

# **City of Romulus, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2015**

# City of Romulus, Michigan

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# City of Romulus, Michigan

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## Independent Auditor's Report

To the Honorable Mayor and Members  
of the City Council  
City of Romulus, Michigan

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Romulus, Michigan (the "City") as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the City of Romulus, Michigan'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 an opinion 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Honorable Mayor and  
Members of the City Council  
City of Romulus, Michigan

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Romulus, Michigan as of June 30, 2015 and the respective changes in its financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As described in Note 2 to the financial statements, during the year ended June 30, 2015, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result of implementing this pronouncement, the City's net pension liability has been recognized on the government-wide and, as discussed in Note 2, the beginning of year net position has been restated. In these statements, the cost of the pension benefit is being recognized as the employment services are rendered, rather than as it is being funded. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplemental Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Romulus, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

To the Honorable Mayor and  
Members of the City Council  
City of Romulus, Michigan

The other supplemental information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015 on our consideration of the City of Romulus, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Romulus, Michigan's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

December 21, 2015

# City of Romulus, Michigan

## Management's Discussion and Analysis

The following discussion and analysis of the City of Romulus, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the City's financial statements.

### Financial Highlights

The following represents the most significant financial highlights for the year ended June 30, 2015:

- Total revenue within the General Fund increased slightly by 4.96 percent. This can be somewhat attributed to the reinstatement of recreation programs, additional grant funding from the County, and the restructuring of Cell Tower lease agreements.
- Property taxes are the City's single largest source of revenue. The City's tax revenue for fiscal year 2014-2015 was \$7,730,760, which represents a slight decrease of \$200,287 or 2.52 percent from the previous fiscal year.
- Federal grant revenue increased by \$148,881 as a result of the awarding of a 2013 SAFER (Staffing for Adequate Fire and Emergency Response) grant. The City will continue to explore all federal and state grant opportunities.
- The City received "City, Village and Township Revenue Sharing" (CVTRS) in fiscal year 2014-2015, as a result of meeting all of the requirements of Accountability and Transparency by demonstrating best practices.
- Investment income within the General Fund increased by \$31,902 from the previous fiscal year. Cash flow analysis is crucial in determining investment strategy and the City will continue to analyze and monitor cash to maximize investments.
- Total expenditures within the General Fund increased by \$1,987,179 (\$1.3 million when considering prior year transfers to other funds). This increase in expenditures can be mainly attributed to an increase in expenditures as a result of a retiree healthcare buyout program, reallocation of community and economic development expenses previously budgeted in Tax Increment Finance Authority and Downtown Development Authority, and increased charges from the City's Vehicle and Computer Equipment Funds to provide for planned public safety and computer software purchases in the next fiscal year.
- Road funding through the State of Michigan's gas tax has slightly decreased for Major Roads in fiscal year 2014-2015 by 2.15 percent and increased for Local Roads by 22.6 percent. There were additional distributions of funding for local streets, in accordance with P.A.152 of 2014, for the state and local bridge program; the fund balance in the Major Streets Fund decreased to \$1,546,568, which can be attributed to construction of projects for Goddard and Grant Roads and the Wayne Road sidewalk. The fund balance in the Local Streets Fund decreased to \$179,467 with the completion of Brandt Road. The City will continue to take advantage of federal and state grant funding programs when available.

# City of Romulus, Michigan

## Management's Discussion and Analysis (Continued)

- The Romulus Athletic Center (the "RAC") experienced an increase in fund balance of \$104,723. This was the result of conservative operations and management oversight. There was no operating transfer from the General Fund. There was a transfer from the Tax Increment Finance Authority to cover the utility costs for the building (which is owned by the TIFA).
- The Vehicle and Equipment Fund's net position has increased by approximately \$600,000. A portion of this unrestricted net position will be utilized for the purpose of Fire Fleet upgrades in the upcoming budget year. Additionally, the City continues to be conservative in purchasing capital items under the current economic conditions. The intent is to compile a capital needs assessment and purchase equipment accordingly.
- The Computer and Equipment Fund's unrestricted net position has increased by approximately \$112,000. These funds have specifically been generated for the purchase of a new Financial Management Software system (BS&A) upgrade and improvements in technology coming in the upcoming budget year.
- The City implemented GASB 68 in the current year, which resulted in a restatement of net position at June 30, 2014 to \$20,859,800, a reduction of \$25,608,869. The City understands the financial implications related to its legacy costs and anticipates potential increases in funding requirements in the upcoming years, which will impact General Fund expenses.

### Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report City operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.



# City of Romulus, Michigan

## Management's Discussion and Analysis (Continued)

### The City as a Whole

The following table shows, in a condensed format, the net position as of June 30, 2014 and 2015 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2015	2014 - As Restated	2015	2014	2015	2014 - As Restated
<b>Assets</b>						
Current assets	\$ 13,383	\$ 13,535	\$ 15,473	\$ 17,546	\$ 28,856	\$ 31,081
Capital assets	<u>50,705</u>	<u>53,071</u>	<u>61,876</u>	<u>61,529</u>	<u>112,581</u>	<u>114,600</u>
Total assets	64,088	66,606	77,349	79,075	141,437	145,681
<b>Deferred Outflows of Resources</b>	1,211	879	-	-	1,211	879
<b>Liabilities</b>						
Current liabilities	3,288	3,757	5,349	5,357	8,637	9,114
Long-term liabilities	<u>46,413</u>	<u>42,868</u>	<u>23,279</u>	<u>25,354</u>	<u>69,692</u>	<u>68,222</u>
Total liabilities	<u>49,701</u>	<u>46,625</u>	<u>28,628</u>	<u>30,711</u>	<u>78,329</u>	<u>77,336</u>
<b>Net Position</b>						
Net investment in capital assets	48,995	51,195	38,920	37,231	87,915	88,426
Restricted	3,516	4,511	3,675	4,650	7,191	9,161
Unrestricted	<u>(36,913)</u>	<u>(34,846)</u>	<u>6,126</u>	<u>6,483</u>	<u>(30,787)</u>	<u>(28,363)</u>
Total net position	<u>\$ 15,598</u>	<u>\$ 20,860</u>	<u>\$ 48,721</u>	<u>\$ 48,364</u>	<u>\$ 64,319</u>	<u>\$ 69,224</u>

The City's combined net position decreased by approximately \$4,905,000. The net position of the governmental activities decreased by approximately \$5,262,000 or 25.2 percent and business-type activities increased by \$357,000 or .70 percent. The decrease in the governmental activities net position was primarily related to the increase in the OPEB liability. The increase in business-type activities net position is the result of the recent increase in water and sewer use rates to pay for planned capital improvements identified through our rate review study.

# City of Romulus, Michigan

## Management's Discussion and Analysis (Continued)

The following table shows the changes in net position during the current year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2014 - As		2015	2014	2014 - As	
	2015	Restated			2015	Restated
<b>Net Position - Beginning of year (as restated)</b>	\$ 20,860	\$ 27,390	\$ 48,364	\$ 46,806	\$ 69,224	\$ 74,196
<b>Revenue</b>						
Program revenue:						
Charges for services	8,345	8,191	11,941	11,403	20,286	19,594
Operating grants and contributions	2,558	2,879	-	-	2,558	2,879
Capital grants and contributions	848	308	326	83	1,174	391
General revenue:						
Property taxes:						
City	7,917	8,263	-	-	7,917	8,263
Sanitation	1,175	1,172	-	-	1,175	1,172
Street lighting	567	609	-	-	567	609
EPA	-	-	1,930	2,091	1,930	2,091
State-shared revenue	3,652	3,614	-	-	3,652	3,614
Unrestricted investment earnings (loss)	43	(5)	35	5	78	-
Gain on sale of fixed assets	117	-	-	-	117	-
Income from joint venture	-	-	-	870	-	870
Miscellaneous revenue	2,088	491	1	-	2,089	491
Total revenue	27,310	25,522	14,233	14,452	41,543	39,974
<b>Program Expenses</b>						
General government	5,321	5,008	-	-	5,321	5,008
Public safety	14,831	14,908	-	-	14,831	14,908
Public works	7,512	8,272	-	-	7,512	8,272
Health and welfare	605	580	-	-	605	580
Community and economic development	734	246	-	-	734	246
Recreation and cultural	3,480	2,920	-	-	3,480	2,920
Interest on long-term debt	89	118	-	-	89	118
Water and sewer	-	-	13,876	12,894	13,876	12,894
Total program expenses	32,572	32,052	13,876	12,894	46,448	44,946
<b>Change in Net Position</b>	(5,262)	(6,530)	357	1,558	(4,905)	(4,972)
<b>Net Position - End of year</b>	<b>\$ 15,598</b>	<b>\$ 20,860</b>	<b>\$ 48,721</b>	<b>\$ 48,364</b>	<b>\$ 64,319</b>	<b>\$ 69,224</b>

