

**CHARTER TOWNSHIP OF  
ROYAL OAK**

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**Financial Report  
with Supplemental Information  
December 31, 2014**

# CHARTER TOWNSHIP OF ROYAL OAK

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# Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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LARRY WILKERSON, C.P.A.  
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To the Township Board  
Charter Township of Royal Oak

## **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Charter Township of Royal Oak (“the Township”), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Charter Township of Royal Oaks’s basic financial statements as listed in the table of contents.

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

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

### ***Auditor’s Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Charter Township of Royal Oak as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 15, during the year ended December 31, 2014, The Township adopted the provisions of, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

On April 21, 2014 the Township entered into a Consent Agreement with State Treasurer, R. Kevin Clinton, a Michigan state officer (“State Treasurer”). The State of Michigan determined that a financial emergency exists within the Township under the Local Financial Stability and Choice Act, 2012 PA 436, MCL 141.1541 to MCL 141.1575 (“ACT 436”). To address the financial emergency, The Township has selected the consent agreement option section 8 of Act 436, where the State Treasurer offers state financial management and technical assistance as necessary to alleviate the financial emergency. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charter Township of Royal Oak’s basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

*Wilkinson & Associate PC*

June 30, 2015

# **CHARTER TOWNSHIP OF ROYAL OAK**

## **Management's Discussion and Analysis**

Our discussion and analysis of the Charter Township of Royal Oak's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2014. Please read it in conjunction with the Township's financial statements.

### **FINANCIAL HIGHLIGHTS**

- The Township's total net position increased by \$1.24 million. The governmental activities net position increased by \$1.16 million and the business-type net position increased by \$78,108.
- At the end of the fiscal year, the Township's governmental funds reported a combined ending fund balance of \$807,869, an increase of \$1.26 million from the previous year.
- At the end of the current fiscal year, the unreserved undesignated fund balance for the General Fund was \$154,092.
- The State Treasurer declared that the Township had a financial emergency because of the decline in the Township's financial condition. Therefore, on April 21, 2014 The Township entered into a Consent Agreement with the State of Michigan under the Local Financial Stability Act, 2012 PA 436, MCL 141.1541 to MCL 141.1575 (" ACT 436"), to address the financial emergency. The Township selected the consent agreement option 8, of Act 436, where the State Treasurer offers financial management and technical assistance as necessary to alleviate the financial emergency. A Consent Agreement Consultant was appointed on May 23, 2014. Since that time, the renegotiation of high dollar contracts along with a reduction in spending has resulted in a positive net position for the Township.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is an introduction to the Township's basic financial statements. The Township's basis financial statements are comprised of three components.

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

The financial statement's focus is on both the Township as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow users to address relevant questions, broaden a basis for comparison (interpreted or intergovernmental) and enhance the Township's accountability. This report also contains supplementary information in addition to the basic financial statements, which further explains and supports the information presented in these statements.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances. The Statement of Net Position and the Statement of Activities are designed to be corporate-like in that all the governmental and business-type activities are

# CHARTER TOWNSHIP OF ROYAL OAK

## Management's Discussion and Analysis

consolidated into columns, which add to a total for the Primary Government. These statements should help the reader to answer the question: Is the Township, as a whole, better off or worse off as a result of this year's activities. These statements include all non-fiduciary position and liabilities using the accrual basis of accounting. The current year's revenues and expenses are recognized regardless of when cash is received or paid.

The focus of the Statement of Net Position is designed to be similar to the bottom line results for the Township and its governmental and business-type activities. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital position and long-term obligations (total economic resources). This statement presents all of the Township's position and liabilities, with the difference between the two reported as "net position". Over time, increases and decreases in net position may indicate whether the Township's financial position is improving or deteriorating. However, in order to assess the overall health of the Township, non-financial factors such as the Township's property tax base and condition of the Township's infrastructure may also need to be considered.

The Statement of Activities is focused on both the gross and net cost of the various activities (governmental, business-type, and component unit) which are supported by the Township's general tax and other revenues. The presentation is intended to summarize and simplify the user's analysis of the cost of the various governmental services and/or the subsidy to various business-type activities and/or component units. The statement shows how the Township's net position changed during the fiscal year. All changes in net position are reported when the underlying events occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (i.e., uncollected taxes and earned but used vacation leave).

Both statements report two activities:

1. *Governmental Activities:* Most of the Township's basic services (i.e., police, fire, public works, parks, etc.) are reported under this category. Taxes and intergovernmental revenues generally fund these services. The Township's governmental activities include general government, police, fire, building and safety, public works, recreation and culture, library, community enrichment and development, road maintenance and repair and tax refund.
2. *Business-Type Activities:* The operation of this Enterprise Fund is managed and operated by the Oakland County Water Resource Commissioners Office. They provide the Township with quarterly **unaudited** financial reports related to Net Position and revenues, expenditures and changes in net position. The Township charges fees to customers to help cover all or most of the cost of certain services it provides. The Resource Commission operates one business-type activity that reflects private sector type operations: Water and Sewer service.

### FUND FINANCIAL STATEMENTS

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. These statements provide more detailed information about the Township's most significant funds (Major Funds), not the Township as a whole. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Township uses to maintain control over resources that have been segregated for specific activities or objectives. In addition to major funds, the Township presents individual fund data for non-major funds in the supplementary information section. All of the funds of the township can be divided into three

# CHARTER TOWNSHIP OF ROYAL OAK

## Management's Discussion and Analysis

categories: governmental, proprietary, and fiduciary. Each category uses different accounting approaches.

### *Governmental Funds:*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund statements are presented on a modified accrual basis, which focuses on the near-term sources and use of available resources. This is the manner in which the budget is typically developed. The Township establishes Funds for various purposes, and the Fund Financial Statements allow the demonstration of sources and uses and/or budgetary compliance associated therewith. Governmental Funds include the general fund, special revenue funds, capital project funds, and debt service funds.

The focus of governmental funds (current financial resources) is narrower than that of the government-wide financial statements (total economic resources). Therefore, the reader may better understand the long-term impact of the Township's near-term financing decision by comparing information presented for governmental funds with the information presented for the governmental activities in the government-wide financial statements. The governmental funds' Balance Sheet, Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison.

### *Proprietary Funds:*

Proprietary funds are used to account for services provided by the Township where the Township charges customers (whether external or internal) for the services it provides. These funds use accrual accounting; the same method used by private sector businesses. The Township maintains one type of proprietary fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Oakland County Water Resources Commissioners office on behalf of the Township, used enterprise funds to account for its Water and Sewer service.

