

**Royal Oak Schools**

**Financial Statements**

**June 30, 2023**



**ROYAL OAK SCHOOLS**  
A COMMUNITY OF EXCELLENCE



**YEO & YEO**

BUSINESS SUCCESS  
PARTNERS

**Annual Comprehensive Financial Report**

**of**

**Royal Oak Schools**

**Royal Oak, Michigan**

As prepared by the Finance Department

For the Fiscal Year Ended June 30, 2023

Mary Beth Fitzpatrick  
Superintendent of Schools

Katherine Abela  
Executive Director, Finance & Operations

# Table of Contents

<u>Section</u>	<u>Page</u>
<b><u>Introductory Section</u></b>	
<b>Letter of Transmittal</b>	i-xiii
<b>Organizational Chart</b>	xiv
<b><u>Financial Section</u></b>	
<b>1 Members of the Board of Education and Administration</b>	1 - 1
<b>2 Independent Auditors' Report</b>	2 - 1
<b>3 Management's Discussion and Analysis</b>	3 - 1
<b>4 Basic Financial Statements</b>	
District-wide Financial Statements	
Statement of Net Position	4 - 1
Statement of Activities	4 - 3
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4 - 4
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4 - 6
Statement of Revenues, Expenditures and Changes in Fund Balances	4 - 7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 - 9
Notes to the Financial Statements	4 - 10

<u>Section</u>		<u>Page</u>
5	<b>Required Supplementary Information</b>	
	Budgetary Comparison Schedule – General Fund	5 - 1
	Schedule of the School District's Proportionate Share of the Net Pension Liability	5 - 3
	Schedule of the School District's Pension Contributions	5 - 4
	Schedule of the School District's Proportionate Share of the Net OPEB Liability	5 - 5
	Schedule of the School District's OPEB Contributions	5 - 6
6	<b>Other Supplementary Information</b>	
	Nonmajor Governmental Funds	
	Combining Balance Sheet	6 - 1
	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	6 - 2
	Special Revenue Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual	6 - 3
	Debt Service Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual	6 - 4
	Capital Projects Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balances	6 - 5
	Schedule of Outstanding Bonded Indebtedness	6 - 6
7	<b><u>Statistical Section (Unaudited)</u></b>	
	District-Wide Net Position by Component – Last Ten Fiscal Years	7 - 1
	District-Wide Revenues by Source and Expenses by Function – Last Ten Fiscal Years	7 - 2
	District-Wide General Revenues and Total Change in Net Position – Last Ten Fiscal Years	7 - 3
	Fund Level Fund Balances – Last Ten Fiscal Years	7 - 4
	Fund Level Revenues by Source – Last Ten Fiscal Years	7 - 5
	Fund Level Expenditures by Function – Last Ten Fiscal Years	7 - 6

<u>Section</u>	<u>Page</u>
7 (Continued)	
Fund Level Other Financial Sources and Uses and Net Change in Fund Balances- Last Ten Fiscal Years	7 - 7
Property Tax Levies and Collections – Last Ten Fiscal Years	7 - 8
Taxable Valuation and Actual Value of Taxable Property – Last Ten Fiscal Years	7 - 9
Direct and Overlapping Property Tax Rates – Homestead – Last Ten Fiscal Years	7 - 10
Direct and Overlapping Property Tax Rates – Non-Homestead – Last Ten Fiscal Years	7 - 11
Outstanding Debt by Type – Last Ten Fiscal Years	7 - 12
Legal Debt Margin Information – Last Ten Fiscal Years	7 - 13
Demographic Data – Last Ten Fiscal Years	7 - 14
Demographic and Economic Statistics – Last Ten Calendar Years	7 - 15
Principal Property Taxpayers – Current Year and Nine Years Ago	7 - 16
Principal Employers – Current Year and Nine Years Ago	7 - 17
Operating Statistics – Last Ten Fiscal Years	7 - 18
Full-Time Equivalent Employees by Type – General Fund – Last Ten Fiscal Years	7 - 19
Teacher Base Salaries – Last Ten Fiscal Years	7 - 20
School Building Information – Last Ten Fiscal Years	7 - 21

## INTRODUCTORY SECTION

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**Board of Education**  
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September 5, 2023

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

Dear Board Members:

This letter of transmittal is intended to provide an overview of the financial condition of Royal Oak Schools from the perspective of the Superintendent and the Executive Director, Finance & Operations. It serves as an introduction to our Annual Comprehensive Financial Report for the fiscal year, which ended June 30, 2023. The Annual Comprehensive Financial Report is presented in three sections: introductory, financial, and statistical. The introductory section includes the District's organizational chart, and this transmittal letter. The financial section includes the members of the Board of Education and Administration, Management's Discussion and Analysis, the Independent Auditor's Report, district-wide financial statements, fund financial statements and notes to the financial statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. For an additional narrative about the financial performance of the District, please direct your attention to the Management's Discussion and Analysis.

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

### **The District**

Royal Oak Schools is a suburban district located two miles north of the City of Detroit. It is a fiscally independent school district governed by a seven-member elected Board of Education. In fiscal year 2023, the District operated six K-5 elementary schools, one 6-8 middle school, one 9-12 senior high school, an early childhood center, a community education center, an alternative high school, an administration building and a maintenance/transportation facility

## **Student Services Provided**

The District provides a comprehensive program of public education from pre-kindergarten through twelfth grade, as well as outstanding programs of continuing and alternative education. In addition, a wide array of special education programs and services are offered to eligible students, ranging from children in early intervention and early childhood developmentally delayed programs to students reaching the age of 26. The high school, middle school, all elementary schools and continuing education are fully accredited by Cognia. 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, students have many opportunities to participate in extra-curricular activities, including athletics, music, drama, clubs, and numerous other special interest activities.

## **Accounting System and Budgetary Control**

The Governmental Funds of Royal Oak Schools are presented in accordance with statements issued by the Governmental Accounting Standards Board (GASB). The District adheres to budgetary policies and procedures as established by the Board of Education, which includes multiple reviews of the budget throughout the year with amendments submitted to the Board of Education for approval. The District utilizes a detailed line item budget prepared according to the guidelines in Bulletin 1022 (Revised), the State of Michigan's School Accounting Manual. Executive and building-level administrators are delegated the responsibility for controlling the expenditures within their respective responsibilities according to Board policies and procedures. The existing budgetary and internal accounting controls system 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 on 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 depend on the State for their revenue. With the past decade's unprecedented economic downturn in the State of Michigan, along with state budget decisions, school districts have been presented with the financial challenges of declining revenues, rising costs, and increasing demands for student achievement.

Royal Oak Schools has, for a number of years, experienced significant declines in enrollment as the community's demographics have shifted. In the 2022-23, Royal Oak Schools saw a decrease in student enrollment of about 145 pupils, mostly due to discontinuation of the shared time services with the Shrine Schools.



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 economy’s performance. Any future increase in the District’s per-pupil foundation allowance will be based on the growth in sales tax, statewide property tax, and other state revenue. As a result, there are very serious concerns about the financial impact of Michigan’s current and future economic downturns on the revenue stream for the State School Aid Fund. The financial outlook for school districts in Michigan remains challenging. The \$470 reduction in per pupil funding adopted by the State Legislature in 2012-13 continues to have a lingering effect. School districts across Michigan continue to be challenged by financial uncertainty. The 2021-22 school year was the first time all school districts received the same base foundation allowance.

### **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 October and the other in February. This reliance on State revenue as a funding source in the General Fund is illustrated as follows:

	Amount	Percentage of Total
Local Sources	\$ 26,267,860	33.11%
State Sources	\$ 43,067,284	54.29%
Federal Sources	\$ 3,523,589	4.44%
<u>Interdistrict Sources</u>	<u>\$ 6,469,884</u>	<u>8.16%</u>
<u>Total Revenue</u>	<u>\$ 79,328,617</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 2022-23, the operating millage rate for Royal Oak homeowners was 0.6091 mills and 18.0000 mills for businesses.

A comparison of 2022-23 General Fund revenue to the prior year reveals the following:

	2022-23	2021-22	Increase (Decrease)	(Decrease) By Source
Local Sources	\$ 26,267,860	\$ 23,383,147	\$ 2,884,713	12.34%
State Sources	\$ 43,067,284	\$ 37,728,620	\$ 5,338,664	14.15%
Federal Sources	\$ 3,523,589	\$ 6,537,785	\$ (3,014,196)	-46.10%
Interdistrict Sources	\$ 6,469,884	\$ 6,174,613	\$ 295,271	4.78%
Total Revenues	<u>\$ 79,328,617</u>	<u>\$ 73,824,165</u>	<u>\$ 5,504,452</u>	<u>7.46%</u>

The increase in Local Sources of \$2.8 million is mostly attributed to the change in the hold harmless levy calculation from \$850.80 per pupil to \$589 per pupil and the over-collection of taxes in the 2021-2022 year due to the late change by the State. In the 2022-2023 school year we used the deferred tax revenue collected in 2021-2022.

The net increase in State Sources of \$5.3 million was primarily the result of new mental health and safety grants and state grants for COVID-19.

The decrease in federal sources of \$3 million was primarily due to the end of COVID-19 grants received from the federal government.

The increase in Interdistrict Sources of \$295,271 was due to the increase in Public Act (PA) 18 county distributions. 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.

In November 2020, the electors of the District approved a renewal of the operating property tax levies that maintain current per-pupil revenue levels. This renewal was for a ten-year period and represents an important element of financial stability. This operating millage will extend through the end of the 2030-2031 fiscal year.

## Expenditures

Expenditures and Other Financing (Sources) Uses for the General Fund totaled \$78,787,029 for the year ended June 30, 2023. 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	\$ 36,313,592	46.09%
Added Needs	11,716,560	14.87%
Continuing Education	212,737	0.27%
Total Instruction	<u>48,242,889</u>	<u>61.23%</u>
Support Services:		
Pupil Services	8,105,267	10.29%
Instructional Services	3,378,437	4.29%
General Administration	701,380	0.89%
School Administration	3,500,347	4.44%
Business Services	10,036,591	12.74%
Central Staff	2,064,120	2.62%
Athletic Activities	1,022,521	1.30%
Other	95,802	0.12%
Total Support Services	<u>28,904,465</u>	<u>36.69%</u>
Payments to other governmental units	1,042,157	1.32%
Community Services	93,514	0.12%
Capital Outlay	-	0.00%
Debt Service	-	0.00%
Total Expenditures	<u>78,283,025</u>	<u>99.36%</u>
Other Financing Uses	<u>(504,004)</u>	<u>-0.64%</u>
Total Expenditures and Other Financing Sources Uses	<u>\$ 78,787,029</u>	<u>100.00%</u>

A comparison of 2022-23 General Fund expenditures to the prior year is as follows:

Function	2022-23	2021-22	Increase (Decrease)	% Increase (Decrease) By Source
<b>Instruction:</b>				
Basic Programs	\$ 36,313,592	\$ 33,174,803	\$ 3,138,789	9.46%
Added Needs	11,716,560	10,444,679	1,271,881	12.18%
Continuing Education	212,737	234,692	(21,955)	-9.35%
<b>Total Instruction</b>	<b>48,242,889</b>	<b>43,854,174</b>	<b>4,410,670</b>	<b>10.06%</b>
<b>Support Services:</b>				
Pupil Services	8,105,267	7,222,576	882,691	12.22%
Instructional Services	3,378,437	3,336,152	42,285	1.27%
General Administration	701,380	622,233	79,147	12.72%
School Administration	3,499,827	3,444,304	55,523	1.61%
Business Services	10,036,591	10,120,673	(84,082)	-0.83%
Central Staff	2,064,120	2,076,594	(12,474)	-0.60%
Athletic Activities	1,022,521	897,977	124,544	13.87%
Other	96,322	363,136	(266,814)	-73.47%
<b>Total Support Services</b>	<b>28,904,465</b>	<b>28,083,645</b>	<b>820,820</b>	<b>2.92%</b>
Payments to other governmental units	1,042,157	1,044,300	(2,143)	-0.21%
Community Services	93,514	1,123,475	(1,029,961)	-91.68%
Capital Outlay	-	-	-	0.00%
<b>Total Expenditures</b>	<b>78,283,025</b>	<b>74,105,594</b>	<b>4,177,431</b>	<b>5.64%</b>
Other Financing Uses	(504,004)	(236,963)	(267,041)	112.69%
<b>Total Expenditures and Other Financing Sources Uses</b>	<b>\$ 78,787,029</b>	<b>\$ 74,342,557</b>	<b>\$ 4,444,472</b>	<b>5.98%</b>

The most significant dollar changes from 2021-22 to 2022-23 can be explained as follows:

The 9.46% increase in total instruction is partially attributable to the additional 147c(2) MPERS one-time deposit we received. Other factors include staff contract steps, textbook purchases, and other staffing benefits.

The 12.22% increase in pupil services was due to the hiring of additional social workers through the mental health grant. Also, due to a grant, the hiring of a lead psychologist.

The decrease of 73.62% in Other was due to the payment of a COVID-related stipend to staff in the 2021-2022 school year. This is returning this budget area to its normal level.

The decrease in Community Services of 91.68% was due to the loss of shared time services with Shrine Schools. There was equal revenue to the expenditures, and the overall budget impact to the District was zero.

### **Fund Balance**

The District ended the fiscal year 2023 in stable financial condition; however, we remain cautious as the State continues to discuss the funding system for K-12 education. The General Fund's fund balance of \$16,814,427 achieves the stated goal of 15% of expenditures and other financing uses. A conscious effort was made a number of years ago to establish an adequate fund balance level to assist with cash flow needs, prevent borrowing, provide adequate reserves during economic downturns, and provide for unforeseen emergencies. Our District has achieved this goal; however, the current financial challenges and uncertainty of school funding have made the goal of maintaining stable fund equity a significant challenge. It should also be noted that a portion of the fund balance is assigned for specific uses. These include assignments for the subsequent year's budget and compensated absences. The unassigned fund balance of \$13 million at the end of fiscal year 2023 represents 16.5% of expenditures and other financing uses.

### **Debt Service**

The millage levied in fiscal year 2023 was 2.40 mills. There are two outstanding debt issues: 2018 bond and 2020 bond. The 2018 & 2020 bonds issued were for the \$59.9 million bond work approved by voters in November 2017. The total fund balance in the debt retirement funds of \$1,279,134, along with anticipated tax revenues, is adequate to meet our future years' debt obligation and interest payments, provided our property tax values remain relatively stable.

### **Fiscal Planning**

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

A comprehensive evaluation of all buildings' infrastructure needs was performed several years ago and was updated in 2021-22 fiscal year. This facility assessment included evaluating the electrical and mechanical systems, roofing, plumbing, site, sidewalks, parking lots, heating and cooling, and 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 for 10 years. In November 2022, the community renewed and restored the sinking fund to 1 mill for 10 years.

In November 2017, the voters of Royal Oak supported a \$59.9 million bond. The first series of bonds for \$23,725,000 were sold in January 2018 with interest and principal paid over 10 years. Work began in the spring of 2018 on the athletic plaza at Royal Oak High School. During the 2018-19 year, renovations began on Royal Oak High School, Oak Ridge Elementary, and Keller Elementary. The second and final series of bonds for \$33,029,835 were sold in January 2020 with interest and principal paid over 8 years. During the 2019-20 year, renovations began at Oakland Elementary, and the work continued at Royal Oak High School. The 2020-21 year renovations began at Addams Elementary and Upton Elementary. The final phase of the projects began during the 2021-22 year at Northwood Elementary, Royal Oak Middle School, Churchill Community Education Building, and the Maintenance & Transportation Center.

Since the current State funding system 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 the upcoming years.

Since student enrollment is critical to the District's financial well-being, several short- and long-term initiatives have been developed to address this issue. Once again, the District successfully participated in the Schools of Choice Program during fiscal 2023. This program allows students in other Oakland County districts to enroll in our District. This program has enabled the District to generate revenue to maintain programs despite declining resident students. For the fiscal year 2023, this program used a targeted, space-available, and grade-specific approach.

Other long-term initiatives have been implemented to maintain student enrollment. These include an Early Childhood Center that provides Child Care and Preschool services and introduces families to Royal Oak Schools at an early age. 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 year's 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 \$911,847. This amount results from the interest rate environment and the decision to invest District funds with MILAF (Michigan Liquid Asset Fund).

During the fiscal year, four union groups were recognized within the District. We have successfully negotiated contracts with all four groups, and settled contracts are in place for the 2023-2024 school year.

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

The 2012-2013 school year was the first year 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 District has two tax capture authorities within its boundaries: a Downtown Development Authority (DDA) and the Royal Oak Brownfield Redevelopment Authority. Such authorities use tax revenue generated from property value growth above a base year value in a defined geographic area to finance public infrastructure improvements. The stated purpose of these authorities is to increase the desirability of the defined area to encourage economic growth and activity. The DDA has met all of its financial obligations and returned excess captured tax revenue to the respective taxing units, including our school district.

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 daycare, 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 improvement and school quality. A framework for school improvement from MDE called the Michigan Integrated Continuous Improvement Process (MICIP) is utilized to evaluate current practice and make changes to ensure continuous improvement. The district annually monitors academic goals, non-academic goals, and systems goals.

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 Multi-Tiered Systems of Support and oversees the collection and use of student data for decision-making purposes. In 2022-2023, Royal Oak maintained the school culture component to our data-driven learning in Multi-tiered Systems of Support (MTSS). Social Emotional Learning and Trauma-informed Instruction are key components that fall under the MTSS umbrella.