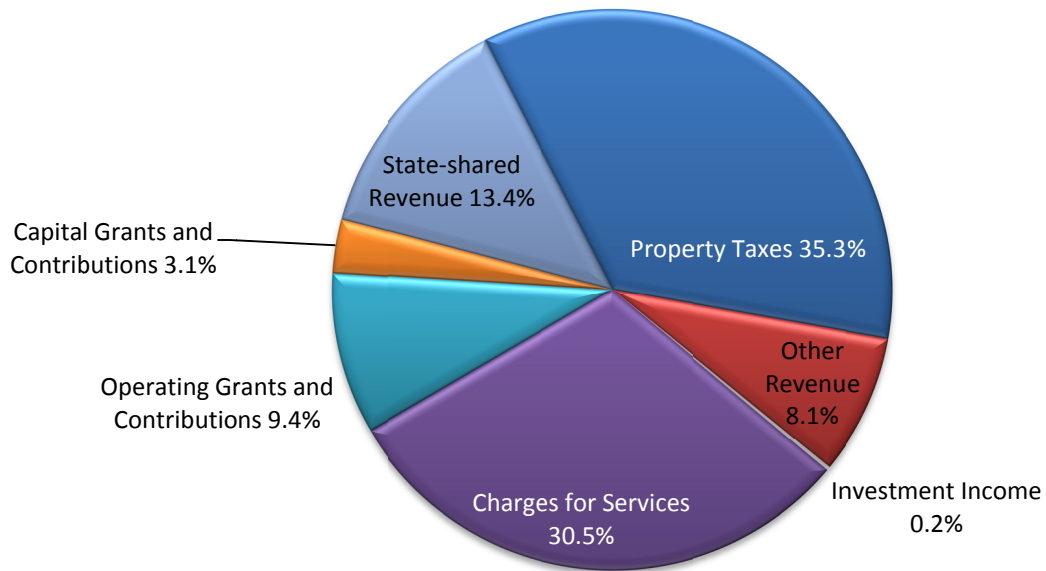
# City of Romulus, Michigan

## Management's Discussion and Analysis (Continued)

### Governmental Activities

The City's total governmental revenue increased by approximately \$1,788,000, primarily due to an increase in court-related fines and forfeiture revenue and an increase in miscellaneous revenue for 2015.