### *Fiduciary Funds:*

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. While these funds represent trust responsibilities of the Township, these position are restricted in purpose and do not represent discretionary position of the Township. Therefore, these position are not reflected in the government-wide financial statements. The Township acts as a trustee or fiduciary for its employee deferred compensation plan. It is a trustee/agent for the other governmental units for which it collects tax payments. The Township is responsible for ensuring that the net position reported in these funds is used for their intended purpose. The Township's fiduciary activities are reported in separate Statements of Fiduciary Net Position. These funds are reported using accrual accounting.

## **NOTES TO BASIC 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.

# **CHARTER TOWNSHIP OF ROYAL OAK**

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## **Management's Discussion and Analysis**

### **ADDITIONAL REQUIRED SUPPLEMENTARY INFORMATION**

Following the basis financial statements is additional required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes budgetary comparison schedules.

### **NON-MAJOR GOVERNMENTAL FUNDS**

Following the required supplementary information is combining financial statements for non-major governmental funds. These funds are added together and presented in a single column in the basic financial statements, but are not reported individually, as with major funds, on the governmental fund financial statements.

### **FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In 2014, the Township's net position exceeded its assets at the end of the fiscal year by \$620,049. However, \$(144,081) of the Township's net position represents its investment in capital position (e.g., land, roads, storm sewers, water and sewer systems, building, and equipment) less any related debt used to acquire or construct the net position that is still outstanding. The Township uses the capital position to provide essential services to citizens; therefore, these net positions are not available for future spending. Although the Township's investment in capital position is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources because the capital position itself cannot be used to liquidate these liabilities.

# CHARTER TOWNSHIP OF ROYAL OAK

## Management's Discussion and Analysis

### TOWNSHIP OF ROYAL OAK'S NET POSITION

	Governmental Activities		Business-Type Activities		Total Activities	
	2014	2013	2014	2013	2014	2013
Current Assets	\$ 2,372,342	\$ 1,672,836	\$ 568,355	\$ 513,762	\$ 2,940,697	\$ 2,186,598
Capital Assets	735,388	832,596	-	-	735,388	832,596
<b>TOTAL ASSETS</b>	<b>3,107,730</b>	<b>2,505,432</b>	<b>568,355</b>	<b>513,762</b>	<b>3,676,085</b>	<b>3,019,194</b>
Current Liabilities	300,512	707,363	36,455	59,971	336,967	767,334
Long-Term Liabilities	832,491	914,633	-	-	832,491	914,633
<b>TOTAL LIABILITIES</b>	<b>1,133,003</b>	<b>1,621,996</b>	<b>36,455</b>	<b>59,971</b>	<b>1,169,458</b>	<b>1,681,967</b>
Deferred Inflows of Resources	\$ 1,345,678	1,492,533				
Net Assets:						
Invested in Capital, Net						
of Related Debt	\$ (144,081)	\$ (161,347)	\$ -	\$ -	\$ (144,081)	\$ (161,347)
Restricted	620,038		270,248	236,163	890,286	236,163
Unrestricted	153,092	(447,750)	261,652	217,629	414,744	(230,121)
<b>TOTAL NET ASSETS</b>	<b>\$ 629,049</b>	<b>\$ (609,097)</b>	<b>\$ 531,900</b>	<b>\$ 453,792</b>	<b>\$ 1,160,949</b>	<b>\$ (155,305)</b>

Further, the Township is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

# CHARTER TOWNSHIP OF ROYAL OAK

## Management's Discussion and Analysis

### TOWNSHIP OF ROYAL OAK'S CHANGE IN NET POSITION

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2014	2013	2014	2013	2014	2013
Revenues:						
Charges for Services	\$ 71,213	\$ 50,641	\$ 1,176,132	\$ 1,054,046	\$ 1,247,345	\$ 1,104,687
Operating Grant	-	-	-	-	-	-
General Revenues:						
Taxes and Special						
Assessment	1,412,968	1,503,590	-	-	1,412,968	1,503,590
State Shared	499,136	430,513	-	-	499,136	430,513
Other	948,498	251,493	-	-	948,498	251,493
Investment Earnings	515	519	-	-	515	519
<b>Total Revenues</b>	<b>\$ 2,932,330</b>	<b>\$ 2,236,756</b>	<b>\$ 1,176,132</b>	<b>\$ 1,054,046</b>	<b>\$ 4,108,462</b>	<b>\$ 3,290,802</b>
	2014	2013	2014	2013	2014	2013
Expenses						
General Government	\$ 912,877	\$ 815,401	\$ -	\$ -	\$ 912,877	\$ 815,401
Police	59,831	698,281	-	-	59,831	698,281
Fire	268,957	336,316	-	-	268,957	336,316
Public Works	184,534	144,405	-	-	184,534	144,405
Recreation and Culture	233,880	193,593	-	-	233,880	193,593
Community Development	14,611	20,916	-	-	14,611	20,916
Depreciation	97,208	101,956	-	-	97,208	101,956
Water and Sewer	-	-	1,098,024	1,127,116	1,098,024	1,127,116
<b>Total Expenses</b>	<b>1,771,898</b>	<b>2,310,868</b>	<b>1,098,024</b>	<b>1,127,116</b>	<b>2,869,922</b>	<b>3,437,984</b>
<b>increase in Net Assets</b>	<b>\$ 1,158,432</b>	<b>\$ (74,112)</b>	<b>\$ 78,108</b>	<b>\$ (103,947)</b>	<b>\$ 1,236,540</b>	<b>\$ (178,059)</b>

#### Governmental Activities:

Governmental activities increased the Township's net position by \$1.16 million. Key factors of this increase are as follows:

- The Township realized an increase in revenues with a \$619,822 refund from MERS because the Township pension fund was in excess of the 130% required by MERS.
- High-dollar contracts were renegotiated resulting in a reduction of overall spending. Police expenditures were \$58,831 in 2014 versus \$698,281 in 2013 because Michigan State Police are temporarily providing police protection services for the Township at no

# CHARTER TOWNSHIP OF ROYAL OAK

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## Management's Discussion and Analysis

charge. Additionally, the Fire Fund expenditures have decreased by \$67,334 due to the renegotiation of the contract with the City of Ferndale.

### *Business-Type Activities:*

Business-type activities increased the Township's net position by \$78,108

- The Township does not have access to these funds because they are managed by the Oakland County Water Resources Commissioners office.

## **FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

As the Township completed the year, its governmental funds reported combined fund balances of \$807,869.

