

**CHARTER TOWNSHIP OF
ROYAL OAK**

**Financial Report
with Supplemental Information
December 31, 2015**

CHARTER TOWNSHIP OF ROYAL OAK

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Wilkerson & Associate P.C.

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INDEPENDENT AUDITOR'S REPORT

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, 2015, and the related notes to the financial statements, which collectively comprise the Charter Township of Royal Oak'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, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles accepted in the United States of America.

Members: A.I.C.P.A. and M.I.C.P.A.

Emphasis of 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.

As of June 16, 2016 the Township continues to be subject to the terms of the Consent Agreement.

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. We also, do not express an opinion or provide any assurance because of the limited procedures performed on the Water and Sewerage financial reports (pg. 16&17) provided by Oakland County Water Resource Commissioners Office.

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 16, 2016

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, 2015. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total Net Position increased by approximately \$800,000. The governmental activities Net Position increased by \$583,906.
- At the end of the fiscal year, the Township's governmental funds reported a combined ending fund balance of \$1.39 million, an increase of \$585,000 from the previous year.
- At the end of the current fiscal year, the unreserved and undesignated fund balance for the General Fund was \$221,280.
- 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 the fire and disposal contracts along with a reduction in spending has resulted in a positive Net Position for the Township. In 2015, the Township began submitting all required reports to the State of Michigan on a monthly basis.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the Township's basic financial statements. The Township's basic 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.

CHARTER TOWNSHIP OF ROYAL OAK

Management's Discussion and Analysis

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 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.

CHARTER TOWNSHIP OF ROYAL OAK

Management's Discussion and Analysis

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 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. 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.

CHARTER TOWNSHIP OF ROYAL OAK

Management's Discussion and Analysis

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.

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 2015, the Township's Net Position exceeded its assets at the end of the fiscal year by \$2,045,688. The Township's Net Position consists of \$665,038 net 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 does not have any long term debt owed to creditors. 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.

The Township corrected fund deficits in the disposal fund in 2015. This was accomplished through negotiation of a new contract for disposal services and a contribution from the General Fund.

CHARTER TOWNSHIP OF ROYAL OAK

Management's Discussion and Analysis

TOWNSHIP OF ROYAL OAK'S NET POSITION

	Governmental Activities		Business-Type Activities		Total Activities	
	2015	2014	2015	2014	2015	2014
Current Assets	\$ 2,919,357	\$ 2,372,342	\$ -	\$ -	\$ 2,919,357	\$ 2,372,342
Capital Assets	665,038	735,388	-	-	665,038	735,388
TOTAL ASSETS	3,584,395	3,107,730	-	-	3,584,395	3,107,730
Current Liabilities	205,359	300,512	-	-	205,359	300,512
Long-Term Liabilities	12,709	832,491	-	-	12,709	832,491
TOTAL LIABILITIES	\$ 218,068	\$ 1,133,003	\$ -	\$ -	\$ 218,068	\$ 1,133,003
Deferred Inflows of Resources	\$ 1,320,639	\$ 1,345,678			\$ 1,320,639	\$ 1,345,678
Net Assets:						
Invested in Capital, Net of Related Debt	665,038	(144,081)	-	-	665,038	(144,081)
Restricted	620,658	620,038	-	-	620,658	620,038
Unrestricted	759,992	153,092	-	-	759,992	153,092
TOTAL NET ASSETS	\$ 2,045,688	\$ 629,049	\$ -	\$ -	\$ 2,045,688	\$ 629,049

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	
	2015	2014	2015	2014	2015	2014
Revenues:						
Charges for Services	\$ 41,608	\$ 71,213	\$ -	\$ -	\$ 41,608	\$ 71,213
Operating Grant	-	-	-	-	-	-
General Revenues:						
Taxes and Special						
Assessment	1,394,719	1,412,968	-	-	1,394,719	1,412,968
State Shared	608,576	499,136	-	-	608,576	499,136
Other	238,464	948,498	-	-	238,464	948,498
Investment Earnings	1,222	515	-	-	1,222	515
Total Revenues	\$ 2,284,589	\$ 2,932,330	\$ -	\$ -	\$ 2,284,589	\$ 2,932,330
Expenses						
General Government	\$ 847,214	\$ 912,877	\$ -	\$ -	\$ 847,214	\$ 912,877
Police	65,498	59,831	-	-	65,498	59,831
Fire	263,259	268,957	-	-	263,259	268,957
Public Works	236,511	184,534	-	-	236,511	184,534
Recreation and Culture	196,077	233,880	-	-	196,077	233,880
Community Development	21,774	14,611	-	-	21,774	14,611
Depreciation	70,350	97,208	-	-	70,350	97,208
Total Expenses	1,700,683	1,771,898	-	-	1,700,683	1,771,898
Increase in Net Position	\$ 583,906	\$ 1,158,432	\$ -	\$ -	\$ 583,906	\$ 1,158,432

