



City of Royal Oak
Comprehensive Annual
Financial Report
June 30, 2008



City of Royal Oak, Michigan
For the Fiscal Year Ended June 30, 2008

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CITY OF ROYAL OAK, MICHIGAN
Comprehensive Annual Financial Report
For the fiscal year ended
June 30, 2008

CITY COMMISSION

Mayor

James B. Ellison

Mayor Pro Tem

Carlo P. Ginotti

Commissioners

Michael R. Andrzejak

Terry H. Drinkwine

Gary F. Lelito

Stephen F. Miller

Charles Semchena

ADMINISTRATION

City Manager

Thomas R. Hoover

Director of Finance

Donald E. Johnson

Controller

Anthony C. DeCamp



CITY OF ROYAL OAK

<http://www.ci.royal-oak.mi.us>
211 S WILLIAMS STREET
P.O. BOX 64
ROYAL OAK, MI 48068-0064
248-246-3000

December 5, 2008

To the Honorable Mayor, Commissioners, employees and citizens of the City of Royal Oak:

In accordance with accounting principles generally accepted in the United States (GAAP), we are submitting the Comprehensive Annual Financial Report (CAFR) of the City of Royal Oak, Michigan for the fiscal year ended June 30, 2008. The City of Royal Oak Charter and state statute require that the City of Royal Oak issue annually a report on its financial position and activity, and that this report be audited by an independent firm of certified public accountants. The financial statements and supplemental schedules contained in the financial section herein have been audited by Rehmann Robson, Certified Public Accountants. The auditor's opinion does not encompass information in the introductory section or the statistical section of this report.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that fairly presents the financial position and results of operations of the various funds and component units of the City of Royal Oak.

Profile of the City of Royal Oak

The City of Royal Oak is a metropolitan Detroit suburb located in southeastern Oakland County, Michigan. The approximately 12 square mile community is located ten miles north of downtown Detroit. Royal Oak's history dates back to the extension of the railroad line from Detroit to Pontiac. In recent years, the City has experienced resurgence as a regional entertainment destination, dynamic place to live and meeting grounds for creative minds. Today, it is estimated that Royal Oak is home to about 54,614 residents.

The commercial character of the City is very diverse, ranging from turn of the century retail buildings located in downtown to modern shopping plazas along Woodward Avenue. Commercial development in the City's one square mile downtown is geared toward a pedestrian friendly shopping experience. City parking lots and structures provide visitors with a central parking location.

The City offers a variety of recreational and cultural activities, which not only enhance the quality of life for residents but also attracts large numbers of visitors. Royal Oak has worked hard to earn a reputation for being an entertainment destination for all of southeast Michigan, with an eclectic blend of restaurants, retail storefronts, theatres, and galleries. Downtown Royal Oak also boasts the City owned Farmer's Market. The market is a source of great community pride and history.

Royal Oak is host to many annual community art fairs and special events including weekly summer concerts, the Holiday Magic Parade held in November, and the Woodward Dream Cruise, the world's largest one day car event.

The City's recreational services include over 50 public parks, 30 baseball fields, an ice arena, public and private golf courses, a mini-course and driving range, 34 tennis courts and an indoor soccer facility. The Senior / Community Center provides recreational and outreach services to senior citizens and programs and classes for adults and children alike.

All of the above activities have served as stimulus to additional residential and commercial development in the City of Royal Oak. Each help make the City an attractive and viable community for residents and visitors.

Government

Royal Oak was organized as a township in 1832, as a village in 1891 and incorporated as a home rule city in 1921 under the Home Rule Cities Act, being Act 279, Public Acts of Michigan of 1909, as amended (the "Home Rule Cities Act"). The City operates under the Council-Manager form of government, but we call our "council" the "City Commission." The Mayor and six commissioners are elected on a non-partisan, at large basis. The Mayor is elected for a two year term and the Commissioners serve for four-year overlapping terms. The Mayor is a voting member of the City Commission and serves as its chairperson. The City Manager, City Clerk and City Attorney are appointed by the Commission for indefinite terms and serve at the pleasure of the Commission. The City Manager is the chief administrative officer of the City and is responsible for the day to-day operation of all departments except the City Attorney's Office and the City Clerk's Office.

Royal Oak is a full service city providing a wide range of services including police and fire protection, construction and maintenance of highways, roads, streets and underground infrastructure, planning and zoning, building inspection, and library services. In addition, the City operates Water & Sewer Utilities, an automobile parking system, recreation programs, a farmer's market, and an ice arena as enterprise funds which pay for themselves.

Local Economy and Economic Outlook

The City of Royal Oak is a mature, highly developed community experiencing significant redevelopment. New development was very strong earlier this decade emphasizing in-fill and redevelopment of business buildings and homes. This has slowed but new commercial projects are still underway.

Land use is 69% residential, 20% institutional and recreation, 6% commercial, 3% industrial with less than 1% vacant property. Real property assessments are classified 81% residential, 17% commercial and 2% industrial.

Transportation is excellent. Interstate 75 and 696 highways on our borders provide easy regional access north-south and east-west respectively. Woodward Avenue, a four-lane north-south corridor from the center of Detroit to the burgeoning northwest suburbs, offers retail and services to the automobile shopper. Our flourishing, pedestrian friendly downtown offers high rise loft living, clothing, restaurants and the arts to young and old.

The 2008-2010 *Oakland County Economic Outlook* prepared in April of 2008 by the Institute of Labor and Industrial Relations, University of Michigan, measures economic performance in Oakland County in terms of employment. It forecasts that employment in Oakland County will lose 4,400 jobs this year, hold steady 2009 gaining 1,200 jobs, then gaining 5,600 jobs in 2010.

However, this study was prepared before the significance of the problems faced by the Detroit automakers was widely understood. As this transmittal is being written, many analysts are predicting that GM and Chrysler could run out of cash by year-end without help from the Federal Government. Should one or more automakers be forced into bankruptcy, it is not clear how severely Royal Oak will be impacted. While we have no automobile plants in Royal Oak and we receive very little tax revenue from automotive suppliers, much of the southeast Michigan economy is dependant on the automotive sector.

Royal Oak's work force is about 35,000 persons. June 2008 unemployment was 5% comparing favorably to 5.7% for the U.S., 8.5% for the state and 8% for Oakland County. We are doing better than the national average and far better than the rest of Michigan but Royal Oak employment remains threatened by the problems of a troubled automobile industry and a troubled state and national economy.

Our relative unemployment success results from the diversity and focus of local employment. William Beaumont-Royal Oak Hospital, a major 1,061 bed not-for-profit hospital and research facility with a national reputation, employs 11,000 or more. It serves Wayne, Oakland and Macomb counties drawing more than 26,000 patients and their families to the city last year. In addition, its growth has spawned ancillary medical businesses in the city. The next largest employers have 900 or fewer persons. These businesses concentrate in retail and service areas.

Royal Oak's per capital income has risen steadily from \$30,990 in 1999 to \$40,762 last year according to the Oakland County Planning and Economic Development department. This growth has continued despite the regions problems with employment and mortgage foreclosures. The next few years are extremely hard to predict: depending on the national economy helping lift the Michigan economy.

2007-2008 Highlights

We began dealing with OPEB in 2007-2008. An OPEB contribution rate, taken from an independent actuarial study was charged against employee wages and moved to a separate fund. Expenditures for retiree health care were also charged to this new fund. The City chose to utilize the Municipal Employees Retirement System of Michigan Retiree Health Care Funding Vehicle rather than set up it's own trust for OPEB. Excess contributions were transferred to the MERS' trust. We were not in full compliance with GASB 45 for 2007-2008 because the actuarial study was based on June 30, 2004 data. However, we were not required to be, as GASB 45 is effective for our 2008-2009 financial statements. We are using contribution rates from a June 30, 2006 study for the 2008-2009 fiscal year.

Motor Pool was deliberately underfunded prior to 2007-2008. We corrected that situation with new vehicle rental rates that recover the full cost acquisition, maintenance and operation of our vehicle fleet. However, the new rates do not make up for past practices. Motor Pool is underfunded. Because of this, we used a capital improvement bond to purchase six new fire trucks and three emergency rescue vehicles. Debt service on this bond is paid from Motor Pool and the vehicles are "leased" by Motor Pool to the Fire Department.

In April of 2008, the Downtown Development Authority agreed to assume the debt service on the 44th District Court building. Previously, this had been paid by the Court Facilities Fund, which received a portion of ticket revenue. This change allowed us to redirect this money to the General Fund. Subsequent to June 30, the Court Facilities Fund was eliminated.

A major breakthrough in labor negotiations occurred with the Service Employees International Union (SEIU), which represents public services employees, when their contract was settled with the City. The SEIU contract, which set the pattern for later settlements with other non-uniformed bargaining units, eliminated the defined benefit retirement plan and retiree health care for new employees. These were replaced with a defined contribution retirement plan and a retiree health savings account.

Several Inter-local contracts with other governments and governmental authorities were signed in 2007-2008. A new agreement with the South Oakland County Water Authority, which supplies us with water, runs through 2038. We also signed a new agreement with the City of Berkley to share animal control services, an agreement to provide water and sewer maintenance services to the City of Pleasant Ridge and an agreement to receive some vehicle maintenance services from the City of Troy. We also signed a new contract with a private operator to continue management of the city's two golf courses.

A charter amendment approved by the voters in November, 2007 put the purchasing function under the control of the Director of Finance. Another amendment removed fixed dollar purchasing limits from the charter and allowed the City Commission to set them as a part of the budget process. A procurement card system was instituted to replace blanket purchase orders.

The Budget and Capital Improvement Plan

Long term financial planning is incorporated in Royal Oak's budget which includes a five year financial projection. For operations, this projection is based on an assumption that the operation will continue at its current service level. For each fund, we show a simple summary table which shows beginning fund balance, projected revenue, projected expenditures, projected transfers and projected ending fund balance for each year of the five year period.

A six year capital project plan is included in the budget. This includes in detail all of the planned capital projects and shows how they will be paid for.

We do not adopt a multi-year budget however. The budget resolution only provides authorization for one year of operations.

Financial Policies

The City Commission has adopted financial policies covering attrition, capital improvement projects, debt management, fund balance, investments and retirement contributions. Only the fund balance policy, which includes limitations on transfers from the Automobile Parking System to the General Fund had any impact on 2007-2008 finances. That policy limited the transfer to \$620,000. The prior year, parking contributed \$520,000.

We are approaching an upper limit set by the fund balance policy for the General Fund. That policy calls for Unreserved and Undesignated Fund balance to be at least equal to ten percent of budgeted expenditures but not more than twenty five percent of budgeted expenditures. At

June 30, 2008 total fund balance was at 24.5 percent of expenditures and unreserved and undesignated fund balance was 23 percent. This upper limit could very well become a problem for 2008-2009 but with falling property values and resultant falling property taxes, the lower limit is more of a concern for the long term.

The Comprehensive Annual Financial Report

This is the City of Royal Oak's second Comprehensive Annual Financial Report which is commonly referred to as a CAFR. Until last year, Royal Oak had only issued Basic Financial Statements. The CAFR is a standard report format recommended, but not mandated by the Government Accounting Standards Board (GASB).

The CAFR format was developed to meet the needs of a broad spectrum of financial statement readers. It is divided into the following major sections:

Introductory Section: Here is an introduction to the City of Royal Oak and to this report. Included in this section are: this transmittal letter, the City's organizational chart, and a list of principal officials. Information in this section is not audited.

Financial Section: The independent auditor's report, management's discussion and analysis letter, government-wide financial statements, combined fund financial statements, component unit financial statements and notes to the financial statements are included here. These are the City's Basic Financial Statements. These provide an overview for readers who require less detailed information than is contained in the balance of this report. The information in this section is audited by the independent auditor, other than the management's discussion and analysis.

Required Supplemental Information: This section contains schedules showing the funding progress of the Royal Oak Retirement System. This information is not audited.

Other Supplemental Information: This section contains combining financial statements and comparisons of actual results to budget.

Statistical Section: This section contains statistical information about the City of Royal Oak and its operations. Although it includes substantial financial data, these schedules differ from the financial statements in that they also present non-accounting data, cover more than the current year, and are designed to reflect social and economic data, financial trends, and the fiscal capabilities of the City. This section is not audited.

Single Audit: The City of Royal Oak is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget's Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are presented under separate cover.

Financial Information

Internal Controls: Management of the City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principals. The internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgeting Controls: The object of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Commission.

Activities of the General Fund and Special Revenue Funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function level in the General Fund and the fund level in the Special Revenue Funds.

The City maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

Management Discussion and Analysis: Generally accepted accounting standards require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the MD&A letter.

This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. Our MD&A letter can be found immediately following the report of the independent auditor. Since the MD&A letter focuses on the government-wide statements, the balance of this letter will be directed at the fund or activity level.

General Fund: The General Fund receives all revenues not designated for special uses and accounts for most of the services provided to residents.

Total General Fund revenues increased by 7.47 percent from the prior year. Property taxes increased 5.01 percent and State shared revenues decreased by .75 percent. Reimbursements decreased \$129,487 or 16.08 percent. Fines and forfeits increased 28.8 percent, largely due to the DDA agreement to fund Court debt discussed under "2007-2008 Highlights."

Total General Fund expenditures increased by 2.35 percent. Increasing health care and pension costs were offset by a reduced workforce due to the City's attrition policy.

General Fund Balance:

The fund balance of the General Fund was increased by \$1,678,318 to \$8,361,834. Of this amount, \$129,315 is reserved for inventory, \$304,398 is designated for subsequent year's expenditures and \$7,928,121 is unreserved and undesignated. The \$7,980,134 represents 23

percent of total general fund expenditures, while total fund balance represents 24.5 percent of that same amount.

Special Revenue Funds: Special Revenue Funds are used to account for specific revenues that are legally restricted for particular purposes. The Special Revenue Funds of the City include:

The *Solid Waste Fund* accounts for the tax revenues restricted to fund the collection, disposal, and recycling of garbage, yard waste and recyclable materials.

The *Major and Local Streets Funds* receive revenue from the State per Act 51 for the construction and maintenance of streets and bridges.

The *Community Development Block Grant Fund* accounts for grant revenues from the Department of Housing and Urban Development to be used for residential and other capital improvements.

The *Senior Citizens Services Fund* receives grants and collects user fees to fund a variety of senior programs.

The *Library Millage Fund* accounts for the collection of the voted millage to fund library operations and renovations to the existing facility.

The *State Construction Code Fund* accounts for the Building Inspection through the collection of registrations, permits and code violation fines.

The *Acorn Fund* accounts for the receipt and use of donations to the City to be used for a public purpose.

The *Grants Fund* accounts for the Animal Shelter which is funded by donations, multiple law enforcement grants and forfeitures to enhance police operations, and a federal fire prevention and safety grant to enhance fire operations.

Enterprise Funds: Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. An Enterprise Fund is intended to be a self-supporting endeavor. Although Enterprise Funds may be established for a variety of purposes, the City supports Enterprise Funds in which the pricing policies of the activity establish fees and charges designed to recover all costs, including capital costs (such as depreciation or debt service).

The Enterprise funds include the *Water & Sewer Fund*, the *Automobile Parking Fund*, *Recreation Fund*, the *Ice Arena Fund*, and the *Farmers Market Fund*.

Only two (2) of the Enterprise funds, the *Ice Arena Fund* and the *Auto Parking Fund*, currently have debt issues that are secured by a pledge of net revenues from fees and charges for services. These funds remit lease payments to the Building Authority for the Ice Arena Building and the parking structure. The Automobile Parking System also covers debt service for a capital improvement bond which refunded part of the original Building Authority parking issue.

Internal Service Funds: Internal Service Funds account for activities that provide goods or services on a cost reimbursement basis to other funds and component units of the primary government, or to other governments.

The *Information Systems Fund* receives revenue from other funds in order to supply those funds with computer and phone equipment, infrastructure and technical support.

The *Motor Pool Fund* charges other funds a user fee for equipment and vehicles usage and maintenance.

The *Workers Compensation Fund* charges other funds a premium used to pay workers compensation claims.

Fiduciary Funds: Fiduciary Funds are used to report assets held in trustee or agency capacity for others and therefore cannot be used to support the government's own programs. These funds are used to report resources held and administered by the primary government when it is acting in a fiduciary capacity for individuals, private organizations, or other governments.

The *Retirement Fund* collects employer and employee contributions. The Retirement Board oversees the investment of these monies. Pension benefits and the costs of administering retirement assets are charged to the Retirement Fund.

The *Agency Fund*, *Tax Collection Fund* and *44th District Court Fund* are used to account for monies collected on behalf of other governmental units.

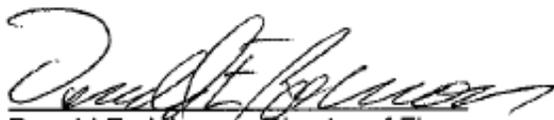
Component Units: Component Units are legally separate entities where a board is appointed by the primary government and the unit has financial dependence on the primary government.

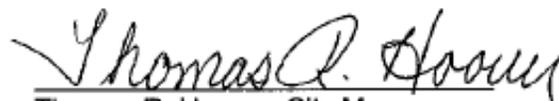
The Component Units include the *Tax Increment Financing Authority*, the *Downtown Development Authority*, the *Brownfield Redevelopment Authority* and the *Housing Commission*.

Acknowledgements

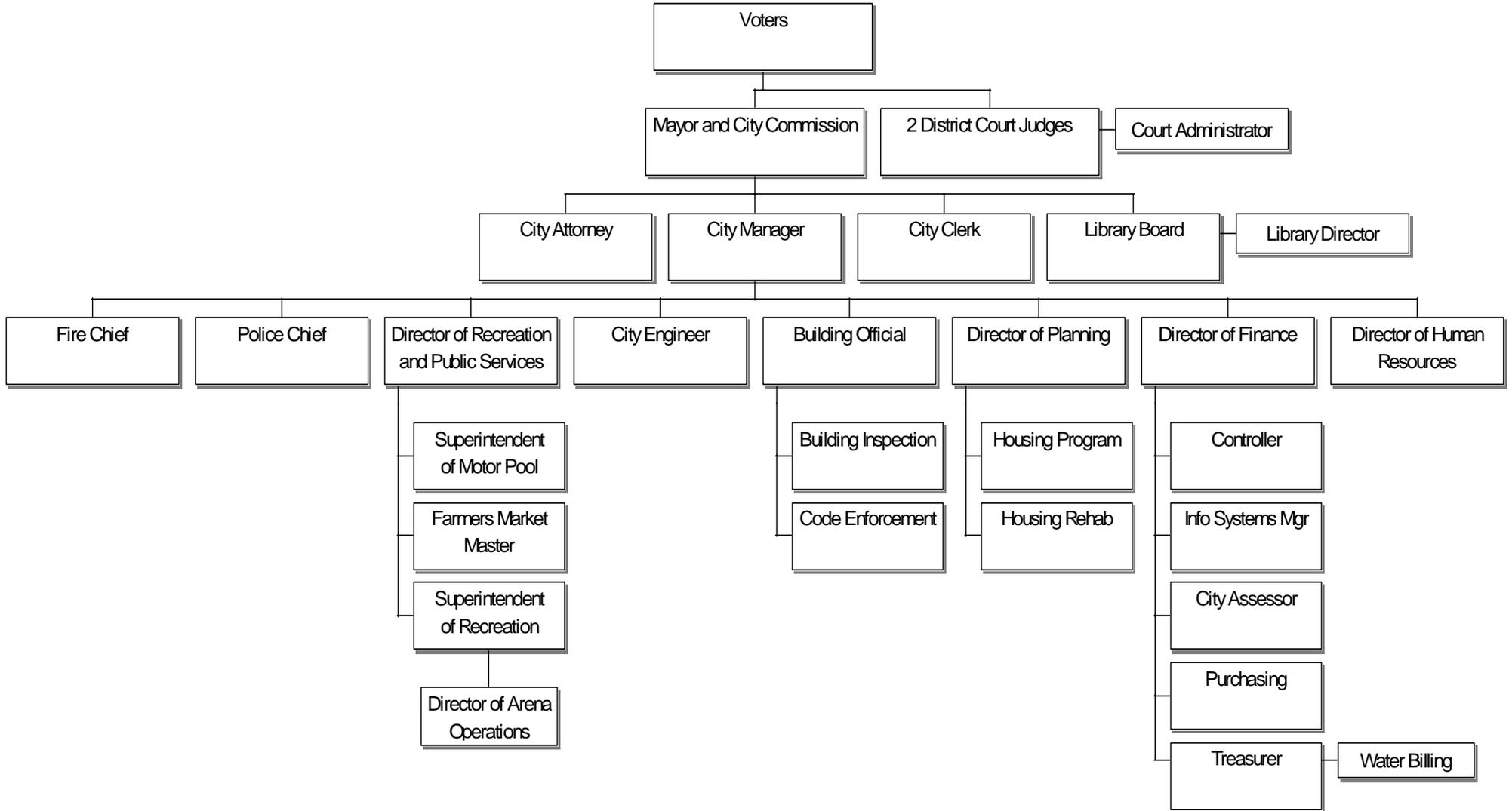
This CAFR represents contributions from all departments of the City. This report was prepared by a team led by Anthony DeCamp, Controller. Special thanks to the Finance Department for the timely preparation of this report and their dedicated service.

Respectfully submitted,


Donald E. Johnson, Director of Finance


Thomas R. Hoover, City Manager

Organization Chart



**City of Royal Oak
Principal Officials
as of June 30, 2008**

City Manager	Thomas R. Hoover
City Attorney	David W. Gillam
Director of Finance	Donald E. Johnson
Building Official	Jason R. Craig
City Assessor	James M. Geiermann
City Clerk	Melanie Halas
City Engineer	Elden R. Danielson
City Treasurer	John F. Kravitz
Controller	Anthony C. DeCamp
Court Administrator	Kevin J. Sutherland
Director of Planning	Timothy E. Thwing
Director of Recreation and Public Services	Gregory J. Rassel
Fire Chief	Wilbur G. White, Jr.
Human Resource Director	Mary Jo DiPaolo
Library Director	Metta T. Lansdale, Jr.
Manager of Information Systems	Scott L. Newman
Police Chief	Theodore H. Quisenberry
Superintendent of Motor Pool	Albert W. Orr
Superintendent of Recreation	Tod A. Gazetti



INDEPENDENT AUDITORS' REPORT

December 18, 2008

To the Honorable Mayor and City Commission
City of Royal Oak, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Royal Oak, Michigan (the "City")*, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Royal Oak, Michigan*, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund and the solid waste fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a separate report dated December 12, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on Pages 3-12 and the Schedule of Funding Progress on page 56 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **City's** basic financial statements. The introductory section, combining and individual fund financial statements, and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining, budgetary comparisons and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Management's Discussion and Analysis

As management of the *City of Royal Oak*, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The assets of the City of Royal Oak exceeded its liabilities at the close of the most recent fiscal year by \$218,848,095 (*net assets*). Of this amount, \$14,304,152 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$8,176,442 as compared to an \$8,202,497 increase in the previous year.
- As of the close of the current fiscal year, the City of Royal Oak's governmental funds reported combined ending fund balances of \$25,556,850, an increase of \$1,754,333 in comparison with the prior year. Approximately 98 percent of this total amount, \$25,022,453 is unreserved in the general, special revenue, debt service and capital projects funds.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$7,928,121, or 23 percent of total general fund expenditures.
- The City of Royal Oak's total long-term liabilities decreased by \$2,060,582 (2 percent) during the current fiscal year. The key factor in this decrease was the principal payments to the George W. Kuhn bonds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City of Royal Oak's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business type activities*). The governmental activities of the City include general government, public safety, public works, health and welfare, community and economic development, and recreation and culture. The business-type activities of the City include a water and sewer system, an automobile parking system, recreation activities and a farmers' market.

The government-wide financial statements include, not only the City itself (known as the *primary government*), but also a legally separate Tax Increment Financing Authority, a legally separate Downtown Development Authority, a legally separate Brownfield Redevelopment Authority and a legally separate Housing Commission for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The City of Royal Oak Building Authority, although also legally separate, functions for all practical purposes as a department of the City, and therefore its activities have been included as an integral part of the primary government of the City.

The government-wide financial statements can be found on pages 13-14 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and one other fund that is considered to be major funds. Data from the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Royal Oak adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 15-20 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City maintains five individual enterprise funds. The City's Water and Sewer operations and its Automobile Parking System operations are shown as major enterprise funds. Data from the other three enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor enterprise funds is provided in the form of *combining statements* elsewhere in this report.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its motor pool, for its management information systems, and for its self-insured workers compensation fund. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer operations and its Automobile Parking System operations, both of which are considered to be major funds of the City of Royal Oak. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 24-25 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-53 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 54 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds, internal service funds and agency funds are presented immediately following the required supplementary information on pensions. Combining fund statements can be found on pages 55-75 of this report.

The City's discretely presented component units do not issue separate financial statements; therefore, the component units' fund financial statements have been included on pages 76-82 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Royal Oak, assets exceeded liabilities by \$218,848,095 at the close of the most recent fiscal year.

By far the largest portion of the City of Royal Oak's net assets (82 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Royal Oak uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Royal Oak's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to

repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Royal Oak's net assets (11 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$14,304,152) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Royal Oak is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

CITY OF ROYAL OAK Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$43,768,275	\$38,479,552	\$17,863,311	\$17,436,456	\$61,631,586	\$55,916,008
Capital assets	138,048,053	135,690,440	106,576,496	104,630,049	244,624,549	240,320,489
Total assets	181,816,328	174,169,992	124,439,807	122,066,505	306,256,135	296,236,497
Long-term liabilities outstanding	21,532,234	20,797,925	48,046,497	50,841,388	69,578,731	71,639,313
Other liabilities	12,866,026	9,123,228	4,963,283	4,802,305	17,829,309	13,925,533
Total liabilities	34,398,260	29,921,153	53,009,780	55,643,693	87,408,040	85,564,846
Net assets:						
Invested in capital assets, net of related debt	118,921,341	118,453,656	61,366,065	58,089,326	180,287,406	176,542,982
Restricted	24,253,884	22,836,277	2,653	2,653	24,256,537	22,838,930
Unrestricted	4,242,843	2,958,906	10,061,309	8,330,833	14,304,152	11,289,739
Total net assets	\$147,418,068	\$144,248,839	\$71,430,027	\$66,422,812	\$218,848,095	\$210,671,651

The government's net assets increased by \$8,176,440 during the current fiscal year as compared to an \$8,202,497 increase in the previous year.