### *General Fund:*

The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, the unreserved fund balance was \$153,092. Total fund balance increased by \$600,842 during the fiscal year.

## **CAPITAL POSITION AND DEBT ADMINISTRATION**

### *Capital Position:*

The Township investment in capital position for its governmental activities as of December 31, 2014 amounts to \$735,387 (net of accumulated depreciation). This investment includes a broad range of capital position, which is detailed in the table below. The total decrease in the Township's net investment in capital position for the current fiscal year was \$97,208 (depreciation expense).

# CHARTER TOWNSHIP OF ROYAL OAK

## Management's Discussion and Analysis

### NET CAPITAL POSITION AT YEAR END

	Governmental Activities	
	2014	2013
Capital assets not depreciated:		
Land	\$ 240,000	\$ 240,000
Capital assets being depreciated:		
Computers	-	-
Equipment		-
Infrastructure	495,388	565,738
Landscaping Equipment	-	-
Office Furniture	-	-
Vehicles	-	26,858
Net Capital Assets	<u>\$ 735,388</u>	<u>\$ 832,596</u>

#### *Long-Term Debt:*

At the end of the fiscal year, the Township had total long-term bonds and notes outstanding of \$914,320.

### OUTSTANDING DEBT AT YEAR END

	Governmental Activities
General Obligation Bonds (Backed by the Township)	\$ 914,320
Notes Payable	-
	<u>\$ 914,320</u>

State statutes limit the amount of general obligation debt the Township can issue to 10% of its total state equalized assessed value of property. The Township's total general obligation debt of \$914,320 is significantly lower than the current state-imposed limit.

### **BUDGET**

The general fund had total expenditures exceed budgeted expenditures by \$167,366. The major special revenue funds had total expenditures exceed budgeted expenditures by \$31,695. The expenditures for the 2015 fiscal year will be adjusted to compensate for the over-expenditure for 2014.

### **CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to the following:

Charter Township of Royal Oak  
21131 Gardenlane, 2<sup>nd</sup> Floor  
Ferndale, MI 48220

**CHARTER TOWNSHIP OF ROYAL OAK  
GOVERNMENT WIDE  
STATEMENT OF NET POSITION  
DECEMBER 31, 2014**

	<u>Primary Government</u>			Downtown Development Authority
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 871,101	\$ -	\$ 871,101	\$ 51,493
Accounts Receivable	155,563	-	155,563	-
Property Taxes Receivable	1,345,678	-	1,345,678	81,414
Land- property purchases	-	-	-	153,335
<b>Total Current Assets</b>	<u>2,372,342</u>	<u>-</u>	<u>2,372,342</u>	<u>286,242</u>
<b>Noncurrent Assets</b>				
Capital assets not subject to depreciation	240,000	-	240,000	-
Capital assets subject to depreciation-Net	495,388	-	495,388	-
<b>Total Noncurrent Assets</b>	<u>735,388</u>	<u>-</u>	<u>735,388</u>	<u>-</u>
<b>Total Assets</b>	<u>\$ 3,107,730</u>	<u>\$ -</u>	<u>\$ 3,107,730</u>	<u>\$ 286,242</u>
<b>Current Liabilities</b>				
Accounts Payable	\$ 207,868	\$ -	\$ 207,868	\$ 2,569
Notes Payable	-	-	-	67,299
Accrued Wages Payable	10,905	-	10,905	-
Bonds Payable, Due within One Year	81,739	-	81,739	-
<b>Total Current Liabilities</b>	<u>300,512</u>	<u>-</u>	<u>300,512</u>	<u>69,868</u>
<b>Deferred Inflows of Resources (Note 4)</b>				
Property taxes levied for the following year	1,345,678	-	1,345,678	81,414
<b>Noncurrent Liabilities</b>				
Bonds Payable	832,491	-	832,491	-
<b>Total Deferred Inflows &amp; Noncurrent Liabilities</b>	<u>2,178,169</u>	<u>-</u>	<u>2,178,169</u>	<u>81,414</u>
<b>Total Liabilities</b>	<u>2,478,681</u>	<u>-</u>	<u>2,478,681</u>	<u>151,282</u>
<b>Net Position</b>				
Net investment in Capital Assets	(144,081)	-	(144,081)	-
Restricted	620,038	-	620,038	134,960
Unrestricted	153,092	-	153,092	-
<b>Total Net Position</b>	<u>\$ 629,049</u>	<u>-</u>	<u>\$ 629,049</u>	<u>\$ 134,960</u>

See accompanying notes and accountant's report

**CHARTER TOWNSHIP OF ROYAL OAK  
STATEMENT OF ACTIVITIES  
DECEMBER 31, 2014**

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Component Unit
		Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets	
<b>Functions/Programs</b>					
<b>Governmental activities:</b>					
General Governmental	\$ 777,163	\$ 71,213	\$ -	\$ (705,950)	\$ -
Police	59,831	-	-	(59,831)	-
Fire	268,957	-	-	(268,957)	-
Building and Grounds	135,714	-	-	(135,714)	-
Public Works	184,534	-	-	(184,534)	-
Recreation & Culture	233,880	-	-	(233,880)	-
Community Development	14,611	-	-	(14,611)	76,677
Depreciation	97,208	-	-	(97,208)	-
<b>Total Primary Government</b>	<b>1,771,898</b>	<b>71,213</b>	<b>-</b>	<b>(1,700,685)</b>	<b>76,677</b>
Taxes					
Property Taxes, Levied for General Operations			\$ 1,412,968		\$ 78,045
State shared revenue			499,136		-
Interest income			515		-
Other			946,498		-
Total General Revenues			2,859,117		78,045
Change in Net Position			1,158,432		1,368
Net Position Beginning of Year			(529,383)		133,592
Net Position End of Year			\$ 629,049		\$ 134,960