Governmental Activities:

Governmental activities increased the Township's Net Position by \$583,906. Key factors of this increase are as follows:

- The Township had an increase in expenses for Public Works of \$85,000 due to an upgrade of street lights to LED. This has reduced the Township's monthly electrical expense by over \$1,000.
- The decrease of other revenue was due to the \$620,000 received from MERS in 2014 for overfunding of its retirement plan. The Township is still overfunded by \$1.6 million.
- The State Police are temporarily providing police protection services for the Township at no charge. The Township has been working on different options to secure police services.

CHARTER TOWNSHIP OF ROYAL OAK

Management's Discussion and Analysis

Business-Type Activities:

Business-type activities increased the Township's Net Position by \$213,635.

- The Township does not have access to these funds because they are managed by the Oakland County Water Resources Commissioners office.
- We expect water rates to increase 6.9% in 2016.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

As the Township completed the year, its governmental funds reported combined fund balances of \$1,393,359.

General Fund:

The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, the unreserved and undesignated fund balance was \$221,280. Total fund balance increased by \$137,594 during the fiscal year. Per Consent Agreement Order No. 2015-6, the Township's use of the MERS refund has been restricted by the State of Michigan.

CAPITAL POSITION AND DEBT ADMINISTRATION

Capital Position:

The Township investment in capital position for its governmental activities as of December 31, 2015 amounts to \$665,038 (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 \$70,350 (depreciation expense).

NET CAPITAL POSITION AT YEAR END

	Governmental Activities	
	2015	2014
Capital assets not depreciated:		
Land	\$ 240,000	\$ 240,000
Capital assets being depreciated:		
Computers	-	-
Equipment	-	-
Infrastructure	425,038	495,388
Landscaping Equipment	-	-
Office Furniture	-	-
Vehicles	-	-
Net Capital Assets	<u>\$ 665,038</u>	<u>\$ 735,388</u>

CHARTER TOWNSHIP OF ROYAL OAK

Management's Discussion and Analysis

Long-Term Debt.

At the end of the fiscal year, the Township had total long-term bonds and notes as follows:

OUTSTANDING DEBT AT YEAR END

	<u>Governmental Activities</u>
General Obligation Bonds (Backed by the Township)	\$ 832,491
Notes Payable	<u>-</u>
	<u>\$ 832,491</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 \$832,491 is significantly lower than the current state-imposed limit.

BUDGET

The General Fund had total expenditures exceed budgeted expenditures by \$198,781. The major special revenue funds had total expenditures short of budgeted expenditures by \$619,151.

The expenditures for the 2016 fiscal year will be adjusted to compensate for the over-expenditure for 2015.

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, 2nd Floor
Ferndale, MI 48220

**CHARTER TOWNSHIP OF ROYAL OAK
GOVERNMENT WIDE
STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	Primary Government			Downtown Development Authority (Unaudited)
	Governmental Activities	Business-Type Activities	Total	
Current Assets				
Cash and cash equivalents	\$ 1,502,901	\$ -	\$ 1,502,901	\$ 48,350
Accounts receivable	95,817	-	95,817	-
Property taxes receivable	1,320,639	-	1,320,639	81,414
Due from fiduciary funds	-	-	-	-
Land - property purchases	-	-	-	153,335
Total Current Assets	2,919,357	-	2,919,357	283,099
Noncurrent Assets				
Capital assets not subject to depreciation	240,000	-	240,000	-
Capital assets subject to depreciation-net	425,038	-	425,038	-
Total Noncurrent Assets	665,038	-	665,038	-
Total Assets	3,584,395	-	3,584,395	283,099
Current Liabilities				
Accounts payable	196,094	-	196,094	7,906
Notes payable	-	-	-	59,771
Accrued wages payable	6,875	-	6,875	-
Compensated absences	2,390	-	2,390	-
Bonds payable, due within one year	-	-	-	-
Total Current Liabilities	205,359	-	205,359	67,677
Deferred Inflows of Resources (Note 4)				
Property taxes levied for the following year	1,320,639	-	1,320,639	81,414
Noncurrent Liabilities				
Compensated absences	12,709	-	12,709	-
Bonds payable	-	-	-	-
Total Deferred Inflows & Noncurrent Liabilities	1,333,348	-	1,333,348	81,414
Total Liabilities	1,538,707	-	1,538,707	149,091
Net Position				
Net investment in capital assets	665,038	-	665,038	-
Restricted	620,658	-	620,658	134,008
Unrestricted	759,992	-	759,992	-
Total Net Position	\$ 2,045,688	-	\$ 2,045,688	\$ 134,008