### Revenue by Source - Governmental Activities

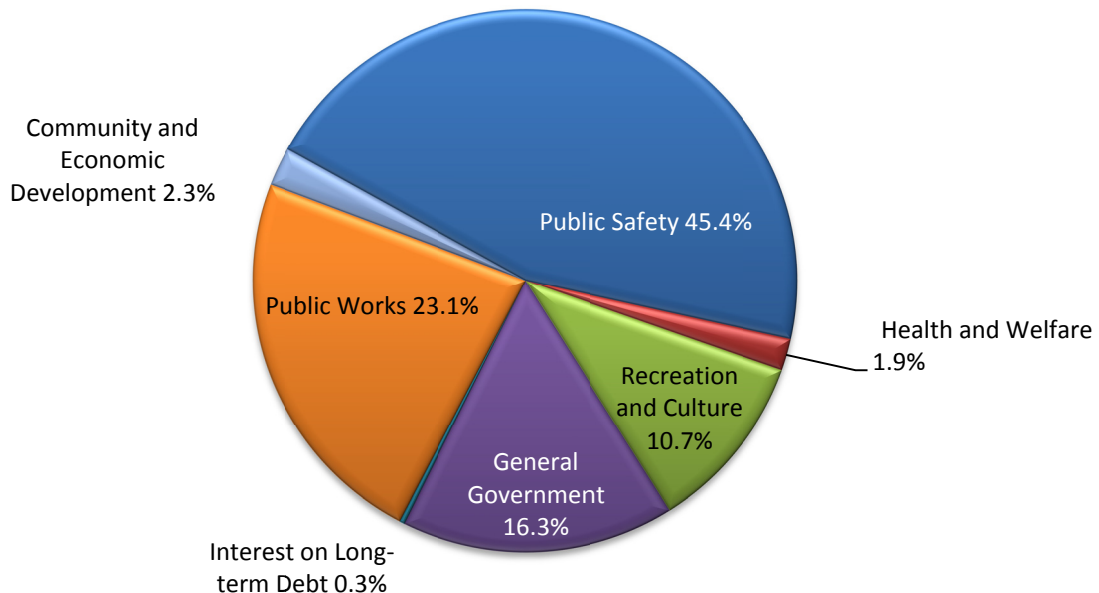


# City of Romulus, Michigan

## Management's Discussion and Analysis (Continued)

Total program expenses increased by \$520,000 primarily due to increases in general government, public safety, and recreation and cultural expenditures.

### Expenses by Activity - Governmental Activities



### Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund. We provide water to residents from the Detroit water system. We provide sewage treatment through Wayne County Downriver Sewage Disposal System and Rouge Valley Sewage Disposal System. The excess of operating expenditures over revenue in fiscal year 2014-2015 of \$861,906 was primarily due to the number of Water and Sewer employees that agreed to the Retiree Health Care buyout.

### The City's Funds

The analysis of the City's major funds begins on page 15, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The City's major funds for 2015 include the General Fund and the Water and Sewer Fund. The Water and Sewer Fund is described above.

The General Fund pays for a majority of the City's governmental services. The most noteworthy are police and fire, which incurred expenses of approximately \$12.0 million, or 62.4 percent of General Fund expenditures, in 2015. Additionally, the building and grounds department (including facilities) is significant in that it contains 8.1 percent of the total General Fund expenditures.

# **City of Romulus, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **General Fund Budgetary Highlights**

Due to increased federal revenue and one-time revenue related to the restructuring of City leases, General Fund fund balance increased by 4 percent to \$3,770,736. However, funds in the total amount of \$222,419 have been committed and assigned for current and future year's obligations. It is important to note, however, that even though tax revenue seems to have stabilized, there is a level of uncertainty with the changes that will occur with the personal property tax legislation and how it will impact the stability of tax revenue.

The City will continue to actively pursue cost-cutting measures, particularly as they relate to legacy costs, and enhance revenue in order to continue to maintain a positive fund balance. It is also important to note that as previously discussed, capital expenditures have been minimal in recent years. These postponed expenditures will need to be addressed in the near future.

### **Capital Asset and Debt Administration**

Funding internally for investment in capital assets has been reduced slightly in efforts to stabilize fund balance and plan accordingly for future investment. In April 2014, the City issued \$6,000,000 in new bond debt that includes a series of infrastructure projects, such as Goddard Road reconstruction, streetscape, and water main replacement projects. It also includes asphalt replacement on Grant Road and sidewalk installation along Wayne Road. As of June 30, 2015, approximately 57 percent of these projects were complete. The City was also able to utilize federal, state, and county funds for the majority of the costs associated with these road projects.

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

The City continues to monitor potential economic uncertainties at the federal and state level that would impact the City's budget and includes this analysis in its long-term financial forecasts to ensure appropriate actions are taken to maintain the City's fiscal stability. The City is in the process of implementing a Financial Scorecard which will enable us to proactively address and/or mitigate any potential financial-related variations.