See accompanying notes and accountant's report

**CHARTER TOWNSHIP OF ROYAL OAK  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014**

	General	Police	Fire	Recreation	Other Nonmajor Governmental Funds	Totals
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 806,953	\$ 4,352	\$ 516	\$ 20,952	\$ 38,328	\$ 871,101
Accounts Receivable	155,563	-	-	-	71,013	226,576
Due from other funds	377,242	251,918	11,306	96,869	177,245	914,580
Taxes Receivable - Current	244,501	547,248	263,966	112,718	-	1,168,433
	<u>244,501</u>	<u>547,248</u>	<u>263,966</u>	<u>112,718</u>	<u>-</u>	<u>1,168,433</u>
Total assets	<u>\$ 1,584,259</u>	<u>\$ 803,518</u>	<u>\$ 275,788</u>	<u>\$ 230,539</u>	<u>\$ 286,586</u>	<u>\$ 3,180,690</u>
<b>LIABILITIES AND FUND BLANACE</b>						
Liabilities						
Accounts Payable	\$ 94,901	\$ 13,175	\$ 15,896	\$ 33,342	\$ 50,554	\$ 207,868
Accrued Wages Payable	9,912	-	-	575	418	10,905
Deferred Inflow- taxes levied for the following year	244,501	547,248	263,966	112,718	177,245	1,345,678
Due to Other Funds	461,815	188,940	44,648	41,381	71,564	808,348
	<u>461,815</u>	<u>188,940</u>	<u>44,648</u>	<u>41,381</u>	<u>71,564</u>	<u>808,348</u>
Total liabilities	<u>811,129</u>	<u>749,363</u>	<u>324,510</u>	<u>188,016</u>	<u>299,781</u>	<u>2,372,799</u>
<b>FUND BALANCE</b>						
Reserved Debt Service	620,038	-	-	-	-	620,038
Unreserved and Undesignated	153,092	54,155	(48,722)	42,523	(13,195)	187,853
	<u>153,092</u>	<u>54,155</u>	<u>(48,722)</u>	<u>42,523</u>	<u>(13,195)</u>	<u>187,853</u>
Total Fund Balance	<u>773,130</u>	<u>54,155</u>	<u>(48,722)</u>	<u>42,523</u>	<u>(13,195)</u>	<u>807,891</u>
	<u>773,130</u>	<u>54,155</u>	<u>(48,722)</u>	<u>42,523</u>	<u>(13,195)</u>	<u>807,891</u>
Total Liabilities and Fund Balance	<u>\$ 1,584,259</u>	<u>\$ 803,518</u>	<u>\$ 275,788</u>	<u>\$ 230,539</u>	<u>\$ 286,586</u>	<u>\$ 3,180,690</u>
Total Governmental Fund Balances						\$ 807,891
Amounts reported for Governmental Activities in the Statement of Net Assets are different because capital assets used in Governmental Activities are not financial resources, and are not reported in the funds						
Cost of Capital Assets					4,505,873	
Accumulated Depreciation					<u>(3,770,485)</u>	735,388
Long-Term Liabilities are not due and payable in the current period and are reported in the fund						
Oakland County Drain						<u>(914,230)</u>
Net Position of Governmental Activities						<u>\$ 629,049</u>

See accompanying notes and accountant's report

**CHARTER TOWNSHIP OF ROYAL OAK**  
**STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2014**

	General	Police	Fire	Recreation	Other Nonmajor Governmental Funds	Totals
<b>Revenues</b>						
Local Sources	\$ 1,220,773	\$ 591,476	\$ 283,039	\$ 136,477	\$ 199,429	\$ 2,431,194
State Sources	499,136	-	-	-	-	499,136
Federal Sources	-	-	-	-	-	-
Total Revenues	<u>1,719,909</u>	<u>591,476</u>	<u>283,039</u>	<u>136,477</u>	<u>199,429</u>	<u>2,930,330</u>
<b>Expenditures</b>						
Legislative Expenses	227,962	-	-	-	-	227,962
Supporting Service	473,426	-	-	-	-	473,426
Senior Center	75,775	-	-	-	-	75,775
Public Safety	-	59,831	268,957	-	-	328,788
Public Works	14,770	-	-	-	169,764	184,534
Community Development	14,577	-	-	-	34	14,611
Recreation and Culture	-	-	-	144,702	89,178	233,880
Building and grounds	135,714	-	-	-	-	135,714
Total Expenditures	<u>942,224</u>	<u>59,831</u>	<u>268,957</u>	<u>144,702</u>	<u>258,976</u>	<u>1,674,690</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>777,685</u>	<u>531,645</u>	<u>14,082</u>	<u>(8,225)</u>	<u>(59,547)</u>	<u>1,255,640</u>
<b>Other Financing Sources (Uses)</b>						
Operating Transfers In	26,897	-	-	12,000	19,500	58,397
Operating Transfers Out	(58,397)	-	-	-	-	(58,397)
Total Other Financing Sources (uses)	<u>(31,500)</u>	<u>-</u>	<u>-</u>	<u>12,000</u>	<u>19,500</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	746,185	531,645	14,082	3,775	(40,047)	1,255,640
<b>Fund Balance Beginning of Year</b>	<u>26,945</u>	<u>(477,490)</u>	<u>(62,804)</u>	<u>38,748</u>	<u>26,852</u>	<u>(447,749)</u>
<b>Fund Balance End of Year</b>	<u>\$ 773,130</u>	<u>\$ 54,155</u>	<u>\$ (48,722)</u>	<u>\$ 42,523</u>	<u>\$ (13,195)</u>	<u>\$ 807,891</u>

See accompanying notes and accountant's report

**CHARTER TOWNSHIP OF ROYAL OAK**  
**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF ACTIVITIES**  
**DECEMBER 31, 2014**

**Net Change in Fund Balance - Total Governmental Funds** \$ 1,255,640

Amounts reported for Governmental Activities in the statement of Activities are different because Governmental Funds report Capital Outlays as Expenditures in the Statement of Activities; these costs are allocated over their estimated useful lives as Depreciation.

Depreciation Expense	\$ (97,208)	
Capital Outlay	<u>          -</u>	(97,208)

Accrued interest is recorded in the Statement of Activities when incurred; it is not reported in Governmental Funds until paid.		-
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Repayment of Bond Principal is an Expenditure in the Governmental Fund, but not in the Statement of Activities (where it reduces Long-Term Debt)		-
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Increases in Compensated Absences are reported as Expenditures when financial resources are used in the Governmental Funds.		<u>          -</u>
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**Change in Net Position of Governmental Activities** \$ 1,158,432

See accompanying notes to financial statements

**CHARTER TOWNSHIP OF ROYAL OAK**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**ENTERPRISE FUND - WATER AND SEWER**  
**DECEMBER 31, 2014**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	55,215
Accounts Receivable - Customers		437,206
Unbilled Water Receivables		23,139
Unbilled Sewer Receivable		52,795
		52,795
Total Current Assets	\$	568,355

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts Payable	\$	14,949
Vouchers Payable		21,506
		21,506
Total Liabilities		36,455

**NET POSITION**

Restricted for Projects:		
Major Maintenance Reserve		36,787
Emergency Maintenance Reserve		142,396
Capital Improvement Reserve		91,065
Undesignated Net Assets		261,652
		261,652
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b>531,900</b>