Governmental Activities. Governmental activities increased the City of Royal Oak's net assets by \$3,169,227 as compared to a \$4,810,606 increase in the previous year. Key elements of this difference of \$1,641,379 are as follows:

Property taxes increased by \$679,768 (2.5 percent) during the year. This increase is the result of a 5.86% increase in the taxable property value partially offset by the reduction in the tax rate due to the Headlee Amendment.

Operating grants and contributions increased by \$783,966 (24.9 percent). This is the result of an increase in CDBG revenue and the DDA making the debt service payments on the Court building.

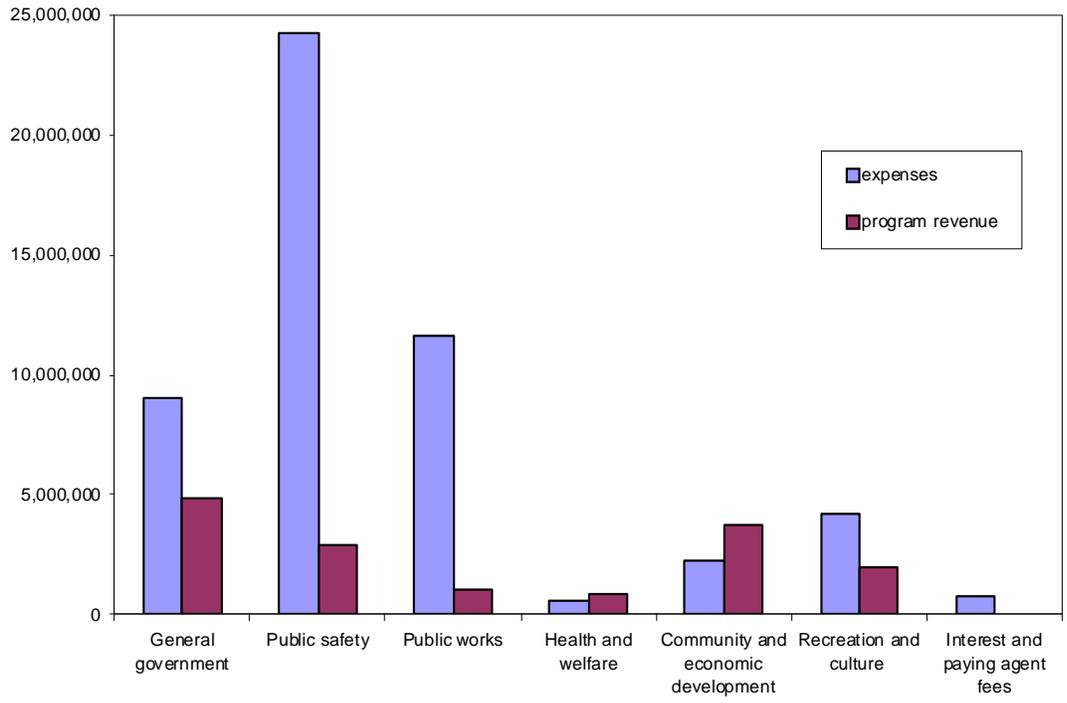
Unrestricted investment earnings increased by \$129,294 (6.7 percent) due to higher average interest rates and a larger General Fund cash balance.

Expenses increased from the prior fiscal year by \$2,444,446 (4.8 percent). The increase in expenses is mainly the result of an increase in health care costs and an increase in required pension contributions.

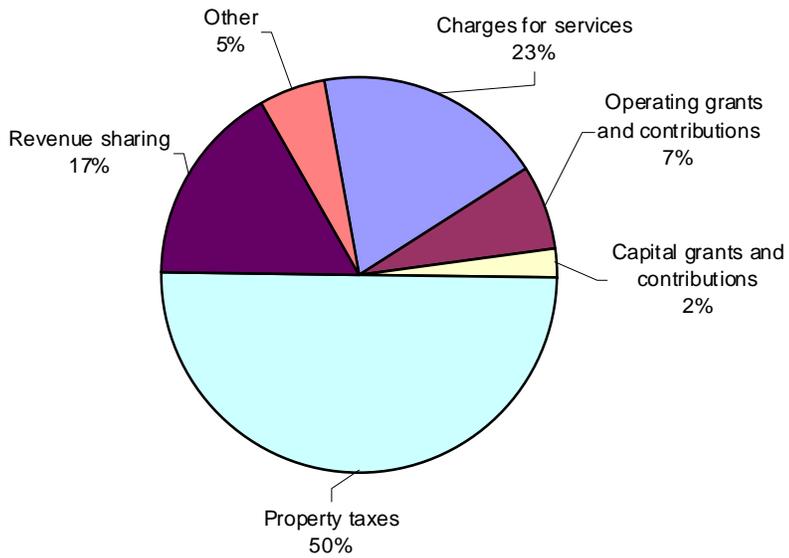
CITY OF ROYAL OAK Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 10,382,536	\$ 10,386,571	\$ 25,646,539	\$ 24,059,097	\$ 36,029,075	\$ 34,445,668
Operating grants and contributions	3,930,593	3,146,627	5,090	602,074	3,935,683	3,748,701
Capital grants and contributions	1,163,612	1,079,263	719,412	41,939	1,883,024	1,121,202
General revenue:						
Property taxes	27,578,249	26,898,481			27,578,249	26,898,481
Grants and contributions not restricted to specific programs	9,251,499	9,350,955			9,251,499	9,350,955
Other	3,032,744	3,076,106	396,844	624,166	3,429,588	3,700,272
Total revenue	55,339,233	53,938,003	26,767,885	25,327,276	82,107,118	79,265,279
Expenses:						
General government	9,081,988	11,820,682			9,081,988	11,820,682
Public safety	24,228,222	20,540,025			24,228,222	20,540,025
Public works	11,647,910	11,677,027			11,647,910	11,677,027
Health and welfare	602,645	469,999			602,645	469,999
Community and economic development	2,301,776	1,532,163			2,301,776	1,532,163
Recreation and culture	4,212,541	3,581,434			4,212,541	3,581,434
Interest and paying agent fees	784,438	793,776			784,438	793,776
Water & sewer			16,457,830	16,358,489	16,457,830	16,358,489
Parking			2,325,819	2,136,181	2,325,819	2,136,181
Recreation			1,960,279	1,886,696	1,960,279	1,886,696
Farmers market			327,228	266,310	327,228	266,310
Total expenses	52,859,520	50,415,106	21,071,156	20,647,676	73,930,676	71,062,782
Increase in net assets before transfers	2,479,713	3,522,897	5,696,729	4,679,600	8,176,442	8,202,497
Transfers	689,516	1,287,709	(689,516)	(1,287,709)	0	0
Increase in net assets	3,169,229	4,810,606	5,007,213	3,391,891	8,176,442	8,202,497
Net assets - beginning, as restated	144,248,839	139,438,233	66,422,814	63,030,923	210,671,653	202,469,156
Net assets - ending	\$ 147,418,068	\$ 144,248,839	\$ 71,430,027	\$ 66,422,814	\$ 218,848,095	\$ 210,671,653

Expenses and Program Revenues – Governmental Activities

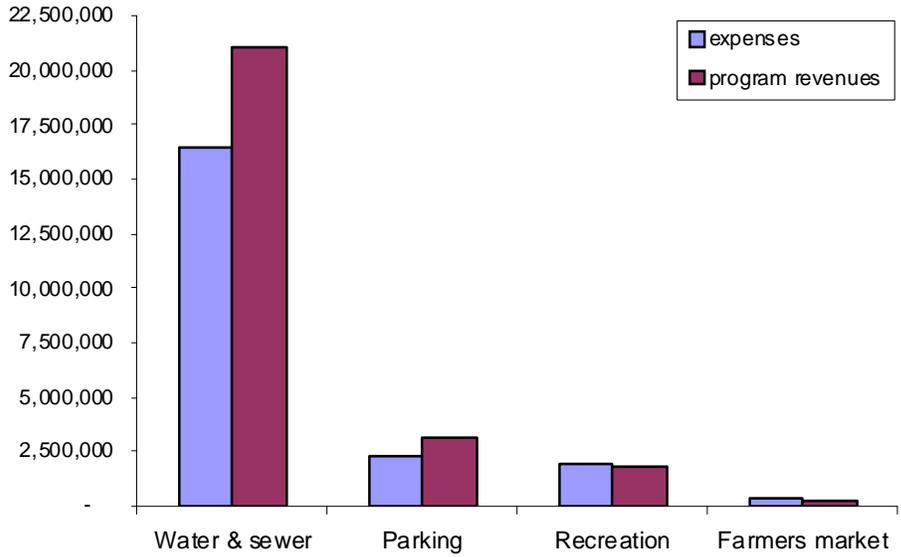


Revenues by Source – Governmental Activities

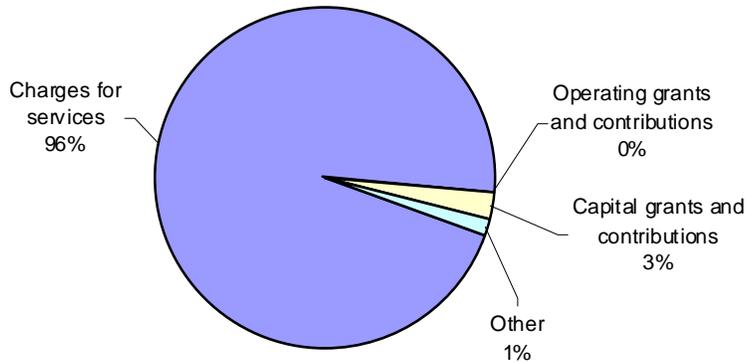


Business-Type Activities. Business-type activities increased the City of Royal Oak's net assets by \$5,007,213. The major factor of this increase was the Water & Sewer revenue used to pay principal on debt.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City of Royal Oak uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Royal Oak's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Royal Oak's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Royal Oak's governmental funds reported combined ending fund balances of \$25,556,850, an increase of \$1,754,333 in comparison with the prior year. Approximately 87 percent of this total amount (\$22,359,899) constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved or designated* to indicate that it is not available for new spending because it has already been committed to cover restricted assets used for inventories (\$129,315), for an endowment (\$1,000), for senior activities (\$245,388), and for capital expenditures per donor requests (\$158,694) and to cover designated amounts for the subsequent year's expenditures (\$2,662,552).

The General Fund is the chief operating fund of the City of Royal Oak. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$7,928,121, while total fund balance was \$8,413,847. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 23 percent of total general fund expenditures, while total fund balance represents 25 percent of that same amount.

The fund balance of the City of Royal Oak's General Fund was increased by \$1,678,318 during the current fiscal year. The original budget allowed for use of fund balance, but due to the City's policy regarding attrition, expenditures were lower than original budget estimates, and fund balance actually increased.

The Solid Waste Fund has a total fund balance of \$3,894,711, all of which is unreserved and undesignated. The net increase in fund balance during the current year in the solid waste fund was \$778,378, which is due to solid waste collection and disposal costs coming in under budget.

Proprietary funds. The City of Royal Oak's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer System at the end of the year amounted to \$5,224,454. The total increase in net assets for Water and Sewer was \$4,607,801, as compared to a \$3,486,274 increase in the previous year.

Unrestricted net assets for the Automobile Parking System Fund amounted to \$3,871,945. The total increase in net assets for the Automobile Parking System Fund was \$432,810.

General Fund Budgetary Highlights

Major General Fund budget adjustments during the year were:

\$600,000 increase in revenues for court facility fines and interest.

\$194,170 increase in expenditures for court facility expenses.

\$223,325 reduction of expenditures for vacant positions.

Expenditures in the General Fund were roughly \$620,000 less the amount budgeted, which was mainly a result of lower personnel costs due to attrition. In addition, the General Fund's revenue was greater by about \$690,000 due to both interest and state shared revenue ending the year more favorably than expected.

Capital Assets and Debt Administration

Capital Assets. The City of Royal Oak's investment in capital assets for its governmental and business type activities as of June 30, 2008, amounts to \$244,624,549 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City of Royal Oak's investment in capital assets for the current fiscal year was 2 percent (a 2 percent increase for governmental activities and a 2 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the continued construction of the George Kuhn Drain project.

CITY OF ROYAL OAK Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Land	\$66,774,752	\$66,774,752	\$4,768,191	\$4,768,191	\$71,542,943	\$71,542,943
Buildings	20,401,070	20,650,149	20,005,088	20,742,401	40,406,158	41,392,550
Improvements other than buildings	900,434	1,027,884	119,604	132,405	1,020,038	1,160,289
Machinery and equipment	8,381,192	6,200,998	380,025	372,742	8,761,217	6,573,740
Infrastructure	34,613,666	34,124,597	42,554,464	40,613,801	77,168,130	74,738,398
Intangibles	28,593	17,433	0	0	28,593	17,433
Construction in progress	6,948,348	6,894,627	38,749,127	38,000,509	45,697,475	44,895,136
Total	\$138,048,055	\$135,690,440	\$106,576,499	\$104,630,049	\$244,624,554	\$240,320,489

Additional information on the City of Royal Oak's capital assets can be found on pages 40-43 of this report.

Long-term debt. At the end of the current fiscal year, the City of Royal Oak had total debt outstanding of \$75,032,151. Of this amount, \$24,015,000 is limited general obligation debt issued by the City, which has pledged its full faith and credit for the repayment; dedicated revenue sources have been established for the repayment of this debt. A tax levy authorized by the citizens of Royal Oak funds \$7,065,000 of unlimited general obligation debt. Another \$9,592,387 of the debt was obtained through the State Revolving Fund and is an obligation of the City of Royal Oak and five surrounding communities; the City's portion of the debt is \$4,700,977 with the remainder being paid from receipts of the other five communities. Another \$29,946,268 of the debt is the City of Royal Oak's portion of County debt issued for the benefit of the City of Royal Oak and surrounding communities. The remainder of the debt is composed of vested benefits, general liability claims and unamortized bond discounts, issuance costs, and deferred loss.

CITY OF ROYAL OAK Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Limited general obligation bonds	\$12,560,000	\$10,390,000	\$11,455,000	\$12,215,000	\$24,015,000	\$22,605,000
Unlimited general obligation bonds	7,065,000	7,420,000	0	0	7,065,000	7,420,000
State Revolving Fund	0	0	9,592,387	10,222,387	9,592,387	10,222,387
Contractual obligations	0	0	29,946,268	31,164,996	29,946,268	31,164,996
Compensated absences	3,858,399	3,771,190	357,223	339,354	4,215,622	4,110,544
General liability claims	548,800	316,300	57,600	32,700	606,400	349,000
less: unamortized discount	(233,143)	(269,565)	(175,383)	(188,215)	(408,526)	(457,780)
Total	\$23,799,056	\$21,627,925	\$51,233,095	\$53,786,222	\$75,032,151	\$75,414,147

The City of Royal Oak's total debt decreased by \$381,996 (.5 percent) during the current fiscal year. The key factor in this decrease was the principal payments on the George W. Kuhn Drain Bonds largely offset by a new capital improvement bond for fire equipment.

The City of Royal Oak's bond ratings are as follows:

Standard & Poor's	Unlimited AA-, Limited AA- (both upgraded to AA+ in December 2008)
Moody's	Unlimited NR, Limited A1
Fitch	Unlimited AA-, Limited AA-

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The total assessed valuation base for the City of Royal Oak is \$2,986,475,590; therefore the current debt limitation for the City of Royal Oak is \$298,646,559 which is significantly in excess of the City of Royal Oak's outstanding general obligation debt.

Additional information on the City of Royal Oak's long-term debt can be found on pages 45-47 of this report.

Economic Factors and Next Year's Budgets and Rates

During the current fiscal year, unreserved, undesignated fund balance in the general fund increased to \$7,928,121. The budget plan, as approved for the fiscal year 2008-2009, continues to maintain a minimum unreserved, undesignated fund balance of 10 percent of the current year's expenditures for unforeseen emergencies. The City originally budgeted for the transfer of \$671,042 from the Automobile Parking System fund and the planned use of fund balance of \$304,398 in the General Fund.

The Water and Sewer rate calculation method was changed to a graduated system for the 2007/08 budget year. For 2008-2009, the quarterly water and sewer rates are \$70 per 1,000 cubic feet for the first 2,000 cubic feet and \$76 for every 1,000 cubic feet thereafter. In addition all customers pay a \$10.25 flat fee per billing period.

Requests for Information

This financial report is designed to provide a general overview of the City of Royal Oak's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Finance, City of Royal Oak, 211 Williams Street, Royal Oak, MI 48067.

City of Royal Oak, Michigan
Statement of Net Assets
June 30, 2008

	<u>Primary Government</u>			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 27,545,142	\$ 3,603,548	\$ 31,148,690	\$ 341,796
Investments	8,061,500	2,204,005	10,265,505	3,853,989
Receivables, net of uncollectibles	5,843,539	12,262,807	18,106,346	97,559
Deposits and other assets	465,086	479,944	945,030	106,388
Due from primary government			-	18,549
Due from component units	665,116		665,116	
Internal balances	873,077	(873,077)	-	
Inventories	313,815	186,084	499,899	
Restricted assets, cash	1,000		1,000	
Capital assets, not being depreciated	73,723,100	43,517,318	117,240,418	3,574,654
Capital assets, being depreciated, net	64,324,953	63,059,178	127,384,131	960,324
Total assets	181,816,328	124,439,807	306,256,135	8,953,259
LIABILITIES				
Accounts payable	3,086,109	1,328,573	4,414,682	71,653
Accrued and other liabilities	3,917,151	439,672	4,356,823	17,636
Due to primary government			-	665,116
Due to component units	18,549		18,549	
Cash bonds and deposits	1,514,599	8,439	1,523,038	
Unearned revenue	2,062,796		2,062,796	
Noncurrent liabilities:				
Due within one year	2,266,822	3,186,599	5,453,421	156,328
Due in more than one year	21,532,234	48,046,497	69,578,731	171,877
Total liabilities	34,398,260	53,009,780	87,408,040	1,082,610
NET ASSETS				
Invested in capital assets, net of related debt	118,921,341	61,366,065	180,287,406	4,233,772
Restricted for:				
Highways and streets	8,508,926		8,508,926	
Solid waste	3,964,604		3,964,604	
Recreation and culture		2,653	2,653	
Debt service	1,222,128		1,222,128	
Permanent fund:				
Expendable	21,158		21,158	
Non-expendable	1,000		1,000	
Other purposes	10,536,068		10,536,068	
Unrestricted	4,242,843	10,061,309	14,304,152	3,636,877
Total net assets	\$ 147,418,068	\$ 71,430,027	\$ 218,848,095	\$ 7,870,649

The notes to the financial statements are an integral part of this statement.

City of Royal Oak, Michigan
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary government:								
Governmental activities:								
General government	\$ 9,081,988	\$ 4,786,182	\$ 94,528		\$ (4,201,278)		\$ (4,201,278)	
Public safety	24,228,222	2,302,388	626,199		(21,299,635)		(21,299,635)	
Public works	11,647,910	550,375		\$ 516,863	(10,580,672)		(10,580,672)	
Health and welfare	602,645	865,648			263,003		263,003	
Community and economic development	2,301,776	383,077	2,685,140	646,749	1,413,190		1,413,190	
Recreation and culture	4,212,541	1,494,866	524,726		(2,192,949)		(2,192,949)	
Interest and paying agent fees	784,438				(784,438)		(784,438)	
Total governmental activities	52,859,520	10,382,536	3,930,593	1,163,612	(37,382,779)		(37,382,779)	
Business-type activities:								
Water & sewer	16,457,830	20,989,462		100,674		\$ 4,632,306	4,632,306	
Parking	2,325,819	2,516,001		618,738		808,920	808,920	
Recreation	1,960,279	1,850,882				(109,397)	(109,397)	
Farmers Market	327,228	290,194	5,090			(31,944)	(31,944)	
Total business-type activities	21,071,156	25,646,539	5,090	719,412		5,299,885	5,299,885	
Total primary government	\$ 73,930,676	\$ 36,029,075	\$ 3,935,683	\$ 1,883,024				
Component units:								
Tax Increment Financing Authority	\$ 2,088,071		\$ 28,717					\$ (2,059,354)
Downtown Development Authority	72,583							(72,583)
Economic Development Corporation	40,000							(40,000)
Housing Commission	1,283,918		1,303,885					19,967
Total component units	\$ 3,484,572	\$ -	\$ 1,332,602	\$ -				(2,151,970)
General revenues:								
Property taxes					27,578,249		27,578,249	2,519,491
State-shared revenues					9,251,499		9,251,499	
Unrestricted investment earnings					2,068,262	368,647	2,436,909	185,452
Miscellaneous					964,482	28,197	992,679	258,515
Transfers					689,516	(689,516)	-	
Total general revenues and transfers					40,552,008	(292,672)	40,259,336	2,963,458
Change in net assets					3,169,229	5,007,213	8,176,442	811,488
Net assets - beginning					144,248,839	66,422,814	210,671,653	7,059,161
Net assets - ending					\$ 147,418,068	\$ 71,430,027	\$ 218,848,095	\$ 7,870,649

The notes to the financial statements are an integral part of this statement.

City of Royal Oak, Michigan
Balance Sheet
Governmental Funds
June 30, 2008

	<u>General</u>	<u>Solid Waste</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 20,957,745	\$ 751,120	\$ 5,830,977	\$ 27,539,842
Investments	\$ 1,313,330	1,513,602	5,234,568	8,061,500
Receivables, net of uncollectibles	1,013,819	79,664	2,879,674	3,973,157
Deposits and other assets	11,211		134,177	145,388
Due from other governmental units	1,000,280		845,961	1,846,241
Due from other funds	2,239,686	2,009,134	3,370,973	7,619,793
Due from component units	665,116			665,116
Inventories	129,315			129,315
Restricted assets, cash			1,000	1,000
Total assets	<u>\$ 27,330,502</u>	<u>\$ 4,353,520</u>	<u>\$ 18,297,330</u>	<u>\$ 49,981,352</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,580,817	\$ 372,440	\$ 936,479	\$ 2,889,736
Accrued and other liabilities	2,300,550	16,476	426,419	2,743,445
Due to other funds	13,314,790		627,330	13,942,120
Due to component units	18,549			18,549
Cash bonds and deposits	1,513,799		800	1,514,599
Deferred revenue	240,163	69,893	3,005,997	3,316,053
Total liabilities	<u>18,968,668</u>	<u>458,809</u>	<u>4,997,025</u>	<u>24,424,502</u>
Fund balances:				
Reserved for inventories	129,315			129,315
Reserved for endowment			1,000	1,000
Reserved for senior activities			245,388	245,388
Reserved for capital expenditures			158,694	158,694
Unreserved, designated for subsequent year's expenditures	304,398			304,398
Unreserved, designated for subsequent year's expenditures, reported in nonmajor:				
Special revenue funds			2,358,154	2,358,154
Unreserved, undesignated	7,928,121	3,894,711		11,822,832
Unreserved, undesignated, reported in nonmajor:				
Special revenue funds			8,852,383	8,852,383
Debt service fund			1,385,001	1,385,001
Capital projects funds			278,527	278,527
Permanent fund			21,158	21,158
Total fund balances	<u>8,361,834</u>	<u>3,894,711</u>	<u>13,300,305</u>	<u>25,556,850</u>
Total liabilities and fund balances	<u>\$ 27,330,502</u>	<u>\$ 4,353,520</u>	<u>\$ 18,297,330</u>	<u>\$ 49,981,352</u>

The notes to the financial statements are an integral part of this statement.

City of Royal Oak, Michigan
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2008

Total fund balances for governmental funds \$ 25,556,850

Total net assets reported for governmental activities in the statement of net assets is different because:

- Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 131,077,474

- Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Details of this difference are as follows:

Net assets of the internal service funds	\$ 10,610,970	
Less: Internal payable representing charges in excess of cost to business-type activities	<u>(235,561)</u>	10,375,409

- Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 1,253,257

- Long-term liabilities are not due and payable in the current period and therefore are not reported as fund liabilities. Interest on Long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both Long-term and short-term, are reported in this statement of net assets.

Balances as of June 30, 2008 are:

Accrued interest on bonds		(171,991)
Bonds payable	\$ (16,980,000)	
Unamortized discounts	252,400	
Unamortized issuance costs	190,584	
Deferred loss	93,924	
Noncurrent portion of general liability claims	(548,800)	
Compensated absences	<u>(3,681,039)</u>	
Total long-term liabilities		<u>(20,672,931)</u>

Total net assets of governmental activities \$ 147,418,068

The notes to the financial statements are an integral part of this statement.

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

	<u>General</u>	<u>Solid Waste</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 18,424,420	\$ 6,411,094	\$ 2,955,813	\$ 27,791,327
Licenses and permits	1,177,453		1,384,203	2,561,656
Federal grants			2,907,622	2,907,622
State grants	5,578,250		4,082,852	9,661,102
Charges for services	3,115,542	9,145	610,327	3,735,014
Fines and forfeitures	4,258,403		138,186	4,396,589
Interest and rentals	1,717,454	104,661	481,966	2,304,081
Contributions and donations	368,410		1,173,020	1,541,430
Other revenue	724,194	21,194	219,094	964,482
Total revenues	<u>35,364,126</u>	<u>6,546,094</u>	<u>13,953,083</u>	<u>55,863,303</u>
EXPENDITURES				
Current:				
General government	8,583,102		47,627	8,630,729
Public safety	22,470,607		2,175,506	24,646,113
Public works	1,161,297	5,616,048	6,309,256	13,086,601
Health and welfare	597,709			597,709
Community and economic development	233,354		2,074,029	2,307,383
Recreation and culture	1,298,449		2,688,117	3,986,566
Debt service:				
Principal payments			830,000	830,000
Interest and paying agent fees			776,549	776,549
Total expenditures	<u>34,344,518</u>	<u>5,616,048</u>	<u>14,901,084</u>	<u>54,861,650</u>
Excess (deficiency) of revenues over (under) expenditures	1,019,608	930,046	(948,001)	1,001,653
OTHER FINANCING SOURCES (USES)				
Transfers in	658,710		2,786,974	3,445,684
Transfers out		(151,668)	(2,541,336)	(2,693,004)
Total other financing sources (uses)	<u>658,710</u>	<u>(151,668)</u>	<u>245,638</u>	<u>752,680</u>
Net change in fund balances	1,678,318	778,378	(702,363)	1,754,333
Fund balances - beginning	<u>6,683,516</u>	<u>3,116,333</u>	<u>14,002,668</u>	<u>23,802,517</u>
Fund balances - ending	<u>\$ 8,361,834</u>	<u>\$ 3,894,711</u>	<u>\$ 13,300,305</u>	<u>\$ 25,556,850</u>

The notes to the financial statements are an integral part of this statement.