## *Accreditation*

The high school, middle school, all elementaries and continuing education are fully accredited through Cognia, as well as by the Michigan Department of Education. We were last accredited by Cognia in the Spring of 2018 for a five year cycle. Both Cognia and MDE 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 2018 Royal Oak Schools engaged in a System Engagement Review by Cognia. This was an external review of the systems the district has in place. The District received district wide accreditation as a result of the review and will remain fully accredited for the following five years.

## *Curriculum and Instruction Overview*

The District's comprehensive curriculum, which provides focus and direction for classroom instruction, is continuously evaluated and redesigned to meet the needs of our students. Curriculum renewal occurs through a process that involves all stakeholders in the learning community, including students, staff, parents, and community members. All students are prepared with the knowledge, skills, and behaviors that are essential for the future. Through their 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 Program in the spring of 2011 and has been reauthorized several times since then. Their last authorization was in the spring of 2021. Royal Oak Middle School and Royal Oak High School received full authorization as International Baccalaureate (IB) World Schools in the Spring of 2015. Our Middle Years Program was reauthorized in the spring of 2022. In Spring of 2018, Royal Oak High School became authorized for the IB Diploma Program. 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 2023 and beyond to meet these challenges. At the same time, the high school has focused on "Learning for All" in efforts to leave no student behind during this transition to stronger graduation requirements. In recent years, Royal Oak High School was named by US News and World Report as one of the top fifty high schools in the state of Michigan.

## *Core Curriculum*

Royal Oak Schools has created a system-wide K-12 Learning Council, comprised of teachers and administrators across all grades and subjects. The charge of this team is to review, develop, and refine instructional programs and practices to meet the high standards as set by the team. Royal Oak is currently engaged in a process to plan, create and implement the Common Core Standards for Math and ELA (including literacy skills in both Science and Social Studies). In the 2014-2015 school year, the Royal Oak Board of Education approved new curriculum in the areas of ELA, Math, and World Languages. In the spring of 2017, the K-12 Science Curriculum Team began work to develop and align our Science curriculum to the New Generation Science Standards (NGSS).



### *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. In the 2022-2023 school year our K-12 math curriculum was updated to include new Math Bridges curriculum resources at the elementary and math Envisions and Reveal programs for the middle and high school.

### *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. In the spring of 2017, the K-12 Science Curriculum Team began work to develop and align our Science curriculum to the New Generation Science Standards (NGSS).

### *Social Studies*

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

### *Individualized Instruction*

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

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

### *Instructional Technology*

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

### *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 M-Step is administered in the spring to all students in grades 3-8 and 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 stakeholders. 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 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.

## **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 Annual Comprehensive 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, a wide, all-encompassing array of support is provided by parents, students, employees, citizens, civic organizations, and hundreds of volunteers, enabling the District to achieve high goals. For this continued support, we are most grateful!

Respectfully submitted,



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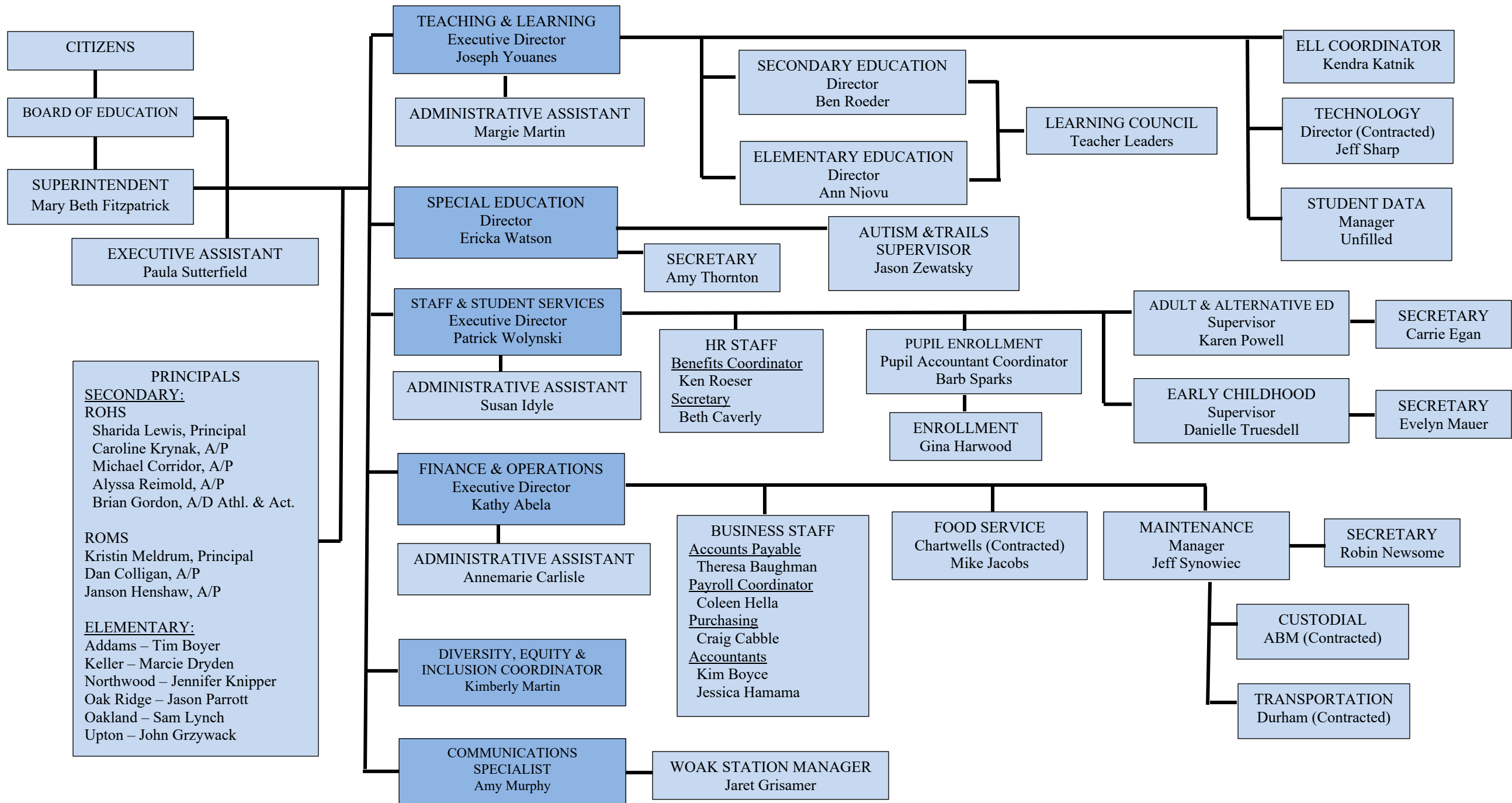
Mary Beth Fitzpatrick  
Superintendent of Schools



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Katherine Abela  
Executive Director, Finance & Operations

# ROS ORGANIZATIONAL CHART 2022-23



## FINANCIAL SECTION

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**Royal Oak Schools**  
**Members of the Board of Education and Administration**  
**June 30, 2023**

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Members of the Board of Education

Maryanne VanHaitsma	President
Erika Alexander	Vice President
Tim Cierchorski	Treasurer
Deborah Anderson	Secretary
Michelle Cook	Trustee
Lauren Jasinski	Trustee
Lisa-Aline Hanes	Trustee

Administration

Mary Beth Fitzpatrick	Superintendent of Schools
Katherine Abela	Executive Director, Finance & Operations

Board of Education Regular Meetings: Second Thursday of each month

Accreditation: Cognia

## Independent Auditors' Report

Management and the Board of Education  
Royal Oak Schools  
Royal Oak, MI

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Royal Oak Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Royal Oak Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Royal Oak Schools, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Royal Oak Schools, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Royal Oak Schools' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor’s Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Royal Oak Schools’ internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Royal Oak Schools’ ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

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



## Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Royal Oak Schools' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information, as identified in the table of contents, other than the prior year information, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other than the prior year information, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Prior Year Supplementary Information

We also have previously audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Royal Oak Schools' basic financial statements as of and for the year ended June 30, 2022, which are not presented with the accompanying basic financial statements. In our report dated August 23, 2022, we expressed unmodified opinions on the respective basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Royal Oak Schools' basic financial statements as a whole. The 2022 information in the comparative supplementary schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2022 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2022 information in the comparative supplementary schedules is fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

## Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2023 on our consideration of Royal Oak Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Royal Oak Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Royal Oak Schools' internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Auburn Hills, MI  
September 5, 2023

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Royal Oak Schools**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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This section of the Annual Comprehensive Financial Report presents management's discussion and analysis of the District's financial position and results of operations for the year ended June 30, 2023. It should be read in conjunction with the District's financial statements, which immediately follows this section.

**Understanding the Annual Comprehensive Financial Report**

The Annual Comprehensive Financial Report 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 Annual Comprehensive Financial Report is arranged as follows:

Financial Section

- Basic Financial Statements
  - District-wide Financial Statements
  - Fund Financial Statements
  - Notes to Financial Statements
  
- Required Supplemental Information
  - Budgetary Comparison Schedule – General Fund
  - Schedule of School District's Proportionate Share of Net Pension Liability
  - Schedule of School District's Pension Contributions
  - Schedule of School District's Proportionate Share of Net OPEB Liability
  - Schedule of School District's OPEB Contributions
  
- 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 Outstanding Bonded Indebtedness
  
- Statistical Section

**Royal Oak Schools**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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

Governmental funds - All of the School District's services are reported in governmental funds. The financial reporting in these funds focuses on the revenue and expenditures and the balances remaining at year end. Transactions are accounted for using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term financial view of the operations of the School District. Governmental fund statements provide information to illustrate whether there has been an increase or decrease in available financial resources that can be expended in future years. The relationship between governmental activities and governmental funds is illustrated in a reconciliation included in the financial section on page 4-6.

**Royal Oak Schools**  
**Management's Discussion and Analysis**  
**June 30, 2023**

**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, 2022 and June 30, 2021.

**Table 1**

	<b><u>Governmental Activities</u></b>	
	<u>2023</u>	<u>2022</u>
	(In millions)	
<b>Assets</b>		
Current and other assets	\$ 44.7	\$ 49.0
Capital assets	157.8	155.9
Total assets	<u>202.5</u>	<u>204.9</u>
Deferred outflows of resources	51.7	31.1
Total assets and deferred outflows of resources	<u><u>\$ 254.2</u></u>	<u><u>\$ 236.0</u></u>
<b>Liabilities</b>		
Current liabilities	\$ 12.9	\$ 12.8
Long-term liabilities	182.9	136.7
Total liabilities	<u>195.8</u>	<u>149.5</u>
Deferred inflows of resources	23	54.5
Total liabilities and deferred inflows of resources	<u><u>218.8</u></u>	<u><u>204.0</u></u>
<b>Net Position</b>		
Net investment in capital assets	121.5	117.6
Restricted	7	3.6
Unrestricted	<u>(93.2)</u>	<u>(89.3)</u>
Total Net Position	<u><u>\$ 35.3</u></u>	<u><u>\$ 31.9</u></u>

The previous schedule (Table 1) reports the net position of the District. The School District's net position was \$35.3 million and \$31.9 million at June 30, 2023 and 2022, respectively. Net investment in capital assets totaled \$121.5 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. Restricted net position is reported

**Royal Oak Schools**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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 \$(93.2) million.

The \$(93.2) million in unrestricted net position of governmental activities represents the *cumulative* results of all past years' operations and includes the GASB 68 & GASB 75 Unfunded Liability.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net position for fiscal year 2023 and fiscal year 2022.

<u>Table 2</u>	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
	(In millions)	
<b>Revenues</b>		
Program revenue:		
Charges for services	\$ 2.7	\$ 1.4
Operating grants and contributions	32.1	24.6
General revenue:		
Property taxes	35.7	33.8
State foundation allowance	24	30.3
Other	2.1	0.7
Total revenue	<u>96.6</u>	<u>90.8</u>
 <b>Functions/Program Expenses</b>		
Instruction	51.7	44.6
Support services	29.4	26.7
Student and district activities	0.8	0.6
Food services	1.9	1.9
Community Services	1.1	1.8
Interest on long-term debt	0.8	0.8
Depreciation (unallocated)	7.5	7
Total functions/program expense	<u>93.2</u>	<u>83.4</u>
 <b>Increase in Net Position</b>	 <u>\$ 3.4</u>	 <u>\$ 7.4</u>

**Royal Oak Schools**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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As reported in the Statement of Activities, the expenditures for all *governmental* activities this year was \$83.4 million. Certain activities were partially funded from those who benefited from the programs (\$2.7 million). In addition, other governmental units and organizations subsidized certain programs with grants and contributions (\$21.3 million). The remaining "public benefit" portion of our governmental activities was funded with \$35.7 million in taxes, \$34.5 million in State foundation allowance, and \$2.1 million in other revenues, such as interest earnings, proceeds from the sale of property and general entitlements.

During fiscal year 2023, the School District experienced a increase in net position of approximately \$3.1 million.

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

### **The School District's Funds**

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

At the end of fiscal year 2023, the governmental funds reported a combined fund balance of approximately \$31.4 million, which represents a decrease of \$4.5 million from last year. The changes in fund balance, major and non-major funds are as follows:

In the General Fund, the fund balance increased by approximately \$500 thousand for a total year-end fund balance of \$16.8 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 approximately \$0.1 million from the prior year. There were small increases in both the community service fund and the student activities fund.

The Debt Service Funds has a fund balance of approximately \$1.3 million, an increase of \$0.3 million from last year. The Debt Retirement millage rate decreased to 2.40 mills. The millage rate is determined annually to ensure that the School District accumulates sufficient resources to pay principal and interest obligations of the bonded debt. Debt Service fund balances are reserved and are only used to pay debt service obligations.

The combined Capital Projects Funds' fund balance decreased approximately \$5.4 million from the prior year. This was primarily due to capital outlay in the 2020 Bond Fund.



**Royal Oak Schools**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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**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, 2023 and 2022, the School District had \$157.8 million and \$155.9 million, respectively, invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. The 2023 amount represents a net increase of approximately \$1.9 million, or about 1 percent, from the previous year. This is due to significant bond projects going on in the within the School District. This change from the previous year includes all additions, disposals, and depreciation.

	<b>2023</b>	<b>2022</b>
	(in millions)	
Land	5.0	5.0
Construction in progress	1.9	9.3
Building and building improvements	251.1	234.4
Buses and other equipment	2.3	2.5
Total capital assets	260.3	251.2
Less accumulated depreciation	102.4	95.3
Net capital assets	157.8	155.9

**Royal Oak Schools**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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**Debt**

At the end of this year, the School District had approximately \$39.1 million in bonds outstanding compared to \$41.9 million in the previous year.

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

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

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

The Board of Education and administration considered many variables when the School District's 2023-24 fiscal year budget was developed. The two most important factors that determine the overwhelming majority of the District's revenue are student enrollment (blended count) and the per pupil foundation allowance. The blended student count for the 2023-24 fiscal year will be 90 percent of the October 2023 actual student count and 10 percent of the February 2024 student count. We have projected student enrollment to be flat for the 2023-2024 school year. Any change in the per pupil foundation allowance is determined by the State and is dependent upon the State's economic climate and the financial condition of the State School Aid Fund. The 2023-24 budget was adopted by the Board of Education on June 22, 2023.

There remains great uncertainty in public school funding. The 2023-24 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 Annual Comprehensive Financial Report 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 2023 and to demonstrate the District's fiscal responsibility and accountability over its financial resources. The Annual Comprehensive Financial Report is available on the District's website and at the Administrative offices for public inspection. If you have any questions or would like additional information, please feel free to contact the Finance Department at 800 DeVillen, Royal Oak, MI 48073.