See accompanying notes to financial statements

**CHARTER TOWNSHIP OF ROYAL OAK**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>REVENUE</b>			
Sales	\$ 340,861	\$ 745,373	\$ 1,086,234
Penalties	9,547	12,982	22,529
Other Revenue	<u>3,027</u>	<u>89</u>	<u>3,116</u>
<b>Total Revenue</b>	<u><u>\$ 353,435</u></u>	<u><u>\$ 758,444</u></u>	<u><u>\$ 1,111,879</u></u>
<b>OPERATING EXPENSES</b>			
Personnel	\$ 33,379	\$ 17,504	\$ 50,883
Contractual Services	276,177	599,252	875,429
Commodities	6,029	853	6,882
Internal Services	20,852	9,227	30,079
Other Expenses	<u>-</u>	<u>105,022</u>	<u>105,022</u>
<b>Total Operating Expenses</b>	<u>336,437</u>	<u>731,858</u>	<u>1,068,295</u>
Net Operating Income	16,998	26,586	43,584
<b>NON-OPERATING TRANSACTIONS</b>			
Non-Operating Income	28,190	36,063	64,253
Non-Operating Expense	<u>(10,017)</u>	<u>(19,712)</u>	<u>(29,729)</u>
<b>Change in Net Position</b>	<u>\$ 35,171</u>	<u>\$ 42,937</u>	<u>\$ 78,108</u>
Beginning Net Position	<u>208,537</u>	<u>245,255</u>	<u>453,792</u>
Ending Net Position	<u><u>\$ 243,708</u></u>	<u><u>\$ 288,192</u></u>	<u><u>\$ 531,900</u></u>

See accompanying notes and accountant's report

**CHARTER TOWNSHIP OF ROYAL OAK**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**DECEMBER 31, 2014**

**ASSETS**

	<u>Current Tax</u>	<u>Trust &amp; Agency</u>	<u>Total</u>
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 299,749	\$ 30,682	\$ 330,431
Accounts Receivable	-	-	-
Due from Other Funds	<u>313,657</u>	<u>41,187</u>	<u>354,844</u>
<b>Total Assets</b>	<u><u>\$ 613,406</u></u>	<u><u>\$ 71,869</u></u>	<u><u>\$ 685,275</u></u>

**LIABILITIES**

<b>Current Liabilities</b>			
Accounts Payable	\$ 100	\$ -	\$ 100
Due to Other Government Units	313,715	56,985	370,700
Escrow Deposits	-	6,198	6,198
Undistributed Tax Collections	<u>299,591</u>	<u>8,686</u>	<u>308,277</u>
<b>Total Current Liabilities</b>	<u><u>\$ 613,406</u></u>	<u><u>\$ 71,869</u></u>	<u><u>\$ 685,275</u></u>

See accompanying notes and accountant's report

# CHARTER TOWNSHIP OF ROYAL OAK

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Royal Oak, Michigan (the “Township”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Royal Oak.

**REPORTING ENTITY** – The Township was organized as a charter township in 1974 and is located in southern Oakland County. A Supervisor and a Board of Trustees govern the Township. The Supervisor is the chief administrative and executive officer of the Township and is elected at-large for a four-year term in a non-partisan election and has voting power. The Board consists of four trustees, a clerk, and a treasurer who are also elected at-large for four-year terms, in a non-partisan election. The reporting entities included in these financial statements are the Township of Royal Oak, the primary government and the Downtown Development Authority.

The basic criterion for including a potential component unit in the reporting entity is the governing body’s ability to exercise oversight responsibility. Oversight responsibility includes the primary government being financially accountable for the potential component unit. Other oversight responsibilities include, but are not limited to, the selection of the governing authority, the designation of management, the ability to approve or modify the budget, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Township is able to exercise oversight responsibilities.

**BLENDED COMPONENT UNITS** – These types of component units are reported as though they were part of the primary government, using the blended method.

The intended purpose of the Downtown Development Authority (DDA) is to implement improvements to public facilities within the development area to comply with barrier free design requirements and to develop and implement long-range plans designed to halt the deterioration of the property values in the Downtown District. Funding for DDA is provided from the increased property tax revenues from any benefited property.

Separate financial statements of the DDA may be obtained from the Township offices.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS** – The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally 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.

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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 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 revenue.

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

**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. Revenue is 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, sale of naming rights, intergovernmental revenues, and investment income.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods and services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

# CHARTER TOWNSHIP OF ROYAL OAK

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

### FUND TYPES AND MAJOR FUNDS

The Township reports the following major government funds:

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Police Fund – Special revenue Fund used to levy and collect taxes for the operation of the Police Department.

Fire Fund – Special Revenue Fund used to levy and collect taxes for the operation of the Fire Department.

In addition the Township reports on the following fund types:

Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

#### *PROPRIETARY FUND:*

Water and Sewer Fund – The Water and Sewer fund is an Enterprise Fund. The Oakland County – Water Resources Commissioner's Office operates one Enterprise Fund, on behalf of The Township, which accounts for the operation of the Water and Sewer Systems. The fund is financed and operated in a manner similar to a private enterprise. The intent is that costs (expenses, including depreciation) of providing water and sewer services to the general public are recovered through user charges. The fund used full accrual accounting based on Generally Accepted Accounting Principals (GAAP) and follows accounting and financial activities prescribed by the Financial Accounting and Standards Board (FASB) as long as it does not conflict with the Governmental Accounting Standards Board (GASB) guidance.

#### *FIDUCIARY FUNDS:*

Agency Funds – Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, other governments or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

#### Specific Balances and Transactions

**Bank Deposits and Investments** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

**Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing

# CHARTER TOWNSHIP OF ROYAL OAK

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

arrangements outstanding at the end of the fiscal year is referred to as “due to/from other funds”. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”. Any residual balances outstanding between the governmental and business-type activities with fiduciary funds are reported in the government-wide financial statements as “due to other units”.

**Restricted Assets-** Water and Sewer Fund cash held in escrow is considered restricted cash and net position has also been restricted for these amounts.

**Capital Assets** – Capital assets, which include, property, plant, equipment, and infrastructure assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$250 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings	37 years
Equipment	5 to 7 years
Furniture	5 to 7 years
Vehicles	7 years
Infrastructure	50 years

**Compensated Absences (Vacation and Sick Leave)** – It is the government’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate for service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end. There was no liability incurred for compensated absences for the year ended December 31, 2014.