City of Royal Oak, Michigan
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, 2008

Net change in fund balances - total governmental funds \$ 1,754,333

Amounts reported for governmental activities in the statement of activities are 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. This is the amount by which capital outlays (\$2,790,827) and transfers in, of capital assets (\$184,292), exceeded depreciation (\$2,399,957) in the current period. 390,870

- In the statement of activities, only the gain/loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold. (45,072)

- Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt). 830,000

- Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than when it accrues. The adjustment combines the net changes of nine balances.

Accrued interest on bonds	\$ 9,276	
Amortization of bond discount	(17,165)	
Amortization of bond issuance costs	(13,212)	
Amortization of deferred loss	(5,932)	
Noncurrent portion of general liability claims	(232,500)	
Compensated absences	(89,102)	
Combined adjustment		(348,635)

- Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds. (112,146)

- Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

Change in net assets of the internal service funds	\$ 832,405	
Less: Profit from charges to business-type activities	(132,526)	
		699,879

Change in net assets of governmental activities \$ 3,169,229

The notes to the financial statements are an integral part of this statement.

City of Royal Oak, Michigan
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 18,360,213	\$ 18,360,213	\$ 18,424,420	\$ 64,207
Licenses and permits	762,300	762,300	1,177,453	415,153
State grants	5,324,615	5,324,615	5,578,250	253,635
Charges for services	2,934,807	2,934,807	3,115,542	180,735
Fines and forfeitures	3,376,000	4,751,000	4,258,403	(492,597)
Interest and rentals	1,437,000	1,487,000	1,717,454	230,454
Contributions and donations	339,491	339,491	368,410	28,919
Other revenue	1,015,000	716,661	724,194	7,533
Total revenues	<u>33,549,426</u>	<u>34,676,087</u>	<u>35,364,126</u>	<u>688,039</u>
EXPENDITURES				
General government	8,816,093	8,872,072	8,583,102	(288,970)
Public safety	22,421,402	22,423,063	22,470,607	47,544
Public works	1,492,564	1,475,789	1,161,297	(314,492)
Health and welfare	632,497	632,497	597,709	(34,788)
Community and economic development	237,507	237,507	233,354	(4,153)
Recreation and culture	1,322,709	1,322,709	1,298,449	(24,260)
Total expenditures	<u>34,922,772</u>	<u>34,963,637</u>	<u>34,344,518</u>	<u>(619,119)</u>
Excess (deficiency) of revenues over (under) expenditures	(1,373,346)	(287,550)	1,019,608	1,307,158
OTHER FINANCING SOURCES (USES)				
Transfers in	520,000	870,000	658,710	(211,290)
Transfers out	<u>(80,000)</u>	<u>(80,000)</u>	-	<u>(80,000)</u>
Total other financing sources	<u>440,000</u>	<u>790,000</u>	<u>658,710</u>	<u>(131,290)</u>
Net change in fund balance	<u>\$ (933,346)</u>	<u>\$ 502,450</u>	<u>1,678,318</u>	<u>\$ 1,175,868</u>
Fund balance - beginning			<u>6,683,516</u>	
Fund balance - ending			<u>\$ 8,361,834</u>	

The notes to the financial statements are an integral part of this statement.

City of Royal Oak, Michigan
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Solid Waste Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 6,454,188	\$ 6,454,188	\$ 6,411,094	\$ (43,094)
Charges for services	14,700	14,700	9,145	(5,555)
Interest	70,000	70,000	104,661	34,661
Other revenue	6,000	6,000	21,194	15,194
Total revenues	<u>6,544,888</u>	<u>6,544,888</u>	<u>6,546,094</u>	<u>1,206</u>
EXPENDITURES				
Public works	<u>6,114,253</u>	<u>6,246,123</u>	<u>5,616,048</u>	<u>(630,075)</u>
Total expenditures	<u>6,114,253</u>	<u>6,246,123</u>	<u>5,616,048</u>	<u>(630,075)</u>
Excess of revenues over expenditures	430,635	298,765	930,046	631,281
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,144)</u>	<u>(2,144)</u>	<u>(151,668)</u>	<u>149,524</u>
Total other financing sources (uses)	<u>(2,144)</u>	<u>(2,144)</u>	<u>(151,668)</u>	<u>(149,524)</u>
Net change in fund balance	<u>\$ 428,491</u>	<u>\$ 296,621</u>	<u>778,378</u>	<u>\$ 481,757</u>
Fund balance - beginning			<u>3,116,333</u>	
Fund balance - ending			<u>\$ 3,894,711</u>	

The notes to the financial statements are an integral part of this statement.

**City of Royal Oak, Michigan
Statement of Net Assets
Proprietary Funds
June 30, 2008**

	Business Type Activities - Enterprise Funds				Governmental
	Water & Sewer	Automobile Parking System	Nonmajor Enterprise Funds	Total	Activities Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 803,963	\$ 2,194,007	\$ 605,578	\$ 3,603,548	\$ 5,300
Investments	-	2,204,005		2,204,005	
Receivables, net of uncollectibles	6,135,472	19,327	58,060	6,212,859	24,141
Deposits and other assets	46,143	429,826	3,975	479,944	35,190
Due from other governmental units	328,365			328,365	
Due from other funds	92,253		411,466	503,719	7,430,964
Inventories	183,032	3,052		186,084	184,500
Total current assets	7,589,228	4,850,217	1,079,079	13,518,524	7,680,095
Noncurrent assets:					
Receivables, net of uncollectibles	5,721,582			5,721,582	
Capital assets	103,444,245	24,665,094	11,616,320	139,725,659	17,561,911
Accumulated depreciation	(22,502,866)	(7,349,176)	(3,297,121)	(33,149,163)	(10,591,331)
Capital assets, net of depreciation	80,941,379	17,315,918	8,319,199	106,576,496	6,970,580
Total noncurrent assets	86,662,961	17,315,918	8,319,199	112,298,078	6,970,580
Total assets	94,252,189	22,166,135	9,398,278	125,816,602	14,650,675
LIABILITIES					
Current liabilities:					
Accounts payable	1,068,374	115,046	145,153	1,328,573	196,373
Accrued and other liabilities	329,530	71,381	38,761	439,672	1,001,715
Due to other funds	729,190	752,136	131,030	1,612,356	
Cash bonds and deposits	5,889	2,550		8,439	
Long term debt, due within one year	2,529,274	349,836	307,489	3,186,599	269,555
Total current liabilities	4,662,257	1,290,949	622,433	6,575,639	1,467,643
Noncurrent liabilities:					
Accrued compensated absences	184,991	31,759	26,733	243,483	122,806
Other long-term liabilities	46,800	5,400	5,400	57,600	
Bonds payable	41,078,491	6,026,256	640,667	47,745,414	2,449,256
Total noncurrent liabilities	41,310,282	6,063,415	672,800	48,046,497	2,572,062
Total liabilities	45,972,539	7,354,364	1,295,233	54,622,136	4,039,705
NET ASSETS					
Invested in capital assets, net of related debt	43,055,196	10,939,826	7,371,043	61,366,065	4,269,369
Restricted for cultural activities			2,653	2,653	
Unrestricted	5,224,454	3,871,945	729,349	9,825,748	6,341,601
Total net assets	\$ 48,279,650	\$ 14,811,771	\$ 8,103,045	71,194,466	\$ 10,610,970

Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities.

235,561

Net assets of business-type activities

\$ 71,430,027

The notes to the financial statements are an integral part of this statement.

City of Royal Oak, Michigan
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

	Business Type Activities - Enterprise Funds				Governmental
	Water & Sewer	Automobile Parking System	Nonmajor Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES					
Charges for services	\$ 20,989,462	\$ 2,516,001	\$ 2,141,076	\$ 25,646,539	\$ 5,729,657
Other	124,949	101	3,821	128,871	20,513
Total operating revenues	<u>21,114,411</u>	<u>2,516,102</u>	<u>2,144,897</u>	<u>25,775,410</u>	<u>5,750,170</u>
OPERATING EXPENSES					
Salaries and benefits	1,547,791	751,714	446,977	2,746,482	2,371,568
Supplies	223,280	154,107	101,426	478,813	950,306
Water purchases	3,158,431			3,158,431	
Sewage disposal services	7,415,852			7,415,852	
Other services and charges	2,455,184	542,157	1,403,360	4,400,701	741,068
Depreciation	1,415,133	561,196	291,342	2,267,671	961,232
Total operating expenses	<u>16,215,671</u>	<u>2,009,174</u>	<u>2,243,105</u>	<u>20,467,950</u>	<u>5,024,174</u>
Operating income	<u>4,898,740</u>	<u>506,928</u>	<u>(98,208)</u>	<u>5,307,460</u>	<u>725,996</u>
NONOPERATING REVENUES (EXPENSES)					
Federal grants			5,090	5,090	
Interest income	195,849	160,396	12,402	368,647	656
Contributions and donations		618,738	-	618,738	
Interest expense	(360,767)	(321,481)	(53,483)	(735,731)	(62,456)
Gain on disposal of capital assets				-	47,081
Total nonoperating revenue (expenses)	<u>(164,918)</u>	<u>457,653</u>	<u>(35,991)</u>	<u>256,744</u>	<u>(14,719)</u>
Income before contributions and transfers	4,733,822	964,581	(134,199)	5,564,204	711,277
TRANSFERS IN	199,115	50,163		249,278	151,668
TRANSFERS OUT	<u>(325,136)</u>	<u>(581,934)</u>	<u>(31,724)</u>	<u>(938,794)</u>	<u>(30,540)</u>
Change in net assets	4,607,801	432,810	(165,923)	4,874,688	832,405
Total net assets - beginning	<u>43,671,849</u>	<u>14,378,961</u>	<u>8,268,968</u>		<u>9,778,565</u>
Total net assets - ending	<u>\$ 48,279,650</u>	<u>\$ 14,811,771</u>	<u>\$ 8,103,045</u>		<u>\$ 10,610,970</u>

Some amounts reported for business-type activities in the statement of net assets are different because the net revenue (expense) of certain internal service funds are reported with business-type activities.

	132,525
Change in net assets of business-type activities	<u>\$ 5,007,213</u>

The notes to the financial statements are an integral part of this statement.

City of Royal Oak, Michigan
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

	Business Type Activities - Enterprise Funds				Governmental
	Water & Sewer	Automobile Parking System	Nonmajor Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 21,036,659	\$ 2,538,577	\$ 2,086,176	\$ 25,661,412	\$ 190,532
Internal activity - receipts from other funds				-	3,716,515
Other operating receipts	124,949	101		125,050	35,315
Payments to vendors	(12,856,632)	290,075	(1,251,448)	(13,818,005)	(1,477,895)
Payments to employees	(1,326,564)	(526,415)	(297,381)	(2,150,360)	(688,980)
Payments of benefits on behalf of employees	(927,126)	(213,380)	(150,064)	(1,290,570)	(1,384,471)
Internal activity - payments to other funds	(1,321,303)	(215,905)	(414,814)	(1,952,022)	(188,633)
Net cash provided by (used in) operating activities	4,729,983	1,873,053	(27,531)	6,575,505	202,383
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Grant proceeds			5,090	5,090	
Transfers from other funds	199,115	50,163	(31,724)	217,554	
Transfers to other funds	(325,136)	(581,934)		(907,070)	121,128
Net cash provided by (used in) noncapital financing activities	(126,021)	(531,771)	(26,634)	(684,426)	121,128
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(4,008,956)	(173,195)	(31,966)	(4,214,117)	(2,973,048)
Principal paid on capital debt	(2,404,629)	(318,912)	(276,500)	(3,000,041)	
Interest paid on capital debt	(360,767)	(321,481)	(53,483)	(735,731)	(62,456)
Decrease in long-term receivable	1,151,863			1,151,863	
Contributions and donations used for debt service		618,738		618,738	
Proceeds from sale of capital assets				-	47,081
Proceeds from sale of bonds	404,145			404,145	2,664,256
Net cash used in capital and related financing activities	(5,218,344)	(194,850)	(361,949)	(5,775,143)	(324,167)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	1,100,000	2,940		1,102,940	
Purchase of investment securities		(1,195,301)		(1,195,301)	
Interest received on investments	195,849	160,396	12,402	368,647	656
Net cash provided by investing activities	1,295,849	(1,031,965)	12,402	276,286	656
Net increase (decrease) in cash and cash equivalents	681,467	114,467	(403,712)	392,222	-
Balances - beginning	122,496	2,079,540	1,009,290	3,211,326	5,300
Balances - ending	\$ 803,963	\$ 2,194,007	\$ 605,578	\$ 3,603,548	\$ 5,300
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 4,898,740	\$ 506,928	\$ (98,208)	\$ 5,307,460	\$ 725,996
Adjustments to reconcile operating income to net cash provided by operating activities:					
Decrease in other long-term liabilities	20,200	2,300	2,400	24,900	
Depreciation	1,415,133	561,196	291,342	2,267,671	961,232
Changes in assets and liabilities:					
Receivables	52,465	(1,866)	(57,821)	(7,222)	19,888
Deposits and other assets	2,612	24,092	(900)	25,804	(35,190)
Due from other governmental units	(7,637)	-		(7,637)	
Due from other funds	(4,026)	-	(467,971)	(471,997)	(1,822,609)
Inventories	(2,382)	(1,216)		(3,598)	6,050
Accounts payable	(110,915)	25,417	60,946	(24,552)	78,531
Accrued and other liabilities	(39,605)	(8,075)	(8,662)	(56,342)	276,290
Due to other funds	(1,505,644)	757,543	251,142	(496,959)	(5,611)
Due to component units	-	-		-	(302)
Cash bonds and deposits	(243)	350		107	
Accrued compensated absences	11,285	6,384	201	17,870	(1,892)
Net cash provided by (used in) operating activities	\$ 4,729,983	\$ 1,873,053	\$ (27,531)	\$ 6,575,505	\$ 202,383

The notes to the financial statements are an integral part of this statement.

City of Royal Oak, Michigan
Combining Statement of Net Assets
Component Units
June 30, 2008

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Housing Commission	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -		\$ -	\$ 341,796	\$ 341,796
Investments	3,853,989				3,853,989
Receivables, net of uncollectibles	94,130	\$ 3,429			97,559
Deposits and other assets	7,598			98,790	106,388
Due from primary government		11,866	6,683	-	18,549
Total current assets	<u>3,955,717</u>	<u>15,295</u>	<u>6,683</u>	<u>440,586</u>	<u>4,418,281</u>
Noncurrent assets:					
Capital assets, not being depreciated	3,574,654				3,574,654
Capital assets, being depreciated, net	958,422			1,902	960,324
Total noncurrent assets	<u>4,533,076</u>			<u>1,902</u>	<u>4,534,978</u>
Total assets	<u>8,488,793</u>	<u>15,295</u>	<u>6,683</u>	<u>442,488</u>	<u>8,953,259</u>
LIABILITIES					
Current liabilities:					
Accounts payable	63,347	458	-	7,848	71,653
Accrued and other liabilities	7,931	2,627	-	7,078	17,636
Due to primary government	482,839		-	182,277	665,116
Current portion of long-term debt	152,753	2,149		1,426	156,328
Total current liabilities	<u>706,870</u>	<u>5,234</u>	<u>-</u>	<u>198,629</u>	<u>910,733</u>
Noncurrent liabilities:					
Accrued compensated absences	5,870	4,583		9,371	19,824
Noncurrent portion of long-term debt	148,453			3,600	152,053
Total noncurrent liabilities	<u>154,323</u>	<u>4,583</u>	<u>-</u>	<u>12,971</u>	<u>171,877</u>
Total liabilities	<u>861,193</u>	<u>9,817</u>	<u>-</u>	<u>211,600</u>	<u>1,082,610</u>
NET ASSETS					
Invested in capital assets, net of related debt	4,231,870		-	1,902	4,233,772
Unrestricted	3,395,730	5,478	6,683	228,986	3,636,877
Total net assets	<u>\$ 7,627,600</u>	<u>\$ 5,478</u>	<u>\$ 6,683</u>	<u>\$ 230,888</u>	<u>\$ 7,870,649</u>

The notes to the financial statements are an integral part of this statement.

City of Royal Oak, Michigan
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2008

	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Assets				Totals
		Operating Grants and Contributions	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Housing Commission	
Tax Increment Financing Authority							
Public works	\$ 2,067,036	\$ 28,717	\$ (2,038,319)				\$ (2,038,319)
Interest on long-term debt	21,035		(21,035)				(21,035)
Total - Tax Increment Financing Authority	2,088,071	28,717	(2,059,354)				(2,059,354)
Downtown Development Authority							
General government	72,583			\$ (72,583)			(72,583)
Brownfield Redevelopment Authority							
	40,000				\$ (40,000)		(40,000)
Housing Commission							
General government	154,499	174,466				\$ 19,967	19,967
Health and welfare	1,129,419	1,129,419				-	-
Total - Housing Commission	1,283,918	1,303,885				19,967	19,967
Total component units	\$ 3,484,572	\$ 1,332,602					(2,151,970)
General revenues:							
Property taxes			2,456,354	50,543	12,594		2,519,491
Unrestricted investment earnings			171,721		-	13,731	185,452
Miscellaneous			258,515				258,515
Transfers			(34,089)	-	34,089	-	-
Total general revenues and transfers			2,852,501	50,543	46,683	13,731	2,963,458
Change in net assets			793,147	(22,040)	6,683	33,698	811,488
Net assets - beginning			6,834,453	27,518	-	197,190	7,059,161
Net assets - ending			\$ 7,627,600	\$ 5,478	\$ 6,683	\$ 230,888	\$ 7,870,649

The notes to the financial statements are an integral part of this statement.

City of Royal Oak, Michigan
Notes to Financial Statements
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity:

The City of Royal Oak operates under the Council/Manager form of government. The City of Royal Oak is governed by an elected seven-member Commission, including an elected mayor, which appoints the City Manager who oversees the administration and operations of the City.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the government's operations. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government (see discussion below for description).

Blended Component Units: The individual component units set forth below are included as a part of the primary government due to the significance of their operational and financial relationships with the City.

Building Authority: A Board that is appointed by the City Commission governs the Building Authority. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its sole business activity is acquiring and leasing property to the City. Activity in the fund, at this time, includes the repayment of Ice Arena Bonds issued to construct a second rink, which is combined with the Ice Arena Enterprise Fund for inclusion in the City's financial statements; the repayment of General Obligation Bonds related to the construction of a courthouse; the repayment of General Obligation Bonds related to the construction of a parking deck which is combined with the Automobile Parking System Enterprise Fund for inclusion in the City's financial statements; the repayment of Fire Improvement Bonds related to the construction of two fire stations, the renovation of one fire station, and for the purchase of various fire apparatus and equipment; and the recognition of expenditures for the renovation of the library and the repayment of the related General Obligation Bonds.

Parking Authority: A Board that is appointed by the City Commission governs the Parking Authority. Although it is also legally separate from the City, it is reported as part of the primary government because its sole business activity is acquiring and leasing property to the City. The financial statements of the Parking Authority are consolidated with the Automobile Parking System Enterprise Fund for inclusion in the City's financial statements. This authority is scheduled to be dissolved upon the retirement of the 1995 Parking Authority Refunding Bonds. All future activity will be conducted in the Building Authority.

Discretely Presented Component Units: The component units column in the combined financial statement includes the financial data of the City's other component units. They are reported in a separate column to emphasize that they are legally separate from the City. The following component units are included in the reporting entity because the officials of the primary government are financially accountable.

City of Royal Oak, Michigan
Notes to Financial Statements
June 30, 2008

The component units do not report separately. Financial accountability is defined as the appointment of a voting majority of the component unit's Board, and either (a) the ability to impose the will of the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Downtown Development Authority and Tax Increment Financing Authority: The Downtown Development Authority and the Tax Increment Financing Authority were created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authorities share the same governing body, consisting of 11 individuals who are selected by the City Manager and then approved by the City Commission. In addition, the Authorities' budgets are subject to approval by the City Commission. The Authority is expected to provide a financial benefit to the City. The Authorities use the modified accrual basis of accounting. The component units do not issue separate financial statements.

Brownfield Redevelopment Authority: The Brownfield Redevelopment Authority is authorized by the state legislature, to help cleanup contaminated properties using property tax capture. This Authority's governing body, which consists of five individuals, is selected by the Mayor and approved by the City Commission. The BRA is expected to provide a financial benefit to the City. The Authority uses the modified accrual basis of accounting. The component unit does not issue separate financial statements.

Housing Commission: The Housing Commission is a federally funded program that provides rental assistance for low to moderate-income families. The Housing Commission's governing body, which consists of five individuals, is selected by the City Manager and approved by the City Commission. The Authority is expected to provide a financial benefit to the City. The Housing Commission uses the modified accrual basis of accounting. The component unit does not issue separate financial statements.

B. Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or

City of Royal Oak, Michigan
Notes to Financial Statements
June 30, 2008

segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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, intergovernmental revenues, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Solid Waste Fund accounts for the collection of a separate tax millage that is used to fund refuse collection and disposal.

City of Royal Oak, Michigan
Notes to Financial Statements
June 30, 2008

The government reports the following major proprietary funds:

The Water & Sewer Fund accounts for the activities of the water distribution system and the sewage collection system.

The Automobile Parking System Fund accounts for the operation and maintenance of the City-owned parking lots and structures.

Additionally, the government reports the following fund types:

Internal Service Funds are used to account for information systems services, fleet management services and workers' compensation insurance coverage provided to other departments on a cost-reimbursement basis.

The Agency Funds are used to account for monies held by the City in a trustee capacity or as an agent for individuals, private organizations and other governments, specifically funds from district court fines and costs, property tax collection, and miscellaneous agencies like performance bonds, PEG fees, and contributions for the Acorn Foundation and Historical Commission's Starr House.

Two Trust Funds account for the activities of the City of Royal Oak Retirement System, which accumulates resources for pension benefit payments to qualified employees, and the City of Royal Oak Retiree Health Care Plan, which accumulates resources to pay OPEB health benefits for qualified retirees.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

City of Royal Oak, Michigan
Notes to Financial Statements
June 30, 2008

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of our proprietary funds relate to charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value. The Pension Trust Fund investments are valued in accordance with GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans."

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments. The State's Pension Investment Act, as amended, authorizes the pension trust fund to invest in common stocks, real estate, and various other investment instruments, subject to certain limitations.

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

City of Royal Oak, Michigan
Notes to Financial Statements
June 30, 2008

Property taxes are levied as of July 1st on property values assessed as of the same date. The City bills twice a year, on July 1st and December 1st. The July bill, which contains the school, community college and most of the City levy, is due without interest by July 31st, although taxpayers may pay the bill in two installments provided half the bill is paid by July 31st. The second half is due without penalty by October 31st. The December bill, which typically contains the county levy and a small City levy, is payable without interest by the following February 14th. The bills are considered past due on March 1st, at which time the applicable property is subject to lien, and penalties and interest are assessed.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financials.

4. Restricted Assets

Certain revenues and resources of the City are classified as restricted assets on the statement of net assets because their use is limited. Proprietary fund restricted assets are held subject to bond covenants and reserved for future capital expenditures. Permanent fund restricted assets are restricted by a legal endowment.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. During the year, \$766,392 of interest was capitalized as part of the cost of assets under construction.

City of Royal Oak, Michigan
Notes to Financial Statements
June 30, 2008

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and renovations	25 to 50
Improvements	10 to 20
Infrastructure	15 to 50
Vehicles	5 to 8
Equipment	5 to 15
Intangibles	10

6. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay, longevity pay, and a portion of sick pay is accrued when incurred in the government-wide and proprietary financial statements. Sick pay limits are based on the employee's union contract. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

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

City of Royal Oak, Michigan
Notes to Financial Statements
June 30, 2008

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds and the permanent fund, which are not budgeted. All annual appropriations lapse at fiscal year end, except for those approved by the City Commission for carry forward. The legal level of budgetary control is the functional level.

Department heads submit requests for appropriations to the City Manager so that a budget may be prepared. The proposed budget is presented to the City Commission for review. The Commission holds public hearings, and a final budget must be prepared and adopted no later than June 30th. The appropriated budget is prepared by fund, function, and department. Budget adjustments are submitted for Commission approval on a quarterly basis. The Commission made several supplemental budgetary appropriations throughout the year mostly a result of the mid-year review. The supplementary budgetary appropriations made in the general fund were not material.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end lapse, therefore do not constitute expenditures or liabilities because commitments will be reappropriated and honored during the subsequent year.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2008, the City of Royal Oak incurred expenditures in certain budgeted funds which were in excess of the amount appropriated, as follows:

<u>Budget Item</u>	<u>Budget</u> <u>Appropriation</u>	<u>Actual</u> <u>Expenditure</u>
General Fund		
Public Safety	\$22,423,063	\$22,470,607
Major Streets Fund	1,442,147	1,655,982
Local Streets Fund	1,403,986	1,603,205
Community Development Block Grant Fund	1,549,811	2,126,043

In the Community Development Block Grant Fund, prior year's appropriations were spent and the revenue drawn accordingly.

City of Royal Oak, Michigan
Notes to Financial Statements
June 30, 2008

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

State of Michigan statutes authorize the City of Royal Oak to invest in bonds and other direct and certain indirect obligations of the US Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a member of the Federal Deposit Insurance Corporation, or National Credit Union Administration; and commercial paper must be rated within the two highest classifications established by not less than two standard rating services. The City of Royal Oak is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds comprised of investments as outlined above. The City of Royal Oak Retirement System is allowed to invest in corporate stocks and bonds.

