               | 795,474               | 505,552              | 907,490              | 810,221              |
| 1,215,116            | 1,117,219             | 1,150,096             | 1,182,654            | 1,273,339            | 1,308,418            |
| 1,606,298            | 1,710,488             | 1,982,233             | 1,940,627            | 1,986,032            | 2,005,206            |
| 2,706,433            | 3,134,862             | 3,471,941             | 3,436,359            | 4,031,332            | 3,747,945            |
| 4,052,732            | 8,125,000             | 5,250,000             | 4,465,000            | 2,623,937            | 2,609,449            |
| 8,397,829            | 3,645,585             | 4,974,692             | 756,140              | 4,820,279            | 3,732,791            |
| 108,193              | 215,305               | 51,731                | 19,895               | 94,455               | 271,824              |
| <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>\$ 84,616,236</u> | <u>\$ 126,769,905</u> | <u>\$ 118,288,374</u> | <u>\$ 81,696,219</u> | <u>\$ 78,027,140</u> | <u>\$ 76,780,074</u> |
| <u>16.35%</u>        | <u>15.39%</u>         | <u>12.98%</u>         | <u>6.95%</u>         | <u>9.68%</u>         | <u>8.63%</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)**

|   | 2013         | 2012         | 2011         | 2010           | 2009           | 2008            | 2007            | 2006           | 2005        | 2004         |
|---|--------------|--------------|--------------|----------------|----------------|-----------------|-----------------|----------------|-------------|--------------|
| Excess of revenues over<br>(under) expenditures | \$ 317,387   | \$ 3,871,587 | \$ 4,641,002 | \$ (1,365,406) | \$ (8,487,406) | \$ (46,965,569) | \$ (35,730,202) | \$ (5,036,218) | \$ 457,927  | \$ 3,589,424 |
| Other financing sources (uses)                  |              |              |              |                |                |                 |                 |                |             |              |
| Proceeds from capital lease                     | 340,365      | -            | -            | -              | -              | -               | -               | -              | -           | -            |
| Proceeds from sale of assets                    | 2,035,775    | 877,718      | 405,924      | 1,968,372      | 271,111        | 200,000         | 5,848,469       | 1,518,150.00   | -           | -            |
| Insurance recoveries                            | -            | -            | -            | 2,000,000      | 1,184,829      | -               | 1,324,754       | -              | -           | -            |
| Transfers in                                    | 1,651,890    | 4,481,783    | 3,577,001    | 2,373,147      | 9,448,816      | 3,745,991       | 4,933,687       | 6,301,715      | 3,239,567   | 5,967,202    |
| Transfers out                                   | (1,651,890)  | (4,481,783)  | (3,577,001)  | (2,373,147)    | (9,448,816)    | (3,745,991)     | (4,933,687)     | (6,301,715)    | (3,239,567) | (5,967,202)  |
| General long-term debt issued                   | -            | -            | 2,650,000    | -              | -              | 17,200,000      | -               | 65,500,000     | -           | 18,020,000   |
| Bond discount/premium                           | -            | -            | -            | -              | -              | 1,037,790       | -               | 4,409,446      | -           | 1,283,902    |
| Payments to bond escrow agent                   | -            | -            | -            | -              | -              | (19,557,010)    | -               | -              | -           | (21,652,250) |
| Total other financing sources (uses)            | 2,376,140    | 877,718      | 3,055,924    | 3,968,372      | 1,455,940      | (1,119,220)     | 7,173,223       | 71,427,596     | -           | (2,348,348)  |
| Net change in fund balances                     | \$ 2,693,527 | \$ 4,749,305 | \$ 7,696,926 | \$ 2,602,966   | \$ (7,031,466) | \$ (48,084,789) | \$ (28,556,979) | \$ 66,391,378  | \$ 457,927  | \$ 1,241,076 |

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)**

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| 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 |
| 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 %            |
| 2013        | 29,568,887                       | 29,535,282                                   | 99.89 %            | 71,390                     | 29,606,672                | 100.13 %           |