The budget plan, as approved in fiscal year 2015-2016, has General Fund annual operating expenditures greater than revenue of \$137,105, which is a reduction of the planned used of fund balance of 16.3 percent from the 2014-2015 budget. The City's contract changes resulted in a significant savings in active member health care, which has contributed to this result.

### **Contacting the City's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the administration offices at City Hall.

# City of Romulus, Michigan

## Statement of Net Position June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 4)	\$ 8,151,835	\$ 3,645,631	\$ 11,797,466	\$ 239,348
Receivables - Net (Note 5)	3,199,707	3,882,980	7,082,687	66,034
Advances to component units (Note 8)	554,587	-	554,587	-
Advances to other funds (Note 8)	-	-	-	302,921
Inventory (Note 1)	194,820	29,080	223,900	-
Prepaid expenses and other assets	247,860	39,321	287,181	1,703
Restricted assets (Note 9)	1,034,422	6,323,198	7,357,620	4,121,408
Investment in joint ventures (Note 16)	-	1,553,639	1,553,639	-
Capital assets (Note 7):				
Assets not being depreciated	7,846,659	1,402,055	9,248,714	3,602,650
Assets being depreciated	42,854,581	60,439,968	103,294,549	21,340,041
Prepaid bond insurance	3,813	33,542	37,355	659,966
Total assets	64,088,284	77,349,414	141,437,698	30,334,071
<b>Deferred Outflows of Resources</b>				
Bond refunding loss being amortized	-	-	-	16,093
Deferred outflows related to pensions (Note 13)	1,210,780	-	1,210,780	-
Total deferred outflows of resources	1,210,780	-	1,210,780	16,093
<b>Liabilities</b>				
Accounts payable	885,541	1,115,635	2,001,176	261,561
Due to other governmental units	283,961	65,394	349,355	42,720
Advances from primary government (Note 8)	-	-	-	554,587
Deposits	100	-	100	-
Accrued liabilities and other	969,327	932,902	1,902,229	208,464
Advances from component units (Note 8)	302,921	-	302,921	-
Unearned revenue	-	262,364	262,364	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 10)	455,939	99,296	555,235	4,542
Current portion of long-term debt (Note 10)	389,655	2,873,274	3,262,929	1,991,356
Due in more than one year:				
Compensated absences (Note 10)	219,113	24,824	243,937	1,136
Net OPEB obligation (Note 15)	16,348,540	1,223,099	17,571,639	250,811
Net pension liability (Note 13)	27,495,287	-	27,495,287	-
Long-term debt (Note 10)	2,350,508	22,031,192	24,381,700	17,424,416
Total liabilities	49,700,892	28,627,980	78,328,872	20,739,593

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

# City of Romulus, Michigan

## Statement of Net Position (Continued) June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Net Position</b>				
Net investment in capital assets	\$ 48,995,499	\$ 38,920,113	\$ 87,915,612	\$ 9,648,327
Restricted:				
Roads	1,783,723	-	1,783,723	-
Public safety	606,645	-	606,645	-
Sanitation	295,807	-	295,807	-
Grants	41,961	-	41,961	-
PEG fees	507,884	-	507,884	-
Street lighting	112,921	-	112,921	-
Cemetery operations	3,755	-	3,755	-
Community facilities and programs	19,695	-	19,695	-
Library operations	143,405	-	143,405	-
Debt service	-	3,674,840	3,674,840	-
Unrestricted	(36,913,123)	6,126,481	(30,786,642)	(37,756)
Total net position	<u>\$ 15,598,172</u>	<u>\$ 48,721,434</u>	<u>\$ 64,319,606</u>	<u>\$ 9,610,571</u>