## BASIC FINANCIAL STATEMENTS

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**Royal Oak Schools**  
**Statement of Net Position**  
**June 30, 2023**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 33,628,840
Accounts receivable	211,429
Leases receivable	669,000
Due from other governmental units	9,689,080
Inventory	29,794
Investments	21,549
Prepaid items	461,905
Capital assets not being depreciated	6,902,156
Capital assets - net of accumulated depreciation	<u>150,888,345</u>
 Total assets	 <u>202,502,098</u>
 <b>Deferred Outflows of Resources</b>	
Deferred amount relating to net pension liability	40,693,084
Deferred amount relating to net OPEB liability	<u>10,997,761</u>
 Total deferred outflows of resources	 <u>51,690,845</u>

See Accompanying Notes to the Financial Statements

**Royal Oak Schools**  
**Statement of Net Position**  
**June 30, 2023**

	<u>Governmental Activities</u>
<b>Liabilities</b>	
Accounts payable	\$ 2,008,845
Accrued expenditures	285,130
Accrued salaries payable	8,689,803
Unearned revenue	1,929,192
Long-term liabilities	
Net pension liability	135,863,462
Net OPEB liability	7,630,174
Due within one year	6,745,000
Due in more than one year	<u>32,648,329</u>
Total liabilities	<u>195,799,935</u>
<b>Deferred Inflows of Resources</b>	
Deferred amount related to leases receivable	669,000
Deferred amount relating to net pension liability	6,773,043
Deferred amount relating to net OPEB liability	<u>15,597,560</u>
Total deferred inflows of resources	<u>23,039,603</u>
<b>Net Position</b>	
Net investment in capital assets	121,517,620
Restricted for	
Food service	1,089,542
Debt service	994,004
Capital projects	4,922,295
Unrestricted (deficit)	<u>(93,170,056)</u>
Total net position	<u>\$ 35,353,405</u>

See Accompanying Notes to the Financial Statements

**Royal Oak Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2023**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions		
<b>Functions/Programs</b>				
Governmental activities				
Instruction	\$ 51,652,279	\$ 15,900	\$ 26,710,725	\$ (24,925,654)
Supporting services	29,433,472	300,090	2,383,844	(26,749,538)
Student and district activities	763,168	-	803,812	40,644
Food services	1,949,228	692,210	1,113,157	(143,861)
Community services	1,064,324	1,665,203	1,105,563	1,706,442
Interest and fiscal charges on long-term debt	783,867	-	-	(783,867)
Depreciation (unallocated)	7,474,050	-	-	(7,474,050)
	<u>\$ 93,120,388</u>	<u>\$ 2,673,403</u>	<u>\$ 32,117,101</u>	<u>(58,329,884)</u>
Total governmental activities				
General revenues				
				24,103,460
				8,356,829
				3,201,692
				23,992,089
				1,367,413
				698,323
				61,719,806
				3,389,922
				31,963,483
				\$ 35,353,405

See Accompanying Notes to the Financial Statements

**Royal Oak Schools**  
**Governmental Funds**  
**Balance Sheet**

**June 30, 2023 (With Comparative Summarized Totals for 2022)**

	General	General	Nonmajor	Total Governmental Funds	
	Fund	Property Maintenance Fund	Governmental Funds	2023	2022
<b>Assets</b>					
Cash	\$ 18,259,751	\$ 4,592,678	\$ 10,776,411	\$ 33,628,840	\$ 38,740,281
Accounts receivable	202,721	-	8,708	211,429	151,741
Leases receivable	669,000	-	-	669,000	677,274
Due from other governmental units	9,666,620	-	22,460	9,689,080	9,075,680
Inventory	-	-	29,794	29,794	30,908
Investments	21,549	-	-	21,549	21,525
Prepaid items	351,905	-	110,000	461,905	336,523
	<u>351,905</u>	<u>-</u>	<u>110,000</u>	<u>461,905</u>	<u>336,523</u>
Total assets	<u>\$ 29,171,546</u>	<u>\$ 4,592,678</u>	<u>\$ 10,947,373</u>	<u>\$ 44,711,597</u>	<u>\$ 49,033,932</u>
<b>Liabilities</b>					
Accounts payable	\$ 1,182,144	\$ 208,102	\$ 618,599	\$ 2,008,845	\$ 2,453,144
Accrued expenditures	8,689,803	-	-	8,689,803	7,303,442
Unearned revenue	1,816,172	-	113,020	1,929,192	2,708,736
	<u>1,816,172</u>	<u>-</u>	<u>113,020</u>	<u>1,929,192</u>	<u>2,708,736</u>
Total liabilities	<u>11,688,119</u>	<u>208,102</u>	<u>731,619</u>	<u>12,627,840</u>	<u>12,465,322</u>

See Accompanying Notes to the Financial Statements

**Royal Oak Schools  
Governmental Funds  
Balance Sheet**

**June 30, 2023 (With Comparative Summarized Totals for 2022)**

	General Fund	General Property Maintenance Fund	Nonmajor Governmental Funds	Total Governmental Funds	
				2023	2022
<b>Deferred Inflows of Resources</b>					
Leases receivable	\$ 669,000	\$ -	\$ -	\$ 669,000	\$ 677,274
<b>Fund Balances</b>					
Non-spendable					
Inventory	-	-	29,794	29,794	30,908
Prepaid items	351,905	-	110,000	461,905	336,523
Restricted for					
Food service	-	-	949,748	949,748	1,077,693
Debt service	-	-	1,279,134	1,279,134	965,726
Capital projects	-	-	4,922,295	4,922,295	10,025,207
Assigned	3,403,375	4,384,576	2,924,783	10,712,734	10,674,419
Unassigned	13,059,147	-	-	13,059,147	12,780,860
 Total fund balances	 <u>16,814,427</u>	 <u>4,384,576</u>	 <u>10,215,754</u>	 <u>31,414,757</u>	 <u>35,891,336</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 29,171,546</u>	 <u>\$ 4,592,678</u>	 <u>\$ 10,947,373</u>	 <u>\$ 44,711,597</u>	 <u>\$ 49,033,932</u>

See Accompanying Notes to the Financial Statements



**Royal Oak Schools**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2023**

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<b>Total fund balances for governmental funds</b>	<b>\$ 31,414,757</b>
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Capital assets not being depreciated	6,902,156
Capital assets - net of accumulated depreciation	150,888,345
Deferred outflows (inflows) of resources	
Deferred inflows of resources resulting from the net pension liability	(6,773,043)
Deferred inflows of resources resulting from the net OPEB liability	(15,597,560)
Deferred outflows of resources resulting from the net pension liability	40,693,084
Deferred outflows of resources resulting from the net OPEB liability	10,997,761
Certain liabilities are not due and payable in the current period and are not reported in the funds	
Accrued interest	(285,130)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities	
Net pension liability	(135,863,462)
Net OPEB liability	(7,630,174)
Compensated absences	(335,768)
Bonds payable	(35,730,000)
Bond premiums	<u>(3,327,561)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 35,353,405</u></b>

See Accompanying Notes to the Financial Statements

**Royal Oak Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2023 (With Comparative Summarized Totals for 2022)**

	General Fund	General Property Maintenance Fund	Nonmajor Governmental Funds	Total Governmental Funds	
				2023	2022
<b>Revenues</b>					
Local sources	\$ 26,267,860	\$ -	\$ 14,965,245	\$ 41,233,105	\$ 36,558,424
State sources	43,067,284	-	604,165	43,671,449	38,391,452
Federal sources	3,523,589	-	1,611,383	5,134,972	9,703,421
Interdistrict sources	6,469,884	-	900	6,470,784	6,174,613
	<u>79,328,617</u>	<u>-</u>	<u>17,181,693</u>	<u>96,510,310</u>	<u>90,827,910</u>
<b>Expenditures</b>					
Current					
Education					
Instruction	48,242,889	-	1,800,618	50,043,507	45,887,558
Supporting services	28,904,465	-	140,074	29,044,539	28,287,116
Student and district activities	-	-	763,168	763,168	599,346
Food services	-	-	1,949,228	1,949,228	1,889,861
Community services	93,514	-	950,824	1,044,338	1,925,993
Intergovernmental payments	1,042,157	-	-	1,042,157	1,044,300
Capital outlay	-	342,361	8,484,832	8,827,193	11,248,894
Debt service					
Principal	-	-	6,225,000	6,225,000	6,220,000
Interest and other expenditures	-	-	2,047,759	2,047,759	2,319,574
	<u>78,283,025</u>	<u>342,361</u>	<u>22,361,503</u>	<u>100,986,889</u>	<u>99,422,642</u>
Excess (deficiency) of revenues over expenditures	<u>1,045,592</u>	<u>(342,361)</u>	<u>(5,179,810)</u>	<u>(4,476,579)</u>	<u>(8,594,732)</u>

See Accompanying Notes to the Financial Statements

**Royal Oak Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2023 (With Comparative Summarized Totals for 2022)**

	General Fund	General Property Maintenance Fund	Nonmajor Governmental Funds	Total Governmental Funds	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2022</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ 10,000	\$ -	\$ 514,004	\$ 524,004	\$ 658,978
Transfers out	<u>(514,004)</u>	<u>-</u>	<u>(10,000)</u>	<u>(524,004)</u>	<u>(658,978)</u>
Total other financing sources (uses)	<u>(504,004)</u>	<u>-</u>	<u>504,004</u>	<u>-</u>	<u>-</u>
Net change in fund balances	541,588	(342,361)	(4,675,806)	(4,476,579)	(8,594,732)
Fund balance - beginning	<u>16,272,839</u>	<u>4,726,937</u>	<u>14,891,560</u>	<u>35,891,336</u>	<u>44,486,068</u>
Fund balances - ending	<u>\$ 16,814,427</u>	<u>\$ 4,384,576</u>	<u>\$ 10,215,754</u>	<u>\$ 31,414,757</u>	<u>\$ 35,891,336</u>

See Accompanying Notes to the Financial Statements

**Royal Oak Schools**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2023**

<b>Net change in fund balances - Total governmental funds</b>	<b>\$ (4,476,579)</b>
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(7,474,050)
Capital outlay	9,392,502
Expenses are recorded when incurred in the statement of activities.	
Interest	44,829
Compensated absences	(7,300)
The statement of net position reports the net pension liability and deferred outflows and inflows of resources related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	(51,377,888)
Net change in deferrals of resources related to the net pension liability	44,802,277
The statement of net OPEB reports the net pension liability and deferred outflows and inflows of resources related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB liability	(2,180,092)
Net change in deferrals of resources related to the net OPEB liability	7,222,160
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.	
Repayments of long-term debt	6,225,000
Amortization of premiums	1,219,063
<b>Change in net position of governmental activities</b>	<b>\$ 3,389,922</b>

See Accompanying Notes to the Financial Statements

**Royal Oak Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Royal Oak Schools (the 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 statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross

expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

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

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

**Fund Financial Statements**

Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

**Royal Oak Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

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The School District reports the General 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 or assigned to expenditure for specified purposes. The School District’s Special Revenue Funds are comprised of the Food Services, Community Service, and Student and District Activities 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, childcare, 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.

*Student and District Activities Fund* – The Student and District Activities Fund is used to account for the revenues and expenditures of the School District’s various student and district activities.

*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.

*2018 Debt* – used to record tax, interest, and other revenue and the payment of principal, interest, and other expenditures on long-term debt issued in 2018.

*2020 Debt* – used to record tax, interest, and other revenue and the payment of principal, interest, and other expenditures on long-term debt issued in 2020.

*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.

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

*2020 Bond Fund* – used to record the revenues and disbursement of monies as part of the second and final series of the bond approved by voters in November of 2017.

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

**Royal Oak Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**Assets, Liabilities and Net Position or Equity**

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

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

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

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2023, the rates are as follows per \$1,000 of assessed value:

General Fund	
Principal residence exemption	0.60910
Non-principal residence exemption	18.00000
Commercial personal property	6.60910
Industrial personal property	0.60910
Debt Service Funds	2.40000
Sinking Fund	0.92400

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 and December 1 for taxes due February 14 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 Items – Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in the governmental funds, the School District follows the consumption method, and they are therefore capitalized as prepaid items.

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

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$10,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

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

**Royal Oak Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

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Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

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

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

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

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

Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net assets 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. Deferred inflow for leases is related to leases receivable and is being amortized to recognize lease revenue in a systematic and rational manner over the term of the lease. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension



**Royal Oak Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

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and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

**Fund Balance** – 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.

**Use of Estimates**

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

**Summarized Comparative Data**

Summarized comparative data for the prior year has been presented for the major and nonmajor funds and in the fund financial statements in total but not by fund in order to provide an understanding of the changes in the financial position and operations of these funds. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the School District's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

**Eliminations and Reclassifications**

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

**Adoption of New Accounting Standards**

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other

**Royal Oak Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

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than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA.

**Upcoming Accounting and Reporting Changes**

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

The School District is evaluating the impact that the above statements will have on its financial reporting.

**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information**

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

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. The Uniform Budgeting and Accounting Act requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted on a functional level are a violation of the

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

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

**Compliance - Sinking Fund**

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

**Compliance - Bond Proceeds**

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For this capital project, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code.

**Royal Oak Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

The following is a summary of the revenue and expenditures in the bond funds from inception of the funds.

	<b>2020 Bond</b>
Revenues	\$ 33,355,302
Expenditures	30,570,622
Remaining fund balance	\$ 2,784,680

**Note 3 - Deposits and Investments**

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

	Governmental Activities
Cash	\$ 33,628,840
Investments	21,549
	\$ 33,650,389

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 7,977,386
Investments in securities, mutual funds, and similar vehicles	25,671,364
Petty cash and cash on hand	1,639
 Total	 \$ 33,650,389

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

Investment	Carrying Value	Maturities	Rating	Organization
External investment pools				
Michigan Liquid Asset Fund (MILAF):				
MILAF + Portfolio				
Cash Management Class	\$ 1,548,577	<60 days	AAAm	S&P
MAX Class	24,101,238	<60 days	AAAm	S&P
U.S. Government Treasury Bond	21,549	1-6 months	AA+	S&P
	\$ 25,671,364			

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is discussed below.

As of June 30, 2023, the net asset value of the School District's investment in MILAF + Portfolio was \$25,649,815. Participation in the investment pool has not resulted in any unfunded commitments. Shares are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made provided the District has sufficient shares to meet the redemption request. In the event of an emergency that would make the determination of net asset value not reasonably practical, the Trust's Board of Trustee's may suspend the right of withdrawal or postpone the date of payment. The net asset value ("NAV") per share of the MILAF+ Portfolio is calculated as of the close of business each business day by dividing the net position of that Portfolio by the number of its outstanding shares. It is the MILAF+ Portfolio's objective to maintain a NAV of \$1.00 per share, however, there is no assurance that this objective will be achieved. The exact price for share transactions will be determined based on the NAV next calculated after receipt of a properly executed order. The number of shares purchased or redeemed will be determined by the NAV.

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

**Royal Oak Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

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

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

**Custodial credit risk – deposits** – In the case of deposits, this is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, \$7,817,415 of the School District’s bank balance of \$8,075,603 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 - Fair Value Measurements**

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2023:

- U.S. Treasury bonds of \$21,549 are valued using significant other observable inputs (Level 2).

**Note 5 - 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. The School District had no allowance for uncollectible accounts as of June 30, 2023.

	General Fund	Nonmajor Funds	Total
Receivables			
Taxes	\$ 4,315	\$ 420	\$ 4,735
Accounts	198,406	8,288	206,694
Leases	669,000	-	669,000
	<u>\$ 871,721</u>	<u>\$ 8,708</u>	<u>\$ 880,429</u>
Due from other governmental units			
Federal	\$ 1,262,790	\$ -	\$ 1,262,790
State	7,833,685	22,460	7,856,145
Local	570,145	-	570,145
	<u>\$ 9,666,620</u>	<u>\$ 22,460</u>	<u>\$ 9,689,080</u>

**Note 6 - Lease Receivable**

The School District has a ground lease agreement for a cell phone tower. The lease commenced on June 12, 2019 and automatically renews in 5-year terms through August 2050 unless the lessee notifies the lessor in writing of the lessee’s intention not to extend the agreement at least 60 days prior to the expiration of any term. It is the

**Royal Oak Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

School District's intent to exercise all renewals. Payments increase 15% each renewal term and range from \$1,840 to \$3,701 per month in future years with an implied interest rate of 2.05%.

The District collected \$22,080 from the lessee for the year ended June 30, 2023, which includes \$8,274 in lease revenue and \$13,806 in lease interest revenue.

**Note 7 - Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 4,966,417	\$ -	\$ -	\$ 4,966,417
Construction-in-progress	<u>9,303,982</u>	<u>1,935,739</u>	<u>9,303,982</u>	<u>1,935,739</u>
Total capital assets not being depreciated	<u>14,270,399</u>	<u>1,935,739</u>	<u>9,303,982</u>	<u>6,902,156</u>
Capital assets being depreciated				
Buildings and building improvements	234,395,847	16,745,720	84,000	251,057,567
Buses, vehicles, and equipment	<u>2,516,520</u>	<u>15,025</u>	<u>280,413</u>	<u>2,251,132</u>
Total capital assets being depreciated	<u>236,912,367</u>	<u>16,760,745</u>	<u>364,413</u>	<u>253,308,699</u>
Less accumulated depreciation for				
Buildings and building improvements	93,751,317	7,329,087	84,000	100,996,404
Buses, vehicles, and equipment	<u>1,559,400</u>	<u>144,963</u>	<u>280,413</u>	<u>1,423,950</u>
Total accumulated depreciation	<u>95,310,717</u>	<u>7,474,050</u>	<u>364,413</u>	<u>102,420,354</u>
Net capital assets being depreciated	<u>141,601,650</u>	<u>9,286,695</u>	<u>-</u>	<u>150,888,345</u>
Net capital assets	<u>\$ 155,872,049</u>	<u>\$ 11,222,434</u>	<u>\$ 9,303,982</u>	<u>\$ 157,790,501</u>

Depreciation expense was \$7,474,050 for the year ended June 30, 2023. 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:

Project	Total Contract	Remaining Construction Commitment at Year End	Contract Paid as of Year End
Various renovation and new construction projects	<u>\$ 6,977,928</u>	<u>\$ 3,152,389</u>	<u>\$ 3,825,539</u>

Contracts payable at year end represent actual contractor billings and are recorded as a Capital Projects and General Fund liability. These contracts are funded by bond proceeds. All projects are expected to be complete by December 31, 2023.

**Note 8 - Interfund Transfers**

Interfund transfers consist of the following:

	Transfers Out		
	General Fund	Nonmajor Funds	Total
<b>Transfers in</b>			
General Fund	\$ -	\$ 10,000	\$ 10,000
Nonmajor funds	<u>514,004</u>	<u>-</u>	<u>514,004</u>
	<u>\$ 514,004</u>	<u>\$ 10,000</u>	<u>\$ 524,004</u>

**Royal Oak Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

These transfers were made to cover the costs of School District programs that were in excess of revenues generated from those activities, and to cover indirect costs.