Source: Treasurers' Settlements

**School District of the City of Royal Oak**  
**Taxable Valuation and Actual Value of Taxable Property - Last Ten Fiscal Years**  
**(Unaudited)**

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| Fiscal Year | Taxable Valuation  |                       |                  | Estimated Actual Valuation | Total District Direct Millage Rate |                       |
|-------------|--------------------|-----------------------|------------------|----------------------------|------------------------------------|-----------------------|
|             | Homestead Property | Nonhomestead Property | Total            |                            | Homestead Property                 | Nonhomestead Property |
| 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                 |
| 2013        | 1,438,626,420      | 795,740,360           | 2,234,366,780    | 4,468,733,560              | 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)**

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| Fiscal Year | District Direct Rates |               |       | State of Michigan | Oakland County Operating and ISD | Oakland Community College |
|-------------|-----------------------|---------------|-------|-------------------|----------------------------------|---------------------------|
|             | Operating             | Non-Operating | Total |                   |                                  |                           |
| 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                      |
| 2013        | 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> |
|------------------------|---------------------------------|--------------------------------|--------------------------|---------------------|
| 13.41                  | 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               |
| 14.49                  | 26.39                           | 22.43                          | 15.20                    | 10.48               |

**School District of the City of Royal Oak**  
**Direct and Overlapping Property Tax Rates - Non-Homestead - Last Ten Fiscal Years**  
**(Unaudited)**

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| Fiscal<br>Year | District Direct Rates |                   |       | State of<br>Michigan | Oakland<br>County<br>Operating<br>and ISD | Oakland<br>Community<br>College |
|----------------|-----------------------|-------------------|-------|----------------------|---|---------------------------------|
|                | Operating             | Non-<br>Operating | Total |                      |   |                                 |
| 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                            |
| 2013           | 18.00                 | 4.71              | 22.71 | 6.00                 | 8.71                                      | 1.58                            |

Source: Oakland County Equalization Department

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Overlapping Rates

| <u>City of<br/>Berkley</u> | <u>City of<br/>Huntington Woods</u> | <u>City of<br/>Madison Heights</u> | <u>City of<br/>Royal Oak</u> | <u>City of<br/>Troy</u> |
|----------------------------|-------------------------------------|------------------------------------|------------------------------|-------------------------|
| 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                   |
| 14.49                      | 26.39                               | 22.43                              | 15.20                        | 10.48                   |

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

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| Fiscal Year | Governmental Activities |                               |           |                | Total         |
|-------------|-------------------------|-------------------------------|-----------|----------------|---------------|
|             | Bonded Debt             | Performance Contracting Notes | Bus Notes | Capital Leases |               |
| 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    |
| 2013        | 59,170,000              | -                             | -         | -              | 59,170,000    |

\* Years 2004-2006 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



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| <u>Percentage<br/>of Personal<br/>Income *</u> | <u>Per<br/>Capita</u> |
|--|-----------------------|
| 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                 |
| N/A  | 988                   |

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

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|   | <u>2004</u>           | <u>2005</u>           | <u>2006</u>           | <u>2007</u>           |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Debt limit  | \$ 302,067,304        | \$ 316,795,405        | \$ 334,589,330        | \$ 355,404,695        |
| Total net debt applicable to limit                                      | <u>33,027,271</u>     | <u>30,403,333</u>     | <u>91,438,333</u>     | <u>86,188,333</u>     |
| Legal debt margin   | <u>\$ 269,040,033</u> | <u>\$ 286,392,072</u> | <u>\$ 243,150,997</u> | <u>\$ 269,216,362</u> |
| Total net debt applicable to the limit<br>as a percentage of debt limit | 10.93%                | 9.60%                 | 27.33%                | 24.25%                |