**Long-Term Obligations** – In the government-wide financial statements and the 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 term of the bonds using the 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 debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resource (expense/expenditure) until then. The Township had no deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue qualifies for reporting in this category and arises only under a modified accrual basis of accounting. Accordingly, it is reported only in the governmental funds balance sheet. The governmental funds and government-wide statements report unavailable revenues from property taxes and other sources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. Is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Fund Balance Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Property Taxes** – Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31.

The Township's 2013 tax is levied and collectible on December 1, 2013 and is recognized as revenue in the year ended December 31, 2014, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2013 taxable valuation of the Township totaled \$33,478,650 (Personal \$5,734,893 and Real property \$27,743,757). Tax rates for 2013 property taxes are as follows:

# CHARTER TOWNSHIP OF ROYAL OAK

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

General funds	8.7102	Police	21.2500
Parks/recreation	2.5000	Fire	10.2500
Library	2.0000	Disposal	3.0000
		Street Lights	1.5000

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes attach as an enforceable lien on property as of December 31 each year. Township taxes are levied and immediately due the following December 31 with final collection date of March 31 without penalty. Taxes unpaid after March 31 are subject to interest, penalties and collection fees. Oakland County, Michigan (the "County") is responsible for the collection of real property taxes of the Township which are delinquent as of March 31 of each fiscal year. The County purchases from the Township all delinquent real property taxes from a tax payment fund established by the County. In return, the Township has assigned to the County all amounts payable to the Township from the taxpayers with respect to such delinquent real property taxes.

**Proprietary Funds Operating Classification-** Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. 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 include the cost of sales and services, administrative expenses, and depreciation on capital assets.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### NOTE 2 – MATERIAL VIOLATIONS OF LEGAL PROVISIONS

Deficit Fund Balances:

As of December 31, 2014, Fire Fund had a deficit of \$48,722  
As of December 31, 2014, Total Non-Major Funds had a deficit of \$13,195

# CHARTER TOWNSHIP OF ROYAL OAK

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

### **Budget:**

State Law requires the adoption of a balanced budget for the General, Special Revenue and Debt Service Funds, as well as budget amendments as needed to prevent actual expenditures from exceeding the amount appropriated. The Township adopts their budget by department and the following is a list of departments that over expended the budget:

Several departments in the general fund over expended the budgeted amounts (See page 32). As shown on page 33, the Special Revenue Funds did have expenditures in excess of the budgeted amount.

### **NOTE 3 – Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and interest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States, repurchase agreements; bankers' acceptances of the United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated one bank for the deposit of its funds. The Townships deposits and investment policies are in accordance with statutory authority.

**Custodial Credit Risk of Bank Deposits** – Custodial credit risk is the risk that in the event of a bank failure, The Townships deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$817,923 of bank deposits (checking and savings accounts) that were covered by federal depository insurance. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, The Township evaluates each financial institution with its deposits and assesses the level of each institution; only those institutions with acceptable estimated risk level are used as depositories.

# CHARTER TOWNSHIP OF ROYAL OAK

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

### NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables, including interfund loans, are as follows:

	<u>Receivable</u>	<u>Payable</u>
General	\$ 231,439	\$ 415,732
Police	251,918	44,648
Fire	14,305	188,938
Recreation	96,867	41,955
Non-major funds	<u>207,677</u>	<u>110,933</u>
Total	<u>\$ 802,206</u>	<u>\$ 802,206</u>

### NOTE 5 – DOWNTOWN DEVELOPMENT AUTHORITY

In March 1992, the Township established a Downtown Development Authority for commercial development within the Township. The Authority was established under Public Act 197, or 1975, in which taxes recaptured will be used for commercial development.

### NOTE 6 – LONG-TERM DEBT

The Township is part of the George W. Kuhn drainage District of Oakland County. Oakland County has seven outstanding bond issues, which the township is responsible for a percentage of the principal and interest payments. The Township's total share of the bond issues at December 31, 2014 are as follows:

Long-term debt activity can be summarized as follows:

#### Governmental activities

<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
3.5 - 4.25%	\$ 993,943	\$ -	\$ 79,713	\$ 914,230	\$ 81,739

# CHARTER TOWNSHIP OF ROYAL OAK

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

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

<u>Years ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	81,739	24,783	106,522
2016	84,555	21,548	106,103
2017	85,950	19,982	105,932
2018	88,121	17,516	105,637
2019-2023	403,587	27,935	431,522
2024-2028	164,233	13,330	177,563
2029	6,045	76	6,121
<b>Total Governmental</b>	<b>\$ 914,230</b>	<b>\$ 125,171</b>	<b>\$ 1,039,400</b>

### NOTE 7 – EMPLOYEE RETIREMENT SYSTEM

#### Plan Description

The Township contributes to the Municipal Employees Retirement System of Michigan (“MERS”). MERS is an independent public nonprofit organization that has partnered with Michigan municipalities for more than 65 years, helping them provide safe, secure retirement plans for their employees. The Township is responsible for the employer contributions needed to provide MERS benefits for its employees and former employees under the Michigan Constitution and the MERS Plan Document.

#### CONTRIBUTIONS

The Township was not required to make any contributions during the 2014 fiscal year.

#### Valuation Results at 12/31/14

Valuation assumption of 8% Rate of Investment:

Accrued Liability	\$2,298,094
Valuation Assets	\$4,029,578
Unfunded Accrued Liability	\$(1,731,484) (1)
Funded Ratio	175 %
Total Employer Contribution	\$ 0

(1) If assets exceed liabilities for a division, the division’s amortization is negative and is used to reduce the division’s employer contribution requirement.

# CHARTER TOWNSHIP OF ROYAL OAK

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

### Membership Summary

Total Municipality	Number	Annual Payroll(1)	Number
Active Members	4	\$ 121,854	4
Vested Former Members	2	11,813	2
Retirees and Beneficiaries	<u>14</u>	186,888	<u>14</u>
Total participants	20		20

(1) Annual payroll for active members; annual deferred benefits for vested former members: annual benefits being paid for retirees and beneficiaries.

### GASB 25 and GASB 27 Information

The following information has been prepared to provide the information necessary to comply with GASB Statements 25 and 27.

All entries and the annual employer contributions amount were based on the actuarial methods and assumptions used in the December 31, 2014 actuarial valuation. The entry age normal actuarial method was used to determine the disclosure entries.