Notes to Financial Statements are an Integral Part of this Statement

**CHARTER TOWNSHIP OF ROYAL OAK
STATEMENT OF ACTIVITIES
DECEMBER 31, 2015**

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Component Unit
		Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position	
Functions/Programs					
Governmental activities:					
General governmental	\$ 682,877	\$ 41,608	\$ -	\$ (641,269)	\$ -
Police	65,498	-	-	(65,498)	-
Fire	263,259	-	-	(263,259)	-
Building and grounds	164,337	-	-	(164,337)	-
Public works	236,511	-	-	(236,511)	-
Recreation and culture	196,077	-	-	(196,077)	-
Community development	21,774	-	-	(21,774)	68,894
Depreciation	70,350	-	-	(70,350)	-
Total Primary Government	1,700,683	41,608	-	(1,659,075)	68,894
Taxes					
Property taxes, levied for general operations			\$ 1,394,719		\$ 67,942
State shared revenue			608,576		-
Interest income			1,222		-
Other			238,464		-
Total General Revenues			2,242,981		67,942
Change in Net Position			583,906		(952)
Net Position - Beginning of Year (Restated)			1,461,782		134,960
Net Position - End of Year			\$ 2,045,688		\$ 134,008

Notes to Financial Statements are an Integral Part of this Statement.

**CHARTER TOWNSHIP OF ROYAL OAK
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General	Police	Fire	Recreation	Other Nonmajor Governmental Funds	Totals
Assets						
Cash and cash equivalents	\$ 952,819	\$ 479,865	\$ 26,993	\$ 8,522	\$ 34,702	\$ 1,502,901
Accounts receivable	95,817	-	-	-	-	95,817
Due from other funds	376,321	251,918	11,306	96,869	71,013	807,427
Taxes receivable - current	243,411	534,853	257,987	110,537	173,851	1,320,639
Total assets	1,668,368	1,266,636	296,286	215,928	279,566	3,726,784
Liabilities and Fund Balance						
Liabilities						
Accounts payable	114,110	6,528	43,013	13,708	18,735	196,094
Accrued wages payable	5,625	-	-	830	420	6,875
Compensated absences	2,390	-	-	-	-	2,390
Deferred inflow- taxes levied for the following year	243,411	534,853	257,987	110,537	173,851	1,320,639
Due to other funds	460,894	188,940	44,648	41,381	71,564	807,427
Total liabilities	826,430	730,321	345,648	166,456	264,570	2,333,425
Fund Balance						
Restricted	620,658	-	-	-	-	620,658
Unreserved and undesignated	221,280	536,315	(49,362)	49,472	14,996	772,701
Total Fund Balance	841,938	536,315	(49,362)	49,472	14,996	1,393,359
Total Liabilities and Fund Balance	\$ 1,668,368	\$ 1,266,636	\$ 296,286	\$ 215,928	\$ 279,566	\$ 3,726,784
Total Governmental Fund Balances						\$ 1,393,359
Amounts reported for Governmental Activities in the Statement of Net Position 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					(3,840,835)	665,038
Long-Term Liabilities are not due and payable in the current period and are reported in the fund						
Compensated Absences						(12,709)
Net Position of Governmental Activities						\$ 2,045,688

Notes to Financial Statements are an Integral Part of this Statement.