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

**Legal Debt Margin Calculation for Fiscal Year 2011**

|                                   |                       |
|-----------------------------------|-----------------------|
| Taxable value                     | \$ 2,234,366,780      |
| Debt limit (15%) of taxable value | 335,155,017           |
| Debt applicable to limit          | <u>(59,170,000)</u>   |
| Legal Debt Margin                 | <u>\$ 275,985,017</u> |

| <u>2008</u>           | <u>2009</u>           | <u>2010</u>           | <u>2011</u>           | <u>2012</u>           | <u>2013</u>           |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 374,080,544        | \$ 378,253,776        | \$ 375,671,945        | \$ 347,587,901        | \$ 337,466,840        | \$ 335,155,017        |
| <u>87,172,732</u>     | <u>83,120,000</u>     | <u>75,590,000</u>     | <u>72,845,000</u>     | <u>66,995,000</u>     | <u>59,170,000</u>     |
| <u>\$ 286,907,812</u> | <u>\$ 295,133,776</u> | <u>\$ 300,081,945</u> | <u>\$ 274,742,901</u> | <u>\$ 270,471,840</u> | <u>\$ 275,985,017</u> |
| 23.30%                | 21.97%                | 20.12%                | 20.96%                | 19.85%                | 17.65%                |

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

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| <u>Fiscal<br/>Year</u> | <u>Estimated<br/>Population</u> | <u>Enrollment</u> | <u>Full-Time and<br/>Part-Time<br/>School District<br/>Employees</u> |
|------------------------|---------------------------------|-------------------|--|
| 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  |
| 2013                   | 59,910                          | 6,124             | 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)**

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| 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 |                      |
| 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%                |
| 2013          | N/A                              | 59,910               | N/A                              | 28,356                         | 60,184                         | 9.10%                |

\* Years 2004-2006 are revised figures issued by the U.S. Department of Commerce

\*\* Years 2004-2010 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                  | 2013  |      |  | 2004  |      |  |
|---------------------------|---|------|--|---|------|--|
|                           | 2011 Tax Year<br>Taxable Value Real<br>and Personal<br>Property | Rank | Percentage<br>of Total<br>Taxable<br>Value | 2001 Tax Year<br>Taxable Value<br>Real and Personal<br>Property | Rank | Percentage<br>of Total<br>Taxable<br>Value |
| Detroit Edison            | \$ 21,293,550   | 1    | 0.95%                                      | \$ 29,685,820   | 1    | 1.47%                                      |
| Beaumont Hospital         | 16,994,750  | 2    | 0.76%                                      | 17,002,610  | 3    | 0.84%                                      |
| Flex-N-Gate               | 15,677,130  | 3    | 0.70%                                      |   |      | -  |
| Form Tech Industries      | 14,301,530  | 4    | 0.64%                                      |   |      | -  |
| Consumers Energy          | 13,938,460  | 5    | 0.62%                                      | 10,643,520  | 5    | 0.53%                                      |
| Amber Equities, LLC       | 11,889,300  | 6    | 0.53%                                      |   |      | -  |
| Sears Holding             | 10,763,790  | 7    | 0.48%                                      |   |      | -  |
| H2 Royal Oak, LLC         | 9,261,160   | 8    | 0.41%                                      |   |      | -  |
| New Par/Verizon           | 8,899,820   | 9    | 0.40%                                      |   |      | -  |
| CH Royal Oak LLC          | 7,768,990   | 10   | 0.35%                                      |   |      | -  |
| Co-Op Services            | -   |      | -  | 8,839,990   | 7    | 0.44%                                      |
| Meijer                    | -   |      | -  | 7,658,490   | 8    | 0.38%                                      |
| Forum Capital Group       | -   |      | -  | 7,124,940   | 10   | 0.35%                                      |
| Amber Management          | -   |      | -  | 9,770,681   | 6    | 0.49%                                      |
| National City Bank        | -   |      | -  | 7,297,210   | 9    | 0.36%                                      |
| Hawthorne Metal           | -   |      | -  | 12,581,460  | 4    | 0.62%                                      |
| Masco                     | -   |      | -  | 27,109,660  | 2    | 1.35%                                      |
| Total principal taxpayers | 130,788,480   |      | 5.85%                                      | 137,714,381   |      | 6.84%                                      |
| Balance of valuations     | 2,103,578,300   |      | 94.15%                                     | 1,876,067,648   |      | 93.16%                                     |
| Total taxable valuator    | <u>\$ 2,234,366,780</u>   |      | <u>100.00%</u>                             | <u>\$ 2,013,782,029</u>   |      | <u>100.00%</u>                             |

Source: City of Royal Oak Assessor

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

| Employer                          | 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 2013 is not available. 2012 data is presented for comparative purposes.