**Note 9 - Unearned Revenue**

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

Unearned property taxes	\$	111,854
Food service student accounts		113,020
Athletics		6,877
Grant and categorical aid payments received prior to meeting all eligibility requirements		1,697,441
<b>Total</b>	<b>\$</b>	<b>1,929,192</b>

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 \$589 per student. Any hold-harmless tax revenue generated in excess of the allowable \$589 per student is classified as unearned revenue and is considered unearned at fiscal year end.

**Note 10 - 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. The State can withhold state aid if it has to make a bond payment on behalf of the School District related to qualified bonds. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
<b>Bonds and notes payable</b>					
General obligation bonds	\$ 41,955,000	\$ -	\$ 6,225,000	\$ 35,730,000	\$ 6,495,000
Premium on bonds	4,546,624	-	1,219,063	3,327,561	-
Total bonds payable	46,501,624	-	7,444,063	39,057,561	6,495,000
<b>Other liabilities</b>					
Compensated absences	328,468	249,345	242,045	335,768	250,000
<b>Total</b>	<b>\$ 46,830,092</b>	<b>\$ 249,345</b>	<b>\$ 7,686,108</b>	<b>\$ 39,393,329</b>	<b>\$ 6,745,000</b>

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

\$23,725,000 building and site bond due in annual installments of \$2,725,000 to \$3,330,000 through May 1, 2028 interest at 4.0% to 5.0%	\$ 15,075,000
\$27,790,000 building and site bond due in annual installments of \$3,770,000 to \$4,520,000 through May 1, 2028 interest at 4.0% to 5.0%	20,655,000
<b>Total general obligation bonded debt</b>	<b>\$ 35,730,000</b>

**Royal Oak Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

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

Year Ending June 30,	Bonds	
	Principal	Interest
2024	\$ 6,495,000	\$ 1,748,800
2025	6,785,000	1,461,750
2026	7,120,000	1,122,500
2027	7,480,000	766,500
2028	7,850,000	392,500
	\$ 35,730,000	\$ 5,492,050

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$1,279,134 to pay this debt. Future debt and interest will be payable from future tax levies. Other long-term liabilities are expected to be liquidated primarily by General Fund resources.

Interest expenditures for the fiscal year ended June 30, 2023 in the debt service funds was \$2,047,759.

**Compensated Absences**

Accrued compensated absences at year end was \$335,768 and consisted of \$98,747 of vacation hours earned and vested, \$229,348 in accrued termination pay, and \$7,673 in employer social security obligations related to the accrual. The current portion of compensated absences is \$250,000.

**Note 11 - Net Investment in Capital Assets**

The composition of net investment in capital assets is as follows:.

Capital assets	
Capital assets not being depreciated	\$ 6,902,156
Capital assets, net of accumulated depreciation	150,888,345
Total capital assets	157,790,501
Unspent bond proceeds	2,784,680
Related debt	
General obligation bonds	(35,730,000)
Unamortized bond premiums	(3,327,561)
Total related debt	(39,057,561)
Net investment in capital assets	\$ 121,517,620

**Note 12 - 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. Additionally, reinsurance has been purchased by the School District to protect against claims exceeding a specific dollar amount. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the State of Michigan Unemployment Insurance Agency for all benefits charged against the School District.

**Royal Oak Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**Note 13 - Pension Plan**

**Plan Description**

The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Benefits Provided**

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The

System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

**Contributions**

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2021 valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.



**Royal Oak Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

The schedule below summarizes pension contribution rates in effect for plan year ended September 30, 2022.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	20.14%
Member Investment Plan	3.0 - 7.0%	20.14%
Pension Plus	3.0 - 6.4%	17.22%
Pension Plus 2	6.2%	19.93%
Defined Contribution	0.0%	13.73%

Required contributions to the pension plan from the School District were \$12,295,634 for the plan year ending September 30, 2022.

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

At June 30, 2023, the School District reported a liability of \$135,863,462 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2022, the School District's proportion was .3613 percent, which was an increase of .0044 percent from its proportion measured as of September 30, 2021.

For the plan year ending September 30, 2022, the School District recognized pension expense of \$18,529,062. For the reporting period ending June 30, 2023, the School District recognized total pension contribution expense of \$12,795,424.

Section 147c of the State School Aid Act (MCL 388.1747c) was amended to a one-time distribution to districts, intermediate districts, and other participating entities of MPERS, which is referred to as Section 147c(2). Section 147c(2) is required to be forwarded to the

state's ORS as additional assets being contributed to the retirement system. This funding is a one-time, state payment toward the MPERS unfunded liability and not part of the actuarially determined contributions and therefore not included in the above pension expense, pension contributions or related deferred inflows/outflows of resources. For the period ending June 30, 2023, the School District recognized in their financial statements an additional amount related to Section 147c(2) of \$3,624,903 in total pension expense and offset in state revenues.

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ 1,359,109	\$ (303,776)	\$ 1,055,333
Changes in assumptions	23,346,211	-	23,346,211
Net difference between projected and actual earnings on pension plan investments	318,600	-	318,600
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>3,323,502</u>	<u>(245,061)</u>	<u>3,078,441</u>
Total to be recognized in future	28,347,422	(548,837)	27,798,585
School District contributions subsequent to the measurement date	<u>12,345,662</u>	<u>(6,224,206)</u>	<u>6,121,456</u>
Total	<u>\$40,693,084</u>	<u>\$ (6,773,043)</u>	<u>\$ 33,920,041</u>

Contributions subsequent to the measurement date reported as deferred outflows and inflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. The District will offset the contribution expense in the year ended June 30, 2024 with the 147c supplemental income received subsequent to the measurement date which is included in the deferred inflows of resources.

**Royal Oak Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)		
2023	\$	8,669,874
2024		6,288,812
2025		4,942,065
2026		7,897,834
Total	\$	27,798,585

**Actuarial Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

- Valuation Date: September 30, 2021
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%
- Investment Rate of Return:
  - MIP and Basic Plans: 6.00%, net of investment expenses
  - Pension Plus Plan: 6.00%, net of investment expenses
  - Pension Plus 2 Plan: 6.00%, net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation at 2.75%

- Cost-of-Living Pension Adjustments: 3% Annual Non Compounded for MIP Members
- Mortality:
  - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
  - Active Members: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the period 2012 through 2018 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is 4.3922 years.

Recognition period for assets in 5 years.

Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Long-Term Expected Return on Plan Assets**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**Royal Oak Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.1 %
Private Equity Pools	16.0	8.7
International Equity	15.0	6.7
Fixed Income Pools	13.0	(0.2)
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	9.0	2.7
Real Return/Opportunistic Pools	10.0	5.8
Short Term Investment Pools	2.0	(0.5)
	100.0%	

\*Long-term rates of return are net of administrative expenses and 2.2% inflation.

**Rate of Return**

For the plan year ended September 30, 2022, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was (4.18)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease* 5.00%	Current Single Discount Rate Assumption* 6.00%	1% Increase* 7.00%
\$ 179,289,295	\$ 135,863,462	\$ 100,078,618

\*Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.

**Royal Oak Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**Michigan Public School Employees' Retirement System (MPSERS)  
Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS Annual Comprehensive Financial Report, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Payables to the Michigan Public School Employees' Retirement System (MPSERS)**

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

**Note 14 - Postemployment Benefits Other Than Pensions (OPEB)**

**Plan Description**

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Benefits Provided**

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare

**Royal Oak Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

**Contributions**

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2021 valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for plan year 2022.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	8.09%
Personal Healthcare Fund (PHF)	0.0%	7.23%

Required contributions to the OPEB plan from the School District were \$2,744,092 for the plan year ended September 30, 2022.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2023, the School District reported a liability of \$7,630,174 for its proportionate share of the MPERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2022, the School District's proportion was .3602 percent, which was an increase of .0032 percent from its proportion measured as of September 30, 2021.

For the plan year ending September 30, 2022, the School District recognized OPEB expense of \$(2,449,511). For reporting period ending June 30, 2023, the School District recognized total OPEB contribution expense of \$2,699,552.

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$(14,944,588)	\$(14,944,588)
Changes in assumptions	6,801,019	(553,778)	6,247,241
Net difference between projected and actual earnings on OPEB plan investments	596,358	-	596,358
Changes in proportion and differences between the School District contributions and proportionate share of contributions	1,096,884	(99,194)	997,690
Total to be recognized in future	8,494,261	(15,597,560)	(7,103,299)
School District contributions subsequent to the measurement date	2,503,500	-	2,503,500
Total	<b>\$ 10,997,761</b>	<b>\$(15,597,560)</b>	<b>\$(4,599,799)</b>

**Royal Oak Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Plan Year (To Be Recognized in Future OPEB Expenses)	
2023	\$ (2,442,780)
2024	(2,275,385)
2025	(2,075,655)
2026	(186,730)
2027	(127,279)
Thereafter	4,530
Total	\$ (7,103,299)

**Actuarial Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

- Valuation Date: September 30, 2021
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 2.75%

- Investment Rate of Return: 6.00%, net of investment expenses
- Projected Salary Increases: 2.75 – 11.55%, including wage inflation of 2.75%
- Healthcare Cost Trend Rate: Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
- Mortality:
  - Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
  - Active: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

*Other Assumptions:*

- Opt Out Assumption: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees is in years is 6.2250.

**Royal Oak Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2022 MPERS Annual Comprehensive Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Long-Term Expected Return on Plan Assets**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.1 %
Private Equity Pools	16.0	8.7
International Equity	15.0	6.7
Fixed Income Pools	13.0	(0.2)
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	9.0	2.7
Real Return/Oppportunistic Pools	10.0	5.8
Short Term Investment Pools	2.0	(0.5)
	<u>100.0%</u>	

\*Long-term rates of return are net of administrative expenses and 2.2% inflation.

**Rate of Return**

For the plan year ended September 30, 2022, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was (4.99)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

A discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 6.00%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
<u>\$ 12,798,833</u>	<u>\$ 7,630,174</u>	<u>\$ 3,277,480</u>

**Royal Oak Schools**  
**Notes to the Financial Statements**  
**June 30, 2023**

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate**

The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 3,195,152	\$ 7,630,174	\$ 12,608,574

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2022 MPSERS Annual Comprehensive Financial Report, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Payables to the OPEB Plan**

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

**Note 15 - Assigned Fund Balance**

The fund balance has been assigned for the following purposes:

	General Fund	Other Nonmajor Governmental Funds
Assigned		
Subsequent year's budget	\$ 2,034,966	\$ -
Compensated absences	335,768	-
Community services	-	2,101,621
Student and school activities	-	794,785
Capital projects	-	28,377
Encumbrances	1,032,641	-
Total fund balance assigned for various operating purposes	\$ 3,403,375	\$ 2,924,783

**Note 16 - Contingent Liabilities**

Amounts received or receivable from grantor agencies are subjected to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. There were no disallowed costs that have been recorded as a liability. Additional amounts, 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.



## REQUIRED SUPPLEMENTARY INFORMATION

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

**For the Year Ended June 30, 2023 (with Comparative Actual Amounts for the Year Ended June 30, 2022)**

	2023			Over (Under) Budget	2022
	Budgeted Amounts		Actual		Actual
	Original	Final			
<b>Revenues</b>					
Local sources	\$ 25,368,713	\$ 26,980,989	\$ 26,267,860	\$ (713,129)	\$ 23,383,147
State sources	35,872,774	44,238,814	43,067,284	(1,171,530)	37,728,620
Federal sources	2,020,959	7,949,261	3,523,589	(4,425,672)	6,537,785
Interdistrict sources	6,158,759	6,482,331	6,469,884	(12,447)	6,174,613
Total revenues	<u>69,421,205</u>	<u>85,651,395</u>	<u>79,328,617</u>	<u>(6,322,778)</u>	<u>73,824,165</u>
<b>Expenditures</b>					
Instruction					
Basic programs	31,470,538	38,234,171	36,313,592	(1,920,579)	33,174,803
Added needs	10,814,284	12,914,413	11,716,560	(1,197,853)	10,444,679
Adult and continuing education	221,158	1,762,960	212,737	(1,550,223)	234,692
Supporting services					
Pupil	6,749,372	8,535,834	8,105,267	(430,567)	7,222,576
Instructional staff	3,351,388	4,050,546	3,378,437	(672,109)	3,336,152
General administration	637,886	708,918	701,380	(7,538)	622,233
School administration	3,602,994	3,685,769	3,499,827	(185,942)	3,444,304
Business	8,717,202	10,990,905	10,036,591	(954,314)	10,120,673
Central	2,155,471	2,262,908	2,064,120	(198,788)	2,076,594
Athletic activities	964,642	1,095,517	1,022,521	(72,996)	897,977
Other	72,239	321,937	96,322	(225,615)	363,136
Community services	1,171,158	129,927	93,514	(36,413)	1,123,475
Intergovernmental payments	1,141,451	1,372,895	1,042,157	(330,738)	1,044,300
Expenditures from subscription arrangements	-	1,000,000	-	(1,000,000)	-
Total expenditures	<u>71,069,783</u>	<u>87,066,700</u>	<u>78,283,025</u>	<u>(8,783,675)</u>	<u>74,105,594</u>
Excess (deficiency) of revenues over expenditures	<u>(1,648,578)</u>	<u>(1,415,305)</u>	<u>1,045,592</u>	<u>2,460,897</u>	<u>(281,429)</u>

**Royal Oak Schools**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2023 (with Comparative Actual Amounts for the Year Ended June 30, 2022)**

	2023			2022	
	Budgeted Amounts		Actual	Over (Under) Budget	Actual
	Original	Final			
<b>Other Financing Sources (Uses)</b>					
Proceeds from subscription arrangements	\$ -	\$ 1,000,000	\$ -	\$ (1,000,000)	\$ -
Transfers in	10,000	10,000	10,000	-	9,626
Transfers out	(751,411)	(607,585)	(514,004)	93,581	(246,589)
 Total other financing sources (uses)	 (741,411)	 402,415	 (504,004)	 (906,419)	 (236,963)
 Net change in fund balance	 (2,389,989)	 (1,012,890)	 541,588	 1,554,478	 (518,392)
 Fund balance - beginning	 16,272,839	 16,272,839	 16,272,839	 -	 16,791,231
 Fund balance - ending	 <u>\$ 13,882,850</u>	 <u>\$ 15,259,949</u>	 <u>\$ 16,814,427</u>	 <u>\$ 1,554,478</u>	 <u>\$ 16,272,839</u>

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. School district's proportion of net pension liability (%)	0.36%	0.36%	0.35%	0.34%	0.33%	0.32%	0.31%	0.31%	0.31%	0.31%
B. School district's proportionate share of the net pension liability	\$ 135,863,462	\$ 84,485,574	\$ 120,275,985	\$ 112,229,941	\$ 99,931,152	\$ 84,157,360	\$ 78,591,165	\$ 76,622,770	\$ 68,060,082	
C. School district's covered payroll	\$ 35,171,386	\$ 32,389,100	\$ 31,717,116	\$ 29,822,926	\$ 28,721,382	\$ 27,575,741	\$ 26,589,939	\$ 26,274,901	\$ 26,685,495	
D. School district's proportionate share of the net pension liability as a percentage of its covered payroll	386.29%	260.85%	379.21%	376.32%	347.93%	305.19%	295.57%	291.62%	336.25%	
E. Plan fiduciary net position as a percentage of total pension liability	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%	

**Note Disclosures**

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2022.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2022.

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

	For the Years Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. Statutorily required contributions	\$ 12,795,424	\$ 12,153,517	\$ 10,688,035	\$ 9,670,783	\$ 9,014,113	\$ 8,661,137	\$ 7,073,600	\$ 6,051,796	\$ 5,867,007	
B. Contributions in relation to statutorily required contributions	<u>12,795,424</u>	<u>12,153,517</u>	<u>10,688,035</u>	<u>9,670,783</u>	<u>9,014,113</u>	<u>8,661,137</u>	<u>7,073,600</u>	<u>6,051,796</u>	<u>5,867,007</u>	
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
D. School district's covered payroll	\$ 33,511,588	\$ 33,814,504	\$ 32,003,252	\$ 31,531,076	\$ 29,437,272	\$ 28,581,849	\$ 27,281,002	\$ 26,396,616	\$ 26,594,474	
E. Contributions as a percentage of covered payroll	38.18%	35.94%	33.40%	30.67%	30.62%	30.30%	25.93%	22.93%	22.06%	

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. School district's proportion of net OPEB liability (%)	0.36%	0.36%	0.36%	0.34%	0.34%	0.32%				
B. School district's proportionate share of the net OPEB liability	\$ 7,630,174	\$ 5,450,082	\$ 19,144,177	\$24,475,853	\$26,826,843	\$28,694,413				
C. School district's covered payroll	\$ 35,171,386	\$ 32,389,100	\$ 31,717,116	\$29,822,926	\$28,721,382	\$27,575,741				
D. School district's proportionate share of the net OPEB liability as a percentage of its covered payroll	21.69%	16.83%	60.36%	82.07%	93.40%	104.06%				
E. Plan fiduciary net position as a percentage of total OPEB liability	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%				

**Note Disclosures**

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2022.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2022.