#### **GASB 25 Information ( As of 12/31/2014)**

<b>Actuarial</b> Accrued Liability	
Active employees	\$ 353,769
Terminated employees(vested former members) not yet receiving benefits	129,825
Pending refunds of member contributions	45,468
Retirees and Beneficiaries	<u>1,769,032</u>
Total Actuarial Accrued Liability	\$ 2,298,094
Net Assets Available for Benefits at Actuarial Value ( Market Value is \$3,801,714)	\$ 4,029,578
Unfunded ( <b>Overfunded</b> ) Actuarial Accrued Liability	\$(1,731,484)

#### **GASB 27 Information (as of 12/31/2014)**

Fiscal Year Beginning	January 1, 2015
Annual Required Contribution ARC)	\$ 0

The full Annual Actuarial Valuation report can be obtained by writing to:

MERS  
1134 Municipal Way  
Lansing, Michigan 48917

**NOTE 8 – FEDERAL GRANTS**

The Township did not receive an allocation of funds from the Federal Government under the Community Development Block Grant. The Township's expenditures for 2013 were \$0, which is below the requirements of the \$500,000 Single Audit Act. Therefore, no single audit for 2014 is required.

**NOTE 9 – DEFERRED COMPENSATION**

The Township does not participate in a deferred compensation plan. However, the employees of the Township have elected to participate in their own plan through payroll deductions.

**NOTE 10 – POST-EMPLOYMENT BENEFITS**

The Township did not incur any post-retirement benefit expenses during 2014.

**CHARTER TOWNSHIP OF ROYAL OAK**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 11 – CAPITAL ASSETS**

The Township's investment in capital assets for its governmental activities as of December 31, 2014 amounts to \$735,388 (net of accumulated depreciation). The total decrease in the Township's net investment in capital assets for the current fiscal year was \$97,208.

**NET CAPITAL ASSETS AT YEAR END**

<u>Capital Assets</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value</u>
Land	\$ 240,000	\$ -	\$ 240,000
Capital assets being depreciated			
Computers	100,563	100,563	-
Equipment	66,720	66,720	-
Furniture	55,482	55,482	-
Lawn Equipment	50,039	50,039	-
Infrastructure	3,517,492	3,022,104	495,388
Vehicles	193,000	193,000	-
Fire Equipment	22,840	22,840	-
Buiding	259,737	259,737	-
Net Capital Assets	<u>\$ 4,505,873</u>	<u>\$ 3,770,485</u>	<u>\$ 735,388</u>

Decrease in net assets attributed to depreciation expense of \$97,208.

**NOTE 12 – HOUSING COMMISSION**

The activities of the Royal Oak Township Housing Commission are not included in these financial statements. The activities of the Commission for the fiscal year ended March 31, 2014 are reported in a separate report.

**CHARTER TOWNSHIP OF ROYAL OAK**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 13- Change in Accounting**

During the previous year, The Township adopted GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. The objective of this statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as deferred inflows of resources, deferred outflows of resources, or as outflows of resources.

As a result of implementing this statement, the following liabilities have been reclassified , as indicated:

Item	Prior Amount	Prior Classification	New Classification After Adoption of GASB 65
Property taxes billed, but which were levied for next years budget	\$1,345,678	Liability	Deferred inflow of resources

**Note 14- Restricted Assets**

The restricted assets represent current assets restricted for the following purposes:

	<u>Water and Sewer Fund</u>
Major maintenance reserve	\$ 36,787
Emergency maintenance reserve	142,396
Capital Improvement Reserve	<u>91,065</u>
Total restricted assets	<u>\$ 270,248</u>

Net position has been restricted for the same amounts.

**Note 15- Risk Management**

The Township is exposed to various loss related to property loss, torts, errors and omissions, and workers compensation. The Township has purchased commercial insurance for medical and dental claims, and participates in the Michigan Municipal League risk pool for claims relating to property loss, torts, errors and omissions, workers ' compensation, and is insured for unemployment compensation claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage.

**NOTE 16 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through June 30, 2015 which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

**REQUIRED SUPPLEMENTAL INFORMATION**

**CHARTER TOWNSHIP OF ROYAL OAK**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		Final Budget
<b>Revenues</b>				
Local Sources	\$ 490,589	\$ 446,448	\$ 1,220,773	\$ 774,325
State Sources	459,011	459,011	499,136	40,125
<b>Total Revenues</b>	<u>949,600</u>	<u>905,459</u>	<u>1,719,909</u>	<u>814,450</u>
<b>Expenditures</b>				
Trustees	12,265	13,585	11,890	1,695
Supervisor	61,917	71,961	129,313	(57,352)
Election	16,489	33,847	30,095	3,752
General Administrative	228,559	187,341	226,724	(39,383)
Contracted Services	162,000	155,545	216,605	(61,060)
Clerk Department	34,474	31,724	52,715	(20,991)
Treasurer	36,283	39,263	34,046	5,217
Building and Grounds	107,659	111,349	135,714	(24,365)
Community Development	24,130	24,130	14,577	9,553
Inspection	30,350	30,350	14,770	15,580
Senior Center	76,263	75,763	75,775	(12)
<b>Total Expenditures</b>	<u>790,389</u>	<u>774,858</u>	<u>942,224</u>	<u>(167,366)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>159,211</u>	<u>130,601</u>	<u>777,685</u>	<u>647,084</u>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	-	-	26,897	26,897
Operating Transfers Out	(82,011)	(82,011)	(58,397)	23,614
<b>Total Other Financing Sources (Uses)</b>	<u>(82,011)</u>	<u>(82,011)</u>	<u>(31,500)</u>	<u>50,511</u>
<b>Net Change in Fund Balance</b>	77,200	48,590	746,185	697,595
<b>Fund Balance -beginning of year</b>	<u>26,945</u>	<u>26,945</u>	<u>26,945</u>	<u>-</u>
<b>Fund Balance- end of year</b>	<u>\$ 104,145</u>	<u>\$ 75,535</u>	<u>\$ 773,130</u>	<u>\$ 697,595</u>