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

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2001\*\*

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| <u>Employees</u> | <u>Rank</u> | <u>Percentage<br/>of Total<br/>County<br/>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)**

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| Fiscal<br>Year<br>Ended | Enrollment (1) | Operating<br>Expenditures (2) | Cost<br>per<br>Pupil | Percentage<br>Change |
|-------------------------|----------------|-------------------------------|----------------------|----------------------|
| 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) %             |
| 2013                    | 6,124          | 47,691,330                    | 7,788                | (12.69) %            |

Source: School District of the City of Royal Oak

(1) Enrollment for special education Center Program students is excluded in Years 2004 - 2010.  
Center Programs were discontinued beginning Year 2011.

(2) General Fund expenditures only, excluding other financing sources, 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)**

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|                                | <u>2011-12</u> | <u>2011-12</u> | <u>2010-11</u> | <u>2009-10</u> | <u>2008-09</u> |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| Administrative                 |                |                |                |                |                |
| Building administrators        | 13.5           | 13.5           | 13.5           | 13.5           | 13.5           |
| Central administration         | 6.0            | 7.0            | 6.0            | 5.0            | 7.0            |
| Operational administration     | <u>1.0</u>     | <u>1.0</u>     | <u>2.0</u>     | <u>2.0</u>     | <u>2.0</u>     |
|                                | <u>20.5</u>    | <u>21.5</u>    | <u>21.5</u>    | <u>20.5</u>    | <u>22.5</u>    |
| Instruction and pupil services |                |                |                |                |                |
| Classroom teachers             | 251.0          | 247.2          | 266.9          | 268.4          | 276.4          |
| Counselors                     | 8.0            | 8.0            | 7.8            | 9.3            | 9.4            |
| Media specialists              | 1.0            | 1.0            | 1.0            | 1.0            | 2.0            |
| Psychologists                  | 4.0            | 4.0            | 4.0            | 3.8            | 3.6            |
| Social workers                 | 4.6            | 4.6            | 4.6            | 6.6            | 6.4            |
| Pupil support - professional   | 20.3           | 21.2           | 20.0           | 27.8           | 16.3           |
| Paraprofessionals              | 45.0           | 45.5           | 43.0           | 43.0           | 43.0           |
| Secretarial                    | 22.0           | 22.5           | 23.5           | 23.5           | 23.5           |
| Hall supervision (1)           | <u>-</u>       | <u>-</u>       | <u>-</u>       | <u>3.0</u>     | <u>4.0</u>     |
|                                | <u>355.9</u>   | <u>354.0</u>   | <u>370.8</u>   | <u>386.4</u>   | <u>384.6</u>   |
| Business Services              |                |                |                |                |                |
| Custodial (1)                  | -              | -              | -              | 33.5           | 38.5           |
| Maintenance (1)                | -              | -              | -              | 14.0           | 15.0           |
| Transportation (1)             | -              | -              | -              | 24.0           | 24.0           |
| Secretarial/clerical           | 10.5           | 9.0            | 11.0           | 13.5           | 14.0           |
| Technical                      | <u>1.5</u>     | <u>5.5</u>     | <u>5.5</u>     | <u>5.5</u>     | <u>7.0</u>     |
|                                | <u>12.0</u>    | <u>14.5</u>    | <u>16.5</u>    | <u>90.5</u>    | <u>98.5</u>    |
| Total                          | <u>388.4</u>   | <u>390.0</u>   | <u>408.8</u>   | <u>497.4</u>   | <u>505.6</u>   |