**CHARTER TOWNSHIP OF ROYAL OAK
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General	Police	Fire	Recreation	Other Nonmajor Governmental Funds	Totals
Revenues						
Local sources	\$ 442,239	\$ 547,658	\$ 262,620	\$ 131,042	\$ 292,454	\$ 1,676,013
State sources	608,576	-	-	-	-	608,576
Federal sources	-	-	-	-	-	-
Total Revenues	1,050,815	547,658	262,620	131,042	292,454	2,284,589
Expenditures						
Legislative expenses	258,251	-	-	-	-	258,251
Supporting service	356,285	-	-	-	-	356,285
Senior center	68,341	-	-	-	-	68,341
Public safety	-	65,498	263,259	-	-	328,757
Public works	27,983	-	-	-	208,528	236,511
Community development	24	-	-	-	21,750	21,774
Recreation and culture	-	-	-	124,092	71,985	196,077
Building and grounds	164,337	-	-	-	-	164,337
Total Expenditures	875,221	65,498	263,259	124,092	302,263	1,630,333
Excess (Deficiency) of Revenues Over Expenditures	175,594	482,160	(639)	6,950	(9,809)	654,256
Other Financing Sources (Uses)						
Operating Transfers In	65,000	-	-	-	38,000	103,000
Operating Transfers Out	(103,000)	-	-	-	-	(103,000)
Total Other Financing Sources (uses)	(38,000)	-	-	-	38,000	-
Net Change in Fund Balances	137,594	482,160	(639)	6,950	28,191	654,256
Fund Balance - Beginning of Year	773,130	54,155	(48,722)	42,523	(13,195)	807,891
Fund Balance - End of Year	\$ 910,724	\$ 536,315	\$ (49,362)	\$ 49,472	\$ 14,996	\$ 1,462,147

Notes to Financial Statements are an Integral Part of this Statement.

**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, 2015**

Net Change in Fund Balance - Total Governmental Funds \$ 654,256

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	\$ (70,350)	
Capital Outlay	<u>-</u>	(70,350)

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 \$ 583,906

Notes to Financial Statements are an Integral Part of this Statement.

**CHARTER TOWNSHIP OF ROYAL OAK
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
ENTERPRISE FUND - WATER AND SEWER
DECEMBER 31, 2015**

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Current assets			
Cash and cash equivalents	\$ 163,876	\$ 24,647	\$ 188,523
Accounts receivable - customers	126,630	257,991	384,621
Due from municipalities	43,485	86,249	129,734
Unbilled receivables	<u>23,139</u>	<u>52,795</u>	<u>75,934</u>
 Total Current Assets	 <u>\$ 357,130</u>	 <u>\$ 421,682</u>	 <u>\$ 778,812</u>
 Current Liabilities			
Accounts payable	\$ 33,277	\$ -	\$ 33,277
Vouchers payable	<u>-</u>	<u>-</u>	<u>-</u>
 Total Liabilities	 <u>33,277</u>	 <u>-</u>	 <u>33,277</u>
 Net Position			
Restricted for projects			
Major maintenance reserve	45,157	36,741	81,898
Emergency maintenance reserve	100,000	5,328	105,328
Capital improvement reserve	61,565	50,106	111,671
Undesignated net assets	<u>117,132</u>	<u>329,507</u>	<u>446,639</u>
 Total Net Position	 <u>\$ 323,854</u>	 <u>\$ 421,682</u>	 <u>\$ 745,536</u>

Notes to Financial Statements are an Integral Part of this Statement.

**CHARTER TOWNSHIP OF ROYAL OAK
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Revenue			
Sales	\$ 411,346	\$ 841,665	\$ 1,253,011
Penalties	17,485	32,875	50,360
Other revenue	<u>5,328</u>	<u>381</u>	<u>5,709</u>
Total Revenue	<u>\$ 434,159</u>	<u>\$ 874,921</u>	<u>\$ 1,309,080</u>
Operating Expenses			
Personnel	\$ 31,881	\$ 27,515	\$ 59,396
Contractual service	304,562	594,615	899,177
Commodities	9,757	-	9,757
Internal services	25,886	7,742	33,628
Other expenses	<u>-</u>	<u>121,590</u>	<u>121,590</u>
Total Operating Expenses	<u>372,086</u>	<u>751,462</u>	<u>1,123,548</u>
Net Operating Income	62,073	123,459	185,532
Non-Operating Transactions			
Non-operating income	29,395	80,126	109,521
Non-operating expense	<u>(11,323)</u>	<u>(70,095)</u>	<u>(81,418)</u>
Change in Net Position	80,145	133,490	213,635
Net Position - Beginning of year	<u>243,708</u>	<u>288,192</u>	<u>531,900</u>
Net Position - End of year	<u>\$ 323,854</u>	<u>\$ 421,682</u>	<u>\$ 745,536</u>

Notes to Financial Statements and an Integral Part of this Statement.