The City of Royal Oak's investment policy allows for all of these types of investments. Investments of the City of Royal Oak Retirement System are subject to a number of restrictions as to type, quality and concentration of investments. Retirement System investments are held in a trust fund administered by Merrill Lynch.

At year-end the City of Royal Oak deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and cash equivalents	\$ 27,545,142	\$ 3,603,548	\$ 764,855	\$ 31,913,545	\$ 341,796
Investments	8,061,500	2,204,005	135,599,699	145,865,204	3,853,989
Restricted assets	1,000	-	-	1,000	-
Total	\$ 35,607,642	\$ 5,807,553	\$ 136,364,554	\$ 177,779,749	\$ 4,195,785

The breakdown between deposits and investments is as follows:

	Primary Government	Component Units
Bank Deposits (checking and savings accounts, certificates of deposits)	\$ 44,849,079	\$ 4,195,785
Investments in Debt Securities	48,799,685	
Investments in Equity Securities	84,124,013	
Petty Cash and Cash on Hand	6,971	
Total	\$ 177,779,748	\$ 4,195,785

City of Royal Oak, Michigan
Notes to Financial Statements
June 30, 2008

Investment and deposit risk

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits investment maturities for commercial paper to no more than 270 days after date of purchase. The City of Royal Oak's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest. The City had the following debt securities and maturities as of June 30, 2008:

	Investment Maturities (in Years)					Credit Ratings Range	
	Fair Value	Less than 1	1 - 5	6 - 10	>10	Standard & Poors	Moody's Investor Service
U.S. agencies	\$ 26,771,386	\$ -	\$ 2,487,287	\$ 1,605,913	\$ 22,678,186	*	*
Corporate bonds	22,028,299	264,028	7,054,760	5,737,001	8,972,510	AAA to BB	Aaa to Ba1
Total	\$ 48,799,685	\$ 264,028	\$ 9,542,047	\$ 7,342,914	\$ 31,650,696		

*The City's investments in U.S. agencies implicitly guaranteed by the U.S. government (e.g., securities issued by the Federal National Mortgage Association (FNMA), the Federal Home Loan Banks (FHLB), and the Federal Home Loan Mortgage Corporation (FHLMC)) were rated AAA by Standard & Poors and Aaa by Moody's Investor Service.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investments. Commercial paper must be rated within the two highest classifications established by not less than two standard rating services. The City of Royal Oak's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings range for each investment type is identified above for investments held at year end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City of Royal Oak's deposits may not be returned. State law does not require and the City of Royal Oak does not have a policy for deposit custodial credit risk. As of June 30, 2008, \$41,183,336 of the City of Royal Oak's bank balance of \$42,383,336 was exposed to custodial credit risk because it was uninsured and uncollateralized. As of year end, \$3,895,785 of the component unit's bank balance of \$4,195,785 was exposed to custodial credit risk because it was uninsured and uncollateralized.

City of Royal Oak, Michigan
Notes to Financial Statements
June 30, 2008

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City of Royal Oak will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City of Royal Oak does not have a policy for investment custodial credit risk. Of the above \$48,799,685 in investments, the City of Royal Oak has a custodial credit risk exposure of \$22,028,298 because the related securities are uninsured, unregistered and held by the government’s brokerage firm which is also the counterparty for these particular securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk, and the City of Royal Oak does not have a policy specifying limits on concentration of credit risk. At June 30, 2008, there were no individual investments with a fair value that represent 5% or more of the City’s investments; and other than U.S. agencies, the City did not have 5% or more invested with any one issuer.

B. Receivables

Receivables at year end for the government’s individual major and nonmajor, internal service and fiduciary funds in the aggregate, including the applicable allowances for doubtful accounts, are as follows:

Receivables:	General Fund	Solid Waste	Water and Sewer	Auto Parking	Nonmajor and Other Funds	Total	Component Units
Taxes	\$ 327,209	\$ 97,665			\$ 38,522	\$ 463,396	\$ 154,959
Accounts	362,673	1,690	\$ 5,962,838	\$ 6,751	2,381,604	8,715,556	
Special Assessments					607,470	607,470	
Intragovernmental	502,957				123,585	626,542	
Interest and other	18,679	8,081	-	12,576	771,441	810,777	37,821
Gross Receivables	1,211,518	107,436	5,962,838	19,327	3,922,622	11,223,741	192,780
Less: Allowance for uncollectibles	(150,697)	(9,000)				(159,697)	(25,000)
Net receivables, per fund financials	\$ 1,060,821	\$ 98,436	\$ 5,962,838	\$ 19,327	\$ 3,922,622	\$ 11,064,044	\$ 167,780

Of the special assessment receivable, \$126,000 is expected to be collected in the next year.

City of Royal Oak, Michigan
Notes to Financial Statements
June 30, 2008

Receivables at year end at the government-wide level for governmental activities are as follows:

	General Fund	Solid Waste	Nonmajor Governmental Funds	Total
Taxes Receivable	\$ 327,209	\$ 97,665	\$ 39,122	\$ 463,996
Accounts	362,673	1,690	257,593	621,956
Special Assessments			607,470	607,470
Intergovernmental	1,503,236		618,888	2,122,124
Interest and other	18,679	8,081	2,112,284	2,139,044
Gross Receivables	2,211,797	107,436	3,635,357	5,954,590
Less: Allowance for uncollectibles	(150,697)	(9,000)		(159,697)
Net receivables, per govt-wide financials	<u>\$ 2,061,100</u>	<u>\$ 98,436</u>	<u>\$ 3,635,357</u>	<u>\$ 5,794,893</u>

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

	Unavailable	Unearned
Delinquent Personal Property Taxes	\$ 431,896	
Special Assessments	607,470	
Grant Drawdowns Prior to Meeting Eligibility Requirements		\$ 2,355,258
Total - fund financials	1,039,366	2,355,258
less: revenue recognized under full accrual	(948,581)	(304,676)
Total - govt-wide financials	<u>\$ 90,785</u>	<u>\$ 2,050,582</u>

City of Royal Oak, Michigan
Notes to Financial Statements
June 30, 2008

C. Capital Assets:

Capital asset activity for the current year was as follows:

Primary Government

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated					
Land	\$ 66,774,752				\$ 66,774,752
Construction in progress	6,894,627	\$ (184,292)	\$ 2,291,347	\$ (2,053,334)	6,948,348
Total capital assets, not being depreciated	73,669,379	(184,292)	2,291,347	(2,053,334)	73,723,100
Capital assets, being depreciated					
Buildings	30,290,147		362,478		30,652,625
Improvements other than buildings	3,947,959		18,622		3,966,581
Machinery and equipment	18,903,495		3,488,338	(1,067,860)	21,323,973
Infrastructure	86,330,625		1,824,696		88,155,321
Intangibles	533,462		28,526	(111,401)	450,587
Total capital assets being depreciated	140,005,688	-	5,722,660	(1,179,261)	144,549,087
Less accumulated depreciation for:					
Buildings	(9,639,998)		(611,557)		(10,251,555)
Improvements other than buildings	(2,920,075)		(146,072)		(3,066,147)
Machinery and equipment	(12,702,497)		(1,250,568)	1,010,284	(12,942,781)
Infrastructure	(52,206,028)		(1,335,627)		(53,541,655)
Intangibles	(516,029)		(17,366)	111,401	(421,994)
Total accumulated depreciation	(77,984,627)	-	(3,361,190)	1,121,685	(80,224,132)
Total capital assets, being depreciated, net	62,021,061	-	2,361,470	(57,576)	64,324,955
Govenmental activities capital assets, net	\$ 135,690,440	\$ (184,292)	\$ 4,652,817	\$ (2,110,910)	\$ 138,048,055

City of Royal Oak, Michigan
Notes to Financial Statements
June 30, 2008

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Business-type activities:					
Capital assets, not being depreciated					
Land	\$ 4,768,191				\$ 4,768,191
Construction in progress	38,000,510	\$ 184,292	\$ 3,859,869	(3,295,544)	38,749,127
Total capital assets, not being depreciated	42,768,701	184,292	3,859,869	(3,295,544)	43,517,318
Capital assets, being depreciated					
Buildings	29,251,190			(103,972)	29,147,218
Improvements other than buildings	311,958				311,958
Machinery and equipment	1,480,815		67,868	(89,985)	1,458,698
Infrastructure	61,892,835		3,397,634		65,290,469
Total capital assets being depreciated	92,936,798	-	3,465,502	(193,957)	96,208,343
Less accumulated depreciation for:					
Buildings	(8,508,789)		(737,313)	103,972	(9,142,130)
Improvements other than buildings	(179,553)		(12,801)		(192,354)
Machinery and equipment	(1,108,072)		(60,586)	89,985	(1,078,673)
Infrastructure	(21,279,034)		(1,456,971)		(22,736,005)
Total accumulated depreciation	(31,075,448)	-	(2,267,671)	193,957	(33,149,162)
Total capital assets, being depreciated, net	61,861,350		1,197,831	-	63,059,181
Business-type activities capital assets, net	\$ 104,630,051	\$ 184,292	\$ 5,057,700	\$ (3,295,544)	\$ 106,576,499

City of Royal Oak, Michigan
Notes to Financial Statements
June 30, 2008

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 265,984
Public safety	264,982
Public works	1,383,033
Health and welfare	12,254
Community and economic development	111
Recreation and culture	473,594
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	961,232

Total depreciation expense - governmental activities	<u><u>\$ 3,361,190</u></u>
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Business-type activities:

Water and sewer	\$ 1,415,133
Parking	561,196
Recreation	233,815
Farmers market	57,527

Total depreciation expense - business-type activities	<u><u>\$ 2,267,671</u></u>
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Construction Commitments

The City has active construction projects as of June 30, 2008. The projects include infrastructure improvements as well as the renovation of the Library. At year end, the City's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Buildings	\$ 273,673	\$ 111,750
Street Projects	4,475,771	3,036,719
Water Projects	2,513,311	1,518,141
Sidewalks	843,676	160,506
Total	<u><u>\$ 8,106,431</u></u>	<u><u>\$ 4,827,116</u></u>

A Building Authority bond issue is financing the Library construction commitment by a special millage. Oakland County has a major contract on the George W. Kuhn project, of which \$36,310,482 has been spent to date and is attributable to the City of Royal Oak.

City of Royal Oak, Michigan
Notes to Financial Statements
June 30, 2008

Discretely presented component units

Capital asset activity for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Component units:				
Capital assets, not being depreciated				
Land	\$ 2,895,755			\$ 2,895,755
Construction in progress	49,304	629,595		678,899
Total capital assets, not being depreciated	2,945,059	629,595	-	3,574,654
Capital assets, being depreciated				
Improvements other than buildings	783,534	31,031		814,565
Equipment	15,247			15,247
Infrastructure	437,276	2,253		439,529
Total capital assets being depreciated	1,236,057	33,284	-	1,269,341
Less accumulated depreciation for:				
Improvements other than buildings	(83,016)			(83,016)
Equipment	(11,148)	(2,197)		(13,345)
Infrastructure	(142,979)	(69,677)		(212,656)
Total accumulated depreciation	(237,143)	(71,874)	-	(309,017)
Total capital assets, being depreciated, net	998,914	(38,590)	-	960,324
Component unit capital assets, net	\$ 3,943,973	\$ 591,005	\$ -	\$ 4,534,978

There was \$71,874 in depreciation expense, \$69,677 of which was charged to the Tax Increment Financing Authority activity and \$2,197 was charged to the Housing Commission.

City of Royal Oak, Michigan
Notes to Financial Statements
June 30, 2008

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	EF-WS Water & sewer	729,190
	EF-AP Automobile parking system	752,136
	NMGF Nonmajor governmental	679,344
	NMEF Nonmajor enterprise	131,030
Solid waste	GF General	2,009,134
Water & sewer	GF General	92,253
Nonmajor governmental funds	GF General	3,370,973
Nonmajor enterprise funds	GF General	411,466
Internal service funds	GF General	7,430,964
		<u>\$ 15,606,490</u>

The outstanding balances between funds result mainly from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers between the funds within the primary government were as follows:

<u>Transfer out:</u>	<u>Transfer in:</u>					<u>Total</u>
	<u>General</u>	<u>Nonmajor governmental funds</u>	<u>Internal service funds</u>	<u>Water & sewer</u>	<u>Automobile parking system</u>	
Solid Waste	-	-	151,668	-	-	151,668
Nonmajor governmental funds	138,710	2,337,640	-	14,823	50,163	2,541,337
Internal service funds	-	30,540	-	-	-	30,540
Water & Sewer Fund	-	325,136	-	-	-	325,136
Automobile Parking System	520,000	61,935	-	-	-	581,935
Nonmajor enterprise funds	-	31,724	-	-	-	31,724
Governmental activities	-	-	-	184,292	-	184,292
<hr/>						
	\$ 658,710	\$ 2,786,975	\$ 151,668	\$ 199,115	\$ 50,163	\$ 3,846,631

The transfer of net capital assets out from the governmental activities to the Water & Sewer Fund is not shown at the fund level. However, the transfer in is shown at the fund level for the Water & Sewer Fund in the proprietary fund statements. Otherwise, interfund transfers occur during the normal course of operations, for instance to fund capital projects. All interfund balances are expected to be collected within one year.

City of Royal Oak, Michigan
Notes to Financial Statements
June 30, 2008

E. Long-Term Debt:

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements are also general obligations of the City. Bond and contractual obligation activity and other long-term liabilities can be summarized as follows:

	Beginning Balance	Additions	Reductions	Principal Outstanding	Due Within One Year
Governmental activities					
Limited tax general obligation-Court	\$ 6,155,000		\$ (255,000)	\$ 5,900,000	\$ 270,000
Limited tax general obligation-Library	3,410,000		(155,000)	3,255,000	160,000
Unlimited tax general obligation bonds	7,420,000		(355,000)	7,065,000	365,000
Limited tax general obligation	825,000	\$ 2,645,000	(65,000)	3,405,000	285,000
Compensated absences	3,771,190	1,202,901	(1,115,692)	3,858,399	1,186,822
General liability claims	316,300	232,500		548,800	
	21,897,490	4,080,401	(1,945,692)	24,032,199	2,266,822
Less: unamortized discount	(269,565)	20,153	16,269	(233,143)	
Total governmental activity long-term liabilities	\$ 21,627,925	\$ 4,100,553	\$ (1,929,423)	\$ 23,799,056	\$ 2,266,822
Business-type activities					
Limited tax general obligation-Ice Arena	\$ 1,225,000		\$ (280,000)	\$ 945,000	\$ 295,000
Limited tax general obligation-Parking	6,795,000		(325,000)	6,470,000	335,000
Limited tax general obligation-Water	4,195,000		(155,000)	4,040,000	160,000
Oakland County North Arm Drain Bonds	10,222,387		(630,000)	9,592,387	645,000
Contractual obligations	31,164,996	\$ 404,141	(1,622,868)	29,946,268	1,637,859
Compensated absences	339,354	115,281	(97,412)	357,223	113,740
General liability claims	32,700	24,900		57,600	
	53,974,437	544,322	(3,110,281)	51,408,478	3,186,599
Less: unamortized discount	(188,215)		12,832	(175,383)	
Total business-type activity long-term liabilities	\$ 53,786,222	\$ 544,322	\$ (3,097,449)	\$ 51,233,095	\$ 3,186,599
Component units					
Limited tax development bonds	\$ 425,000		\$ (125,000)	\$ 300,000	\$ 150,000
Compensated absences	28,841	\$ 6,414	(9,103)	26,152	6,328
General liability claims	2,000	1,600		3,600	
	455,841	8,014	(134,103)	329,752	156,328
Less: unamortized discount	(2,707)		1,160	(1,547)	
Total component unit long-term liabilities	\$ 453,134	\$ 8,014	\$ (132,943)	\$ 328,205	\$ 156,328

City of Royal Oak, Michigan
Notes to Financial Statements
June 30, 2008

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, approximately \$177,360 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

The original amount of general obligation bonds, interest rate and maturity information is as follows:

Purpose	Interest Rate	Maturing Through	Original Issue Amount	Principal Outstanding
Governmental activities	3.0%-5.0%	2023	\$ 16,170,000	\$ 13,725,000
Governmental activities - refunding	4.0%-4.375%	2024	6,590,000	5,900,000
Business-type activities	1.625%-5.0%	2026	50,009,190	40,984,431
Business-type activities - refunding	4.0%-4.375%	2026	11,012,258	10,009,224
Component units	6.00%	2009	1,160,000	300,000
			<u>\$ 84,941,448</u>	<u>\$ 70,918,655</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Years Ending June 30	Governmental Activities		Business-Type Activities*		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 1,080,000	\$ 823,898	\$ 3,072,859	\$ 1,534,890	\$ 150,000	\$ 13,500
2010	1,135,000	779,860	3,174,354	1,436,959	150,000	4,500
2011	1,170,000	735,690	3,275,870	1,335,984	-	-
2012	1,220,000	689,428	2,907,361	1,239,407	-	-
2013	1,265,000	640,581	3,001,092	1,154,945	-	-
2014-2018	6,830,000	2,371,845	16,223,035	4,411,412	-	-
2019-2023	6,425,000	850,513	15,340,614	2,020,002	-	-
2024-2027	500,000	21,875	3,998,471	250,890	-	-
Total	<u>\$ 19,625,000</u>	<u>\$ 6,913,690</u>	<u>\$ 50,993,656</u>	<u>\$13,384,489</u>	<u>\$ 300,000</u>	<u>\$ 18,000</u>

No Commitment Debt: Excluded from the governmental activity debt are bonds issued under Act No. 38, Public Acts of Michigan, 1969, as amended, to provide a method to enable nonprofit private hospitals to construct health care facilities. Also, revenue bonds issued by the Economic Development Corporation issued to acquire and lease property to third parties are excluded. The revenue bonds issued are payable solely from the net revenue derived from the hospital operations and the EDC leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the City's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source.

City of Royal Oak, Michigan
Notes to Financial Statements
June 30, 2008

Obligations for George W. Kuhn Project: The City is a participating community in the George W. Kuhn drain project. The project is administered by the Oakland County Drain Commission and financed through the sale of drain bonds, draw downs from the State of Michigan revolving fund, Federal and State of Michigan grants, and contributions from Oakland County, Michigan. The City along with thirteen other local communities are obligated for the payment of principal and interest of the outstanding debt. It is currently anticipated that the City's obligation at the end of construction will be approximately \$35,639,081 with an interest rate of 2.5%. As of June 30, 2008, the City's obligation is \$28,858,467 in principal. Due to the current construction of the project, the sale of drain bonds and draws from the State of Michigan revolving fund are being incurred on an as needed basis and thus an accurate schedule of principal and interest cannot be determined at this time.

F. Restricted Assets

The balance of the restricted asset accounts in the governmental activities is as follows:

Endowments	\$	1,000
Total Restricted Assets	<u>\$</u>	<u>1,000</u>

NOTE 4 – Other Information

A. Risk Management

The government is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal Risk Management Authority for general property and liability claims.

The Michigan Municipal Risk Management Authority risk pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to establish a member loss fund. The loss fund is used to pay the member's self-insured retention portion of claims.

The City of Royal Oak has a \$250,000 per occurrence self-insured retention for liability claims and \$15,000,000 per occurrence of excess liability insurance coverage. Coverage limits, retentions and deductibles for other types of coverage vary. All coverage is on an occurrence basis except for a stop loss policy which is on a claims paid basis. The stop loss policy limits the maximum total self-insured retention payments in any one fiscal year to \$883,000. Settlements have not exceeded coverages for each of the past three fiscal years.

City of Royal Oak, Michigan
Notes to Financial Statements
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The City was unable to obtain workers compensation insurance at a cost it considered to be economically justifiable. Therefore, the City utilizes the Workers Compensation Fund, an internal service fund, to account for and finance its uninsured risks of loss related to employee work related accidents.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. An excess coverage insurance policy covers individual claims in excess of \$450,000. Settlements have not exceeded coverages for each of the past three fiscal years.

Changes in the reported liability for the fiscal years 2007 and 2008 are as follows:

<u>Fiscal Year</u>	<u>Liability at Beginning of Year</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability at End of Year</u>
2007	\$ 581,482	\$ 369,897	\$ (302,948)	\$ 648,431
2008	648,431	721,700	(451,862)	918,269

B. Contingent Liabilities

Litigation: Various lawsuits are pending against the City, some of which are for substantial amounts. On the basis of opinions and information furnished by the City Attorney and Risk Manager, it is the judgment of City management that the ultimate liabilities, if any, resulting from such lawsuits would not materially affect the financial position of the City.

Grants: Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time although the City expects such amounts to be immaterial.

City of Royal Oak, Michigan
Notes to Financial Statements
June 30, 2008

C. Joint Ventures

The City is a member of the Southeastern Oakland County Resource Recovery Authority, which consists of 14 municipalities in Oakland County and provides refuse collection and disposal services for the benefit of member municipalities. The City appoints one member of the joint venture's governing board, which approves the annual budget. The participating communities provide funding for its operations. During the year ended June 30, 2008 the City expensed approximately \$3,907,000 of payments made to the Authority. Complete financial statements for the Southeastern Oakland County Resource Recovery Authority can be obtained from the administrative offices at 3910 Webster Road, Royal Oak, Michigan 48073.

The City is also a member of the Southeastern Oakland County Water Authority, which provides a water supply system serving 11 member municipalities in Oakland County. The City appoints one member of the joint venture's governing board, which approves the annual budget. The participating communities provide funding for its operations. During the year ended June 30, 2008 the City expensed approximately \$3,158,000 of payments made to the Authority. Complete financial statements for the Southeastern Oakland County Water Authority can be obtained from the administrative offices at 3910 Webster Road, Royal Oak, Michigan 48073.

D. Other post-employment benefits

The City provides post-employment health and dental care benefits, as per the requirements of union contracts, for certain retirees and their dependants. The benefits vary depending on a retiree's years of service and the union contract under which they retired. Currently, 403 retirees are eligible. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participants. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for post-employment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$5,590,966

Plan Description: The City contributes to the City of Royal Oak Retiree Health Fund (RHF), which is a single-employer defined benefit healthcare plan administered by the City of Royal Oak Retirement System. The plan covers all full-time employees of the City. At June 30, 2006 (the date of the most recent actuarial report), membership consisted of:

Active service members:	
General employees	200
Public safety employees	151
Deferred members	5
Retired members and beneficiaries	<u>386</u>
Total members	<u>742</u>

City of Royal Oak, Michigan
Notes to Financial Statements
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The RHF provides medical and prescription benefits to eligible retirees and their dependents. The RHF was established under State of Michigan Public Act 149 of 1999.

Significant Accounting Policies: The Plan is included in the City's financial statements as a retiree health trust fund. A stand-alone financial report has not been issued. The Plan's financial statements are prepared using information as of June 30, 2008. The plan's financial statements include contributions received and benefits paid through that date. At June 30, 2008, there were no investments in any one organization (other than the U.S. government and U.S. government-guaranteed obligations) in excess of five percent of net assets available for benefits.

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs are financed through investment earnings.

Contributions: Public Act 149 authorizes the City Commission to establish and amend contribution requirements of the plan members. Active service members and retired members or their beneficiaries are not required to contribute to the plan. For the year ended June 30, 2008, the City contributed \$5,590,966. The City contributed at a rate equivalent to the annual required contribution (ARC) which was determined as part of a June 30, 2004 actuarial study.

The annual contribution was determined as part of an actuarial valuation at June 30, 2006, using the entry actual age actuarial cost method. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.75 percent per year compounded annually (including an inflation component of 11 percent initial and 3.5 percent ultimate), (b) projected salary increases of 3.5 percent to 7.3 percent per year compounded annually, attributable to inflation. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The excess of assets over the actuarial liability is being amortized as a level percentage of payroll on an open basis. The UAAL is being amortized on an open basis with a remaining amortization period at June 30, 2006 of 30 years.

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2006 (the most recent actuarial valuation date) is as follows:

SCHEDULE OF FUNDING PROGRESS (In thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability ("AAL") Entry Age</u>	<u>Unfunded AAL ("UAAL")</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/2006	\$ -	\$ 110,411	\$ 110,411	0.0%	\$ 20,432	540.4%

City of Royal Oak, Michigan
Notes to Financial Statements
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Financial Statement Information: As of June 30, 2008, the statement of net assets for the Other Postemployment Benefits Trust is as follows:

ASSETS

Receivables, net of uncollectibles	\$ 233,516
Total assets	<u>233,516</u>

LIABILITIES

Accounts payable	10,246
Accrued and other liabilities	16,128
Total liabilities	<u>26,374</u>

NET ASSETS

Held in trust for pension and other employee benefits	<u>\$ 207,142</u>
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As of June 30, 2008, the statement of changes of net assets for the Other Postemployment Benefits Trust is as follows:

ADDITIONS

Contributions:	
Employer	\$ 5,590,966
Total additions	<u>5,590,966</u>

DEDUCTIONS

Benefits	5,383,824
Total deductions	<u>5,383,824</u>
Change in net assets	207,142
Net assets - beginning	<u>-</u>
Net assets - ending	<u>\$ 207,142</u>

City of Royal Oak, Michigan
Notes to Financial Statements
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E. Defined Benefit Pension Plan

Plan Description: The City contributes to the City of Royal Oak Retirement System, which is the administrator of a single-employer defined benefit pension plan that covers all full-time employees of the City. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The City's payroll for employees covered for the year ended June 30, 2008 was approximately \$19,564,500. The City's total payroll was approximately \$24,034,500.

At June 30, 2007 (the date of the most recent actuarial report), membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	516
Current full-time employees:	
Fully vested	260
Nonvested	86
Total current employees	346

Regular service retirement benefits are available to employee groups as follows:

AFSCME employees, executive department heads, department heads and deputies, technical and professional, supervisors and police service aides- age 50 with 25 years of service, age 55 with 20 years of service or age 60 with 5 years of service.