Source: School District of the City of Royal Oak

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

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| <u>2007-08</u> | <u>2006-07</u> | <u>2005-06</u> | <u>2004-05</u> | <u>2003-04</u> | Percentage<br>Change from<br><u>2001-02 to 2010-2011</u> |
|----------------|----------------|----------------|----------------|----------------|--|
| 13.5           | 16.5           | 18.0           | 18.5           | 19.0           | (28.95)%   |
| 7.0            | 7.0            | 7.0            | 8.0            | 9.0            | (33.33)%   |
| <u>2.0</u>     | <u>2.0</u>     | <u>3.0</u>     | <u>3.0</u>     | <u>3.0</u>     | (66.67)%   |
| <u>22.5</u>    | <u>25.5</u>    | <u>28.0</u>    | <u>29.5</u>    | <u>31.0</u>    | (33.87)%   |
| 283.6          | 302.3          | 320.9          | 336.0          | 345.0          | (27.25)%   |
| 10.3           | 10.8           | 9.8            | 10.2           | 10.6           | (24.53)%   |
| 2.0            | 3.0            | 4.0            | 4.0            | 4.0            | (75.00)%   |
| 3.9            | 3.0            | 4.0            | 3.8            | 4.0            | 0.00 %   |
| 6.3            | 7.0            | 7.7            | 6.7            | 8.7            | (47.13)%   |
| 18.1           | 19.7           | 22.6           | 23.9           | 23.8           | (14.71)%   |
| 44.5           | 47.5           | 48.0           | 55.5           | 46.0           | (2.17)%  |
| 24.0           | 28.0           | 34.0           | 35.0           | 34.0           | (35.29)%   |
| <u>6.0</u>     | <u>8.0</u>     | <u>9.0</u>     | <u>10.0</u>    | <u>10.0</u>    | (100.00)%  |
| <u>398.7</u>   | <u>429.3</u>   | <u>460.0</u>   | <u>485.1</u>   | <u>486.1</u>   | (26.78)%   |
| 42.5           | 42.5           | 52.0           | 52.0           | 54.0           | (100.00)%  |
| 18.0           | 19.0           | 19.0           | 20.0           | 21.0           | (100.00)%  |
| 24.5           | 28.0           | 23.5           | 27.5           | 27.5           | (100.00)%  |
| 14.0           | 14.0           | 15.0           | 16.0           | 17.5           | (40.00)%   |
| <u>5.5</u>     | <u>5.5</u>     | <u>7.4</u>     | <u>7.4</u>     | <u>7.4</u>     | (79.73)%   |
| <u>104.5</u>   | <u>109.0</u>   | <u>116.9</u>   | <u>122.9</u>   | <u>127.4</u>   | (90.58)%   |
| <u>525.7</u>   | <u>563.8</u>   | <u>604.9</u>   | <u>637.5</u>   | <u>644.5</u>   | (39.74)%   |