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

	For the Years Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. Statutorily required contributions	\$ 2,699,552	\$ 2,650,615	\$ 2,635,664	\$ 2,541,850	\$ 2,338,278	\$ 2,224,640				
B. Contributions in relation to statutorily required contributions	<u>2,699,552</u>	<u>2,650,615</u>	<u>2,635,664</u>	<u>2,541,850</u>	<u>2,338,278</u>	<u>2,224,640</u>				
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
D. School district's covered payroll	\$ 33,511,588	\$ 33,814,504	\$ 32,003,252	\$31,531,076	\$29,437,272	\$28,581,849				
E. Contributions as a percentage of covered payroll	8.06%	7.84%	8.24%	8.06%	7.94%	7.78%				

## OTHER SUPPLEMENTARY INFORMATION

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**Royal Oak Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**

**June 30, 2023 (With Comparative Summarized Totals for 2022)**

	Special Revenue Funds			Debt Service Funds		Capital Projects Funds			Total Nonmajor Governmental Funds	
	Food Service	Community Services	Student and District Activities	2018 Debt	2020 Debt	Sinking Fund	2020 Bond Fund	Instructional Technology Capital Projects Fund	2023	2022
<b>Assets</b>										
Cash	\$ 1,111,879	\$ 2,116,755	\$ 807,310	\$ 142,661	\$ 1,136,473	\$ 2,273,007	\$ 3,159,949	\$ 28,377	\$ 10,776,411	\$ 11,668,108
Accounts receivable	8,288	-	-	-	-	420	-	-	8,708	5,024
Due from other governmental units	22,460	-	-	-	-	-	-	-	22,460	125,293
Inventory	29,794	-	-	-	-	-	-	-	29,794	30,908
Prepaid items	110,000	-	-	-	-	-	-	-	110,000	110,000
<b>Total assets</b>	<b>\$ 1,282,421</b>	<b>\$ 2,116,755</b>	<b>\$ 807,310</b>	<b>\$ 142,661</b>	<b>\$ 1,136,473</b>	<b>\$ 2,273,427</b>	<b>\$ 3,159,949</b>	<b>\$ 28,377</b>	<b>\$ 10,947,373</b>	<b>\$ 11,939,333</b>
<b>Liabilities</b>										
Accounts payable	\$ 79,859	\$ 15,134	\$ 12,525	\$ -	\$ -	\$ 135,812	\$ 375,269	\$ -	\$ 618,599	\$ 499,463
Unearned revenue	113,020	-	-	-	-	-	-	-	113,020	68,732
<b>Total liabilities</b>	<b>192,879</b>	<b>15,134</b>	<b>12,525</b>	<b>-</b>	<b>-</b>	<b>135,812</b>	<b>375,269</b>	<b>-</b>	<b>731,619</b>	<b>568,195</b>
<b>Fund Balances</b>										
Non-spendable										
Inventory	29,794	-	-	-	-	-	-	-	29,794	30,908
Prepaid items	110,000	-	-	-	-	-	-	-	110,000	110,000
Restricted for										
Food service	949,748	-	-	-	-	-	-	-	949,748	1,077,693
Debt service	-	-	-	142,661	1,136,473	-	-	-	1,279,134	965,726
Capital projects	-	-	-	-	-	2,137,615	2,784,680	-	4,922,295	1,777,848
Assigned	-	2,101,621	794,785	-	-	-	-	28,377	2,924,783	7,408,963
<b>Total fund balances</b>	<b>1,089,542</b>	<b>2,101,621</b>	<b>794,785</b>	<b>142,661</b>	<b>1,136,473</b>	<b>2,137,615</b>	<b>2,784,680</b>	<b>28,377</b>	<b>10,215,754</b>	<b>11,371,138</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,282,421</b>	<b>\$ 2,116,755</b>	<b>\$ 807,310</b>	<b>\$ 142,661</b>	<b>\$ 1,136,473</b>	<b>\$ 2,273,427</b>	<b>\$ 3,159,949</b>	<b>\$ 28,377</b>	<b>\$ 10,947,373</b>	<b>\$ 11,939,333</b>

**Royal Oak Schools**  
**Other Supplementary Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2023 (With Comparative Summarized Totals for 2022)**

	Special Revenue Funds			Debt Service Funds		Capital Project Funds			Total Nonmajor Governmental Funds	
	Food Service	Community Services	Student and District Activities	2018 Debt	2020 Debt	Sinking Fund	2020 Bond Fund	Instructional Technology Capital Projects Fund	2023	2022
<b>Revenues</b>										
Local sources	\$ 691,310	\$ 1,474,062	\$ 803,812	\$ 3,403,037	\$ 5,183,130	\$ 3,201,692	\$ 180,228	\$ 27,974	\$ 14,965,245	\$ 13,154,138
State sources	102,793	501,372	-	-	-	-	-	-	604,165	662,832
Federal sources	1,035,166	576,217	-	-	-	-	-	-	1,611,383	3,165,636
Interdistrict sources	900	-	-	-	-	-	-	-	900	-
<b>Total revenues</b>	<b>1,830,169</b>	<b>2,551,651</b>	<b>803,812</b>	<b>3,403,037</b>	<b>5,183,130</b>	<b>3,201,692</b>	<b>180,228</b>	<b>27,974</b>	<b>17,181,693</b>	<b>16,982,606</b>
<b>Expenditures</b>										
Current										
Education										
Instruction	-	1,800,618	-	-	-	-	-	-	1,800,618	2,033,384
Supporting services	-	140,074	-	-	-	-	-	-	140,074	203,471
Student and district activities	-	-	763,168	-	-	-	-	-	763,168	599,346
Food services	1,949,228	-	-	-	-	-	-	-	1,949,228	1,889,861
Community services	-	950,824	-	-	-	-	-	-	950,824	802,518
Capital outlay	-	-	-	-	-	2,841,925	5,642,907	-	8,484,832	8,183,215
Debt service										
Principal	-	-	-	2,595,000	3,630,000	-	-	-	6,225,000	6,220,000
Interest and other expenditures	-	-	-	893,434	1,154,325	-	-	-	2,047,759	2,319,574
<b>Total expenditures</b>	<b>1,949,228</b>	<b>2,891,516</b>	<b>763,168</b>	<b>3,488,434</b>	<b>4,784,325</b>	<b>2,841,925</b>	<b>5,642,907</b>	<b>-</b>	<b>22,361,503</b>	<b>22,251,369</b>
Excess (deficiency) of revenues over expenditures	(119,059)	(339,865)	40,644	(85,397)	398,805	359,767	(5,462,679)	27,974	(5,179,810)	(5,268,763)
<b>Other Financing Sources (Uses)</b>										
Transfers in	-	514,004	-	-	-	-	-	-	514,004	649,352
Transfers out	(10,000)	-	-	-	-	-	-	-	(10,000)	(412,389)
<b>Total other financing sources (uses)</b>	<b>(10,000)</b>	<b>514,004</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>504,004</b>	<b>236,963</b>
<b>Net change in fund balances</b>	<b>(129,059)</b>	<b>174,139</b>	<b>40,644</b>	<b>(85,397)</b>	<b>398,805</b>	<b>359,767</b>	<b>(5,462,679)</b>	<b>27,974</b>	<b>(4,675,806)</b>	<b>(5,031,800)</b>
Fund balance - beginning	1,218,601	1,927,482	754,141	228,058	737,668	1,777,848	8,247,359	403	14,891,560	16,402,938
<b>Fund balances - ending</b>	<b>\$ 1,089,542</b>	<b>\$ 2,101,621</b>	<b>\$ 794,785</b>	<b>\$ 142,661</b>	<b>\$ 1,136,473</b>	<b>\$ 2,137,615</b>	<b>\$ 2,784,680</b>	<b>\$ 28,377</b>	<b>\$ 10,215,754</b>	<b>\$ 11,371,138</b>

**Royal Oak Schools**  
**Other Supplementary Information**  
**Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual**  
**For the Year Ended June 30, 2023**

	Food Service			Community Services			Student and District Activities			Total		
	Final Budget	Actual	Over (Under) Final Budget	Final Budget	Actual	Over (Under) Final Budget	Final Budget	Actual	Over (Under) Final Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenues</b>												
Local sources	\$ 746,013	\$ 691,310	\$ (54,703)	\$ 1,465,500	\$ 1,474,062	\$ 8,562	\$ 900,000	\$ 803,812	\$ (96,188)	\$ 3,111,513	\$ 2,969,184	\$ (142,329)
State sources	75,477	102,793	27,316	537,092	501,372	(35,720)	-	-	-	612,569	604,165	(8,404)
Federal sources	1,073,115	1,035,166	(37,949)	576,217	576,217	-	-	-	-	1,649,332	1,611,383	(37,949)
Interdistrict sources	5,000	900	(4,100)	-	-	-	-	-	-	5,000	900	(4,100)
<b>Total revenues</b>	<b>1,899,605</b>	<b>1,830,169</b>	<b>(69,436)</b>	<b>2,578,809</b>	<b>2,551,651</b>	<b>(27,158)</b>	<b>900,000</b>	<b>803,812</b>	<b>(96,188)</b>	<b>5,378,414</b>	<b>5,185,632</b>	<b>(192,782)</b>
<b>Expenditures</b>												
Current												
Education												
Instruction	-	-	-	1,909,695	1,800,618	(109,077)	-	-	-	1,909,695	1,800,618	(109,077)
Supporting services	-	-	-	191,973	140,074	(51,899)	-	-	-	191,973	140,074	(51,899)
Student and district activities	-	-	-	-	-	-	900,000	763,168	(136,832)	900,000	763,168	(136,832)
Food services	2,475,834	1,949,228	(526,606)	-	-	-	-	-	-	2,475,834	1,949,228	(526,606)
Community services	-	-	-	991,149	950,824	(40,325)	-	-	-	991,149	950,824	(40,325)
<b>Total expenditures</b>	<b>2,475,834</b>	<b>1,949,228</b>	<b>(526,606)</b>	<b>3,092,817</b>	<b>2,891,516</b>	<b>(201,301)</b>	<b>900,000</b>	<b>763,168</b>	<b>(136,832)</b>	<b>6,468,651</b>	<b>5,603,912</b>	<b>(864,739)</b>
Excess (deficiency) of revenues over expenditures	(576,229)	(119,059)	457,170	(514,008)	(339,865)	174,143	-	40,644	40,644	(1,090,237)	(418,280)	671,957
<b>Other Financing Sources (Uses)</b>												
Transfers in	-	-	-	514,004	514,004	-	-	-	-	514,004	514,004	-
Transfers out	(10,000)	(10,000)	-	-	-	-	-	-	-	(10,000)	(10,000)	-
<b>Total other financing sources (uses)</b>	<b>(10,000)</b>	<b>(10,000)</b>	<b>-</b>	<b>514,004</b>	<b>514,004</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>504,004</b>	<b>504,004</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(586,229)</b>	<b>(129,059)</b>	<b>457,170</b>	<b>(4)</b>	<b>174,139</b>	<b>174,143</b>	<b>-</b>	<b>40,644</b>	<b>40,644</b>	<b>(586,233)</b>	<b>85,724</b>	<b>671,957</b>
Fund balances - beginning	1,218,601	1,218,601	-	1,927,482	1,927,482	-	754,141	754,141	-	3,900,224	3,900,224	-
Fund balances - ending	\$ 632,372	\$ 1,089,542	\$ 457,170	\$ 1,927,478	\$ 2,101,621	\$ 174,143	\$ 754,141	\$ 794,785	\$ 40,644	\$ 3,313,991	\$ 3,985,948	\$ 671,957

**Royal Oak Schools**  
**Other Supplementary Information**  
**Debt Service Funds**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual**  
**For the Year Ended June 30, 2023**

	2018 Debt	2020 Debt	Total Debt Actual	Total Debt Final Budget	Over (Under) Final Budget
<b>Revenues</b>					
Local sources	\$ 3,403,037	\$ 5,183,130	\$ 8,586,167	\$ 8,513,274	\$ 72,893
<b>Expenditures</b>					
Debt service					
Principal	2,595,000	3,630,000	6,225,000	6,225,000	-
Interest and other expenditures	893,434	1,154,325	2,047,759	2,064,750	(16,991)
Total expenditures	3,488,434	4,784,325	8,272,759	8,289,750	(16,991)
Excess (deficiency) of revenues over expenditures	(85,397)	398,805	313,408	223,524	89,884
Net change in fund balances	(85,397)	398,805	313,408	223,524	89,884
Fund balances - beginning	228,058	737,668	965,726	965,726	-
Fund balances - ending	\$ 142,661	\$ 1,136,473	\$ 1,279,134	\$ 1,189,250	\$ 89,884

**Royal Oak Schools**  
**Other Supplementary Information**  
**Capital Projects Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2023**

	General Property Maintenance Fund	Instructional Technology Fund	Sinking Fund	2020 Bond Fund	Total Capital Projects Actual
<b>Revenues</b>					
Local sources	\$ -	\$ 27,974	\$ 3,201,692	\$ 180,228	\$ 3,409,894
<b>Expenditures</b>					
Capital outlay	342,361	-	2,841,925	5,642,907	8,827,193
Net change in fund balances	(342,361)	27,974	359,767	(5,462,679)	(5,417,299)
Fund balances - beginning	4,726,937	403	1,777,848	8,247,359	14,752,547
Fund balances - ending	<u>\$ 4,384,576</u>	<u>\$ 28,377</u>	<u>\$ 2,137,615</u>	<u>\$ 2,784,680</u>	<u>\$ 9,335,248</u>

**Royal Oak Schools**  
**Other Supplementary Information**  
**Schedule of Outstanding Bonded Indebtedness**  
**June 30, 2023**

Year Ending June 30,	2018 Debt	2020 Debt	Total
2024	\$ 2,725,000	\$ 3,770,000	\$ 6,495,000
2025	2,865,000	3,920,000	6,785,000
2026	3,005,000	4,115,000	7,120,000
2027	3,150,000	4,330,000	7,480,000
2028	3,330,000	4,520,000	7,850,000
Total	<u>\$ 15,075,000</u>	<u>\$ 20,655,000</u>	<u>\$ 35,730,000</u>
Principal payments due the first day of	May	May	
Interest payments due the first day of	May and November	May and November	
Interest rate	4.00% - 5.00%	4.00% - 5.00%	
Original issue	<u>\$ 23,725,000</u>	<u>\$ 27,790,000</u>	

STATISTICAL SECTION (UNAUDITED)

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Governmental activities										
Net investment in										
capital assets	\$ 121,517,620	\$ 117,617,784	\$ 110,189,542	\$ 104,106,488	\$ 99,081,081	\$ 92,295,603	\$ 85,077,012	\$ 78,315,855	\$ 72,594,218	\$ 64,247,738
Restricted	7,005,841	11,879,575	7,343,700	6,998,309	6,316,619	5,178,997	451,875	3,349,905	3,015,555	2,138,043
Unrestricted (deficit)	<u>(93,170,056)</u>	<u>(97,533,876)</u>	<u>(92,965,037)</u>	<u>(87,980,113)</u>	<u>(81,097,473)</u>	<u>(77,344,092)</u>	<u>(47,929,313)</u>	<u>(48,474,236)</u>	<u>(52,091,303)</u>	<u>(49,254,679)</u>
Total primary government	<u>\$ 35,353,405</u>	<u>\$ 31,963,483</u>	<u>\$ 24,568,205</u>	<u>\$ 23,124,684</u>	<u>\$ 24,300,227</u>	<u>\$ 20,130,508</u>	<u>\$ 37,599,574</u>	<u>\$ 33,191,524</u>	<u>\$ 23,518,470</u>	<u>\$ 17,131,102</u>

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

Note: The District began reporting net OPEB liabilities as required by GASB Statement 75 in fiscal year 2016, resulting in a prior period adjustment in fiscal year 2015.

Source: Royal Oak Schools Annual Comprehensive Financial Reports 2014-2023.



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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Expenses</b>										
<b>Governmental activities</b>										
Instruction	\$ 51,652,279	\$ 44,621,401	\$ 45,632,786	\$ 44,966,014	\$ 42,446,936	\$ 39,331,584	\$ 36,088,719	\$ 35,518,070	\$ 34,260,122	\$ 33,706,787
Support services	29,433,472	26,712,981	27,873,128	27,536,176	22,574,360	21,384,267	20,570,368	18,753,557	20,142,019	19,639,249
Student and district activities	763,168	599,346	294,889	649,407	-	-	-	-	-	-
Food services	1,949,228	1,889,861	747,494	1,432,897	1,302,533	1,242,244	1,381,164	1,216,593	1,162,690	1,160,434
Community services	1,064,324	1,804,653	1,841,005	2,604,024	950,960	1,964,081	1,886,136	1,745,745	1,485,327	1,281,731
Interest on long-term debt	783,867	786,241	359,298	888,411	968,212	554,058	742,821	1,096,173	2,525,742	2,721,696
Depreciation (unallocated)	7,474,050	7,018,149	5,877,459	5,151,089	5,117,538	5,045,399	4,980,448	4,996,650	4,832,519	4,693,465
<b>Total expenses</b>	<b>93,120,388</b>	<b>83,432,632</b>	<b>82,626,059</b>	<b>83,228,018</b>	<b>73,360,539</b>	<b>69,521,633</b>	<b>65,649,656</b>	<b>63,326,788</b>	<b>64,408,419</b>	<b>63,203,362</b>
<b>Program revenues</b>										
<b>Governmental activities</b>										
<b>Charges for services</b>										
Instruction	15,900	36,514	8,361	11,823	28,100	22,060	40,808	23,046	38,484	39,291
Student and district activities	803,812	681,582	317,832	690,145	-	-	-	-	-	-
Food services	692,210	35,020	26,772	588,351	790,786	732,268	725,094	639,249	655,274	623,393
Support services	300,090	199,768	132,598	144,466	229,689	218,888	212,990	175,956	206,409	221,060
Community services	1,665,203	1,119,445	340,778	1,186,063	1,758,325	1,536,597	1,587,652	1,407,426	1,346,909	1,345,498
<b>Operating grants and contributions</b>										
Instruction	26,710,725	20,244,368	16,246,538	13,248,246	11,548,480	10,487,391	9,992,468	9,347,498	8,952,291	8,065,756
Support services	2,383,844	-	-	-	-	-	-	-	-	516,070
Food services	1,113,157	2,398,455	751,577	806,056	688,569	667,174	627,260	596,957	582,981	573,520
Community services	1,105,563	1,328,392	427,397	445,599	446,658	445,423	454,121	486,394	523,210	314,329
<b>Total revenues</b>	<b>34,790,504</b>	<b>26,043,544</b>	<b>18,251,853</b>	<b>17,120,749</b>	<b>15,490,607</b>	<b>14,109,801</b>	<b>13,640,393</b>	<b>12,676,526</b>	<b>12,305,558</b>	<b>11,698,917</b>
<b>Total net expense</b>	<b>\$ (58,329,884)</b>	<b>\$ (57,389,088)</b>	<b>\$ (64,374,206)</b>	<b>\$ (66,107,269)</b>	<b>\$ (57,869,932)</b>	<b>\$ (55,411,832)</b>	<b>\$ (52,009,263)</b>	<b>\$ (50,650,262)</b>	<b>\$ (52,102,861)</b>	<b>\$ (51,504,445)</b>

Source: Royal Oak Schools Annual Comprehensive Financial Reports 2014-2023.