SEIU 517 - 30 years of service regardless of age, age 50 with 25 years of service, age 55 with 20 years of service or age 60 with 5 years of service.

Fire employees, police command, police officers and detectives - 25 years of service regardless of age or age 55 with 10 years of service.

Benefit payments are calculated as follows:

General employees - The sum of 2.5 percent of FAC multiplied by the first 20 years of service plus 2.2 percent for each year thereafter. The maximum benefit may not exceed 75 percent of FAC. For police service aides: The maximum benefit may not exceed 80 percent of FAC.

Police and fire employees – The sum of 2.8 percent of FAC for all years of service. The maximum benefit may not exceed 75 percent of FAC.

FAC is the highest two consecutive years out of the last ten for all employees. Deferred retirement benefits vest after five years of service for general employees and ten years of service for police and fire employees. Deferred benefits are not paid until the years of service and age requirements are met.

City of Royal Oak, Michigan
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The obligation to contribute to and maintain the system and benefit provisions for these employees was established, and may be amended, by City ordinance and through negotiation with the police, fire and general employees' competitive bargaining units.

Significant Accounting Policies: The system is included in the City's financial statements as a pension trust fund. A stand-alone financial report has not been issued. The assets of the pension trust fund included no securities of or loans to the City or any other related party. At June 30, 2008, there were no investments in any one organization (other than the U.S. government and U.S. government-guaranteed obligations) in excess of five percent of net assets available for benefits.

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs are financed through investment earnings.

Contributions Required and Contributions Made: The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates are determined using the entry age-normal cost valuation method. The system also uses the level percentage of payroll method to amortize over a closed 4-year period the plan's full funding credit. For purposes of determining the City's contributions, the system's assets were valued using the smoothed funding method.

For the year ended June 30, 2008, the City's annual pension cost of \$4,161,255 was equal to the City's required and actual contributions. An employee contribution of 1.5 percent to 4 percent of gross wages is required. The City is required to contribute 18.25% for general employees and 24.30% for police and fire employees of annual covered payroll. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 3.5% to 7.3% (c) 3.5% inflation rate.

THREE YEAR TREND INFORMATION (in thousands)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2006	\$ 3,769	100%	0
6/30/2007	4,055	100%	0
6/30/2008	4,161	100%	0

City of Royal Oak, Michigan
Notes to Financial Statements
June 30, 2008

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2007 (the most recent actuarial valuation date) is as follows:

SCHEDULE OF FUNDING PROGRESS (In thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability ("AAL") Entry Age	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2007	\$ 143,619	\$ 162,781	\$ 19,162	88.2%	\$ 20,328	94.3%

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Financial Statement Information: As of June 30, 2008, the statement of net assets for the Retirement Trust is as follows:

ASSETS

Cash and cash equivalents	\$ 1,000
Receivables, net of uncollectibles	721,628
Retirement investments, at fair value	
U.S. government obligations	26,771,387
Corporate bonds	22,028,298
Stocks	84,124,013
Other investments	2,676,001
Total investments	<u>135,599,699</u>
Total assets	<u>136,322,327</u>

LIABILITIES

Accounts payable	133,573
Total liabilities	<u>133,573</u>

NET ASSETS

Held in trust for pension and other employee benefits	<u>\$136,188,754</u>
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City of Royal Oak, Michigan
Notes to Financial Statements
June 30, 2008

As of June 30, 2008, the statement of changes of net assets for the Retirement Trust is as follows:

ADDITIONS

Contributions:

Employer	\$ 4,161,255
Plan members	393,177
Plan members' buybacks	193,173
Total contributions	<u>4,747,605</u>

Investment earnings:

Net decrease in fair value of investments	(9,360,406)
Interest	2,470,282
Dividends	2,364,590
Other investment revenues	146,295
Total investment loss	<u>(4,379,239)</u>
Less investment expenses	957,493
Net of investment loss	<u>(5,336,732)</u>
Total additions	<u>(589,127)</u>

DEDUCTIONS

Benefits	10,549,837
Refund of contributions	237,542
Administrative expenses	27,909
Total deductions	<u>10,815,288</u>
Change in net assets	<u>(11,404,415)</u>
Net assets - beginning	<u>147,593,169</u>
Net assets - ending	<u>\$136,188,754</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Royal Oak, Michigan
City of Royal Oak Retirement System
Supplementary Information
(dollar amounts in thousands)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL") Entry Age	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/1998	\$ 132,289	\$ 102,995	\$ (29,294)	128.4%	\$ 17,182	-
6/30/1999	147,433	107,934	(39,499)	136.6%	17,501	-
6/30/2000	159,268	113,215	(46,053)	140.7%	18,130	-
6/30/2001	162,586	121,589	(40,997)	133.7%	18,962	-
6/30/2002	156,403	128,303	(28,100)	121.9%	19,368	-
6/30/2003	146,739	136,529	(10,210)	107.5%	20,138	-
6/30/2004	131,980	146,386	14,406	90.2%	20,569	70.0%
6/30/2005	134,773	152,016	17,243	88.7%	20,839	82.7%
6/30/2006	137,264	158,239	20,975	86.7%	20,432	102.7%
6/30/2007	143,619	162,781	19,162	88.2%	20,328	94.3%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Pension Cost	Actual Contribution	Percentage Contributed
1999	\$ 85	\$ 85	100%
2000	0	0	100%
2001	0	0	100%
2002	0	0	100%
2003	0	0	100%
2004	0	0	100%
2005	1,340	1,340	100%
2006	3,769	3,769	100%
2007	4,055	0	0%
2008	4,161	9,752	234%

Notes to Schedule of Funding Progress:

1. All trend information has been calculated using entry age normal actuarial method.
2. For information regarding contribution percentage rates, assumptions, amortization method, etc., see Note 4(F) on pages 50, 51 and 52.

OTHER SUPPLEMENTAL INFORMATION

**City of Royal Oak, Michigan
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008**

	Special Revenue								Total Nonmajor Special Revenue Funds	
	Major Streets	Local Streets	Publicity	Community Development Block Grant	Senior Citizens Program	Library Millage	State Construction Code	Acorn Fund		Grants
ASSETS										
Cash and cash equivalents	\$ 2,537,888	\$ 601,918	\$ -	\$ 172,060	\$ 683,162	\$ 393,849				\$ 4,388,877
Investments	1,105,739	3,400,280				703,549				5,209,568
Receivables, net of allowance for uncollectibles	9,426	37,065	-	2,062,796	171	27,594		\$ 125,449		2,262,501
Deposits and other assets				134,177						134,177
Due from other governmental units	464,524	151,107	-	230,330		-				845,961
Due from other funds	148,898	196,678	1,767	-	495,842		\$ 708,573	\$ 228,526	713,197	2,493,481
Total assets	<u>\$ 4,266,475</u>	<u>\$ 4,387,048</u>	<u>\$ 1,767</u>	<u>\$ 2,599,363</u>	<u>\$ 1,179,175</u>	<u>\$ 1,124,992</u>	<u>\$ 708,573</u>	<u>\$ 228,526</u>	<u>\$ 838,646</u>	<u>\$ 15,334,565</u>
LIABILITIES										
Accounts payable	\$ 70,541	\$ 4,778	\$ -	\$ 188,853	\$ 17,584	\$ 78,296	\$ 15,547	\$ 1,848	\$ 141,791	\$ 519,238
Accrued and other liabilities	40,887	28,391	-	36,293	3,615	81,912	81,706		11,896	284,700
Due to other funds	-	-	-	311,421	-	214,378				525,799
Cash bonds and deposits									800	800
Deferred revenue	-	-	-	2,062,796	134,152	21,937			170,524	2,389,409
Total liabilities	<u>111,428</u>	<u>33,169</u>	<u>-</u>	<u>2,599,363</u>	<u>155,351</u>	<u>396,523</u>	<u>97,253</u>	<u>1,848</u>	<u>325,011</u>	<u>3,719,946</u>
FUND BALANCES										
Reserved for senior activities					245,388					245,388
Reserved for capital expenditures						158,694				158,694
Unreserved, designated for subsequent year's expenditures	1,004,139	676,320			114,607	36,700	328,457		197,931	2,358,154
Unreserved, undesignated	<u>3,150,908</u>	<u>3,677,559</u>	<u>1,767</u>	<u>-</u>	<u>663,829</u>	<u>533,075</u>	<u>282,863</u>	<u>\$ 226,678</u>	<u>315,704</u>	<u>8,852,383</u>
Total fund balances	<u>4,155,047</u>	<u>4,353,879</u>	<u>1,767</u>	<u>-</u>	<u>1,023,824</u>	<u>728,469</u>	<u>611,320</u>	<u>226,678</u>	<u>513,635</u>	<u>11,614,619</u>
Total liabilities and fund balances	<u>\$ 4,266,475</u>	<u>\$ 4,387,048</u>	<u>\$ 1,767</u>	<u>\$ 2,599,363</u>	<u>\$ 1,179,175</u>	<u>\$ 1,124,992</u>	<u>\$ 708,573</u>	<u>\$ 228,526</u>	<u>\$ 838,646</u>	<u>\$ 15,334,565</u>

**City of Royal Oak, Michigan
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008**

	Total Nonmajor Special Revenue Funds	Debt Service Fund	Capital Projects		Total Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
			Capital Projects	Special Assessments			
ASSETS							
Cash and cash equivalents	\$ 4,388,877	\$ 1,442,100					\$ 5,830,977
Investments	5,209,568	-				\$ 25,000	5,234,568
Receivables, net of allowance for uncollectibles	2,262,501	9,511		\$ 607,470	\$ 607,470	192.00	2,879,674
Deposits and other assets	134,177				-		134,177
Due from other governmental units	845,961	-	\$ -	-	-		845,961
Due from other funds	2,493,481	42,068	835,358	66	835,424	-	3,370,973
Restricted assets, cash	-				-	1,000	1,000
Total assets	<u>\$ 15,334,565</u>	<u>\$ 1,493,679</u>	<u>\$ 835,358</u>	<u>\$ 607,536</u>	<u>\$ 1,442,894</u>	<u>\$ 26,192</u>	<u>\$ 18,297,330</u>
LIABILITIES							
Accounts payable	\$ 519,238	\$ -	\$ 415,112	\$ 66	\$ 415,178	\$ 2,063	\$ 936,479
Accrued and other liabilities	284,700		141,719		141,719		426,419
Due to other funds	525,799	99,560	-	-	-	1,971	627,330
Cash bonds and deposits	800				-		800
Deferred revenue	2,389,409	9,118		607,470	607,470		3,005,997
Total liabilities	<u>3,719,946</u>	<u>108,678</u>	<u>556,831</u>	<u>607,536</u>	<u>1,164,367</u>	<u>4,034</u>	<u>4,997,025</u>
FUND BALANCES							
Reserved for endowment	-					\$ 1,000	1,000
Reserved for senior activities	245,388						245,388
Reserved for capital expenditures	158,694						158,694
Unreserved, designated for subsequent year's expenditures	2,358,154						2,358,154
Unreserved, undesignated	8,852,383	1,385,001	278,527	-	278,527	21,158	10,537,069
Total fund balances	<u>11,614,619</u>	<u>1,385,001</u>	<u>278,527</u>	<u>-</u>	<u>278,527</u>	<u>22,158</u>	<u>13,300,305</u>
Total liabilities and fund balances	<u>\$ 15,334,565</u>	<u>\$ 1,493,679</u>	<u>\$ 835,358</u>	<u>\$ 607,536</u>	<u>\$ 1,442,894</u>	<u>\$ 26,192</u>	<u>\$ 18,297,330</u>

City of Royal Oak, Michigan
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue								Total Nonmajor Special Revenue Funds	
	Major Streets	Local Streets	Publicity	Community Development Block Grant	Senior Citizens Program	Library Millage	State Construction Code	Acorn Fund		Grants
REVENUES										
Taxes	\$ 653	\$ 653	\$ 49,394			\$ 2,223,086				\$ 2,273,786
Licenses and permits	177,624						\$ 1,171,467		\$ 35,112	1,384,203
Federal grants				\$ 2,074,857					331,193	2,406,050
State grants	2,836,463	922,162	-		\$ 138,496	133,645			52,086	4,082,852
Charges for services			-	383,077	157,001	51,780	(300)		15,061	606,619
Fines and forfeitures						3,568			134,618	138,186
Interest	161,430	191,036			30,353	48,985		\$ 8,792	2,538	443,134
Contributions and donations	15,291				93,892	17,908		114,308	42,999	284,398
Other revenue	23,315	2,039	-	12,943		4,975	27,087			70,359
Total revenues	<u>3,214,776</u>	<u>1,115,890</u>	<u>49,394</u>	<u>2,470,877</u>	<u>419,742</u>	<u>2,483,947</u>	<u>1,198,254</u>	<u>123,100</u>	<u>613,607</u>	<u>11,689,587</u>
EXPENDITURES										
Current:										
General government			47,627							47,627
Public safety							1,563,132	1,567	610,807	2,175,506
Public works	1,655,981	1,603,205								3,259,186
Community and economic development			-	2,074,029						2,074,029
Recreation and culture			-		400,098	2,264,606		14,484		2,679,188
Debt service:										
Principal payments						155,000				155,000
Interest and paying agent fees						129,488				129,488
Total expenditures	<u>1,655,981</u>	<u>1,603,205</u>	<u>47,627</u>	<u>2,074,029</u>	<u>400,098</u>	<u>2,549,094</u>	<u>1,563,132</u>	<u>16,051</u>	<u>610,807</u>	<u>10,520,024</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,558,795</u>	<u>(487,315)</u>	<u>1,767</u>	<u>396,848</u>	<u>19,644</u>	<u>(65,147)</u>	<u>(364,878)</u>	<u>107,049</u>	<u>2,800</u>	<u>1,169,563</u>
OTHER FINANCING SOURCES (USES)										
Transfers in	7,156	677,457				-			33,665	718,278
Transfers out	(1,415,200)	(367,670)	-	(396,848)				(33,665)		(2,213,383)
Total other financing sources (uses)	<u>(1,408,044)</u>	<u>309,787</u>	<u>-</u>	<u>(396,848)</u>		<u>-</u>		<u>(33,665)</u>	<u>33,665</u>	<u>(1,495,105)</u>
Net change in fund balances	150,751	(177,528)	1,767	-	19,644	(65,147)	(364,878)	73,384	36,465	(325,542)
Fund balances - beginning	4,004,296	4,531,407	-	-	1,004,180	793,616	976,198	153,294	477,170	11,940,161
Fund balances - ending	<u>\$ 4,155,047</u>	<u>\$ 4,353,879</u>	<u>\$ 1,767</u>	<u>\$ -</u>	<u>\$ 1,023,824</u>	<u>\$ 728,469</u>	<u>\$ 611,320</u>	<u>\$ 226,678</u>	<u>\$ 513,635</u>	<u>\$ 11,614,619</u>

City of Royal Oak, Michigan
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Total Nonmajor Special Revenue Funds	Debt Service Fund	Capital Projects		Total Nonmajor Capital Project Funds	Permanent Fund	Total Nonmajor Governmental Funds
			Capital Projects	Special Assessments			
REVENUES							
Taxes	\$ 2,273,786	\$ 682,027					\$ 2,955,813
Licenses and permits	1,384,203						1,384,203
Federal grants	2,406,050		\$ 501,572		\$ 501,572.00		2,907,622
State grants	4,082,852				-		4,082,852
Charges for services	606,619		3,708		3,708		610,327
Fines and forfeitures	138,186				-		138,186
Interest	443,134	35,439	-	\$ 2,202	2,202	\$ 1,191	481,966
Contributions and donations	284,398	241,873	646,749		646,749		1,173,020
Other revenue	70,359	95	7,553	141,087	148,640		219,094
Total revenues	<u>11,689,587</u>	<u>959,434</u>	<u>1,159,582</u>	<u>143,289</u>	<u>1,302,871</u>	<u>1,191</u>	<u>13,953,083</u>
EXPENDITURES							
Current:							
General government	47,627						47,627
Public safety	2,175,506						2,175,506
Public works	3,259,186		3,050,070		3,050,070		6,309,256
Community and economic development	2,074,029						2,074,029
Recreation and culture	2,679,188					8,929	2,688,117
Debt service:							
Principal payments	155,000	675,000					830,000
Interest and paying agent fees	129,488	647,061					776,549
Total expenditures	<u>10,520,024</u>	<u>1,322,061</u>	<u>3,050,070</u>		<u>3,050,070</u>	<u>8,929</u>	<u>14,901,084</u>
Excess of revenues over expenditures	<u>1,169,563</u>	<u>(362,627)</u>	<u>(1,890,488)</u>	<u>143,289</u>	<u>(1,747,199)</u>	<u>(7,738)</u>	<u>(948,001)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	718,278	116,449	1,952,247		1,952,247		2,786,974
Transfers out	(2,213,383)	(134,501)	(50,163)	(143,289)	(193,452)		(2,541,336)
Total other financing sources (uses)	<u>(1,495,105)</u>	<u>(18,052)</u>	<u>1,902,084</u>	<u>(143,289)</u>	<u>1,758,795</u>		<u>245,638</u>
Net change in fund balances	(325,542)	(380,679)	11,596	-	11,596	(7,738)	(702,363)
Fund balances - beginning	11,940,161	1,765,680	266,931	-	266,931	29,896	14,002,668
Fund balances - ending	<u>\$ 11,614,619</u>	<u>\$ 1,385,001</u>	<u>\$ 278,527</u>	<u>\$ -</u>	<u>\$ 278,527</u>	<u>\$ 22,158</u>	<u>\$ 13,300,305</u>

City of Royal Oak, Michigan
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Major Streets Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ -	\$ -	\$ 653	\$ 653
Licenses and permits	-	176,211	177,624	1,413
State grants	960,894	2,955,331	2,836,463	(118,868)
Interest and rentals	100,000	100,000	161,430	61,430
Contributions and donations	-	10,000	15,291	5,291
Other revenue	1,500	20,000	23,315	3,315
Total revenues	<u>1,062,394</u>	<u>3,261,542</u>	<u>3,214,776</u>	<u>(46,766)</u>
EXPENDITURES				
Public works	<u>1,424,116</u>	<u>1,442,147</u>	<u>1,655,981</u>	<u>213,834</u>
Total expenditures	<u>1,424,116</u>	<u>1,442,147</u>	<u>1,655,981</u>	<u>213,834</u>
Excess (deficiency) of revenues over (under) expenditures	(361,722)	1,819,395	1,558,795	(260,600)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	7,156	7,156
Transfers out	<u>(1,571,433)</u>	<u>(1,721,433)</u>	<u>(1,415,200)</u>	<u>(306,233)</u>
Total other financing sources (uses)	<u>(1,571,433)</u>	<u>(1,721,433)</u>	<u>(1,408,044)</u>	<u>313,389</u>
Net change in fund balance	<u>\$ (1,933,155)</u>	<u>\$ 97,962</u>	<u>150,751</u>	<u>\$ 52,789</u>
Fund balance - beginning			<u>4,004,296</u>	
Fund balance - ending			<u>\$ 4,155,047</u>	

City of Royal Oak, Michigan
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Local Streets Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ -	\$ -	\$ 653	\$ 653
State grants	960,894	960,894	922,162	(38,732)
Interest and rentals	100,000	100,000	191,036	91,036
Other revenue	1,500	1,500	2,039	539
Total revenues	<u>1,062,394</u>	<u>1,062,394</u>	<u>1,115,890</u>	<u>53,496</u>
EXPENDITURES				
Public works	<u>1,424,116</u>	<u>1,403,986</u>	<u>1,603,205</u>	<u>199,219</u>
Total expenditures	<u>1,424,116</u>	<u>1,403,986</u>	<u>1,603,205</u>	<u>199,219</u>
Deficiency of revenues under expenditures	(361,722)	(341,592)	(487,315)	(145,723)
OTHER FINANCING SOURCES (USES)				
Transfers in	650,000	650,000	677,457	27,457
Transfers out	<u>(218,360)</u>	<u>(235,360)</u>	<u>(367,670)</u>	<u>132,310</u>
Total other financing sources (uses)	<u>431,640</u>	<u>414,640</u>	<u>309,787</u>	<u>(104,853)</u>
Net change in fund balance	<u>\$ 69,918</u>	<u>\$ 73,048</u>	<u>(177,528)</u>	<u>\$ (250,576)</u>
Fund balance - beginning			<u>4,531,407</u>	
Fund balance - ending			<u>\$ 4,353,879</u>	

City of Royal Oak, Michigan
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Publicity Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 48,000	\$ 48,000	\$ 49,394	\$ 1,394
Total revenues	48,000	48,000	49,394	1,394
EXPENDITURES				
General government	58,675	58,675	47,627	(11,048)
Total expenditures	58,675	58,675	47,627	(11,048)
Deficiency of revenues under expenditures	(10,675)	(10,675)	1,767	12,442
OTHER FINANCING SOURCES (USES)				
Transfers in	10,675	10,675	-	(10,675)
Total other financing sources (uses)	10,675	10,675	-	(10,675)
Net change in fund balance	\$ -	\$ -	1,767	\$ 1,767
Fund balance - beginning			-	
Fund balance - ending			\$ 1,767	

City of Royal Oak, Michigan
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Community Development Block Grant Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Federal grants	\$ 1,723,734	\$ 1,723,734	\$ 2,074,857	\$ 351,123
Charges for services	400,000	400,000	383,077	(16,923)
Other revenue	-	-	12,943	12,943
Total revenues	<u>2,123,734</u>	<u>2,123,734</u>	<u>2,470,877</u>	<u>347,143</u>
EXPENDITURES				
Community and economic development	<u>1,549,811</u>	<u>1,549,811</u>	<u>2,074,029</u>	<u>524,218</u>
Total expenditures	<u>1,549,811</u>	<u>1,549,811</u>	<u>2,074,029</u>	<u>524,218</u>
Excess of revenues over expenditures	573,923	573,923	396,848	(177,075)
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(421,650)</u>	<u>(421,650)</u>	<u>(396,848)</u>	<u>(24,802)</u>
Total other financing sources (uses)	<u>(421,650)</u>	<u>(421,650)</u>	<u>(396,848)</u>	<u>24,802</u>
Net change in fund balance	<u>\$ 152,273</u>	<u>\$ 152,273</u>	-	<u>\$ (152,273)</u>
Fund balance - beginning			-	
Fund balance - ending			<u>\$ -</u>	

City of Royal Oak, Michigan
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Senior Citizens Program Fund
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State grants	\$ 139,000	\$ 139,000	\$ 138,496	\$ (504)
Charges for services	170,000	170,000	157,001	(12,999)
Interest and rentals	36,000	36,000	30,353	(5,647)
Contributions and donations	50,434	50,434	93,892	43,458
Total revenues	<u>395,434</u>	<u>395,434</u>	<u>419,742</u>	<u>24,308</u>
EXPENDITURES				
Recreation and culture	<u>539,681</u>	<u>539,681</u>	<u>400,098</u>	<u>(139,583)</u>
Total expenditures	<u>539,681</u>	<u>539,681</u>	<u>400,098</u>	<u>(139,583)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(144,247)</u>	<u>(144,247)</u>	19,644	<u>163,891</u>
Net change in fund balance	<u>\$ (146,391)</u>	<u>\$ (146,391)</u>	19,644	<u>\$ 166,035</u>
Fund balance - beginning			<u>1,004,180</u>	
Fund balance - ending			<u>\$ 1,023,824</u>	

City of Royal Oak, Michigan
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Library Millage Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 2,239,106	\$ 2,239,106	\$ 2,223,086	\$ (16,020)
State grants	114,025	114,025	133,645	19,620
Charges for services	51,000	51,000	51,780	780
Fines and forfeitures	2,500	2,500	3,568	1,068
Interest and rentals	40,000	40,000	48,985	8,985
Contributions and donations	7,500	7,500	17,908	10,408
Other revenue	4,500	4,500	4,975	475
Total revenues	<u>2,458,631</u>	<u>2,458,631</u>	<u>2,483,947</u>	<u>25,316</u>
EXPENDITURES				
Recreation and culture	2,137,669	2,277,669	2,264,606	(13,063)
Debt service:				
Principal payments	155,000	155,000	155,000	-
Interest and paying agents fees	129,488	129,488	129,488	-
Total expenditures	<u>2,422,157</u>	<u>2,562,157</u>	<u>2,549,094</u>	<u>(13,063)</u>
Excess (deficiency) of revenues over (under) expenditures	36,474	(103,526)	(65,147)	38,379
OTHER FINANCING SOURCES				
Total other financing sources	-	(74,000)	-	74,000
Net change in fund balance	<u>\$ 36,474</u>	<u>\$ (177,526)</u>	<u>(65,147)</u>	<u>\$ 112,379</u>
Fund balance - beginning			<u>793,616</u>	
Fund balance - ending			<u>\$ 728,469</u>	

City of Royal Oak, Michigan
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
State Construction Code Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Licenses and permits	\$ 1,619,000	\$ 1,619,000	\$ 1,171,467	\$ (447,533)
Charges for services	3,000	3,000	(300)	(3,300)
Other revenue	15,000	15,000	27,087	12,087
Total revenues	<u>1,637,000</u>	<u>1,637,000</u>	<u>1,198,254</u>	<u>(438,746)</u>
EXPENDITURES				
Public safety	<u>1,717,806</u>	<u>1,717,806</u>	<u>1,563,132</u>	<u>(154,674)</u>
Total expenditures	<u>1,717,806</u>	<u>1,717,806</u>	<u>1,563,132</u>	<u>(154,674)</u>
Excess of revenues over expenditures	<u>(80,806)</u>	<u>(80,806)</u>	<u>(364,878)</u>	<u>(284,072)</u>
Net change in fund balance	<u>\$ (82,950)</u>	<u>\$ (82,950)</u>	<u>(364,878)</u>	<u>\$ (281,928)</u>
Fund balance - beginning			<u>976,198</u>	
Fund balance - ending			<u>\$ 611,320</u>	