**CHARTER TOWNSHIP OF ROYAL OAK
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2015**

	<u>Current Tax</u>	<u>Trust & Agency</u>	<u>Total</u>
Current Assets			
Cash and Cash Equivalents	\$ 456,224	\$ 21,696	\$ 477,920
Due from Other Funds	<u>313,657</u>	<u>41,187</u>	<u>354,844</u>
Total Assets	<u>\$ 769,881</u>	<u>\$ 62,883</u>	<u>\$ 832,764</u>
Current Liabilities			
Accounts Payable	\$ 77	\$ -	\$ 77
Due to Other Government Units	313,715	56,085	369,800
Escrow Deposits	-	6,198	6,198
Undistributed Tax Collections	<u>456,089</u>	<u>600</u>	<u>456,689</u>
Total Current Liabilities	<u>\$ 769,881</u>	<u>\$ 62,883</u>	<u>\$ 832,764</u>

Notes to Financial Statements are an Integral Part of this Statement.

CHARTER TOWNSHIP OF ROYAL OAK

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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 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 **unaudited** 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, 2015**

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, 2015

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.

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

CHARTER TOWNSHIP OF ROYAL OAK

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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 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. The liability incurred for compensated absences for the year ended December 31, 2015 was \$15,099.

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 2015 tax is levied and collectible on December 1, 2014 and is recognized as revenue in the year ended December 31, 2015, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2015 taxable valuation of All Properties in the Township totaled \$32,530,680. Tax rates for 2015 property taxes are as follows:

CHARTER TOWNSHIP OF ROYAL OAK

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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, 2015, Fire Funds had a deficit of \$49,362

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:

CHARTER TOWNSHIP OF ROYAL OAK

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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.

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	\$ 376,321	\$ 460,894
Police	251,918	188,940
Fire	11,306	44,648
Recreation	96,869	41,381
Non-major funds	<u>71,013</u>	<u>71,564</u>
Total	<u>\$ 807,427</u>	<u>\$ 807,427</u>

CHARTER TOWNSHIP OF ROYAL OAK

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 2015 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%	\$ 914,230	\$ -	\$ 81,739	\$ 832,491	\$ 84,159
Accumulated Compensated Absences		-	15,099	-	15,099	2,390
		\$ 914,230	\$ 15,099	\$ 81,739	\$ 847,590	\$ 86,549

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>
2016	84,159	21,448	105,607
2017	86,454	19,119	105,573
2018	88,625	16,725	105,350
2019	90,798	14,272	105,070
2020	93,218	11,747	104,965
2021-2026	362,099	22,282	384,381
2027-2030	27,139	1,278	28,417
Total Governmental	\$ 832,492	\$ 106,871	\$ 939,363

CHARTER TOWNSHIP OF ROYAL OAK

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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 2015 fiscal year.

Valuation Results at 12/31/15

Valuation assumption of 7.75% Rate of Investment:

Accrued Liability	\$2,408,459
Valuation Assets	\$4,041,174
Unfunded Accrued Liability	\$(1,632,715) (1)

Funded Ratio	168 %
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.

Membership Summary

Total Municipality	Number	Annual Payroll(1)
Active Members	4	\$ 110,340
Vested Former Members	2	11,813
Retirees and Beneficiaries	<u>14</u>	189,894
Total participants	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.

CHARTER TOWNSHIP OF ROYAL OAK

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

All entries and the annual employer contributions amount were based on the actuarial methods and assumptions used in the December 31, 2015 actuarial valuation. The entry age normal actuarial method was used to determine the disclosure entries.

GASB 25 Information (As of 12/31/2015)

Actuarial Accrued Liability	
Active employees	\$ 378,696
Terminated employees(vested former members) not yet receiving benefits	148,328
Pending refunds of member contributions	39,439
Retirees and Beneficiaries	<u>1,841,996</u>
Total Actuarial Accrued Liability	\$ 2,408,459
Net Assets Available for Benefits at Actuarial Value	\$ 4,041,174
(Market Value is \$3,559,308)	
Unfunded (Overfunded) Actuarial Accrued Liability	\$(1,632,715)

GASB 27 Information (as of 12/31/2015)

Fiscal Year Beginning	January 1, 2016
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 receive an allocation of funds from the Federal Government under the Community Development Block Grant. The Township's expenditures for 2015 were \$21,740, which is below the requirements of the \$750,000 Single Audit Act. Therefore, no single audit for 2015 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 2015.