See accompanying notes and accountant's report

**CHARTER TOWNSHIP OF ROYAL OAK**  
**BUDGETARY COMPARISON SCHEDULE**  
**MAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Original	Final	Actual	Favorable (Unfavorable) Final Budget
<b>Revenues</b>				
Property Taxes	\$ 1,000,380	\$ 1,000,380	\$ 988,756	\$ (11,624)
Other Revenue	-	-	22,236	22,236
<b>Total Revenues</b>	<u>1,000,380</u>	<u>1,000,380</u>	<u>1,010,992</u>	<u>10,612</u>
<b>Expenditures</b>				
Police				
Contracted Services	-	-	708	(708)
Other Expenses	35,872	35,872	59,123	(23,251)
Fire				
Contracted Services	250,800	250,800	229,163	21,637
Other Expenses	20,527	20,527	39,794	(19,267)
Recreation				
Salary and Benefits	60,707	60,707	54,571	6,136
Utilities	42,053	73,889	42,235	31,654
Other Expenses	113,214	-	47,896	(47,896)
<b>Total Expenditures</b>	<u>523,173</u>	<u>441,795</u>	<u>473,490</u>	<u>(31,695)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>477,207</u>	<u>558,585</u>	<u>537,502</u>	<u>(21,083)</u>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	31,000	40,615	12,000	(28,615)
Operating Transfers Out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>31,000</u>	<u>40,615</u>	<u>12,000</u>	<u>(28,615)</u>
<b>Net Change in Fund Balance</b>	508,207	599,200	549,502	(49,698)
<b>Fund Balance - beginning of year</b>	<u>(501,546)</u>	<u>(501,546)</u>	<u>(501,546)</u>	<u>-</u>
<b>Fund Balance - end of year</b>	<u>\$ 6,661</u>	<u>\$ 97,654</u>	<u>\$ 47,956</u>	<u>\$ (49,698)</u>

See accompanying notes and accountant's report

**CHARTER TOWNSHIP OF ROYAL OAK**

**Note to Required Supplemental Information**

**Year Ended December 31, 2014**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds . The annual budget is prepared by the Township supervisor and adopted by the Township Board; subsequent amendments are approved by the Township Board. All annual appropriations lapse at fiscal year end. During the current year, the budget was amended in a legally permissible manner.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results to the General Fund and Major Special Revenue Fund Budget as adopted by the Township Board is included in the required supplemental information. A comparison of the actual results of operations to the non-major special revenue funds budget as adopted by the Township board is available at the clerk’s office for inspection.

A reconciliation of the budgetary comparison schedule for the General Fund to the fund – based statement of changes in fund balance is as follows:

	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 905,459	\$ 774,858
Major Special Revenue Funds	<u>1,000,380</u>	<u>441,795</u>
Amounts per budget statement	<u>\$ 1,905,839</u>	<u>\$ 1,216,653</u>

**Excess of Expenditures Over Appropriations in Budgeted Funds** – During the year, General fund expenditures were over budget because the other revenue that was budgeted to be utilized did not materialize, in addition they also received less State Revenue Sharing then what was anticipated. In addition, final amended budgets were not prepared to adjust for the higher expenditures levels.

**OTHER SUPPLEMENTAL INFORMATION**

**CHARTER TOWNSHIP OF ROYAL OAK  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2014**

	<u>Street Lighting</u>	<u>Disposal System</u>	<u>Library</u>	<u>Neighborhood Stabilization</u>	<u>Community Dev - BG</u>	<u>Nonmajor Governmental Funds Total</u>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ -	\$ 438	\$ 37,636	\$ 254	\$ -	\$ 38,328
Taxes Receivable	38,628	77,259	61,358	-	-	177,245
Accounts Receivable	-	-	-	-	-	-
Due from Other Funds	<u>23,328</u>	<u>42,842</u>	<u>4,843</u>	<u>-</u>	<u>-</u>	<u>71,013</u>
Total Assets	<u><u>61,956</u></u>	<u><u>120,539</u></u>	<u><u>103,837</u></u>	<u><u>254</u></u>	<u><u>-</u></u>	<u><u>286,586</u></u>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>LIABILITIES</b>						
Accounts Payable	\$ 13,589	\$ 23,505	\$ 13,460	\$ -	\$ -	\$ 50,554
Accrued Wages/Fringes Payable	-	-	418	-	-	418
Due to Other Funds	24,989	28,312	18,263	-	-	71,564
Deferred Revenues	<u>38,628</u>	<u>77,259</u>	<u>61,358</u>	<u>-</u>	<u>-</u>	<u>177,245</u>
Total Liabilities	<u><u>77,206</u></u>	<u><u>129,076</u></u>	<u><u>93,499</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>299,781</u></u>
<b>FUND BALANCE</b>						
Unreserved and Undesignated	<u>(15,250)</u>	<u>(8,537)</u>	<u>10,338</u>	<u>254</u>	<u>-</u>	<u>(13,195)</u>
Total Fund Balance	<u><u>(15,250)</u></u>	<u><u>(8,537)</u></u>	<u><u>10,338</u></u>	<u><u>254</u></u>	<u><u>-</u></u>	<u><u>(13,195)</u></u>
Total Liabilities and Fund Balance	<u><u>\$ 61,956</u></u>	<u><u>\$ 120,539</u></u>	<u><u>\$ 103,837</u></u>	<u><u>\$ 254</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 286,586</u></u>

See accompanying notes and accountant's report

**CHARTER TOWNSHIP OF ROYAL OAK**  
**COMBINING STATEMENT OF REVENUE EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2014**

	Street Lighting	Disposal System	Library	Neighborhood Stabilization	Community Dev - BG	Nonmajor Governmental Funds Total
<b>Revenues</b>						
Local Sources						
Taxes	\$ 41,407	\$ 83,580	\$ 66,000	\$ -	\$ -	\$ 190,987
Other Local Sources	-	-	8,442	-	-	8,442
Total Revenues	<u>\$ 41,407</u>	<u>\$ 83,580</u>	<u>\$ 74,442</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 199,429</u>
<b>Expenditures</b>						
Current Operations						
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Works	59,268	110,496	-	-	-	169,764
Community Development	-	-	-	-	34	34
Recreation and Culture	-	-	89,178	-	-	89,178
Total Expenditures	<u>59,268</u>	<u>110,496</u>	<u>89,178</u>	<u>-</u>	<u>34</u>	<u>258,976</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(17,861)	(26,916)	(14,736)	-	(34)	(59,547)
<b>Other Financing Sources (Uses)</b>						
Operating Transfers In	10,000	9,500	-	-	-	19,500
Operating Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (uses)	<u>10,000</u>	<u>9,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,500</u>
<b>Net Change in Fund Balances</b>	(7,861)	(17,416)	(14,736)	-	(34)	(40,047)
<b>Fund Balance Beginning of Year (restated)</b>	<u>(7,389)</u>	<u>8,879</u>	<u>25,074</u>	<u>254</u>	<u>34</u>	<u>26,852</u>
<b>Fund Balance End of Year</b>	<u>\$ (15,250)</u>	<u>\$ (8,537)</u>	<u>\$ 10,338</u>	<u>\$ 254</u>	<u>\$ -</u>	<u>\$ (13,195)</u>

See accompanying notes and accountant's report