City of Royal Oak, Michigan
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Acorn Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Interest	\$ 9,000	\$ 9,000	\$ 8,792	\$ (208)
Contributions and donations	25,600	25,600	114,308	88,708
Total revenues	<u>34,600</u>	<u>34,600</u>	<u>123,100</u>	<u>88,500</u>
EXPENDITURES				
Public safety	13,500	13,500	1,567	(11,933)
Recreation and culture	136,700	136,700	14,484	(122,216)
Total expenditures	<u>150,200</u>	<u>150,200</u>	<u>16,051</u>	<u>(134,149)</u>
Excess (deficiency) of revenues over (under) expenditures	(115,600)	(115,600)	107,049	222,649
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(15,000)</u>	<u>(15,000)</u>	<u>(33,665)</u>	<u>18,665</u>
Total other financing sources	<u>(15,000)</u>	<u>(15,000)</u>	<u>(33,665)</u>	<u>(18,665)</u>
Net change in fund balance	<u>\$ (130,600)</u>	<u>\$ (130,600)</u>	<u>73,384</u>	<u>\$ 203,984</u>
Fund balance - beginning			<u>153,294</u>	
Fund balance - ending			<u><u>\$ 226,678</u></u>	

City of Royal Oak, Michigan
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Grants Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Licenses and permits	\$ -	\$ -	\$ 35,112	\$ 35,112
Federal grants	346,964	346,964	331,193	(15,771)
State grants	54,100	54,100	52,086	(2,014)
Charges for services	21,200	21,200	15,061	(6,139)
Fines and forfeitures	185,870	185,870	134,618	(51,252)
Interest	2,900	2,900	2,538	(362)
Contributions and donations	63,456	63,456	42,999	(20,457)
Total revenues	<u>674,490</u>	<u>674,490</u>	<u>613,607</u>	<u>(60,883)</u>
EXPENDITURES				
Public safety	<u>1,138,357</u>	<u>1,138,357</u>	<u>610,807</u>	<u>(527,550)</u>
Total expenditures	<u>1,138,357</u>	<u>1,138,357</u>	<u>610,807</u>	<u>(527,550)</u>
Excess (deficiency) of revenues over (under) expenditures	(463,867)	(463,867)	2,800	466,667
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>15,000</u>	<u>15,000</u>	<u>33,665</u>	<u>18,665</u>
Total other financing sources	<u>15,000</u>	<u>15,000</u>	<u>33,665</u>	<u>18,665</u>
Net change in fund balance	<u>\$ (448,867)</u>	<u>\$ (448,867)</u>	<u>36,465</u>	<u>\$ 485,332</u>
Fund balance - beginning			<u>477,170</u>	
Fund balance - ending			<u>\$ 513,635</u>	

City of Royal Oak, Michigan
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2008

	<u>Recreation Administration</u>	<u>Ice Arena</u>	<u>Farmers Market</u>	<u>Total Nonmajor Enterprise Funds</u>
ASSETS				
Current assets:				
Cash and cash equivalents		\$ 288,531	\$ 317,047	\$ 605,578
Receivables, net of allowance for uncollectibles	\$ 57,345	390	325	58,060
Deposits and other assets	3,975			3,975
Due from other funds		411,466		411,466
Total current assets	<u>61,320</u>	<u>700,387</u>	<u>317,372</u>	<u>1,079,079</u>
Noncurrent assets:				
Capital assets	4,474,564	4,774,665	2,367,091	11,616,320
Less accumulated depreciation	(526,675)	(2,222,179)	(548,267)	(3,297,121)
Total capital assets (net of accumulated depreciation)	<u>3,947,889</u>	<u>2,552,486</u>	<u>1,818,824</u>	<u>8,319,199</u>
Total assets	<u>4,009,209</u>	<u>3,252,873</u>	<u>2,136,196</u>	<u>9,398,278</u>
LIABILITIES				
Current liabilities:				
Accounts payable	40,520	86,899	17,734	145,153
Accrued and other liabilities	15,905	22,007	849	38,761
Due to other funds	48,798	-	82,232	131,030
Long term debt, due within one year	7,499	299,990		307,489
Total current liabilities	<u>112,722</u>	<u>408,896</u>	<u>100,815</u>	<u>622,433</u>
Noncurrent liabilities:				
Accrued compensated absences	16,052	10,681	-	26,733
Other long-term liabilities	3,600	1,800		5,400
Bonds payable		640,667		640,667
Total noncurrent liabilities	<u>19,652</u>	<u>653,148</u>	<u>-</u>	<u>672,800</u>
Total liabilities	<u>132,374</u>	<u>1,062,044</u>	<u>100,815</u>	<u>1,295,233</u>
NET ASSETS				
Invested in capital assets, net of related debt	3,940,390	1,611,829	1,818,824	7,371,043
Restricted for cultural activities	2,653			2,653
Unrestricted	(66,208)	579,000	216,557	729,349
Total net assets	<u>\$ 3,876,835</u>	<u>\$ 2,190,829</u>	<u>\$ 2,035,381</u>	<u>\$ 8,103,045</u>

City of Royal Oak, Michigan
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2008

	<u>Recreation Administration</u>	<u>Ice Arena</u>	<u>Farmers Market</u>	<u>Total Nonmajor Enterprise Funds</u>
OPERATING REVENUES				
Charges for services	\$ 597,613	\$ 1,253,269	\$ 290,194	\$ 2,141,076
Other			3,821	3,821
Total operating revenues	<u>597,613</u>	<u>1,253,269</u>	<u>294,015</u>	<u>2,144,897</u>
OPERATING EXPENSES				
Salaries and benefits	293,472	135,368	18,137	446,977
Supplies	24,489	68,478	8,459	101,426
Other services and charges	353,392	805,858	244,110	1,403,360
Depreciation	<u>89,705</u>	<u>144,109</u>	<u>57,528</u>	<u>291,342</u>
Total operating expenses	<u>761,058</u>	<u>1,153,813</u>	<u>328,234</u>	<u>2,243,105</u>
Operating income (loss)	<u>(163,445)</u>	<u>99,456</u>	<u>(34,219)</u>	<u>(98,208)</u>
NONOPERATING REVENUES (EXPENSES)				
Federal grants			5,090	5,090
Interest income		3,942	8,460	12,402
Interest expense		<u>(53,483)</u>		<u>(53,483)</u>
Total nonoperating revenue (expenses)	<u>-</u>	<u>(49,541)</u>	<u>13,550</u>	<u>(35,991)</u>
Income (loss) before contributions and transfers	<u>(163,445)</u>	<u>49,915</u>	<u>(20,669)</u>	<u>(134,199)</u>
TRANSFERS OUT				
Change in net assets	<u>(163,445)</u>	<u>18,191</u>	<u>(20,669)</u>	<u>(165,923)</u>
Total net assets - beginning	<u>4,040,280</u>	<u>2,172,638</u>	<u>2,056,050</u>	<u>8,268,968</u>
Total net assets - ending	<u>\$ 3,876,835</u>	<u>\$ 2,190,829</u>	<u>\$ 2,035,381</u>	<u>\$ 8,103,045</u>

City of Royal Oak, Michigan
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2008

	<u>Recreation Administration</u>	<u>Ice Arena</u>	<u>Farmers Market</u>	<u>Total Nonmajor Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 539,368	\$ 1,253,118	\$ 293,690	\$ 2,086,176
Payments to vendors	(268,637)	(770,439)	(212,372)	(1,251,448)
Payments to employees	(196,020)	(88,951)	(12,410)	(297,381)
Payments of benefits on behalf of employees	(96,316)	(46,913)	(6,835)	(150,064)
Internal activity - payments to other funds	21,605	(543,667)	107,248	(414,814)
Net cash provided by (used in) operating activities	<u>-</u>	<u>(196,852)</u>	<u>169,321</u>	<u>(27,531)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Donations and grant proceeds	-		5,090	5,090
Transfers to other funds		(31,724)		(31,724)
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>(31,724)</u>	<u>5,090</u>	<u>(26,634)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	-	(25,203)	(6,763)	(31,966)
Principal paid on capital debt		(276,500)	-	(276,500)
Interest paid on capital debt		(53,483)	-	(53,483)
Net cash used in capital and related financing activities		<u>(355,186)</u>	<u>(6,763)</u>	<u>(361,949)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments		3,942	8,460	12,402
Net decrease in cash and cash equivalents	-	(579,820)	176,108	(403,712)
Balances - beginning	-	868,351	140,939	1,009,290
Balances - ending	<u>\$ -</u>	<u>\$ 288,531</u>	<u>\$ 317,047</u>	<u>\$ 605,578</u>

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:

Operating income (loss)	\$ (163,445)	\$ 99,456	\$ (34,219)	\$ (98,208)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Decrease in other long-term liabilities	1,600	800		2,400
Depreciation	89,705	144,109	57,528	291,342
Changes in assets and liabilities:				
Receivables, net	(57,345)	(151)	(325)	(57,821)
Deposits and other assets	(900)	-	-	(900)
Due from other funds	-	(467,971)	-	(467,971)
Accounts payable	23,443	32,490	5,013	60,946
Accrued and other liabilities	(1,435)	(6,384)	(843)	(8,662)
Due to other funds	108,377	-	142,765	251,142
Accrued compensated absences	-	799	(598)	201
Net cash provided by (used in) operating activities	<u>\$ -</u>	<u>\$ (196,852)</u>	<u>\$ 169,321</u>	<u>\$ (27,531)</u>

City of Royal Oak, Michigan
Combining Statement of Net Assets
Internal Service Funds
June 30, 2008

	<u>Information Systems</u>	<u>Motor Pool</u>	<u>Workers Compensation</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents		\$ 300	\$ 5,000	\$ 5,300
Receivables, net of uncollectibles		24,141		24,141
Deposits and other assets		35,190		35,190
Due from other funds	\$ 1,542,210	4,213,350	1,675,404	7,430,964
Inventories		184,500		184,500
Total current assets	1,542,210	4,457,481	1,680,404	7,680,095
Noncurrent assets:				
Capital assets	1,774,701	15,787,210		17,561,911
Less accumulated depreciation	(1,441,743)	(9,149,588)		(10,591,331)
Total capital assets (net of accumulated depreciation)	332,958	6,637,622		6,970,580
Total assets	1,875,168	11,095,103	1,680,404	14,650,675
LIABILITIES				
Current liabilities:				
Accounts payable	10,001	156,410	29,962	196,373
Accrued and other liabilities	21,015	62,431	918,269	1,001,715
Bonds payable	17,600	251,955		269,555
Total current liabilities	48,616	470,796	948,231	1,467,643
Noncurrent liabilities:				
Accrued compensated absences	39,619	83,187		122,806
Bonds payable		2,449,256		2,449,256
Total noncurrent liabilities	39,619	2,532,443		2,572,062
Total liabilities	88,235	3,003,239	948,231	4,039,705
NET ASSETS				
Invested in capital assets, net of related debt	332,958	3,936,411		4,269,369
Unrestricted	1,453,975	4,155,453	732,173	6,341,601
Total net assets	\$ 1,786,933	\$ 8,091,864	\$ 732,173	\$ 10,610,970

City of Royal Oak, Michigan
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2008

	<u>Information Systems</u>	<u>Motor Pool</u>	<u>Workers Compensation</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 982,800	\$ 3,917,594	\$ 829,263	\$ 5,729,657
Other revenue		17,475	3,038	20,513
Total operating revenues	<u>982,800</u>	<u>3,935,069</u>	<u>832,301</u>	<u>5,750,170</u>
OPERATING EXPENSES				
Salaries and benefits	500,475	1,149,393	721,700	2,371,568
Supplies	11,216	939,090		950,306
Other services and charges	168,972	472,224	99,872	741,068
Depreciation	183,171	778,061		961,232
Total operating expenses	<u>863,834</u>	<u>3,338,768</u>	<u>821,572</u>	<u>5,024,174</u>
Operating income	<u>118,966</u>	<u>596,301</u>	<u>10,729</u>	<u>725,996</u>
NONOPERATING REVENUES				
Interest income			656	656
Interest expense		(62,456)		(62,456)
Gain on sale of capital assets	1,037	46,044		47,081
Total nonoperating revenue	<u>1,037</u>	<u>(16,412)</u>	<u>656</u>	<u>(14,719)</u>
Income before transfers	120,003	579,889	11,385	711,277
TRANSFERS IN		151,668		151,668
TRANSFERS OUT		(30,540)		(30,540)
Change in net assets	120,003	701,017	11,385	832,405
Total net assets - beginning	<u>1,666,930</u>	<u>7,390,847</u>	<u>720,788</u>	<u>9,778,565</u>
Total net assets - ending	<u>\$ 1,786,933</u>	<u>\$ 8,091,864</u>	<u>\$ 732,173</u>	<u>\$ 10,610,970</u>

City of Royal Oak, Michigan
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2008

	<u>Information Systems</u>	<u>Motor Pool</u>	<u>Workers Compensation</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users		\$ 190,532		\$ 190,532
Internal activity - receipts from other funds	\$ 743,952	2,419,105	\$ 553,458	3,716,515
Other operating receipts		32,277	3,038	35,315
Payments to vendors	(141,942)	(1,258,198)	(77,755)	(1,477,895)
Payments to employees	(322,727)	(636,091)	269,838	(688,980)
Payments of benefits on behalf of employees	(194,582)	(468,189)	(721,700)	(1,384,471)
Internal activity - payments to other funds	(37,027)	(124,071)	(27,535)	(188,633)
	<u>47,674</u>	<u>155,365</u>	<u>(656)</u>	<u>202,383</u>
Net cash provided by (used in) operating activities				
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds		121,128		121,128
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(48,711)	(2,924,337)		(2,973,048)
Proceeds from issuance of capital debt		2,664,256		2,664,256
Interest paid on capital debt		(62,456)		(62,456)
Proceeds from sale of capital assets	1,037	46,044		47,081
Net cash provided by (used in) capital and related financing activities	<u>(47,674)</u>	<u>(276,493)</u>		<u>(324,167)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments			656	656
Net cash provided by investment activities			<u>656</u>	<u>656</u>
Net increase in cash and cash equivalents	-	-	-	-
Balances - beginning	-	300	5,000	5,300
Balances - ending	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 5,000</u>	<u>\$ 5,300</u>

Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating income	\$ 118,966	\$ 596,301	\$ 10,729	\$ 725,996
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	183,171	778,061		961,232
Changes in assets and liabilities:				
Receivables	5,086	14,802		19,888
Deposits and other assets		(35,190)		(35,190)
Due from other funds	(238,848)	(1,307,956)	(275,805)	(1,822,609)
Inventories		6,050		6,050
Accounts payable	(2,605)	80,641	495	78,531
Accrued and other liabilities	(7,809)	14,261	269,838	276,290
Due to other funds		-	(5,611)	(5,611)
Due to component units			(302)	(302)
Accrued compensated absences	(10,287)	8,395		(1,892)
Net cash provided by (used in) operating activities	<u>\$ 47,674</u>	<u>\$ 155,365</u>	<u>\$ (656)</u>	<u>\$ 202,383</u>

City of Royal Oak, Michigan
Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2008

	<u>Agency</u>	<u>Tax Collection Fund</u>	<u>44th District Court</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents		\$ 154,923	\$ 608,932	\$ 763,855
Receivables, net	\$ 120,328			120,328
Total assets	<u>\$ 120,328</u>	<u>\$ 154,923</u>	<u>\$ 608,932</u>	<u>\$ 884,183</u>
LIABILITIES				
Accounts payable	\$ 1,267	\$ 154,923	\$ -	\$ 156,190
Due to other governmental units	85		499,922	500,007
Cash bonds and deposits	118,976	-	109,010	227,986
Total liabilities	<u>\$ 120,328</u>	<u>\$ 154,923</u>	<u>\$ 608,932</u>	<u>\$ 884,183</u>

City of Royal Oak, Michigan
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2008

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
AGENCY FUND				
Assets:				
Receivables, net	\$ 61,401	\$ 216,298	\$ 157,371	\$ 120,328
Total assets	<u>\$ 61,401</u>	<u>\$ 216,298</u>	<u>\$ 157,371</u>	<u>\$ 120,328</u>
Liabilities:				
Accounts payable	\$ 19,351	\$ 111,021	\$ 129,105	\$ 1,267
Due to other governmental units	60	350	325	85
Cash bonds and deposits	41,990	217,307	140,321	118,976
Total liabilities	<u>\$ 61,401</u>	<u>\$ 328,678</u>	<u>\$ 269,751</u>	<u>\$ 120,328</u>
TAX COLLECTION FUND				
Assets:				
Cash and cash equivalents	\$ 4,134	\$ 205,848,539	\$ 205,697,750	\$ 154,923
Due from other governmental units	28,595	13,981,915	14,010,510	-
Total assets	<u>\$ 32,729</u>	<u>\$ 219,830,454</u>	<u>\$ 219,708,260</u>	<u>\$ 154,923</u>
Liabilities:				
Accounts payable	\$ 31,375	\$ 18,553,109	18,429,561	\$ 154,923
Due to other governmental units	-	193,049,518	193,049,518	-
Cash bonds and deposits	1,354	1,225	2,579	-
Total liabilities	<u>\$ 32,729</u>	<u>\$ 211,603,852</u>	<u>\$ 211,481,658</u>	<u>\$ 154,923</u>
44TH DISTRICT COURT				
Assets, cash and cash equivalents	<u>\$ 580,727</u>	<u>\$ 28,205</u>	<u>\$ -</u>	<u>\$ 608,932</u>
Liabilities:				
Accounts payable	\$ -	\$ 1,265,135	\$ 1,265,135	\$ -
Due to other governmental units	492,487	1,459,506	1,452,071	499,922
Cash bonds and deposits	88,240	20,770	-	109,010
Total liabilities	<u>\$ 580,727</u>	<u>\$ 2,745,411</u>	<u>\$ 2,717,206</u>	<u>\$ 608,932</u>
TOTALS - ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	\$ 584,861	\$ 205,876,744	\$ 205,697,750	\$ 763,855
Receivables, net	61,401	216,298	157,371	120,328
Due from other governmental units	28,595	13,981,915	14,010,510	-
Total assets	<u>\$ 674,857</u>	<u>\$ 220,074,957</u>	<u>\$ 219,865,631</u>	<u>\$ 884,183</u>
Liabilities:				
Accounts payable	\$ 50,726	\$ 19,929,265	\$ 19,823,801	\$ 156,190
Due to other governmental units	492,547	194,509,374	194,501,914	500,007
Cash bonds and deposits	131,584	239,302	142,900	227,986
Total liabilities	<u>\$ 674,857</u>	<u>\$ 214,677,941</u>	<u>\$ 214,468,615</u>	<u>\$ 884,183</u>

City of Royal Oak, Michigan
Balance Sheets
Component Units
June 30, 2008

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Housing Commission
ASSETS				
Cash and cash equivalents	\$ -		\$ -	\$ 341,796
Investments	3,853,989			
Receivables, net of uncollectibles	94,130	\$ 3,429		
Deposits and other assets			-	98,790
Due from primary government		11,866	6,683	-
Total assets	3,948,119	15,295	6,683	440,586
LIABILITIES				
Accounts payable	63,347	458	-	7,848
Accrued and other liabilities	3,431	2,627	-	7,078
Due to primary government	482,839		-	182,277
Deferred revenue	56,309	3,429		
Total liabilities	605,926	6,514	-	197,203
FUND BALANCES				
Unreserved	3,342,193	8,781	6,683	243,383
Total fund balances	3,342,193	8,781	6,683	243,383

Amounts reported for component units in the statement of net assets are different because:

- Capital assets used in governmental activities are not financial resources, and are not reported at the fund level	4,533,076			1,902
- Taxes receivable are expected to be collected over several years, and are not available to pay current year expenditures	56,309	3,429		
- Long-term liabilities are not due and payable in the current period and are not reported at the fund level	(299,478)	(6,732)		(14,397)
- Interest on long-term debt is not accrued at fund level, but rather is recognized as an expenditure when due	(4,500)			
Total net assets for component units	\$ 7,627,600	\$ 5,478	\$ 6,683	\$ 230,888

City of Royal Oak, Michigan
Statements of Revenues, Expenditures, and Changes in Fund Balances
Component Units
For the Year Ended June 30, 2008

	Tax			
	Increment	Downtown	Brownfield	Housing
	Financing	Development	Redevelopment	Commission
	Authority	Authority	Authority	
REVENUES				
Taxes	\$ 2,488,939	\$ 50,072	\$ 12,594	
Federal grants			-	\$ 1,303,885
Interest and rentals	171,721		-	13,731
Contributions and donations	28,717			
Other revenues	258,515			
Total revenues	<u>2,947,892</u>	<u>50,072</u>	<u>12,594</u>	<u>1,317,616</u>
EXPENDITURES				
Current:				
Salaries and benefits		52,687	-	114,977
Supplies		2,998	-	344
Other services and charges		18,757	-	39,005
Housing assistance payments			-	1,129,419
Community and economic development	2,651,747		40,000	
Debt service:				
Principal payments	125,000			
Interest expense	21,750			
Total expenditures	<u>2,798,497</u>	<u>74,442</u>	<u>40,000</u>	<u>1,283,745</u>
Income (loss) before transfers	149,395	(24,370)	(27,406)	33,871
TRANSFERS IN	-	-	34,089	-
TRANSFERS OUT	<u>(34,089)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	115,306	(24,370)	6,683	33,871
Fund balances - beginning	3,226,887	33,151	-	209,512
Fund balances - ending	<u>\$ 3,342,193</u>	<u>\$ 8,781</u>	<u>\$ 6,683</u>	<u>\$ 243,383</u>

City of Royal Oak, Michigan
Reconciliations of the Statements of Revenues, Expenditures,
and Changes in Fund Balances of Component Units
to the Statement of Activities
For the Year Ended June 30, 2008

	<u>Tax Increment Financing Authority</u>	<u>Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>	<u>Housing Commission</u>
Net change in fund balances - component units	\$ 115,306	\$ (24,370)	\$ 6,683	\$ 33,871
Amounts reported for component units in the statement of activities assets are different because:				
- Capital outlays are reported as expenditures at the fund level. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation. This is the amount by which capital outlays (\$1,980,038) exceeded depreciation (\$56,740) in the current period for the Tax Increment Financing Authority and the amount of depreciation for the Housing Commission.	596,204			(2,197)
- Taxes receivable are expected to be collected over several years, and are not available to pay current year expenditures.	(32,585)	471		
- Repayments of bond principal is an expenditure at the fund level, but not in the statement of activities (where it reduces long-term debt).	125,000			
- Under the modified accrual basis of accounting, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than when it accrues.				
The adjustment combines the net changes of three balances.				
Accrued interest on bonds	(11,493)			
Amortization of bond discount	715			
Compensated absences		1,859		4,024
Noncurrent portion of general liability claims				(2,000)
Combined adjustment	<u>(10,778)</u>	<u>1,859</u>		<u>2,024</u>
Change in net assets of component units	<u>\$ 793,147</u>	<u>\$ (22,040)</u>	<u>\$ 6,683</u>	<u>\$ 33,698</u>

City of Royal Oak, Michigan
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Tax Increment Financing Authority
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 2,118,195	\$ 2,118,195	\$ 2,488,939	\$ 370,744
Interest and rentals	70,000	70,000	171,721	101,721
Contributions and donations	30,000	30,000	28,717	(1,283)
Other revenue	-	-	258,515	258,515
Total revenues	<u>2,218,195</u>	<u>2,218,195</u>	<u>2,947,892</u>	<u>729,697</u>
EXPENDITURES				
Community and economic development	3,047,502	3,047,502	2,651,747	(395,755)
Debt service:				
Principal payments	125,000	125,000	125,000	-
Interest and paying agents fees	<u>21,750</u>	<u>21,750</u>	<u>21,750</u>	<u>-</u>
Total expenditures	<u>3,194,252</u>	<u>3,194,252</u>	<u>2,798,497</u>	<u>(395,755)</u>
Excess (deficiency) of revenues over (under) expenditures	(976,057)	(976,057)	149,395	1,125,452
OTHER FINANCING SOURCES				
Transfers out	-	-	<u>(34,089)</u>	<u>34,089</u>
Total other financing sources	-	-	<u>(34,089)</u>	<u>(34,089)</u>
Net change in fund balance	<u>\$ (976,057)</u>	<u>\$ (976,057)</u>	115,306	<u>\$ 1,091,363</u>
Fund balance - beginning			<u>3,226,887</u>	
Fund balance - ending			<u>\$ 3,342,193</u>	

City of Royal Oak, Michigan
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Downtown Development Authority
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 49,000	\$ 49,000	\$ 50,072	\$ 1,072
Interest and rentals	100	100	-	(100)
Total revenues	<u>49,100</u>	<u>49,100</u>	<u>50,072</u>	<u>972</u>
EXPENDITURES				
Salaries and benefits	46,490	46,490	52,687	6,197
Supplies	11,000	11,000	2,998	(8,002)
Other services and charges	13,500	13,500	18,757	5,257
Total expenditures	<u>70,990</u>	<u>70,990</u>	<u>74,442</u>	<u>3,452</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(21,890)</u>	<u>(21,890)</u>	<u>(24,370)</u>	<u>(2,480)</u>
Net change in fund balance	<u>\$ (21,890)</u>	<u>\$ (21,890)</u>	<u>(24,370)</u>	<u>\$ (2,480)</u>
Fund balance - beginning			<u>33,151</u>	
Fund balance - ending			<u>\$ 8,781</u>	

City of Royal Oak, Michigan
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Brownfield Redevelopment Authority
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 30,984	\$ 30,984	\$ 12,594	\$ (18,390)
Total revenues	30,984	30,984	12,594	(18,390)
EXPENDITURES				
Community and economic development	30,984	30,984	40,000	9,016
Total expenditures	30,984	30,984	40,000	9,016
Excess (deficiency) of revenues over (under) expenditures	-	-	(27,406)	(27,406)
OTHER FINANCING SOURCES				
Transfers in	9,902	9,902	34,089	24,187
Total other financing sources	9,902	9,902	34,089	24,187
Net change in fund balance	\$ 9,902	\$ 9,902	6,683	\$ (3,219)
Fund balance - beginning			-	
Fund balance - ending			\$ 6,683	

City of Royal Oak, Michigan
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Housing Commission
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Federal grants	\$ 1,206,178	\$ 1,206,178	\$ 1,303,885	\$ 97,707
Interest and rentals	-	-	13,731	13,731
Total revenues	<u>1,206,178</u>	<u>1,206,178</u>	<u>1,317,616</u>	<u>111,438</u>
EXPENDITURES				
Salaries and benefits	113,025	113,025	114,977	1,952
Supplies	-	-	344	344
Other services and charges	-	-	39,005	39,005
Housing assistance payments	<u>1,093,153</u>	<u>1,093,153</u>	<u>1,129,419</u>	<u>36,266</u>
Total expenditures	<u>1,206,178</u>	<u>1,206,178</u>	<u>1,283,745</u>	<u>77,567</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	33,871	33,871
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	33,871	<u>\$ 33,871</u>
Fund balance - beginning			<u>209,512</u>	
Fund balance - ending			<u>\$ 243,383</u>	

STATISTICAL SECTION

This part of the City of Royal Oak's comprehensive annual financial report presents detailed information as context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends.....	86-90
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	91-96
These schedules contain trend information to help the reader assess the factors affecting the City's ability to generate its property taxes.	
Debt Capacity	97-103
These schedules contain trend information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	104-105
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	106-109
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year. The City implemented GASB Statement 34 in the fiscal year ended 6/30/03; schedules presenting government-wide information include information beginning in that year.