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

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| <u>Fiscal<br/>Year</u> | <u>BA Base<br/>Minimum<br/>Salary</u> | <u>MA / BA +30<br/>Maximum<br/>Salary</u> |
|------------------------|---------------------------------------|---|
| 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                                    |
| 2013                   | 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 |        |        |        |
|--------------------|-------------|--------|--------|--------|
|                    | 2004        | 2005   | 2006   | 2007   |
| <b>Elementary:</b> |             |        |        |        |
| Addams (1952)      |             |        |        |        |
| Square feet        | -           | -      | -      | -      |
| Capacity           | -           | -      | -      | -      |
| Enrollment         | -           | -      | -      | -      |
| Franklin (1927)    |             |        |        |        |
| Square feet        | 31,068      | -      | -      | -      |
| Capacity           | 275         | -      | -      | -      |
| Enrollment         | -           | -      | -      | -      |
| Keller (1961)      |             |        |        |        |
| Square feet        | -           | -      | -      | -      |
| Capacity           | -           | -      | -      | -      |
| Enrollment         | -           | -      | -      | -      |
| Longfellow (1919)  |             |        |        |        |
| Square feet        | 40,944      | 40,944 | 40,944 | 40,944 |
| Capacity           | 400         | 400    | 400    | 400    |
| Enrollment         | 216         | 189    | 179    | 180    |
| Northwood (1923)   |             |        |        |        |
| Square feet        | 42,174      | 42,174 | 42,174 | 42,174 |
| Capacity           | 400         | 400    | 400    | 400    |
| Enrollment         | 388         | 389    | 374    | 330    |
| Northwood (2008)   |             |        |        |        |
| Square feet        | -           | -      | -      | -      |
| Capacity           | -           | -      | -      | -      |
| Enrollment         | -           | -      | -      | -      |
| Oakland (1924)     |             |        |        |        |
| Square feet        | 43,257      | 43,257 | 43,257 | 43,257 |
| Capacity           | 400         | 400    | 400    | 400    |
| Enrollment         | 295         | 260    | 262    | 264    |
| Oak Ridge (1951)   |             |        |        |        |
| Square feet        | 51,619      | 51,619 | 51,619 | 51,619 |
| Capacity           | 475         | 475    | 475    | 475    |
| Enrollment         | 444         | 445    | 449    | 430    |
| Parker (1952)      |             |        |        |        |
| Square feet        | 33,818      | -      | -      | -      |
| Capacity           | 275         | -      | -      | -      |
| Enrollment         | -           | -      | -      | -      |
| Starr (1919)       |             |        |        |        |
| Square feet        | 39,414      | 39,414 | 39,414 | 39,414 |
| Capacity           | 400         | 400    | 400    | 400    |
| Enrollment         | 289         | 273    | 258    | 250    |
| Twain (1954)       |             |        |        |        |
| Square feet        | 47,276      | 47,276 | 47,276 | 47,276 |
| Capacity           | 450         | 450    | 450    | 450    |
| Enrollment         | 281         | 236    | 219    | 180    |
| Upton (1951)       |             |        |        |        |
| Square feet        | 35,708      | 35,708 | 35,708 | 35,708 |
| Capacity           | 325         | 325    | 325    | 325    |
| Enrollment         | 370         | 348    | 316    | 323    |

| 2008   | 2009   | 2010   | 2011   | 2012   | 2013   |
|--------|--------|--------|--------|--------|--------|
| 70,890 | 70,890 | 70,890 | 70,890 | 70,890 | 70,890 |
| 625    | 625    | 625    | 625    | 625    | 625    |
| 464    | 414    | 418    | 417    | 452    | 442    |
| -      | -      | -      | -      | -      | -      |
| -      | -      | -      | -      | -      | -      |
| -      | -      | -      | -      | -      | -      |
| 78,640 | 78,640 | 78,640 | 78,640 | 78,640 | 78,640 |
| 675    | 675    | 675    | 675    | 675    | 675    |
| 372    | 361    | 338    | 314    | 379    | 394    |
| -      | -      | -      | -      | -      | -      |
| -      | -      | -      | -      | -      | -      |
| -      | -      | -      | -      | -      | -      |
| 42,174 | -      | -      | -      | -      | -      |
| 400    | -      | -      | -      | -      | -      |
| 312    | -      | -      | -      | -      | -      |
| -      | 65,000 | 65,000 | 65,000 | 65,000 | 65,000 |
| -      | 475    | 475    | 475    | 475    | 475    |
| -      | 402    | 463    | 463    | 467    | 512    |
| 43,257 | 43,257 | 43,257 | 43,257 | 43,257 | 43,257 |
| 400    | 400    | 400    | 400    | 400    | 400    |
| 258    | 282    | 297    | 320    | 334    | 303    |
| 51,619 | 51,619 | 51,619 | 51,619 | 51,619 | 51,619 |
| 475    | 475    | 475    | 475    | 475    | 475    |
| 482    | 432    | 435    | 443    | 437    | 458    |
| -      | -      | -      | -      | -      | -      |
| -      | -      | -      | -      | -      | -      |
| -      | -      | -      | -      | -      | -      |
| -      | -      | -      | -      | -      | -      |
| -      | -      | -      | -      | -      | -      |
| -      | -      | -      | -      | -      | -      |
| -      | -      | -      | -      | -      | -      |
| -      | -      | -      | -      | -      | -      |
| 35,708 | 35,708 | 35,708 | 35,708 | 35,708 | 35,708 |
| 325    | 325    | 325    | 325    | 325    | 325    |
| 299    | 331    | 356    | 367    | 323    | 316    |