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total net expense	\$ (58,329,884)	\$ (57,389,088)	\$ (64,374,206)	\$ (66,107,269)	\$ (57,869,932)	\$ (55,411,832)	\$ (52,009,263)	\$ (50,650,262)	\$ (52,102,861)	\$ (51,504,445)
General revenues and other changes in net position										
Governmental activities										
Taxes										
Property taxes levied for general purposes	24,103,460	22,383,629	22,989,273	22,084,864	20,374,544	19,886,188	19,529,389	19,252,696	19,104,445	18,904,444
Property taxes levied for debt service	8,356,829	8,456,902	9,328,764	8,755,999	8,928,788	8,508,770	9,374,541	9,067,830	8,758,980	10,795,009
Property taxes levied for sinking fund	3,201,692	2,950,687	2,853,017	2,779,272	2,643,250	2,538,310	2,444,540	2,387,206	2,309,954	-
Unrestricted state aid	23,992,089	30,312,124	30,027,667	29,265,834	28,257,911	29,753,112	28,578,016	27,187,890	26,832,592	25,911,514
Interest and investment earnings	1,367,413	85,777	45,903	737,932	1,402,717	266,907	51,120	44,286	41,148	41,810
Gain on sale of assets	-	-	-	-	17,255	5,678	41,264	1,803,787	321,858	1,307,721
Insurance recoveries	-	-	-	-	-	-	-	300,000	832,317	-
Other	698,323	595,247	573,103	699,601	415,186	456,124	468,173	279,891	288,935	648,649
Total	61,719,806	64,784,366	65,817,727	64,323,502	62,039,651	61,415,089	60,487,043	60,323,586	58,490,229	57,609,147
Change in net position										
Total	\$ 3,389,922	\$ 7,395,278	\$ 1,443,521	\$ (1,783,767)	\$ 4,169,719	\$ 6,003,257	\$ 8,477,780	\$ 9,673,324	\$ 6,387,368	\$ 6,104,702

Source: Royal Oak Schools Annual Comprehensive Financial Reports 2014-2023.

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Fund										
Non-spendable	\$ 351,905	\$ 226,523	\$ 406,186	\$ 585,285	\$ 695	\$ -	\$ 16,000	\$ 32,000	\$ -	\$ -
Committed	-	-	-	-	-	-	-	-	-	137,674
Assigned	3,403,375	3,265,456	5,650,855	6,721,665	3,130,793	2,184,204	1,829,317	2,251,304	1,452,263	3,004,594
Unassigned	<u>13,059,147</u>	<u>12,780,860</u>	<u>10,734,190</u>	<u>7,456,878</u>	<u>11,433,617</u>	<u>12,357,244</u>	<u>12,673,806</u>	<u>11,818,474</u>	<u>12,579,125</u>	<u>10,720,665</u>
Total General Fund	<u>16,814,427</u>	<u>16,272,839</u>	<u>16,791,231</u>	<u>14,763,828</u>	<u>14,565,105</u>	<u>14,541,448</u>	<u>14,519,123</u>	<u>14,101,778</u>	<u>14,031,388</u>	<u>13,862,933</u>
All other governmental funds										
Non-spendable	139,794	140,908	150,912	140,176	124,642	132,213	133,033	129,566	125,275	129,865
Restricted	7,151,177	12,068,626	19,532,727	35,285,297	20,038,841	30,487,230	4,603,842	2,539,084	3,470,354	2,138,043
Committed	-	-	-	-	-	-	125,662	41,360	111,928	3,051,008
Assigned	<u>7,309,359</u>	<u>7,408,963</u>	<u>8,011,198</u>	<u>7,988,255</u>	<u>7,445,735</u>	<u>7,639,735</u>	<u>7,601,707</u>	<u>1,569,597</u>	<u>1,361,663</u>	<u>2,463,262</u>
Total all other governmental funds	<u>14,600,330</u>	<u>19,618,497</u>	<u>27,694,837</u>	<u>43,413,728</u>	<u>27,609,218</u>	<u>38,259,178</u>	<u>12,464,244</u>	<u>4,279,607</u>	<u>5,069,220</u>	<u>7,782,178</u>
Total all funds	<u>\$ 31,414,757</u>	<u>\$ 35,891,336</u>	<u>\$ 44,486,068</u>	<u>\$ 58,177,556</u>	<u>\$ 42,174,323</u>	<u>\$ 52,800,626</u>	<u>\$ 26,983,367</u>	<u>\$ 18,381,385</u>	<u>\$ 19,100,608</u>	<u>\$ 21,645,111</u>

Source: Royal Oak Schools Annual Comprehensive Financial Reports 2014-2023.

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

Year Ended	General Fund						Special Revenue Funds			Capital Project Funds	Debt Service Funds			Total Revenue	
	Property Taxes	Other Local Sources	Interdistrict Sources	State Sources	Federal Sources *	Total General Fund Revenues	Local Sources	State Sources	Federal Sources	Total Special Revenue Funds Revenue	Property Taxes, Interest and Other	Property Taxes	Interest and Other		Total Debt Service Funds Revenue
2014	\$ 18,934,302	\$ 1,092,851	\$ 3,700,185	\$ 29,178,665	\$ 1,495,945	\$ 54,401,948	\$ 1,770,244	\$ 369,091	\$ 527,355	\$ 2,666,690	\$ 2,259,101	\$ 8,510,309	\$ 107,787	\$ 8,618,096	\$ 67,945,835
2015	19,139,195	771,400	3,842,917	30,180,869	1,632,761	55,567,142	1,813,291	580,621	535,191	2,929,103	2,307,388	8,733,763	107,287	8,841,050	69,644,683
2016	19,287,977	734,789	4,113,029	30,646,176	1,686,554	56,468,525	1,824,818	548,016	546,479	2,919,313	2,387,511	9,061,579	59,397	9,120,976	70,896,325
2017	19,567,379	1,014,287	4,080,207	32,386,390	1,817,732	58,865,995	2,014,146	511,291	569,884	3,095,321	2,630,597	9,408,163	86,096	9,494,259	74,086,172
2018	19,927,123	1,076,000	4,354,650	34,105,594	1,663,102	61,126,469	2,057,520	499,172	618,282	3,174,974	2,610,520	8,552,219	55,030	8,607,249	75,519,212
2019	20,374,544	1,482,167	4,639,259	33,459,787	1,645,578	61,601,335	2,233,868	508,492	626,735	3,369,095	3,351,733	9,147,731	43,109	9,190,840	77,513,003
2020	22,084,864	1,360,731	4,970,465	35,659,236	1,822,876	65,898,172	2,283,871	514,155	751,299	3,549,325	3,038,014	8,927,688	31,052	8,958,740	81,444,251
2021	22,989,273	716,685	5,889,403	36,332,010	3,859,168	69,786,539	654,761	497,236	830,565	1,982,562	2,935,528	9,320,154	44,797	9,364,951	84,069,580
2022	22,383,629	999,518	6,174,613	37,728,620	6,537,785	73,824,165	1,743,112	567,472	3,159,375	5,469,959	3,029,261	8,402,904	101,621	8,504,525	90,827,910
2023	24,103,460	2,164,400	6,469,884	43,067,284	3,523,589	79,328,617	2,969,184	604,165	1,611,383	5,184,732	3,409,894	8,586,167	-	8,586,167	96,509,410

\*In 2021 and 2022 the District received a significant source of federal funding through the Coronavirus Relief Fund and Education Stabilization Fund.

Source: Royal Oak Schools Annual Comprehensive Financial Reports 2014-2023.

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Instruction (2)	\$ 48,242,889	\$ 43,854,174	\$ 38,887,847	\$ 38,424,907	\$ 36,900,582	\$ 35,802,944	\$ 33,133,803	\$ 31,623,623	\$ 31,198,044	\$ 30,384,432
Pupil services	8,105,267	7,222,576	6,537,024	6,106,549	5,349,769	4,959,956	4,700,118	4,732,277	4,618,925	4,686,290
Instructional support services	3,378,437	3,336,152	3,139,428	2,463,698	2,596,437	2,338,967	2,184,700	2,194,597	2,151,361	1,840,714
General administration	701,380	622,233	597,344	547,694	565,877	562,678	648,453	655,508	635,080	570,881
School administration	3,499,827	3,444,304	3,260,660	3,241,057	3,188,060	3,088,633	2,901,153	2,978,263	2,939,396	2,914,383
Business services	10,036,591	10,120,673	8,782,891	7,980,052	8,352,121	8,567,905	9,173,251	7,631,310	8,052,085	6,554,363
Central staff	2,064,120	2,076,594	1,969,100	1,745,747	1,880,536	1,858,317	1,855,851	2,151,889	2,122,841	1,865,325
Athletics	1,022,521	897,977	797,408	831,570	867,871	816,009	763,345	627,266	627,746	585,482
Other	96,322	363,136	13,413	51,383	77,548	72,174	41,582	44,188	-	-
Community services (2)	93,514	1,123,475	1,034,945	1,443,609	159,764	1,280,877	1,265,541	1,078,979	923,577	749,920
Payments to other governmental units	1,042,157	1,044,300	1,222,961	1,310,637	1,204,466	1,203,937	1,346,705	1,813,518	2,129,381	2,293,166
Capital outlay (1)	-	-	-	782,493	121,548	1,524	15,342	10,314	3,668	350,450
Student and District Activities Fund	763,168	599,346	294,889	649,407	-	-	-	-	-	-
Food Services Fund	1,949,228	1,889,861	747,494	1,432,897	1,302,533	1,242,244	1,364,823	1,187,441	1,170,921	1,160,434
Community Services Fund	2,891,516	2,283,373	1,996,510	2,233,471	1,990,907	1,839,889	1,779,078	1,977,873	2,030,239	1,791,515
Sinking Fund	2,841,925	7,623,117	2,204,581	1,495,031	1,808,236	1,874,583	1,342,877	765,622	2,195,539	2,254,547
Debt service										
Principal	6,225,000	6,220,000	7,295,000	7,660,000	6,890,000	7,755,000	7,455,000	7,050,000	7,365,000	7,365,000
Interest	2,047,759	2,319,574	2,911,789	1,752,011	2,313,138	1,315,660	1,689,040	2,041,571	2,436,105	2,956,970
Capital lease retirement	-	-	141,096	25,650	-	43,887	75,235	75,235	75,234	75,234
Other	-	-	-	-	-	-	-	-	1,023,896	65,452
Capital projects (1)	5,985,268	4,381,777	15,929,790	19,069,329	12,593,131	2,124,057	15,365	49	2,722,228	3,264,822
	<u>\$ 100,986,889</u>	<u>\$ 99,422,642</u>	<u>\$ 97,764,170</u>	<u>\$ 99,247,192</u>	<u>\$ 88,162,524</u>	<u>\$ 76,749,241</u>	<u>\$ 71,751,262</u>	<u>\$ 68,639,523</u>	<u>\$ 74,421,266</u>	<u>\$ 71,729,380</u>
Debt services as a percentage of noncapital expenditures	8.98%	9.77%	12.99%	11.99%	12.48%	12.53%	13.10%	13.51%	15.68%	15.80%

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

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

Source: Royal Oak Schools Annual Comprehensive Financial Reports 2014-2023.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Excess of revenues over (under) expenditures	\$ (4,476,579)	\$ (8,594,732)	\$(13,691,488)	\$(17,802,941)	\$(10,649,521)	\$ (1,230,029)	\$ 2,334,910	\$ 2,256,802	\$ (4,776,583)	\$ (1,528,998)
Other financing sources (uses)										
Proceeds from leases	-	-	-	148,283	-	-	-	-	-	-
Proceeds from sale of assets	-	-	-	19,832	23,218	5,678	331,264	2,659,783	1,144,030	1,192,023
Insurance recoveries	-	-	-	-	-	-	-	300,000	832,317	-
Transfers in	524,004	658,978	1,388,545	930,108	355,467	528,142	393,657	823,284	3,077,282	579,708
Transfers out	(524,004)	(658,978)	(1,388,545)	(930,108)	(355,467)	(528,142)	(393,657)	(823,284)	(3,077,282)	(579,708)
General long-term debt issued	-	-	-	27,790,000	-	23,725,000	-	-	44,333,524	-
Bond discount/premium	-	-	-	5,239,835	-	3,316,610	-	-	-	-
Payments to bond escrow agent	-	-	-	-	-	-	-	-	(44,077,791)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,197,950</u>	<u>23,218</u>	<u>27,047,288</u>	<u>331,264</u>	<u>2,959,783</u>	<u>2,232,080</u>	<u>1,192,023</u>
Net change in fund balances	<u>\$ (4,476,579)</u>	<u>\$ (8,594,732)</u>	<u>\$(13,691,488)</u>	<u>\$ 15,395,009</u>	<u>\$(10,626,303)</u>	<u>\$ 25,817,259</u>	<u>\$ 2,666,174</u>	<u>\$ 5,216,585</u>	<u>\$ (2,544,503)</u>	<u>\$ (336,975)</u>

Source: Royal Oak Schools Annual Comprehensive Financial Reports 2014-2023.

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

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Delinquent Taxes Collected</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2014	\$ 29,783,139	\$ 29,656,242	99.57 %	\$ 43,210	\$ 29,699,452	99.72 %
2015	30,163,155	30,118,404	99.85 %	51,058	30,169,463	100.02 %
2016	30,802,157	30,672,298	99.58 %	56,302	30,728,600	99.76 %
2017	31,346,492	31,310,198	99.88 %	61,008	31,371,206	100.08 %
2018	30,922,347	30,885,435	99.88 %	63,597	30,949,032	100.08 %
2019	31,949,203	31,905,123	99.86 %	62,093	31,967,216	100.06 %
2020	33,470,199	33,426,923	99.87 %	208,364	33,635,287	100.49 %
2021	35,093,513	35,024,181	99.80 %	146,873	35,171,054	100.49 %
2022	33,777,771	33,228,529	98.37 %	69,609	33,298,138	98.58 %
2023	35,385,257	34,806,031	98.36 %	330,468	35,136,500	99.30 %

Source: Treasurers' Settlements

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

Fiscal Year	Taxable Valuation			Estimated Actual Valuation	Total District Direct Millage Rate	
	Homestead Property	Nonhomestead Property	Total		Homestead Property	Nonhomestead Property
2014	\$ 1,460,042,270	\$ 802,008,610	\$ 2,262,050,880	\$ 4,524,101,760	7.73	22.75
2015	1,491,113,290	819,178,380	2,310,291,670	4,620,583,340	6.19	22.75
2016	1,571,990,170	831,881,780	2,403,871,950	4,807,743,900	6.39	22.75
2017	1,638,497,870	844,904,480	2,483,402,350	4,966,804,700	6.30	22.74
2018	1,739,083,200	856,416,460	2,595,499,660	5,190,999,320	5.72	22.23
2019	1,835,670,110	889,099,390	2,724,769,500	5,449,539,000	6.52	22.22
2020	1,934,268,690	968,789,880	2,903,058,570	5,806,117,140	6.05	21.96
2021	2,035,357,920	1,032,718,920	3,068,076,840	6,136,153,680	6.24	21.95
2022	2,130,334,130	1,085,754,450	3,216,088,580	6,432,177,160	5.40	21.54
2023	2,258,530,970	1,176,166,200	3,434,697,170	6,869,394,340	3.93	21.32