# City of Romulus, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 5,320,847	\$ 1,871,234	\$ -	\$ 2,500
Public safety	14,830,776	3,457,615	596,588	53,895
Public works	7,512,350	1,256,908	1,816,343	791,667
Health and welfare	605,055	-	-	-
Community and economic development	733,576	-	108,861	-
Recreation and culture	3,480,373	1,758,904	36,379	-
Interest on long-term debt	88,776	-	-	-
Total governmental activities	32,571,753	8,344,661	2,558,171	848,062
Business-type activities - Water and sewer	13,876,239	11,941,338	-	326,481
Total primary government	<b>\$ 46,447,992</b>	<b>\$ 20,285,999</b>	<b>\$ 2,558,171</b>	<b>\$ 1,174,543</b>
Component units:				
Tax Increment Financing Authority	\$ 2,208,569	\$ -	\$ 120,000	\$ -
Downtown Development Authority	251,926	-	-	200,000
Total component units	<b>\$ 2,460,495</b>	<b>\$ -</b>	<b>\$ 120,000</b>	<b>\$ 200,000</b>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Miscellaneous				
Gain on sale of fixed assets				
Total general revenue				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year (restated) (Note 2)</b>				
<b>Net Position - End of year</b>				



**Statement of Activities**  
**Year Ended June 30, 2015**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (3,447,113)	\$ -	\$ (3,447,113)	\$ -
(10,722,678)	-	(10,722,678)	-
(3,647,432)	-	(3,647,432)	-
(605,055)	-	(605,055)	-
(624,715)	-	(624,715)	-
(1,685,090)	-	(1,685,090)	-
(88,776)	-	(88,776)	-
(20,820,859)	-	(20,820,859)	-
-	(1,608,420)	(1,608,420)	-
(20,820,859)	(1,608,420)	(22,429,279)	-
-	-	-	(2,088,569)
-	-	-	(51,926)
-	-	-	(2,140,495)
9,659,271	1,929,958	11,589,229	2,750,488
3,651,672	-	3,651,672	-
42,991	34,600	77,591	-
2,087,797	1,071	2,088,868	46,690
117,500	-	117,500	-
15,559,231	1,965,629	17,524,860	2,797,178
(5,261,628)	357,209	(4,904,419)	656,683
20,859,800	48,364,225	69,224,025	8,953,888
<b>\$ 15,598,172</b>	<b>\$ 48,721,434</b>	<b>\$ 64,319,606</b>	<b>\$ 9,610,571</b>

# City of Romulus, Michigan

## Governmental Funds Balance Sheet June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total
<b>Assets</b>			
Cash and investments	\$ 2,644,755	\$ 2,810,683	\$ 5,455,438
Receivables - Net	1,852,548	1,345,359	3,197,907
Advance from component units (Note 8)	453,750	100,837	554,587
Due from other funds (Note 8)	44,953	-	44,953
Inventory	24,436	134,473	158,909
Prepaid expenses and other assets	176,264	61,826	238,090
Restricted assets	-	1,034,422	1,034,422
<b>Total assets</b>	<b>\$ 5,196,706</b>	<b>\$ 5,487,600</b>	<b>\$ 10,684,306</b>
<b>Liabilities</b>			
Accounts payable	\$ 236,833	\$ 515,937	\$ 752,770
Due to other governmental units	241,977	41,984	283,961
Due to other funds (Note 8)	-	44,953	44,953
Refundable deposits, bonds, etc.	100	-	100
Accrued liabilities and other	659,221	150,956	810,177
Advances from component units (Note 8)	-	302,921	302,921
<b>Total liabilities</b>	<b>1,138,131</b>	<b>1,056,751</b>	<b>2,194,882</b>
<b>Deferred Inflows of Resources</b> - Unavailable revenue (Note 6)	<b>287,839</b>	<b>544,862</b>	<b>832,701</b>
<b>Fund Balances</b>			
Nonspendable:			
Inventory	24,436	134,473	158,909
Prepays	176,264	61,826	238,090
Long-term receivable	453,750	-	453,750
Restricted:			
Roads	-	1,634,690	1,634,690
Public safety	-	589,760	589,760
Sanitation	-	279,152	279,152
PEG fees	-	505,520	505,520
Street lighting	-	112,921	112,921
Cemetery operations	-	3,755	3,755
Community facilities and programs	-	19,695	19,695
Library operations	-	139,404	139,404
Committed:			
Employee relation benefits	5,072	-	5,072
Recreation	-	109,907	109,907
Assigned:			
Subsequent year's budget	137,105	-	137,105
Park maintenance	80,242	-	80,242
Capital projects	-	313,292	313,292
Unassigned	2,893,867	(18,408)	2,875,459
<b>Total fund balances</b>	<b>3,770,736</b>	<b>3,885,987</b>	<b>7,656,723</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 5,196,706</b>	<b>\$ 5,487,600</b>	<b>\$ 10,684,306</b>