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

| School                                     | Fiscal Year |         |         |         |
|--|-------------|---------|---------|---------|
|  | 2004        | 2005    | 2006    | 2007    |
| Whittier (1922)                            |             |         |         |         |
| Square feet                                | 43,982      | 43,982  | 43,982  | 43,982  |
| Capacity                                   | 450         | 450     | 450     | 450     |
| Enrollment                                 | 331         | 317     | 284     | 263     |
| <b>Middle:</b>                             |             |         |         |         |
| Addams (1953)                              |             |         |         |         |
| Square feet                                | 70,890      | 70,890  | 70,890  | 70,890  |
| Capacity                                   | 891         | 891     | 891     | 891     |
| Enrollment                                 | 699         | 690     | 666     | 670     |
| Keller (1961)                              |             |         |         |         |
| Square feet                                | 78,640      | 78,640  | 78,640  | 78,640  |
| Capacity                                   | 1,161       | 1,161   | 1,161   | 1,161   |
| Enrollment                                 | 739         | 702     | 653     | 621     |
| ROMS (1928)                                |             |         |         |         |
| Square feet                                | -           | -       | -       | -       |
| Capacity                                   | -           | -       | -       | -       |
| Enrollment                                 | -           | -       | -       | -       |
| <b>High:</b>                               |             |         |         |         |
| Dondero (1928)                             |             |         |         |         |
| Square feet                                | 264,819     | 264,819 | 264,819 | 264,819 |
| Capacity                                   | 1,188       | 1,188   | 1,188   | 1,188   |
| Enrollment                                 | 873         | 830     | 668     | -       |
| Kimball (1957)                             |             |         |         |         |
| Square feet                                | 269,008     | 269,008 | 269,008 | -       |
| Capacity                                   | 1,998       | 1,998   | 1,998   | -       |
| Enrollment                                 | 1,271       | 1,225   | 1,290   | -       |
| ROHS (1957)                                |             |         |         |         |
| Square feet                                | -           | -       | -       | 269,008 |
| Capacity                                   | -           | -       | -       | 1,998   |
| Enrollment                                 | -           | -       | -       | 1,867   |
| <b>Other:</b>                              |             |         |         |         |
| 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                                 | 177         | 202     | 170     | 198     |
| 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                                 | 115         | 113     | 108     | 118     |

Source: School District of the City of Royal Oak

| 2008    | 2009    | 2010    | 2011    | 2012    | 2013    |
|---------|---------|---------|---------|---------|---------|
| -       | -       | -       | -       | -       | -       |
| -       | -       | -       | -       | -       | -       |
| -       | -       | -       | -       | -       | -       |
| -       | -       | -       | -       | -       | -       |
| -       | -       | -       | -       | -       | -       |
| -       | -       | -       | -       | -       | -       |
| -       | -       | -       | -       | -       | -       |
| 277,161 | 277,161 | 277,161 | 277,161 | 277,161 | 277,161 |
| 1,250   | 1,250   | 1,250   | 1,250   | 1,250   | 1,250   |
| 1,205   | 1,204   | 1,172   | 1,127   | 1,094   | 1,049   |
| -       | -       | -       | -       | -       | -       |
| -       | -       | -       | -       | -       | -       |
| -       | -       | -       | -       | -       | -       |
| -       | -       | -       | -       | -       | -       |
| -       | -       | -       | -       | -       | -       |
| 285,508 | 285,508 | 285,508 | 285,508 | 285,508 | 285,508 |
| 1,998   | 1,998   | 1,998   | 1,998   | 1,998   | 1,998   |
| 1,798   | 1,743   | 1,713   | 1,614   | 1,533   | 1,441   |
| 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     |
| 179     | 181     | 181     | 186     | 341     | 309     |
| 25,913  | 25,913  | 25,913  | 25,913  | 25,913  | 25,913  |
| 250     | 250     | 250     | 250     | 250     | 250     |
| 111     | 101     | 103     | 55      | 68      | 77      |
| -       | -       | -       | -       | -       | -       |
| -       | -       | -       | -       | -       | -       |
| -       | -       | -       | -       | -       | -       |