City of Royal Oak, Michigan
Financial Trends
Net Assets by Component
(accrual basis of accounting)

	Fiscal Year Ended June 30					
	2003	2004	2005	2006	2007	2008
Governmental activities:						
Invested in capital assets, net of related debt	\$ 102,083,257	\$ 108,113,604	\$ 109,014,440	\$ 116,963,284	\$ 118,453,656	\$ 118,921,341
Restricted	15,710,666	16,080,945	20,087,516	19,737,682	22,836,277	24,253,884
Unrestricted	<u>(1,295,989)</u>	<u>920,013</u>	<u>3,704,314</u>	<u>2,737,267</u>	<u>2,958,906</u>	<u>4,242,843</u>
Total governmental activities net assets	\$ 116,497,934	\$ 125,114,562	\$ 132,806,270	\$ 139,438,233	\$ 144,248,839	\$ 147,418,068
Business-type activities:						
Invested in capital assets, net of related debt	\$ 39,723,931	\$ 40,189,816	\$ 42,629,281	\$ 49,403,430	\$ 58,089,326	\$ 61,366,065
Restricted	1,399,095	2,496,788	2,574,741	2,764,237	2,653	2,653
Unrestricted	<u>17,856,461</u>	<u>16,092,490</u>	<u>13,424,771</u>	<u>10,863,254</u>	<u>8,330,833</u>	<u>10,061,309</u>
Total business-type activities net assets	\$ 58,979,487	\$ 58,779,094	\$ 58,628,793	\$ 63,030,921	\$ 66,422,812	\$ 71,430,027
Primary government:						
Invested in capital assets, net of related debt	\$ 141,807,188	\$ 148,303,420	\$ 151,643,721	\$ 166,366,714	\$ 176,542,982	\$ 180,287,406
Restricted	17,109,761	18,577,733	22,662,257	22,501,919	22,838,930	24,256,537
Unrestricted	<u>16,560,472</u>	<u>17,012,503</u>	<u>17,129,085</u>	<u>13,600,521</u>	<u>11,289,739</u>	<u>14,304,152</u>
Total primary government net assets	<u>\$ 175,477,421</u>	<u>\$ 183,893,656</u>	<u>\$ 191,435,063</u>	<u>\$ 202,469,154</u>	<u>\$ 210,671,651</u>	<u>\$ 218,848,095</u>

City of Royal Oak, Michigan
Financial Trends
Changes in Net Assets
(accrual basis of accounting)

	Fiscal Year Ended June 30					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
General government	\$ 11,234,438	\$ 10,723,060	\$ 9,509,493	\$ 11,837,178	\$ 11,820,682	\$ 9,081,988
Public safety	17,619,573	16,542,881	17,608,033	19,853,374	20,540,025	24,228,222
Public works	14,587,704	7,801,142	11,505,812	11,130,782	11,677,027	11,647,910
Health and welfare	499,650	457,109	489,725	488,655	469,999	602,645
Community and economic development	1,798,736	1,579,285	1,356,084	1,779,318	1,532,163	2,301,776
Recreation and culture	3,186,534	2,977,851	3,216,412	3,237,185	3,581,434	4,212,541
Interest and paying agent fees	747,718	728,469	708,760	733,419	793,776	784,438
Total governmental activities expenses	<u>49,674,353</u>	<u>40,809,797</u>	<u>44,394,319</u>	<u>49,059,911</u>	<u>50,415,106</u>	<u>52,859,520</u>
Business-type activities:						
Water & sewer	14,300,232	14,577,922	14,771,560	15,649,024	16,358,489	16,457,830
Parking	1,877,865	2,019,263	1,966,791	2,143,135	2,136,181	2,325,819
Recreation	2,668,982	2,716,899	2,537,582	1,973,325	1,886,696	1,960,279
Farmers market	217,957	194,120	213,301	259,037	266,310	327,228
Total business-type activities expenses	<u>19,065,036</u>	<u>19,508,204</u>	<u>19,489,234</u>	<u>20,024,521</u>	<u>20,647,676</u>	<u>21,071,156</u>
Total primary government expenses	<u>\$ 68,739,389</u>	<u>\$ 60,318,001</u>	<u>\$ 63,883,553</u>	<u>\$ 69,084,432</u>	<u>\$ 71,062,782</u>	<u>\$ 73,930,676</u>
Program Revenues						
Governmental activities:						
General government	\$ 3,071,108	\$ 3,133,449	\$ 3,486,523	\$ 4,265,247	\$ 3,859,945	\$ 4,786,182
Public safety	1,791,440	1,985,138	2,894,001	2,869,512	2,490,350	2,302,388
Public works	1,204,166	1,587,523	1,303,489	1,775,743	665,860	550,375
Health and welfare	557,306	804,043	830,715	874,274	893,850	865,648
Community and economic development	435,552	568,002	357,520	412,601	396,838	383,077
Recreation and culture	1,104,681	1,182,389	1,293,974	1,291,357	1,301,829	1,494,866
Interest and paying agent fees	653,826	663,647	751,606	854,553	777,899	-
Charges for services	8,818,079	9,924,191	10,917,828	12,343,287	10,382,536	10,382,536
Operating grants and contributions	2,484,230	2,899,089	2,605,739	2,842,985	3,146,627	3,930,593
Capital grants and contributions	1,127,952	682,829	173,218	1,972,423	1,079,263	1,163,612
Total governmental activities program revenues	<u>12,430,261</u>	<u>13,506,109</u>	<u>13,696,785</u>	<u>17,158,695</u>	<u>14,608,426</u>	<u>15,476,741</u>
Business-type activities:						
Charges for services						
Water & sewer	14,676,181	15,179,686	16,728,932	19,083,625	19,659,036	20,989,462
Parking	1,839,840	1,948,505	2,028,753	2,075,657	2,215,151	2,516,001
Recreation	2,675,818	2,621,140	2,200,673	1,922,617	1,909,576	1,850,882
Farmers market	327,354	319,241	272,295	276,736	275,334	290,194
Operating grants and contributions	436,160	695,144	817,252	775,879	602,074	5,090
Capital grants and contributions	1,626,280	29,802	20,490	911,845	41,939	719,412
Total business-type activities program revenues	<u>21,581,633</u>	<u>20,793,518</u>	<u>22,068,395</u>	<u>25,046,359</u>	<u>24,703,110</u>	<u>26,371,041</u>
Total primary government program revenues	<u>\$ 34,011,894</u>	<u>\$ 34,299,627</u>	<u>\$ 35,765,180</u>	<u>\$ 42,205,054</u>	<u>\$ 39,311,536</u>	<u>\$ 41,847,782</u>

City of Royal Oak, Michigan
Financial Trends
Changes in Net Assets, continued
(accrual basis of accounting)

	Fiscal Year Ended June 30					
	2003	2004	2005	2006	2007	2008
Net (Expense)/Revenue						
Governmental activities	\$ (37,244,092)	\$ (27,303,688)	\$ (30,697,534)	\$ (31,901,216)	\$ (35,806,680)	\$ (37,382,779)
Business-type activities	2,516,597	1,285,314	2,579,161	5,021,838	4,055,434	5,299,885
Total primary government net expense	<u>\$ (34,727,495)</u>	<u>\$ (26,018,374)</u>	<u>\$ (28,118,373)</u>	<u>\$ (26,879,378)</u>	<u>\$ (31,751,246)</u>	<u>\$ (32,082,894)</u>
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Property taxes	\$ 20,598,307	\$ 23,137,213	\$ 24,296,152	\$ 25,266,467	\$ 26,898,481	\$ 27,578,249
State-shared revenues	10,235,529	9,877,965	9,675,450	9,562,574	9,350,955	9,251,499
Unrestricted investment earnings	525,365	343,078	553,041	1,471,827	1,938,968	2,068,262
Gain on sale of capital assets	44,730	13,118	38,195	32,618	30,958	-
Reimbursements	-	400,749	482,231	20,431	806,267	676,770
Miscellaneous	1,159,023	499,698	338,787	872,555	299,913	287,712
Transfers	35,554	1,648,495	2,044,358	1,306,707	1,287,709	689,516
Total governmental activities	<u>32,598,508</u>	<u>35,920,316</u>	<u>37,428,214</u>	<u>38,533,179</u>	<u>40,613,251</u>	<u>40,552,008</u>
Business-type activities:						
Unrestricted investment earnings	275,411	142,708	237,707	366,520	602,023	368,647
Gain on sale of capital assets	2,500	1,600	-	308,829	-	-
Miscellaneous	10,579	18,480	38,217	11,648	22,143	28,197
Transfers	(35,554)	(1,648,495)	(2,044,358)	(1,306,707)	(1,287,709)	(689,516)
Total business-type activities	<u>252,936</u>	<u>(1,485,707)</u>	<u>(1,768,434)</u>	<u>(619,710)</u>	<u>(663,543)</u>	<u>(292,672)</u>
Total primary government	<u>\$ 32,851,444</u>	<u>\$ 34,434,609</u>	<u>\$ 35,659,780</u>	<u>\$ 37,913,469</u>	<u>\$ 39,949,708</u>	<u>\$ 40,259,336</u>
Change in Net Assets						
Governmental activities	\$ (4,645,584)	\$ 8,616,628	\$ 6,730,680	\$ 6,631,963	\$ 4,806,571	\$ 3,169,229
Business-type activities	2,769,533	(200,393)	810,727	4,402,128	3,391,891	5,007,213
Total primary government	<u>\$ (1,876,051)</u>	<u>\$ 8,416,235</u>	<u>\$ 7,541,407</u>	<u>\$ 11,034,091</u>	<u>\$ 8,198,462</u>	<u>\$ 8,176,442</u>

City of Royal Oak, Michigan
Financial Trends
Fund Balances - Governmental Funds
(modified accrual basis of accounting)

	Fiscal Year Ended June 30					
	2003	2004	2005	2006	2007	2008
General Fund						
Reserved	\$ 83,202	\$ 109,018	\$ 121,270	\$ 107,957	\$ 106,943	\$ 129,315
Unreserved	3,231,839	4,340,265	6,637,473	6,575,442	6,576,574	8,232,519
Total general fund	<u>\$ 3,315,041</u>	<u>\$ 4,449,283</u>	<u>\$ 6,758,743</u>	<u>\$ 6,683,399</u>	<u>\$ 6,683,517</u>	<u>\$ 8,361,834</u>
All Other Governmental Funds						
Reserved	\$ 3,771,374	\$ 1,747,334	\$ 474,760	\$ 292,457	\$ 430,082	\$ 405,082
Unreserved, reported in:						
Special revenue funds	8,978,230	10,694,901	12,160,318	13,044,833	14,652,413	15,105,248
Debt service funds	544,725	680,823	1,046,485	1,437,900	1,765,680	1,385,001
Capital projects funds	1,826,137	1,402,123	3,056,376	494,641	266,930	278,527
Permanent fund	27,522	1,825	28,353	3,318	3,896	21,158
Total all other governmental funds	<u>\$ 15,147,988</u>	<u>\$ 14,527,006</u>	<u>\$ 16,766,292</u>	<u>\$ 15,273,149</u>	<u>\$ 17,119,001</u>	<u>\$ 17,195,016</u>

City of Royal Oak, Michigan
Financial Trends
Changes in Fund Balances - Governmental Funds
(modified accrual basis of accounting)

	Fiscal Year Ended June 30					
	2003	2004	2005	2006	2007	2008
Revenues						
Taxes	\$ 20,363,469	\$ 22,901,870	\$ 24,308,407	\$ 25,401,427	\$ 26,843,146	\$ 27,791,327
Licenses and permits	1,937,879	2,184,584	3,139,452	3,176,333	2,889,242	2,561,656
Federal grants	2,638,283	1,722,152	1,259,964	3,698,693	3,082,224	2,907,622
State grants	10,605,532	10,282,660	10,062,113	9,970,737	9,803,930	9,661,102
Charges for services	3,567,137	4,363,152	3,857,659	4,812,481	3,589,406	3,735,014
Fines and forfeitures	3,417,929	3,705,665	3,992,629	4,412,285	4,145,185	4,396,589
Interest and rentals	671,312	512,219	772,796	1,699,490	2,120,566	2,304,081
Contributions and donations	103,896	536,753	1,036,809	624,994	507,954	1,541,430
Reimbursements	-	400,749	482,231	20,431	806,267	676,770
Other revenue	1,159,023	499,695	338,787	872,555	299,913	287,712
Total revenues	<u>44,464,460</u>	<u>47,109,499</u>	<u>49,250,847</u>	<u>54,689,426</u>	<u>54,087,833</u>	<u>55,863,303</u>
Expenditures						
General government	10,516,595	10,596,597	9,160,702	11,810,472	12,155,896	8,630,729
Public safety	17,708,881	17,078,156	18,045,357	19,978,522	20,426,500	24,646,113
Public works	17,583,547	15,058,320	15,693,263	19,420,647	15,152,352	13,086,601
Health and welfare	488,231	447,452	473,915	474,420	455,470	597,709
Community and economic development	1,835,118	1,622,347	1,349,101	1,766,681	1,569,772	2,307,383
Recreation and culture	2,981,456	2,870,755	2,954,605	3,232,077	3,284,964	3,986,566
Debt service:						
Principal payments	485,000	500,000	520,000	675,000	715,000	830,000
Interest and paying agent fees	742,415	723,310	692,014	817,317	772,931	776,549
Total expenditures	<u>52,341,243</u>	<u>48,896,937</u>	<u>48,888,957</u>	<u>58,175,136</u>	<u>54,532,885</u>	<u>54,861,650</u>
Excess (deficiency) of revenues over (under) expenditures	(7,876,783)	(1,787,438)	361,890	(3,485,710)	(445,052)	1,001,653
Other Financing Sources (Uses)						
Bond proceeds	-	-	3,700,000	5,680,000	825,000	-
Payment to refunded bond escrow agent	-	-	-	(5,581,777)	-	-
Transfers in	3,535,417	3,681,666	5,974,462	9,824,549	4,992,029	3,445,684
Transfers from component units	500,000	500,000	-	-	-	-
Transfers out	(3,499,863)	(2,075,086)	(5,525,801)	(8,073,240)	(3,556,965)	(2,693,004)
Sale of capital assets	42,980	194,118	38,195	67,691	30,958	-
Total other financing sources (uses)	<u>578,534</u>	<u>2,300,698</u>	<u>4,186,856</u>	<u>1,917,223</u>	<u>2,291,022</u>	<u>752,680</u>
Net change in fund balances	<u>\$ (7,298,249)</u>	<u>\$ 513,260</u>	<u>\$ 4,548,746</u>	<u>\$ (1,568,487)</u>	<u>\$ 1,845,970</u>	<u>\$ 1,754,333</u>
Debt service as a percentage of noncapital expenditures	2.58%	2.68%	2.79%	3.10%	3.00%	3.10%

**City of Royal Oak
Revenue Capacity Information
Taxable Value and Assessed Value of Taxable Property
Last Ten Fiscal Years**

Tax Year	Fiscal Year	Real Property Taxable Value				Total Real
		Residential	Commercial	Industrial	Industrial Facilities Tax (IFT)	
2007	2008	\$ 1,875,049,470	\$ 378,328,500	\$ 56,432,540	\$ -	\$ 2,309,810,510
2006	2007	1,760,779,950	355,053,760	54,154,390	-	2,169,988,100
2005	2006	1,636,065,740	337,410,500	52,529,200	-	2,026,005,440
2004	2005	1,527,187,417	320,080,826	51,323,010	-	1,898,591,253
2003	2004	1,438,121,583	308,954,576	56,238,050	599,240	1,803,913,449
2002	2003	1,369,407,389	294,349,479	46,791,030	2,349,370	1,712,897,268
2001	2002	1,287,075,230	285,334,539	39,472,710	3,225,490	1,615,107,969
2000	2001	1,212,745,473	273,779,259	38,940,290	1,806,490	1,527,271,512
1999	2000	1,153,595,130	266,104,669	35,024,260	4,770,690	1,459,494,749
1998	1999	1,099,527,905	251,924,129	33,345,540	5,008,590	1,389,806,164

Note: Under Michigan law, the revenue base is Taxable Value.

Personal Property Taxable Value			Total Taxable Value	Direct Tax Rate (mills)	Assessed Value (Including IFTs)	Taxable as a % of Assessed Value
Personal	Industrial Facilities Tax (IFT)	Total Personal				
\$ 130,043,660	\$ 3,177,250	\$ 133,220,910	\$2,303,209,010	11.6701	\$3,015,692,720	76.37%
131,155,090	265,640	131,420,730	2,157,426,170	11.7816	2,871,791,330	75.12%
139,785,294	577,080	140,362,374	2,038,953,627	11.9556	2,746,631,540	74.23%
135,071,970	5,385,880	140,457,850	1,944,371,299	11.7980	2,608,639,195	74.54%
130,743,970	8,106,841	138,850,811	1,851,748,079	11.0001	2,450,195,741	75.58%
126,792,710	10,388,770	137,181,480	1,752,289,449	10.4159	2,223,098,690	78.82%
126,311,840	8,040,473	134,352,313	1,661,623,825	11.9057	2,084,546,453	79.71%
121,958,500	14,925,268	136,883,768	1,596,378,517	12.4369	1,941,094,468	82.24%
113,886,000	18,217,300	132,103,300	1,521,909,464	13.1910	1,766,540,060	86.15%
104,806,700	15,403,500	120,210,200	1,453,046,144	0.0000	1,581,815,050	91.86%

**City of Royal Oak
Revenue Capacity Information
Property Tax Rates - Direct and Overlapping
Last Ten Fiscal Years**

Direct City Taxes - Millage Rates (\$1 per 1,000) (1)

Tax Year	Fiscal Year	General Operating		Solid Waste Operating		Library Operating	Voted Debt	Total Direct Taxes
		Charter	Publications	Refuse-State	Refuse-Voted			
2007	2008	7.3947	0.0214	2.0164	0.7500	0.9597	0.2944	11.4366
2006	2007	7.4207	0.0222	2.0235	0.9304	0.9631	0.3102	11.6701
2005	2006	7.4806	0.0227	2.0399	0.9380	0.9709	0.3295	11.7816
2004	2005	7.5769	0.0240	2.0662	0.9501	0.9834	0.3550	11.9556
2003	2004	7.7048	0.0253	2.1011	0.5989	1.0000	0.3679	11.7980
2002	2003	7.8349	0.0268	2.1366	0.6133	-	0.3885	11.0001
2001	2002	7.9737	0.0282	1.9790	0.3500	-	0.0850	10.4159
2000	2001	8.0993	0.0297	2.2088	0.2360	-	1.3319	11.9057
1999	2000	8.3535	0.0314	2.0520	0.5000	-	1.5000	12.4369
1998	1999	8.5113	0.0327	2.2694	0.8276	-	1.5500	13.1910

Notes:

- (1) General Operating millage includes the Charter operating rate and for fiscal years 1998-1999 and 1999-2000, a drain millage of 0.1900 and 0.1900 mills respectively. There are two Refuse rates: one rate is authorized by State statute and the other rate is by local voted authority.

Michigan law restricts the maximum millage that may be levied by the City without a vote of our residents, as follows:

Tax Year	Fiscal Year	General Operating		Solid Waste Operating		Library Operating	Voted Debt
		Charter	Publications	Refuse	Recycling		
2008	2009	7.3947	2.6888	2.0164	0.9965	0.9597	no limit
			not to exceed \$50,000 / year				

- (2) County Rate includes Oakland County, Detroit Zoo (2008), Oakland County Park, Oakland County Public Transit Authority, Huron Clinton Metropolitan Park Authority and starting in 2008 the Detroit Zoo rates.
- (3) Royal Oak Schools serve 98.98% of the taxable value of the city. Berkley and Clawson school districts serve the remaining area.
- (4) A homeowner's Principal Residence Exemption (P.R.E.) grants up to 18 mills of school tax relief to qualified homeowners (Public Act 15 of 2003, MCL 211.7cc as amended). It is administered by the local assessor and affects the local tax bill. An independent state homestead property tax credit (MCL 206.508 et seq.) to qualified homeowners and renters is administered directly by the Michigan Department of Treasury as additional property tax relief.
- (5) The DDA tax rate applies only to parcels within the Central Business District. It is in addition to all other applicable property tax rates.

County Taxes (2)	Overlapping Taxes			Total Tax Rate	Overlapping Taxes Royal Oak Schools		Total (3)		Downtown Development Authority (DDA) (5)
	Intermediate School District	Oakland Community College	State Education Tax (SET)	Before School Taxes	(3) School P.R.E.	School Non-P.R.E.	Tax Rate for P.R.E.	Tax Rate for Non-P.R.E.	
5.2361	3.3690	1.5844	6.0000	27.8596	7.7030	22.7100	35.5626	50.5696	1.6831
5.2411	3.3690	1.5844	6.0000	27.9761	6.0130	20.3161	33.9891	48.2922	1.6831
5.2438	3.3789	1.5889	6.0000	28.1672	7.5000	21.2061	35.6672	49.3733	1.7156
5.2471	3.3991	1.5983	5.0000	27.0425	7.8000	20.6061	34.8425	47.6486	1.7156
5.2523	3.4224	1.6090	6.0000	27.2838	8.1500	21.2061	35.4338	48.4899	1.7156
4.9645	3.4526	1.5952	6.0000	26.4282	8.6500	21.5028	35.0782	47.9310	1.7453
4.9714	2.0752	1.6109	6.0000	26.5632	8.7700	21.6000	35.3332	48.1632	1.7452
4.9792	2.0998	1.6310	6.0000	27.1469	8.8000	21.4000	35.9469	48.5469	1.7776
4.6564	2.1208	1.6500	6.0000	27.6182	8.9000	21.2000	36.5182	48.8182	1.7600
4.8180	2.1294	1.6600	6.0000	14.6074	9.2500	21.0500	23.8574	35.6574	1.7536

**City of Royal Oak
Revenue Capacity Information
Principal Property Taxpayers
Current Year and Nine Years Ago**

Taxpayer	Assessment Roll					
	1998			2007		
	Taxable Value	Rank	Percentage of Total	Taxable Value	Rank	Percentage of Total
Spirit Holdings / Form Tech			-	\$ 23,119,110	1	0.94%
Detroit Edison	\$ 21,190,860	1	1.41%	17,671,340	2	0.72%
Beaumont Hospital	13,596,890	3	0.91%	16,120,760	3	0.66%
Amber Equities, LLC			-	15,731,310	4	0.64%
Flex-N-Gate			-	10,885,110	5	0.44%
Co-op Services	8,144,070	8	0.54%	10,143,660	6	0.41%
Consumer's Energy	10,886,940	5	0.73%	9,673,320	7	0.39%
Main Eleven Royal Oak			-	9,462,220	8	0.38%
National City Bank			-	8,840,540	9	0.36%
Meijer, Inc.	6,238,220	10	0.42%	8,363,670	10	0.34%
Masco	15,405,400	2	1.03%			-
Hawthorn Metal	12,465,030	4	0.83%			-
First of America	10,184,630	6	0.68%			-
Detroit Cellular	8,399,530	7	0.56%			-
Amber Management	6,883,349	9	0.46%			-
Total taxable value of ten largest taxpayers	113,394,919		7.57%	130,011,040		5.28%
Total taxable value of all other taxpayers	1,385,288,655		92.43%	2,330,276,350		94.72%
Total taxable value of all taxpayers	\$ 1,498,683,574		100.00%	\$ 2,460,287,390		100.00%

**City of Royal Oak
Revenue Capacity Information
Property Tax Levies and Collections
Last Ten Fiscal Years**

Tax Year	Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percent of Levy		Amount	Percent of Levy
2007	2008	\$27,467,762	\$26,382,968	96.05%	\$0	\$0	0.00%
2006	2007	32,671,722	30,418,793	93.10%	2,024,403	32,443,196	99.30%
2005	2006	30,379,835	28,584,387	94.09%	1,691,315	30,275,702	99.65%
2004	2005	28,929,702	27,362,635	94.58%	1,392,526	28,755,161	99.39%
2003	2004	26,869,041	25,491,315	94.87%	1,168,274	26,659,589	99.22%
2002	2003	23,982,743	22,721,005	94.73%	1,061,254	23,782,259	99.16%
2001	2002	21,552,468	20,483,366	95.03%	902,441	21,385,807	99.22%
2000	2001	23,035,265	21,827,216	94.75%	1,018,101	22,845,317	99.17%
1999	2000	19,054,112	18,594,405	97.58%	316,801	18,911,206	99.24%
1998	1999	19,204,791	18,778,793	97.78%	272,359	19,051,152	99.19%

**City of Royal Oak
Debt Capacity Information
Ratios of Outstanding Debt
Last Ten Fiscal Years**

	1999	2000	2001	2002
Governmental Activities				
General obligation bonds	\$ 11,955,000	\$ 9,585,000	\$ 7,155,000	\$ 15,975,000
Installment purchase agreements	-	-	-	-
Special assessment bonds	-	-	-	-
Capital leases	-	-	-	-
Loans & other contractual obligations	222,727	-	-	-
Total	12,177,727	9,585,000	7,155,000	15,975,000
Business-type Activities				
General obligation bonds	9,415,000	7,385,000	30,089,872	27,412,387
Installment purchase agreements	-	-	-	-
Special assessment bonds	-	-	-	-
Revenue bonds	-	-	-	-
Capital leases	-	-	-	-
Loans and Contractual obligations	1,670,068	1,620,417	6,983,973	17,866,420
Total	11,085,068	9,005,417	37,073,845	45,278,807
Component Unit Activities				
General obligation bonds	1,050,000	1,000,000	950,000	875,000
Loans and Contractual obligations	3,167,896	1,900,000	1,400,000	-
Total	4,217,896	2,900,000	2,350,000	875,000
Total debt of the City	<u>\$ 27,480,691</u>	<u>\$ 21,490,417</u>	<u>\$ 46,578,845</u>	<u>\$ 62,128,807</u>
Total taxable value	\$ 1,521,909,464	\$ 1,596,378,517	\$ 1,661,623,825	\$ 1,752,289,449
Ratio of total debt to taxable value	1.81%	1.35%	2.80%	3.55%
Total population	63,700	60,062	59,707	59,223
Total debt per capita	\$431	\$358	\$780	\$1,049

Personal income statistics are not available.