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

Source: Royal Oak Schools and Oakland County Equalization



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

Fiscal Year	District Direct Rates			State of Michigan	Oakland County Operating and ISD	Oakland Community College	Overlapping Rates				
	Operating	Non-Operating	Total				City of Berkley	City of Huntington Woods	City of Madison Heights	City of Royal Oak	City of Troy
2014	2.98	3.75	6.73	6.00	8.32	1.58	17.51	26.83	22.93	15.17	10.52
2015	2.44	3.75	6.19	6.00	8.32	1.58	17.55	26.71	22.97	18.16	10.50
2016	2.64	3.75	6.39	6.00	8.21	1.58	16.98	24.57	22.96	17.68	10.50
2017	2.55	3.75	6.30	6.00	8.13	1.57	15.82	22.38	23.02	17.88	10.40
2018	2.47	3.25	5.72	6.00	8.09	1.56	15.17	23.16	25.21	17.64	10.36
2019	2.31	3.25	5.56	6.00	8.06	1.54	14.90	23.19	25.72	18.62	10.30
2020	2.09	3	5.09	6.00	8.03	1.53	16.82	23.56	25.29	18.12	10.24
2021	2.29	3	5.29	6.00	9.61	1.52	16.55	25.83	26.26	17.85	10.00
2022	1.86	2.6	4.46	6.00	9.68	1.51	15.99	24.93	26.26	17.47	10.02
2023	0.61	2.4	3.01	6.00	10.41	1.49	15.78	24.26	26.08	17.56	9.90

Source: Oakland County Equalization Department

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

Fiscal Year	District Direct Rates			State of Michigan	Oakland County Operating and ISD	Oakland Community College	Overlapping Rates				
	Operating	Non-Operating	Total				City of Berkley	City of Huntington Woods	City of Madison Heights	City of Royal Oak	City of Troy
2013	18.00	4.71	22.71	6.00	8.71	1.58	14.49	26.39	22.43	15.20	10.48
2014	18.00	4.75	22.75	6.00	8.91	1.58	17.51	26.83	22.93	15.17	10.52
2015	18.00	4.75	22.75	6.00	9.32	1.58	17.55	26.71	22.97	18.16	10.50
2016	18.00	4.75	22.75	6.00	8.21	1.58	16.98	24.57	22.96	17.68	10.50
2017	18.00	4.74	22.74	6.00	8.13	1.57	15.82	22.38	23.02	17.88	10.40
2018	18.00	4.23	22.23	6.00	8.09	1.56	15.17	23.16	25.21	17.64	10.36
2019	18.00	4.22	22.22	6.00	8.06	1.54	14.90	23.19	25.72	18.62	10.30
2020	18.00	3.96	21.96	6.00	8.03	1.53	16.82	23.56	25.29	18.12	10.24
2021	18.00	3.95	21.95	6.00	9.61	1.52	16.55	25.83	26.26	17.85	10.00
2022	18.00	3.54	21.54	6.00	9.68	1.51	15.99	24.93	26.26	17.47	10.02
2023	18.00	3.32	21.32	6.00	10.41	1.49	15.78	24.26	26.08	17.56	9.90

Source: Oakland County Equalization Department

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

Fiscal Year	Governmental Activities			Percentage of Personal Income	Per Capita
	Bonded Debt	Capital Leases	Total		
2014	\$ 51,805,000	\$ 250,737	\$ 52,055,737	N/A	861
2015	39,075,000	184,341	39,259,341	N/A	648
2016	33,715,000	115,234	33,830,234	N/A	559
2017	26,260,000	43,306	26,303,306	N/A	435
2018	42,230,000	-	42,230,000	N/A	697
2019	35,340,000	-	35,340,000	N/A	580
2020	55,470,000	128,662	55,598,662	N/A	915
2021	48,175,000	-	48,175,000	N/A	795
2022	41,955,000	-	41,955,000	N/A	703
2023	35,730,000	-	35,730,000	N/A	606

Source: Royal Oak Schools

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

<b>Legal Debt Margin Calculation for Fiscal Year 2020</b>										
										\$ 3,216,088,580
										482,413,287
										<u>(41,955,000)</u>
										<u>\$ 440,458,287</u>
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Debt Limit	\$339,307,632	\$346,543,751	\$360,580,793	\$372,510,353	\$389,324,949	\$408,715,425	\$435,458,786	\$460,211,526	\$482,413,287	\$515,204,576
Total net debt applicable to limit	<u>51,805,000</u>	<u>51,805,000</u>	<u>33,715,000</u>	<u>30,138,465</u>	<u>42,230,000</u>	<u>35,340,000</u>	<u>56,794,794</u>	<u>55,998,149</u>	<u>41,955,000</u>	<u>35,730,000</u>
Legal debt margin	<u>\$287,502,632</u>	<u>\$294,738,751</u>	<u>\$326,865,793</u>	<u>\$342,371,888</u>	<u>\$347,094,949</u>	<u>\$373,375,425</u>	<u>\$378,663,992</u>	<u>\$404,213,377</u>	<u>\$440,458,287</u>	<u>\$479,474,576</u>
Total net debt applicable to the limit as a percentage of debt limit	15.27%	14.95%	9.35%	8.09%	7.74%	8.65%	13.04%	12.17%	8.70%	6.94%

Source: Oakland County Equalization and Royal Oak Schools

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

Fiscal Year	Estimated Population	Enrollment	Full-Time and Part-Time School District Employees
2014	60,446	5,963	453
2015	60,569	5,915	465
2016	60,508	5,839	483
2017	60,506	5,921	508
2018	60,612	6,005	536
2019	60,961	5,447	535
2020	60,777	5,322	547
2021	60,619	5,135	559
2022	59,711	5,015	586
2023	58,995	4,975	589

Source: Royal Oak Schools and U.S. Census Bureau

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

Calendar Year	Oakland County Personal Income *	City of Royal Oak				
		Estimated Population	Estimated Total Household Income	Estimated Number of Households	Estimated Income Per Household	Unemployment Rate
2014	\$ 73,973,217,000	60,446	N/A	N/A	N/A	8.10%
2015	N/A	60,569	N/A	N/A	64,873	6.80%
2016	83,550,230,000	60,508	N/A	29,033	N/A	4.60%
2017	86,780,122,000	60,506	N/A	29,122	N/A	3.80%
2018	89,687,634,000	60,612	1,955,926,208	28,552	68,504	4.00%
2019	92,402,126,000	60,961	2,253,188,740	30,391	74,140	3.70%
2020	96,441,996,000	60,777	2,241,520,047	28,467	78,781	14.80%
2021	96,441,996,000	60,619	2,944,591,272	28,728	102,499	5.00%
2022	96,441,996,000	59,711	2,407,052,002	28,933	83,194	4.30%
2023	102,822,763,000	58,995	2,529,631,836	28,971	87,316	3.60%

Years 2017-2022 updated from FRED, June 2023

\* Year 2018 updated using 2017 figure from FRED, updated November 2018

\* Year 2017 updated from FRED, updated November 2018

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

N/A: Data is not available

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

Taxpayer	2023			2014		
	2022 Tax Year Taxable Value Real and Personal Property	Rank	Percentage of Total Taxable Value	2013 Tax Year Taxable Value Real and Personal Property	Rank	Percentage of Total Taxable Value
Consumers Energy	\$50,460,650	1	1.60%	\$15,262,510	3	0.69%
DTE Electric Company	31,562,040	2	1.00%	22,163,440	1	1.00%
Beaumont Hospital	29,171,310	3	0.92%	17,446,290	2	0.79%
The Griffin Singh LLC	27,863,620	4	0.88%			
Central Park Development Group	22,404,030	5	0.71%			
Trailhead RO LLC	18,335,750	6	0.58%			
Midtown Pointe, LLC	13,628,810	7	0.43%			
Meijer	7,562,930	8	0.24%			
LL Real Estate, LLC	6,947,270	9	0.22%			
H2 Royal Oak, LLC	6,845,780	10	0.22%			
Flex-N-Gate				13,896,000	5	0.63%
Form Tech Industries				14,292,680	4	0.65%
Amber Equities LLC				12,250,660	6	0.56%
Sears Holding				8,381,480	7	0.38%
New Par/Verizon				8,126,810	8	0.37%
Main Eleven Royal Oak				7,013,550	9	0.32%
CH Royal Oak LLC				6,948,350	10	0.31%
Total principal Taxpayers	\$214,782,190		6.80%	\$125,781,770		5.70%
Balance of Valuations	2,948,385,960		93.20%	2,080,151,560		94.30%
Total taxable valuation	\$3,163,168,150		100.00%	\$2,205,933,330		100.00%

**Source:** City of Royal Oak Assessor

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

<b>Employer</b>	<b>2023 2022*</b>			<b>2014 2013*</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>
William Beaumont Hospital	8,509	1	22.12%	10,386	1	30.44%
Royal Oak School District	760	2	1.98%	407	4	1.19%
City of Royal Oak	501	3	1.30%	442	2	1.30%
Flex-N-Gate Royal Oak	393	4	1.02%	380	5	1.11%
Consumers Energy	375	5	0.97%	315	8	0.92%
Detroit Zoo	372	6	0.97%	350	6	1.03%
Kroger	290	7	0.75%			
Oakland Community College	265	8	0.69%	437	3	1.28%
Holiday Market	243	9	0.63%	275	9	0.81%
Meijer	234	10	0.61%	327	7	0.96%
Form Tech Industries LLC				250	10	0.73%
			31.04%			1.88%

Source: City of Royal Oak financial statements.

\*Data for 2022 is the most current available from the City of Royal Oak audit.



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

<b>Fiscal Year Ended</b>	<b>Enrollment (1)</b>	<b>Operating Expenditures (2)</b>	<b>Cost per Pupil</b>	<b>Percentage Change</b>
2013	5,206	\$ 47,691,330	\$ 7,788	(12.69) %
2014	5,032	49,477,104	8,297	6.55 %
2015	4,987	52,345,478	10,497	26.51 %
2016	4,967	52,638,921	10,598	0.97 %
2017	5,072	56,824,196	11,203	5.70 %
2018	4,966	59,315,407	11,945	6.63 %
2019	4,958	60,983,267	12,300	2.97 %
2020	5,052	62,728,944	12,417	0.95 %
2021	5,066	65,334,616	12,897	3.87 %
2022	4,846	72,982,119	15,061	16.78 %
2023	4,799	78,189,511	16,294	8.19 %

Source: Royal Oak Schools

(1) Change of methodology from headcount to FTE in FY19. All previous years updated to FTE.

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

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

	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>Percentage Change from 2013-14 to 2022-2023</u>
<b>Administrative</b>											
Building administration	15.0	15.0	14.5	14.5	14.5	14.5	14.5	14.5	14.5	13.5	11.11 %
Central administration	10.0	9.0	9.0	8.0	8.0	8.0	8.0	6.0	5.0	6.0	50.00 %
Operational administration	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.00 %
	<u>26.0</u>	<u>25.0</u>	<u>24.5</u>	<u>23.5</u>	<u>23.5</u>	<u>23.5</u>	<u>23.5</u>	<u>21.5</u>	<u>20.5</u>	<u>20.5</u>	21.95 %
<b>Instruction and pupil services</b>											
Classroom teachers	309.0	309.9	308.8	294.2	286.9	270.9	254.8	253.2	256.2	253.1	23.47 %
Counselors	8.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	8.0	(12.50)%
Media specialists	-	-	-	-	-	-	-	2.0	1.0	1.0	(100.00)%
Psychologists	7.0	7.0	6.0	5.0	5.0	4.2	5.2	5.2	4.2	4.2	75.00 %
Social workers	12.5	11.5	9.0	9.0	8.0	6.5	6.0	6.0	6.0	4.6	150.00 %
Pupil support - professional	27.3	25.5	25.2	26.4	22.8	20.3	21.5	21.2	19.8	19.1	25.62 %
Paraprofessionals	95.6	107.1	99.6	110.7	110.2	101.7	71.0	74.1	67.0	46.6	138.00 %
Secretarial	22.5	22.5	21.5	21.5	21.5	21.5	21.5	20.0	21.0	21.0	2.27 %
	<u>481.9</u>	<u>490.5</u>	<u>477.1</u>	<u>473.8</u>	<u>461.4</u>	<u>432.1</u>	<u>387.0</u>	<u>388.7</u>	<u>382.2</u>	<u>357.6</u>	37.82 %
<b>Business Services</b>											
Secretarial/clerical	15.0	16.0	16.0	15.0	14.0	14.0	13.0	13.0	12.0	11.0	52.38 %
Technical	-	-	-	-	-	-	-	-	-	-	(100.00)%
	<u>15.0</u>	<u>16.0</u>	<u>16.0</u>	<u>15.0</u>	<u>14.0</u>	<u>14.0</u>	<u>13.0</u>	<u>13.0</u>	<u>12.0</u>	<u>11.0</u>	33.33 %
<b>Total</b>	<u>522.9</u>	<u>531.5</u>	<u>517.6</u>	<u>512.3</u>	<u>498.9</u>	<u>469.6</u>	<u>423.5</u>	<u>423.2</u>	<u>414.7</u>	<u>389.1</u>	36.84 %

Source: Royal Oak Schools

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

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Fiscal Year	BA Base Minimum Salary	MA / BA +30 Maximum Salary
2014	\$ 38,452	\$ 81,656
2015	38,452	81,656
2016	38,452	82,473
2017	38,452	82,473
2018	38,452	82,473
2019	41,046	83,298
2020	41,252	83,714
2021	41,252	83,714
2022	41,252	83,714
2023	42,283	86,837

Source: Royal Oak Schools

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

<b>School</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Elementary:</b>										
Addams (1952)										
Square feet	70,890	70,890	70,890	70,890	70,890	70,890	70,890	70,890	70,890	70,890
Capacity	625	625	625	625	625	625	625	625	625	625
Enrollment	464	464	466	469	469	443	465	424	420	428
Keller (1961)										
Square feet	78,640	78,640	78,640	78,640	78,640	78,640	78,640	78,640	78,640	78,640
Capacity	675	675	675	675	675	675	675	675	675	675
Enrollment	400	402	421	453	445	457	460	450	424	442
Northwood (2008)										
Square feet	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
Capacity	475	475	475	475	475	475	475	475	475	475
Enrollment	475	490	461	463	450	458	486	470	462	449
Oakland (1924)										
Square feet	43,257	43,257	43,257	43,257	43,257	43,257	43,257	43,257	43,257	43,257
Capacity	400	400	400	400	400	400	400	400	400	400
Enrollment	271	289	275	269	279	259	247	236	208	223
Oak Ridge (1951)										
Square feet	51,619	51,619	51,619	51,619	51,619	51,619	51,619	51,619	51,619	51,619
Capacity	475	475	475	475	475	475	475	475	475	475
Enrollment	453	434	421	427	434	433	447	439	410	388
Upton (1951)										
Square feet	35,708	35,708	35,708	35,708	35,708	35,708	35,708	35,708	35,708	35,708
Capacity	325	325	325	325	325	325	325	325	325	325
Enrollment	294	285	284	287	291	288	307	264	283	303

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Middle:</b>										
ROMS (1928)										
Square feet	277,161	277,161	277,161	277,161	277,161	277,161	277,161	277,161	277,161	277,161
Capacity	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Enrollment	1,044	1,055	1,138	1,161	1,187	1,148	1,156	1,143	1,085	1,060
<b>High:</b>										
ROHS (1957)										
Square feet	285,508	285,508	285,508	285,508	285,508	285,508	285,508	285,508	285,508	285,508
Capacity	1,998	1,998	1,998	1,998	1,998	1,998	1,998	1,998	1,998	1,998
Enrollment	1,358	1,278	1,225	1,255	1,282	1,344	1,389	1,429	1,396	1,343
<b>Other:</b>										
Oakland Technical Center, SE Campus (1971)										
Square feet	125,735	125,735	125,735	125,735	125,735	125,735	125,735	125,735	125,735	125,735
Community Education Center (1979)										
Square feet	78,583	51,079	51,079	51,079	51,079	51,079	51,079	51,079	51,079	51,079
Capacity	540	540	540	540	540	540	540	540	540	540
Enrollment	327	319	248	211	240	370	344	258	285	319
Addams Early Childhood Center (1952)										
Square feet	25,913	25,913	25,913	25,913	25,913	25,913	25,913	25,913	25,913	25,913
Capacity	250	250	250	250	250	250	250	250	250	250
Enrollment	82	82	82	104	104	110	114	94	128	159

Source: Royal Oak Schools

**Royal Oak Schools**

**Single Audit**

**June 30, 2023**



**YEO & YEO**

**BUSINESS SUCCESS  
PARTNERS**

## Table of Contents

	<b>Page</b>
Single Audit	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs	11
Summary Schedule of Prior Audit Findings	13

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

## Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Royal Oak Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Royal Oak Schools' basic financial statements, and have issued our report thereon dated September 5, 2023.

### Report on Internal Control Over Financial Reporting

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

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

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

### Report on Compliance and Other Matters

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



## Purpose of this Report

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

*Yeo & Yeo, P.C.*

Auburn Hills, MI  
September 5, 2023

# **Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

## **Independent Auditors' Report**

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

### **Report on Compliance for Each Major Federal Program**

#### **Opinion on Each Major Federal Program**

We have audited Royal Oak Schools' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Royal Oak Schools' major federal programs for the year ended June 30, 2023. Royal Oak Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Royal Oak Schools' complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

#### **Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Royal Oak Schools and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Royal Oak Schools' compliance with the compliance requirements referred to above.

#### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to Royal Oak Schools' federal programs.

## Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Royal Oak Schools' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Royal Oak Schools' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Royal Oak Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Royal Oak Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Royal Oak Schools' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Royal Oak Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Royal Oak Schools' basic financial statements. We issued our report thereon dated September 5, 2023, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Yeo & Yeo, P.C.*

Auburn Hills, MI  
September 5, 2023

**Royal Oak Schools**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2023**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>AL Number</b>	<b>Approved Awards Amount</b>	<b>(Memo Only) Prior Year Expenditures</b>	<b>Accrued (Unearned) Revenue at July 1, 2022</b>	<b>Federal Funds/ Payments In-kind Received</b>	<b>Expenditures</b>	<b>Adjustments</b>	<b>Accrued (Unearned) Revenue at June 30, 2023</b>	<b>Subrecipients</b>
U.S. Department of Agriculture									
Child Nutrition Cluster									
Passed through the Michigan Department of Education									
Non-cash Assistance:									
Entitlement commodities - 2022-2023	10.555	\$ 121,401	\$ -	\$ -	\$ 121,401	\$ 121,401	\$ -	\$ -	\$ -
Bonus commodities - 2022-2023		1,842	-	-	1,842	1,842	-	-	-
Total Non-cash Assistance		<u>123,243</u>	<u>-</u>	<u>-</u>	<u>123,243</u>	<u>123,243</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Assistance									
National School Breakfast Program:									
School Breakfast Program - 221970	10.553	11,990	-	-	11,990	-	11,990	-	-
School Breakfast Program - 221971		405,681	374,973	30,708	30,708	-	-	-	-
School Breakfast Program - 231970		92,148	-	-	92,148	92,148	-	-	-
Total National School Breakfast Program		<u>509,819</u>	<u>374,973</u>	<u>30,708</u>	<u>134,846</u>	<u>92,148</u>	<u>11,990</u>	<u>-</u>	<u>-</u>
National School Lunch Program:									
National School Lunch Program - 220910	10.555	92,011	-	-	92,011	92,011	-	-	-
National School Lunch Program - 221960		64,392	-	-	64,392	64,392	-	-	-
National School Lunch Program - 221961		1,502,343	1,502,343	109,755	109,755	-	-	-	-
National School Lunch Program - 231960		646,804	-	-	634,814	646,804	(11,990)	-	-
Total National School Lunch Program		<u>2,305,550</u>	<u>1,502,343</u>	<u>109,755</u>	<u>900,972</u>	<u>803,207</u>	<u>(11,990)</u>	<u>-</u>	<u>-</u>
COVID-19 Extended SFSP									
SFSP Operating - 220900	10.559	9,206	-	-	8,571	9,206	-	635	-
Total Cash Assistance		<u>2,824,575</u>	<u>1,877,316</u>	<u>140,463</u>	<u>1,044,389</u>	<u>904,561</u>	<u>-</u>	<u>635</u>	<u>-</u>
Total Child Nutrition Cluster		<u>2,947,818</u>	<u>1,877,316</u>	<u>140,463</u>	<u>1,167,632</u>	<u>1,027,804</u>	<u>-</u>	<u>635</u>	<u>-</u>
COVID-19 Emergency Operations CACFP Meals									
CACFP Meals - 221920	10.558	219	-	-	219	219	-	-	-
CACFP Meals - 231920		4,008	-	-	3,165	4,008	-	843	-
Total CACFP		<u>4,227</u>	<u>-</u>	<u>-</u>	<u>3,384</u>	<u>4,227</u>	<u>-</u>	<u>843</u>	<u>-</u>
COVID-19 Pandemic EBT Local Costs									
Pandemic EBT Local Level Costs - 220980	10.649	3,135	-	-	3,135	3,135	-	-	-
Total US Department of Agriculture		<u>2,955,180</u>	<u>1,877,316</u>	<u>140,463</u>	<u>1,174,151</u>	<u>1,035,166</u>	<u>-</u>	<u>1,478</u>	<u>-</u>
U.S. Department of Treasury									
Coronavirus Relief Funds									
Passed through the Michigan Department of Education									
Grow Your Own (ARPA)	21.027	1,522,600	-	-	-	17,540	-	17,540	-
Total U.S. Department of Treasury		<u>1,522,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,540</u>	<u>-</u>	<u>17,540</u>	<u>-</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Royal Oak Schools**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	AL Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue at July 1, 2022	Federal Funds/ Payments In-kind Received	Expenditures	Adjustments	Accrued (Unearned) Revenue at June 30, 2023	Subrecipients
U.S. Department of Education									
Adult Basic Education:									
Passed through the Michigan Department of Education	84.002								
Federal Adult Education ABE Instruction 221130		\$ 76,159	\$ 59,108	\$ 59,108	\$ 52,946	\$ -	\$ (6,162)	\$ -	\$ -
Federal Adult Education ABE Instruction 231130		77,789	-	-	57,537	50,174	-	(7,363)	-
Total Adult Basic Education		<u>153,948</u>	<u>59,108</u>	<u>59,108</u>	<u>110,483</u>	<u>50,174</u>	<u>(6,162)</u>	<u>(7,363)</u>	<u>-</u>
Title I Part A:									
Passed through the Michigan Department of Education	84.010								
Title I Part A - 221530		167,729	160,560	39,138	31,969	-	(7,169)	-	-
Title I Part A - 231530		142,245	-	-	123,784	133,397	-	9,613	-
Total Title I		<u>309,974</u>	<u>160,560</u>	<u>39,138</u>	<u>155,753</u>	<u>133,397</u>	<u>(7,169)</u>	<u>9,613</u>	<u>-</u>
Special Education Cluster									
IDEA Flowthrough:									
Passed through the Oakland County ISD	84.027								
IDEA flowthrough 210450		1,435,275	1,369,240	44,716	50,569	5,853	-	-	-
IDEA flowthrough 220450		1,483,432	1,447,108	442,817	442,817	36,324	-	36,324	-
IDEA flowthrough 230450		1,472,007	-	-	1,243,752	1,472,007	-	228,255	-
Total IDEA Flowthrough		<u>4,390,714</u>	<u>2,816,348</u>	<u>487,533</u>	<u>1,737,138</u>	<u>1,514,184</u>	<u>-</u>	<u>264,579</u>	<u>-</u>
COVID-19 American Rescue Plan IDEA									
Passed through the Oakland County ISD									
American Rescue Plan IDEA 221280	84.027	333,063	333,063	83,769	83,769	-	-	-	-
Handicapped Preschool Initiative:									
Handicapped Preschool Initiative 210460	84.173	52,996	52,996	2,747	2,747	-	-	-	-
Handicapped Preschool Initiative 220460		40,048	40,048	12,734	12,734	-	-	-	-
Handicapped Preschool Initiative 230460		59,470	-	-	51,985	59,470	-	7,485	-
Total Handicapped Preschool Initiative		<u>152,514</u>	<u>93,044</u>	<u>15,481</u>	<u>67,466</u>	<u>59,470</u>	<u>-</u>	<u>7,485</u>	<u>-</u>
COVID-19 American Rescue Plan Handicapped Preschool Initiative									
Passed through the Oakland County ISD									
American Rescue Plan Handicapped Preschool Initiative 221285	84.173	23,615	23,615	7,816	7,816	-	-	-	-
Total Special Education Cluster		<u>4,899,906</u>	<u>3,266,070</u>	<u>594,599</u>	<u>1,896,189</u>	<u>1,573,654</u>	<u>-</u>	<u>272,064</u>	<u>-</u>
Title III Part A:									
Passed through the Michigan Department of Education	84.365								
Title III Part A Immigrant Students 220570		5,646	2,410	301	301	-	-	-	-
Title III Part A Immigrant Students 220580		80,279	21,450	15,353	28,711	13,358	-	-	-
Title III Part A Immigrant Students 230570		6,900	-	-	-	1,589	-	1,589	-
Title III Part A Immigrant Students 230580		95,354	-	-	32,486	37,664	-	5,178	14,754
Total Title III Part A		<u>188,179</u>	<u>23,860</u>	<u>15,654</u>	<u>61,498</u>	<u>52,611</u>	<u>-</u>	<u>6,767</u>	<u>14,754</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Royal Oak Schools**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	AL Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue at July 1, 2022	Federal Funds/ Payments In-kind Received	Expenditures	Adjustments	Accrued (Unearned) Revenue at June 30, 2023	Subrecipients
Title II Part A:									
Passed through the Michigan Department of Education	84.367								
Title II Part A 220520		\$ 102,446	\$ 77,126	\$ 42,056	\$ 49,558	\$ 7,502	\$ -	\$ -	\$ -
Title II Part A 230520		157,284	-	-	56,446	67,223	-	10,777	-
Total Title II Part A		<u>259,730</u>	<u>77,126</u>	<u>42,056</u>	<u>106,004</u>	<u>74,725</u>	<u>-</u>	<u>10,777</u>	<u>-</u>
Title IV:									
Passed through the Michigan Department of Education	84.424								
Title IV Part A Student Support & Academic Enrichment 220750		22,119	4,170	4,170	6,366	2,196	-	-	-
Title IV Part A Student Support & Academic Enrichment 230750		12,251	-	-	-	7,527	-	7,527	-
Total Title IV		<u>34,370</u>	<u>4,170</u>	<u>4,170</u>	<u>6,366</u>	<u>9,723</u>	<u>-</u>	<u>7,527</u>	<u>-</u>
Education Stabilization Fund									
Passed through the Michigan Department of Education									
COVID-19 ESSER I Project 203710	84.425D	128,680	108,470	-	19,563	19,563	-	-	-
COVID-19 ESSER II 98c 213782	84.425D	255,633	-	-	110,544	174,766	-	64,222	-
COVID-19 ESSER II Summer Programming K-8 213722	84.425D	170,837	-	-	170,837	170,837	-	-	-
COVID-19 ESSER II Credit Recovery 9-12 213742	84.425D	81,582	-	-	37,184	31,184	-	(6,000)	-
COVID-19 ESSER III 213713	84.425U	1,040,336	459,348	(11,559)	40,935	42,519	-	(9,975)	-
COVID-19 ESSER III (11t) 213723	84.425U	4,604,867	1,282,038	1,282,038	1,282,038	1,146,343	-	1,146,343	-
Total Education Stabilization Fund		<u>6,281,935</u>	<u>1,849,856</u>	<u>1,270,479</u>	<u>1,661,101</u>	<u>1,585,212</u>	<u>-</u>	<u>1,194,590</u>	<u>-</u>
Total U.S Department of Education		<u>12,128,042</u>	<u>5,440,750</u>	<u>2,025,204</u>	<u>3,997,394</u>	<u>3,479,496</u>	<u>(13,331)</u>	<u>1,493,975</u>	<u>14,754</u>
U.S. Department of Health and Human Services									
Passed through the Oakland County ISD									
Medicaid Cluster Medical Assistance Program	93.778	26,553	-	-	26,553	26,553	-	-	-
Total U.S. Department of Health and Human Services		<u>26,553</u>	<u>-</u>	<u>-</u>	<u>26,553</u>	<u>26,553</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Federal Awards		<u>\$ 16,632,375</u>	<u>\$ 7,318,066</u>	<u>\$ 2,165,667</u>	<u>\$ 5,198,098</u>	<u>\$ 4,558,755</u>	<u>\$ (13,331)</u>	<u>\$ 1,512,993</u>	<u>\$ 14,754</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Royal Oak Schools**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2023**

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**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Royal Oak Schools under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Royal Oak Schools, it is not intended to and does not present the financial position or changes in fund balance or net position of Royal Oak Schools.

**Note 2 - Summary of Significant Accounting Policies**

**Expenditures**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate**

Royal Oak Schools has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3 - Reconciliation to the Financial Statements**

The Schedule of Expenditures of Federal Awards reconciles to the financial statements as follows:

Federal revenues per the financial statements	\$ 5,134,972
Child Care Relief Fund Grants received as a beneficiary	<u>(576,217)</u>
Federal expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 4,558,755</u>

An adjustment of \$11,990 was made to reclass expenditures to 221970 School Breakfast Program that were originally charged to 231960 National School Lunch Program. Another adjustment was made of \$6,162 to remove expenditures from program 221130 Federal Adult Education ABE Instruction for funds that were taken back by the state. Another adjustment was made of \$7,169 to remove expenditures from program 221530 Title I Part A for funds that were taken back by the state.

**Note 4 - Subrecipients**

The School District provided \$14,754 Title III, Part A (AL number 84.365, project number 230580) funds to subrecipients. The District's only subrecipient was AGBU Alex-Marie Manoogian School – 63901, which received \$14,754.



**Royal Oak Schools**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2023**

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**Note 5 - Michigan Department of Education Disclosures**

The federal amounts reported on the Grant Auditor Report reconcile to the schedule of expenditures of federal awards as follows:

Grant	Amount on GAR	Amount on SEFA	Difference	Reason for variance
Federal Adult Education ABE Instruction 221130	\$ (6,162)	\$ 52,946	\$ (59,108)	Timing of deposit
Title I Part A - 221530	(7,169)	31,969	(39,138)	Timing of deposit
Title II Part A 220520	17,896	49,558	(31,662)	Timing of deposit
Title III Part A Immigrant Students 220580	14,529	28,711	(14,182)	Timing of deposit
Title III Part A Immigrant Students 220570	75	301	(226)	Timing of deposit
Title IV Project number 221750-2122	-	6,366	(6,366)	Timing of deposit
COVID-19 ESSER I Project 203710	-	19,563	(19,563)	Timing of deposit
COVID-19 ESSER III (11t) 213723	41,852	1,282,038	(1,240,186)	Timing of deposit
<b>Total</b>	<b>\$ 61,021</b>	<b>\$ 1,471,452</b>	<b>(1,410,431)</b>	

The amounts reported on the recipient entitlement balance report agree with the schedule of expenditures of federal awards for U.S.D.A donated food commodities.



**Royal Oak Schools**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2023**

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**Section II – *Government Auditing Standards* Findings**

There were no *Government Auditing Standards* findings for the year ended June 30, 2023.

**Section III – Federal Award Findings**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2023.

**Royal Oak Schools**  
**Summary Schedule of Prior Audit Findings**  
**June 30, 2023**

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**Section IV – Prior Audit Findings**

***Government Auditing Standards Findings***

There were no *Government Auditing Standards* findings for the year ended June 30, 2022.

**Federal Award Findings**

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2022.



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September 5, 2023

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

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Royal Oak Schools (the School District) as of and for the year ended June 30, 2023. We are required to communicate certain matters to you in accordance with generally accepted auditing standards that are related to internal control and the audit.

Our communication includes the following appendices:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

We discussed these matters with various personnel in the School District during the audit including management. We would also be pleased to meet with you to discuss these matters at your convenience.

This information is intended solely for the information and use of management, the Board of Education, and others within the School District, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Yeo & Yeo, P.C.*

Auburn Hills, Michigan

## Appendix I

### Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 1, 2023. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in the footnotes of the financial statements. The School District has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2022:

- Statement No. 96, *Subscription-Based Information Technology Arrangements* is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA.

We noted no transactions entered into by the School District during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the School District's financial statements were:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Net other postemployment (OPEB) liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

We have evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Disclosures in the financial statements are neutral, consistent and clear.

A significant risk is an identified and assessed risk of material misstatement that, in the auditors' professional judgment, requires special audit consideration. Within our audit, we focused on the following areas.

- Management override of controls
- Improper revenue recognition
- Implementation of new accounting standard
- IT Controls
- Capital asset depreciation manual spreadsheet

### **Accounting Standards and Regulatory Updates**

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in the footnotes of the financial statements.

Implementation Guide No 2021-1, *Implementation Guidance Update-2021* has an amended response related to the capitalization of assets purchased as a group. Under the amended guidance, governments *should* capitalize individual items when the purchase in the aggregate is considered significant, even if the individual items are less than the capitalization threshold of the government. The effective date for implementation is for reporting periods beginning after June 15, 2023 (effectively, for the first year ended June 30, 2024 or later) and requires retroactive implementation.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no known misstatements detected as a result of audit procedures that were more than trivial.

There were no known uncorrected misstatements that were more than trivial.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **Other Reports**

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance. Please read all information included in those reports to ensure you are aware of relevant information.

## **Report on Required Supplementary Information**

We applied certain limited procedures to management's discussion and analysis and the remaining required supplementary information (RSI) as described in the table of contents of the financial statements that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

## **Report on Other Supplementary Information**

We were engaged to report on other supplementary information as described in the table of contents of the financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

## **Annual Comprehensive Financial Report**

The School District's audited financial statements are included in their annual comprehensive financial report. Our responsibility for the other information contained in the annual comprehensive financial report does not extend beyond the financial information identified in our audit report. We do not have an obligation to perform any procedures to corroborate the other information contained in the introductory section and statistical section. However, we read the other information and considered whether such information, or the manner of its presentation was materially inconsistent with information, or the manner of presentation, appearing in the financial statements. Nothing came to our attention that caused us to believe that such information or its manner of presentation, was materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.



## **Appendix II**

### **Matters for Management’s Consideration**

In planning and performing our audit of the financial statements of Royal Oak Schools as of and for the year ended June 30, 2023, we considered the School District’s internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School District’s internal control.

However, during our audit we became aware of the following matter for management’s consideration that is an opportunity for improving grant compliance. This letter does not affect our report dated September 5, 2023, on the financial statements of Royal Oak Schools.

#### **Net Cash Resources**

As a result of the COVID-19 pandemic and flexibilities awarded related to eligibility and food distribution, meal claim revenues were in excess of anticipated amounts. This resulted in the net cash resources to continue to be in excess of the three-month average expenditure requirement included in the federal regulations. At this time, neither MDE nor USDA has issued a waiver for this requirement. This item has not been determined to be material to the federal program or the financial statements. In order to resolve the issue, School Districts may reduce lunch prices in a manner that is consistent with the paid lunch equity provisions, improve food quality, or take other action designed to improve the program. Although we are aware the School District has budgeted to expend funds on food service related capital projects, we recommend that School Districts look at other possible enhancements to the program in order to develop a spend down plan to return to compliance with this requirement.