CHARTER TOWNSHIP OF ROYAL OAK

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

NOTE 11 – CAPITAL ASSETS

The Township's investment in capital assets for its governmental activities as of December 31, 2015 amounts to \$665,038 (net of accumulated depreciation). The total decrease in the Township's net investment in capital assets for the current fiscal year was \$70,350.

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	3,092,454	425,038
Vehicles	193,000	193,000	-
Fire Equipment	22,840	22,840	-
Buiding	259,737	259,737	-
	<u> </u>	<u> </u>	<u> </u>
Net Capital Assets	<u>\$ 4,505,873</u>	<u>\$ 3,840,835</u>	<u>\$ 665,038</u>

Decrease in net assets attributed to depreciation expense of \$70,350.

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, 2015 are reported in a separate report.

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.

CHARTER TOWNSHIP OF ROYAL OAK

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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

<u>Item</u>	<u>Amount</u>	<u>Prior Classification</u>	<u>New Classification After Adoption of GASB 65</u>
Property taxes billed, but which were levied for next years budget	\$1,320,639	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	\$ 81,898
Emergency maintenance reserve	105,328
Capital Improvement Reserve	<u>111,671</u>
Total restricted assets	<u><u>\$ 298,897</u></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 16, 2016 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.

**CHARTER TOWNSHIP OF ROYAL OAK
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual	Favorable (Unfavorable) Final Budget
	Original	Final		
Revenues				
Local Sources	\$ 398,693	\$ 526,144	\$ 442,239	\$ (83,905)
State Sources	490,589	490,589	608,576	117,987
Total Revenues	889,282	1,016,733	1,050,815	34,082
Expenditures				
Trustees	11,765	11,765	11,982	(217)
Supervisor	55,101	172,101	162,668	9,433
Election	750	11,000	17,217	(6,217)
General Administrative	152,228	122,000	186,076	(64,076)
Contracted Services	200,950	80,000	152,992	(72,992)
Clerk Department	33,214	33,214	51,668	(18,454)
Treasurer	38,184	38,184	31,933	6,251
Building and Grounds	108,538	98,538	164,337	(65,799)
Community Development	23,830	17,133	24	17,109
Inspection	28,350	20,000	27,983	(7,983)
Senior Center	70,115	70,115	65,951	4,164
Total Expenditures	723,025	674,050	872,831	(198,781)
Excess (Deficiency) of Revenues Over Expenditures	166,257	342,683	177,984	(164,699)
Other Financing Sources (Uses)				
Operating transfers In	-	25,000	25,000	-
Operating transfers Out	(140,560)	(165,560)	(63,000)	102,560
Total Other Financing Sources (Uses)	(140,560)	(140,560)	(38,000)	102,560
Net Change in Fund Balance	25,697	202,123	139,984	(62,139)
Fund Balance - Beginning of year	773,130	773,130	773,130	-
Fund Balance- End of year	\$ 798,827	\$ 975,253	\$ 913,114	\$ (62,139)

Notes to Financial Statements are an Integral Part of this Statement.

**CHARTER TOWNSHIP OF ROYAL OAK
BUDGETARY COMPARISON SCHEDULE
MAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Original	Final	Actual	Favorable (Unfavorable) Final Budget
Revenues				
Property Taxes	\$ 944,759	\$ 944,759	\$ 922,053	\$ (22,706)
Other Revenue	-	-	19,267	19,267
Total Revenues	944,759	944,759	941,320	(3,439)
Expenditures				
Police				
Contracted Services	662,000	662,000	-	662,000
Other Expenses	21,600	21,600	65,498	(43,898)
Fire				
Contracted Services	243,600	243,600	245,002	(1,402)
Other Expenses	14,800	14,800	18,257	(3,457)
Recreation				
Salary and Benefits	60,707	60,707	59,019	1,688
Utilities	39,486	39,486	37,486	2,000
Other Expenses	29,807	29,807	27,587	2,220
Total Expenditures	1,072,000	1,072,000	452,849	619,151
Excess (Deficiency) of Revenues Over Expenditures	(127,241)	(127,241)	488,471	615,712
Other Financing Sources (Uses)				
Operating Transfers In	130,000	130,000	-	(130,000)
Operating Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	130,000	130,000	-	(130,000)
Net Change in Fund Balance	2,759	2,759	488,471	485,712
Fund Balance - beginning of year	47,956	47,956	47,956	-
Fund Balance - end of year	<u>\$ 50,715</u>	<u>\$ 50,715</u>	<u>\$ 536,427</u>	<u>\$ 485,712</u>