	2003	2004	2005	2006	2007	2008
\$	15,490,000	\$ 14,990,000	\$ 18,170,000	\$ 17,700,000	\$ 17,810,000	\$ 19,625,000
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	15,490,000	14,990,000	18,170,000	17,700,000	17,810,000	19,625,000
	25,517,387	24,437,387	23,327,387	23,757,387	22,437,387	21,047,387
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	23,320,729	31,280,486	32,744,671	32,447,026	31,164,996	29,946,268
	48,838,116	55,717,873	56,072,058	56,204,413	53,602,383	50,993,655
	800,000	725,000	625,000	525,000	425,000	300,000
	-	-	-	-	-	-
	800,000	725,000	625,000	525,000	425,000	300,000
\$	65,128,116	\$ 71,432,873	\$ 74,867,058	\$ 74,429,413	\$ 71,837,383	\$ 70,918,655
\$	1,851,748,079	\$ 1,994,371,299	\$ 2,038,953,627	\$ 2,157,426,170	\$ 2,303,209,010	\$ 2,439,636,660
	3.52%	3.58%	3.67%	3.45%	3.12%	2.91%
	58,834	58,485	58,279	57,984	55,777	54,903
	\$1,107	\$1,221	\$1,285	\$1,284	\$1,288	\$1,292

**City of Royal Oak
Debt Capacity Information
Ratios of General Bond Debt Outstanding
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Limited tax General Obligation Bonds (LTGO)</u>	<u>Tax Supported Bonds (UTGO)</u>	<u>Less Pledged Debt Service Funds</u>	<u>Other General Obligation Debt</u>	<u>Net General Bonded Debt</u>	<u>Taxable Value</u>	<u>Debt as a Percentage of Taxable Value</u>	<u>Population</u>	<u>Debt per Capita</u>
1999	\$ 10,855,000	\$ 1,100,000	\$ 102,801	\$ 222,727	\$ 12,074,926	\$ 1,521,909,464	0.79%	63,700	\$ 190
2000	8,985,000	600,000	108,025	-	9,476,975	1,596,378,517	0.59%	60,062	158
2001	7,155,000	-	600	-	7,154,400	1,661,623,825	0.43%	59,707	120
2002	6,975,000	9,000,000	396,657	-	15,578,343	1,752,289,449	0.89%	59,223	263
2003	6,785,000	8,705,000	666,776	-	14,823,224	1,851,748,079	0.80%	58,834	252
2004	6,590,000	8,400,000	680,823	-	14,309,177	1,944,371,299	0.74%	58,485	245
2005	10,085,000	8,085,000	1,046,485	-	17,123,515	2,038,953,627	0.84%	58,279	294
2006	9,940,000	7,760,000	1,437,900	-	16,262,100	2,157,426,170	0.75%	57,984	280
2007	10,390,000	7,420,000	1,765,680	-	16,044,320	2,303,209,010	0.70%	55,777	288
2008	12,560,000	7,065,000	1,385,001	-	18,239,999	2,439,636,660	0.75%	54,903	332

**City of Royal Oak
Debt Capacity Information
Direct and Overlapping Governmental Activities Debt
June 30, 2008**

Government Unit	Gross	Self-Supporting	Net	Net Debt (2)	
				Per Capita	% of Taxable Value
Direct Debt - City of Royal Oak	\$ 70,918,657	\$ 43,578,657	\$ 27,340,000	\$498	1.12%
Overlapping Debt (1):	Gross	City share as % of Gross	Net City Share		
Royal Oak School District	87,173,000	96.63%	84,235,270		
Berkley School District	30,555,000	1.98%	604,989		
Clawson School District	25,700,000	1.16%	298,120		
Oakland County at large	109,962,280	3.76%	4,134,582		
Okland Intermediate School District	53,730,000	3.77%	2,025,621		
Oakland County Community College	7,965,000	3.78%	301,077		
Total Overlapping Debt	<u>315,085,280</u>		<u>91,599,659</u>	<u>\$1,668</u>	<u>3.75%</u>
Total Direct and Overlapping Debt	<u>\$ 386,003,937</u>		<u>\$ 118,939,659</u>	<u>\$2,166</u>	<u>4.88%</u>

(1) Overlapping debt figures supplied by the Municipal Advisory Commission of Michigan.

(2) Based upon the City's 2008 SEMCOG population estimate of 54,903 and 2008 Ad Valorem Taxable Valuation of \$2,439,636,660.

**City of Royal Oak
Debt Capacity Information
Computation of Legal Debt Margin
Last Ten Fiscal Years**

As of June 30	1999	2000	2001	2002
Valuation base				
State equalized valuation - excluding IFT values	\$ 1,743,314,170	\$ 1,921,398,510	\$ 2,074,699,490	\$ 2,209,484,430
Plus: equivalent valuation of Act 198 exemptions	10,185,250	11,612,945	9,847,979	6,807,130
Total valuation	<u>\$ 1,731,701,225</u>	<u>\$ 1,911,550,531</u>	<u>\$ 2,069,776,009</u>	<u>\$ 2,202,677,300</u>
Legal debt limitation - 10% of total valuation	\$ 173,170,122	\$ 191,155,053	\$ 206,977,600	\$ 220,267,730
Calculation of debt subject to limit:				
Debt outstanding	27,441,637	21,453,006	46,403,753	61,960,931
Less: Bonds not subject to limit	-	-	(18,972,592)	(29,601,232)
Net debt subject to limit	<u>24,186,637</u>	<u>19,228,006</u>	<u>26,311,161</u>	<u>32,359,699</u>
Additional Debt which can be legally incurred	<u>\$ 148,983,485</u>	<u>\$ 171,927,047</u>	<u>\$ 180,666,439</u>	<u>\$ 187,908,031</u>
Non-exempt debt as a percent of debt limit	13.97%	10.06%	12.71%	14.69%

Section 21 of Article VII of the Michigan Constitution establishes the City , subject to statutory and constitutional limitations for municipalities to incur debt for public purposes:

"The legislature shall provide by general laws for the incorporation of cities and villages. Such laws shall limit their rate of ad valorem property taxation for municipal purposes, and restrict the powers of cities and villages to borrow money and contract debts. Each city and village is granted power to levy other taxes for other public purposes, subject to the limitations and prohibitions provided by the constitution or by law."

In accordance with the foregoing authority granted to the State Legislature, the Home Rule Cities Act limits the amount of debt a home rule city may have outstanding at any time. Section 4-a of the Home Rule Cities Act provides:

"The net indebtedness incurred for all public purposes may be as much as but shall not exceed the greater of the following:

- (a) Ten percent of all the real and personal property of the city adjusted for tax abated property.
- (b) Fifteen percent of the assessed value of all the real and personal property in the city if that portion of the total amount of indebtedness incurred which exceeds 10% is or has been used solely for the construction or renovation of hospital facilities."

Significant exceptions to the debt limitation have been permitted by the Home Rule Cities Act for certain types of indebtedness which include: special assessment bonds and Michigan transportation fund bonds (formerly motor vehicle highway fund bonds), even though they are a general obligation of the City; revenue bonds payable from revenues only, whether secured by a mortgage or not; bonds issue or contract obligations or assessments incurred to comply with an order of the Water Resources Commission of the State or a court of competent jurisdiction; obligations incurred for water supply, sewage, drainage or refuse disposal or resource recovery projects necessary to protect the public health by abating pollution; and bonds issued for construction, improvements and replacement of a combined sewer overflow abatement facility. The resources of a sinking fund pledged for the retirement of outstanding bonds shall also be excluded in computing the debt limitation.

The ten percent limit may be exceeded by 3/8 of 1% in case of flood, fire or other calamity.

2004	2005	2006	2007	2008
\$ 2,602,654,075	\$ 2,746,054,460	\$ 2,871,525,690	\$ 3,012,515,470	\$ 3,114,268,450
2,992,560	288,540	132,820	1,588,625	2,465,930
<u>\$ 2,599,661,515</u>	<u>\$ 2,745,765,920</u>	<u>\$ 2,871,392,870</u>	<u>\$ 3,010,926,845</u>	<u>\$ 3,116,734,380</u>
\$ 259,966,151	\$ 274,576,592	\$ 287,139,287	\$ 301,092,684	\$ 311,673,438
71,432,873	74,867,058	75,282,703	71,837,383	70,918,655
(41,917,168)	(42,864,058)	(46,219,294)	(44,273,335)	(56,248,655)
<u>29,515,705</u>	<u>32,003,000</u>	<u>29,063,409</u>	<u>27,564,048</u>	<u>14,670,000</u>
<u>\$ 230,450,446</u>	<u>\$ 242,573,592</u>	<u>\$ 258,075,878</u>	<u>\$ 273,528,636</u>	<u>\$ 297,003,438</u>
11.35%	11.66%	10.12%	9.15%	4.71%

**City of Royal Oak
Debt Capacity Information
Pledged Revenue Coverage
Last Ten Fiscal Years**

Fiscal Year	Water Revenue Bonds						Coverage
	Water & Sewer Operating Revenue	Less: Applicable Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirement			
				Principal	Interest	Total	
1999	\$12,125,741	\$10,536,047	\$1,589,694	\$1,048,567	\$270,239	\$1,318,806	121%
2000	12,120,192	11,068,257	1,051,935	1,087,595	222,457	1,310,052	80%
2001	13,283,849	10,470,116	2,813,733	1,167,108	231,228	1,398,336	201%
2002	14,076,381	11,793,151	2,283,230	1,821,622	521,794	2,343,416	97%
2003	14,949,750	13,118,699	1,831,051	964,235	807,551	1,771,786	103%
2004	15,196,867	13,044,416	2,152,451	896,906	206,890	1,103,796	195%
2005	16,777,421	14,082,981	2,694,440	1,964,171	196,159	2,160,330	125%
2006	19,115,763	14,109,712	5,006,051	2,163,984	204,050	2,368,034	211%
2007	19,714,401	14,563,795	5,150,606	1,972,419	379,445	2,351,864	219%
2008	21,114,411	14,800,538	6,313,873	1,914,068	360,767	2,274,835	278%

Note: (1) Operating expenses net of depreciation and amortization.

**City of Royal Oak
Demographic and Economic Information
Demographic Statistics
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Population (1)	Number of Households (1)	Per Capita Income (2)	Median Age (2)	School Enrollment (3)	Royal Oak (4)		Michigan (4)	
						Labor Force	Unemployment Rate	Labor Force (000)	Unemployment Rate
1999	63,700	*	\$30,990	*	6,687	42,835	2.5%	5,089	3.8%
2000	60,062	28,788	*	36.9	6,620	39,066	1.9%	5,144	3.7%
2001	59,707	28,893	*	*	6,634	38,161	2.7%	5,144	5.2%
2002	59,223	28,902	*	*	6,555	37,325	3.5%	5,040	6.2%
2003	58,834	28,712	*	*	6,311	36,967	3.9%	5,033	7.1%
2004	58,485	28,678	36,469	38.6	6,017	36,325	3.6%	5,046	7.1%
2005	58,279	28,722	26,554	36.2	5,726	36,222	3.8%	5,070	6.9%
2006	57,984	28,760	39,579	39.3	5,496	35,892	3.7%	5,073	6.9%
2007	55,777	28,889	40,324	39.5	5,301	35,569	4.1%	5,020	7.2%
2008	54,903	28,674	40,762	39.9	5,270	35,302	5.0%	4,992	8.5%

**City of Royal Oak
Demographic and Economic Information
Principal Employers
Current Year and Nine Years Ago**

Taxpayer	1999			2008		
	Employees	Rank	Percentage of Total	Employees	Rank	Percentage of Total
William Beaumont Hospital	8,700	1	20.31%	8,700	1	24.64%
Royal Oak School District	666	4	1.55%	639	2	1.81%
City of Royal Oak	390	6	0.91%	339	3	0.96%
Kroger			-	260	4	0.74%
Meijer, Inc.	835	3	1.95%	250	5	0.71%
Consumers Energy	615	5	1.44%	220	6	0.62%
Form Tech Industries LLC	260	11	0.61%	214	7	0.61%
Detroit Zoological Society			-	208	8	0.59%
Flex-N-Gate Royal Oak			-	200	9	0.57%
Holiday Market			-	160	10	0.45%
National City Bank	840	2	1.96%			-
Masco Industries	340	7	0.79%			-
Hawthorne Metal Products	320	8	0.75%			-
Deco Grand Inc.	310	9	0.72%			-
Judson Center	290	10	0.68%			-
Total	13,566		31.67%	11,190		31.70%

Note: Sources include Oakland County Planning and Economic Development, School District of the City of Royal Oak and City of Royal Oak

**City of Royal Oak
Operating Information
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years**

<u>Function / Program</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Government										
City hall	1	1	1	1	1	1	1	1	1	1
Court (in city hall to FY 2000)	-	-	1	1	1	1	1	1	1	1
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Marked patrol vehicles	*	33	33	33	32	33	32	32	31	29
Other police vehicles	*	20	21	21	23	23	23	21	15	16
Fire										
Fire stations	3	3	3	3	3	3	3	3	3	3
Fire response vehicles	*	8	8	8	9	9	8	8	8	8
Ambulance vehicles	*	4	4	6	4	4	4	4	4	4
Mobile command center	-	-	-	-	-	-	-	1	1	1
Public Parking										
Spaces	3,250	3,250	3,250	3,459	3,464	3,719	3,557	3,445	3,445	3,424
Decks	1,041	1,041	1,041	1,532	1,532	1,532	1,532	1,532	1,532	1,532
Lots	1,036	1,036	1,036	862	867	923	923	778	821	1,092
Streets	671	678	682	690	690	696	675	757	757	750
Meters	1,848	1,855	1,859	1,693	1,693	1,760	1,739	1,676	1,717	1,950
Parks and Recreation										
Community center	1	2	2	2	2	2	2	2	2	2
Number of parks	50	50	50	50	50	50	50	50	50	50
Park acreage	310	310	310	310	310	310	310	310	310	310
Golf courses/holes	2 / 9 ea.									
Indoor ice skating surfaces	2	2	2	2	2	2	2	2	2	2
Tennis courts	35	33	33	33	33	33	33	33	33	33
Library										
Branches	1	1	1	1	1	1	1	1	1	1
Collection -number of items	114,448	111,007	115,217	111,080	117,596	131,989	139,309	132,186	139,843	153,499
Public computers	*	23	23	23	23	23	23	36	36	36
Roads and Sidewalks										
Miles of major streets	*	*	*	*	*	*	*	*	64.40	64.40
Miles of local streets	*	*	*	*	*	*	*	*	148.27	148.27
Miles of sidewalk	*	*	*	*	*	*	*	*	420	420
Utilities										
Water										
Miles of water main	*	*	*	215	215	215	215	215	215	215
Miles of sewer	*	*	*	357	357	357	357	357	357	357
Number of hydrants	*	*	*	2042	2049	2054	2057	2062	2064	2064
Forestry										
Number of trees in rights-of-way	21,596	*	*	*	*	*	*	*	21,138	23,121

Note: * Information not available

City of Royal Oak
Operating Information
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function / Program	Fiscal Year Ending June 30									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Election data (calendar year)										
Registered voters	52,191	52,812	51,714	48,849	48,700	49,605	47,098	46,047	46,111	*
Elections held	4	4	4	3	2	3	3	3	1	*
Voters (at the polls or absentee)	8,493	32,102	11,455	24,575	10,808	3,523	16,645	27,746	8,222	*
Percent voting	17.0%	60.8%	22.2%	50.3%	22.2%	71.0%	35.3%	60.3%	17.8%	*
Vital Records (calendar year)										
Birth	6,496	7,013	6,787	6,825	7,114	6,658	6,230	6,094	6,107	*
Death	1,957	1,950	2,011	1,990	1,947	2,016	1,994	1,995	2,143	*
District Court										
Number of court cases by judges	6,022	5,494	4,408	6,297	7,402	6,934	6,946	7,689	7,404	7,768
Number of court cases by magistrates	5,780	4,997	4,567	6,976	8,818	8,233	9,441	10,725	8,463	9,926
Number of traffic tickets handled	21,611	18,312	13,555	15,130	28,091	23,940	25,503	27,157	28,146	24,626
Number of criminal cases handled	2,522	2,477	1,625	1,922	2,589	2,020	2,861	2,706	2,986	4,376
Number of civil cases handled	2,107	2,027	2,160	2,299	2,722	2,666	2,430	2,662	2,765	3,138
Number of parking tickets handled	58,325	50,625	59,291	61,039	72,772	90,700	81,211	68,526	86,140	91,226
Assessing										
Parcels (tax / calendar year)	22,857	22,874	22,909	23,029	23,053	23,209	23,328	24,172	24,280	27,867
Documents processed (prior to 2008 PTAs only)	1,407	1,478	1,415	1,184	1,128	1,358	1,033	864	841	3,344
Building and Safety (calendar year, 2008 through June 30)										
Permits issued	2,150	1,911	1,044	2,053	2,012	1,907	1,730	1,522	1,375	599
Estimated permit value (\$000)	\$43,026	\$39,377	\$165,812	\$50,060	\$54,410	\$83,172	\$106,404	\$109,009	\$53,464	\$24,425
Permit inspections conducted										
Police (calendar year)										
Calls for service	*	30,971	31,365	30,717	32,669	33,077	34,340	33,733	31,743	*
Group A offenses	*	*	3,462	3,277	3,401	3,286	3,635	3,899	3,776	*
Group B offenses	*	*	1,384	1,296	1,496	1,769	2,260	2,205	2,621	*
Traffic violations issued	*	9,720	11,869	22,695	21,884	23,832	23,236	26,956	21,635	*
Parking violations issued	*	*	*	*	*	*	80,314	67,519	92,136	*
Fire										
Fire runs	1,287	1,260	1,358	1,281	1,484	1,510	1,585	1,492	1,425	1,922
Emergency medical runs	3,577	3,610	3,434	3,388	3,518	3,608	3,648	3,573	2,913	3,472
Inspections	*	*	*	*	*	*	165	259	261	271
Human Resources										
Employment applications - full & part-time	*	1,149	926	1,844	489	975	1,383	985	986	329
Hires, position changes, retirements, terminations	*	105	78	99	67	89	55	64	45	61
Workers' comp. claims filed - medical & indemnity	*	120	114	119	123	102	93	59	62	83
Health insurance enrollees - Employees	*	*	*	346	350	340	330	321	311	300
Health insurance enrollees - Retirees	*	*	*	379	369	382	387	386	389	380

City of Royal Oak
Operating Information
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function / Program	Fiscal Year Ending June 30									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Library (The library was closed for eight months in FY 2006 during remodeling.)										
Cardholders - new registrations	*	*	*	*	*	*	*	*	*	4,415
Cardholders - total registrations	33,795	25,335	23,087	22,817	22,656	23,894	27,077	29,812	24,364	25,771
Circulation - number of transactions	201,712	210,332	218,612	201,409	249,277	259,987	233,555	155,864	336,445	360,333
Number of visitors	257,470	251,432	257,592	249,140	257,121	252,705	232,888	75,000	296,578	481,986
Number of computer uses	*	19,084	28,600	24,388	38,428	33,888	38,902	31,037	104,043	97,482
Number of programs/events offered	*	*	*	*	*	*	*	*	345	435
Number of program/event attendees	*	*	*	*	*	*	*	*	9,513	13,180
Parks and recreation										
Ice rental and other use (hours per calendar year)	*	*	*	*	8,153	7,927	7,269	7,702	7,458	*
Recreation program participants	*	*	*	*	*	*	11,694	12,527	15,124	15,756
Golf Course										
Rounds of Golf - Normandy Oaks	*	*	*	*	*	*	*	*	15,107	17,230
Rounds of Golf - Royal Oak	*	*	*	*	*	*	*	*	25,883	27,140
Senior Programs										
Senior activity sessions	*	*	*	*	5,501	5,500	4,654	4,585	4,000	3,794
Senior activity participants	*	*	*	*	115,610	115,000	103,699	98,685	70,909	93,275
Senior meals served on-site and delivered	*	*	*	*	36,983	33,320	37,439	55,712	62,100	42,168
Senior transportation trips	*	*	*	*	16,320	17,839	17,757	17,321	18,000	18,120
Senior AGE program - service hours	*	*	*	*	15,000	23,500	24,000	24,000	24,000	24,000
Senior ROSES program in-home support jobs	*	*	*	*	*	3,297	2,995	2,300	2,000	2,045
Public Works / Engineering										
Miles of street resurfaced	0.74	3.90	7.99	9.02	8.17	7.44	0.69	0.46	0.00	2.11
Square feet of sidewalk - removed & replaced	284,335	166,990	277,183	236,280	247,653	329,240	230,710	329,738	*	22,364
Square feet of sidewalk - new	18,479	9,599	4,731	28,732	20,389	14,879	35,628	55,311	*	9,973
Curbside refuse collected (tons)	*	*	*	*	31,785	32,403	30,185	28,620	27,778	28,690
Curbside compost collected (tons)	*	*	*	*	11,073	9,739	8,830	6,706	9,006	10,829
Curbside recycleables collected (tons)	*	*	*	*	4,244	4,279	4,069	3,477	3,043	3,415
Leaf collection (tons)	*	*	*	*	7,005	6,611	6,662	9,680	3,900	5,125
Feet of watermain - replaced	0	3,600	2,421	1,792	428	3,620	3,892	3,830	3,693	8,373
Feet of watermain - new	647	292	202	4,200	0	270	1,395	306	1,165	1,160
Feet of sewer - replaced	1,000	556	3,318	245	0	612	0	3,111	579	1,625
Feet of sewer - new	121	2,721	427	1,638	0	95	0	0	1,708	2,155
Utilities - Water and Sewer										
Number of customers billed	*	23,541	23,563	23,584	23,605	23,669	23,743	23,802	23,848	23,873
Water units purchased (100 cubic feet)	*	*	*	349,899,600	349,899,600	318,265,000	308,870,900	315,553,300	332,034,800	293,807,500
Water units billed (100 cubic feet)	*	339,723,500	313,703,776	328,446,202	328,446,202	305,206,073	292,866,093	304,626,900	280,103,918	288,715,060
Wastewater units disposed (100 cubic feet)	*	*	*	*	*	*	*	311,874,000	302,249,700	293,592,500

City of Royal Oak
Operating Information
Authorized Full-time Employees by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year Ending June 30,									
	1999 (2)	2000	2001	2002	2003	2004	2005	2006	2007	2008
44th District Court/Probation	-	20	20	22	23	23	23	20	22	22
Administrative Services										
Manager	-	2.5	2.5	2.5	2.5	2.5	2	2	2	2
Attorney	-	4	4	4	4	4	4	5	4	5
City Clerk	-	7	7	7	7	7	6.5	4	4	4
Human Resources	-	4.5	4.5	4.5	3.5	4.5	4	4	4	4
Purchasing	-	1	1	1	1	1	0.5	1	1	1
Building	-	17	18	19	12	12	12	11	11	11
Code Enforcement	-	-	-	-	7	7	7	6	5	5
Engineering	-	11	11	12	12	12	9	11	10	10
Planning	-	5	5	5	5	5	5	6	5	5
Block Grant	-	3	0	3	3	3	3	3	3	3
Housing	-	2	0	2	2	2	2	2	2	2
Finance Group	-	7	7	7	7	7	6	6	6	6
Assessing	-	5	5	5	5	5	5	5	4	4
Treasurer	-	5	5	5	5	5	5	5	5	5
Water Billing	-	2	2	2	1	2	2	2	2	2
Information Systems	-	5	5	5	6	6	6	6	6	6
Subtotal	-	81	77	84	83	85	79	79	74	75
Library	-	14	14	15	15	15	15	12	14	13
Public Safety										
Police	-	113	122	122	123	123	117	107	106	107
Fire	-	71	72	72	72	72	68	70	65	63
Subtotal	-	184	194	194	195	195	185	177	171	170
Recreation & Public Services										
Public Service										
Parks & Forestry	-	16	16	16	16	16	14	13	8	8
CH Building Maintenance	-	2	2.5	2	2	2	2	2	2	2
Highway	-	23	23	22	23	23	20	14	16	16
Motor Pool	-	12	12	12	12	12	12	12	12	12
Electrical	-	2	2	2	2	2	2	2	2	1
Solid Waste	-	1	1	1	0	0	1	1	1	1
Water Maintenance	-	9	9	9	9	9	9	8	9	9
Water Meter Services	-	6	6	6	6	6	6	6	6	6
Sewer Maintenance	-	10	10	10	10	10	10	9	9	9
Auto Parking	-	3	3	3	3	3	3	3	3	3
Recreation	-	4	3.5	4	2	4	4	3	2	2
Ice Arena	-	1	1	1	0	1	1	1	1	1
Senior Services	-	2	2	2	2	2	2	2	2	2
Subtotal	-	91	91	90	87	90	86	76	73	72
Total	-	390	396	405	403	408	388	364	354	352

Note:
(1) Positions are authorized budget positions as approved in the original budget.
(2) Information is not available.