Notes to Financial Statements are an Integral Part of this Statement.

CHARTER TOWNSHIP OF ROYAL OAK

Note to Required Supplemental Information Year Ended December 31, 2015

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 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:

	<u>Total Revenue</u>	<u>Total Expenditures</u>
Amounts per operating statement	\$ 1,016,733	\$ 674,050
Major Special Revenue Funds	<u>944,759</u>	<u>1,072,000</u>
Amounts per budget statement	<u>\$ 1,961,492</u>	<u>\$ 1,746,050</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, the Township also received less state revenue sharing than what was anticipated. In addition, final amended budgets were not prepared to adjust for the higher expenditure levels.

**CHARTER TOWNSHIP OF ROYAL OAK
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	Street Lighting	Disposal System	Library	Neighborhood Stabilization	Community Development Block Grant	Nonmajor Governmental Funds Totals
Assets						
Cash and cash equivalents	\$ 6,984	\$ 1,956	\$ 25,518	\$ 244	\$ -	\$ 34,702
Taxes receivable - current	37,753	75,509	60,589	-	-	173,851
Accounts receivable	-	-	-	-	-	-
Due from other funds	23,328	42,842	4,843	-	-	71,013
Total Assets	68,065	120,307	90,950	244	-	279,566
Liabilities and Fund Balance						
Liabilities						
Accounts payable	\$ 8,709	\$ 7,360	\$ 2,666	\$ -	\$ -	\$ 18,735
Accrued wages/fringes payable	-	-	420	-	-	420
Due to other funds	24,989	28,312	18,263	-	-	71,564
Deferred revenues	37,753	75,509	60,589	-	-	173,851
Total Liabilities	71,451	111,181	81,938	-	-	264,570
Fund Balance						
Unreserved and undesignated	(3,386)	9,126	9,012	244	-	14,996
Total Fund Balance	(3,386)	9,126	9,012	244	-	14,996
Total Liabilities and Fund Balance	\$ 68,065	\$ 120,307	\$ 90,950	\$ 244	\$ -	\$ 279,566

Notes to Financial Statements are an Integral Part of this Statement.

**CHARTER TOWNSHIP OF ROYAL OAK
COMBINING STATEMENT OF REVENUE EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	Street Lighting	Disposal System	Library	Neighborhood Stabilization	Community Development Block Grant	Nonmajor Governmental Funds Total
Revenues						
Local Sources						
Taxes	\$ 38,419	\$ 76,850	\$ 63,654	\$ -	\$ -	\$ 178,923
Other local sources	84,647	138	7,006	-	21,740	113,531
Total Revenues	123,066	76,988	70,660	-	21,740	292,454
Expenditures						
Current Operations						
Public safety	-	-	-	-	-	-
Public works	127,202	81,326	-	-	-	208,528
Community development	-	-	-	10	21,740	21,750
Recreation and culture	-	-	71,985	-	-	71,985
Total Expenditures	127,202	81,326	71,985	10	21,740	302,263
Excess (Deficiency) of Revenues Over Expenditures	(4,136)	(4,338)	(1,325)	(10)	-	(9,809)
Other Financing Sources (Uses)						
Operating transfers in	16,000	22,000	-	-	-	38,000
Operating transfers out	-	-	-	-	-	-
Total Other Financing Sources (uses)	16,000	22,000	-	-	-	38,000
Net Change in Fund Balance	11,864	17,662	(1,325)	(10)	-	28,191
Fund Balance - beginning of year	(15,250)	(8,537)	10,338	254	-	(13,195)
Fund Balance - end of year	\$ (3,386)	\$ 9,125	\$ 9,013	\$ 244	\$ -	\$ 14,996

Notes to Financial Statements are an Integral Part of this Statement.