# City of Romulus, Michigan

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2015

<b>Fund Balance Reported in Governmental Funds</b>	\$ 7,656,723
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	49,256,256
Delinquent property tax receivables (net of allowance for uncollectible accounts) are expected to be collected over several years and are not available to pay for current year expenditures	129,864
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	467,213
Grant and other receivables not collected within 60 days of year end are recognized as revenue in the statement of net position, but are shown as deferred revenue in the funds	175,624
Net pension liability is not due and payable in the current period and is not reported in the funds	(27,495,287)
Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenses in the governmental funds	1,210,780
Long-term debt obligations are not due and payable in the current period and are not reported in the funds	(2,740,163)
Accrued interest is not due and payable in the current period and is not reported in the funds	(21,956)
Unamortized bond prepaid insurance is not reported in the funds	3,813
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(637,548)
Net OPEB obligation does not present a claim on current financial resources and is not reported as a fund liability	(15,958,366)
Internal service funds are included as part of governmental activities	<u>3,551,219</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 15,598,172</u></b>

# City of Romulus, Michigan

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total
<b>Revenue</b>			
Property taxes	\$ 7,730,760	\$ 1,971,879	\$ 9,702,639
Licenses and permits	1,212,347	-	1,212,347
Federal grants	196,745	97,935	294,680
State-shared revenue and grants	3,871,045	2,481,424	6,352,469
Charges for services	2,272,289	1,708,739	3,981,028
Fines and forfeitures	3,048,009	112,580	3,160,589
Investment income	29,210	9,873	39,083
Other	981,321	1,271,081	2,252,402
Total revenue	<u>19,341,726</u>	<u>7,653,511</u>	<u>26,995,237</u>
<b>Expenditures</b>			
Current:			
General government	5,237,283	361,414	5,598,697
Public safety	11,976,193	442,007	12,418,200
Public works	181,740	4,576,995	4,758,735
Health and welfare	605,055	-	605,055
Community and economic development	368,415	332,904	701,319
Recreation and culture	816,136	2,504,597	3,320,733
Debt service	-	477,296	477,296
Total expenditures	<u>19,184,822</u>	<u>8,695,213</u>	<u>27,880,035</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	156,904	(1,041,702)	(884,798)
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	814,911	814,911
Transfers out	(8,750)	(806,161)	(814,911)
Total other financing (uses) sources	<u>(8,750)</u>	<u>8,750</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	148,154	(1,032,952)	(884,798)
<b>Fund Balances - Beginning of year</b>	<u>3,622,582</u>	<u>4,918,939</u>	<u>8,541,521</u>
<b>Fund Balances - End of year</b>	<u><b>\$ 3,770,736</b></u>	<u><b>\$ 3,885,987</b></u>	<u><b>\$ 7,656,723</b></u>

# City of Romulus, Michigan

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2015

**Net Change in Fund Balances - Total Governmental Funds** \$ (884,798)

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

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

Capital outlay	2,095,503
Depreciation expense	(4,611,849)
Net book value of assets disposed of	27,306

Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	19,898
---	--------

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	850,936
---	---------

Governmental funds report bond premiums as proceeds; these are allocated over the related bond term as a reduction of interest expense in the statement of activities	4,655
---	-------

Governmental funds report prepaid bond insurance as an expenditure; these are allocated over the related bond term as an expense in the statement of activities	(272)
---	-------

Change in accrued interest payable and other	9,138
--	-------

Increase in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	7,047
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Increase in net OPEB obligation reported in the statement of activities does not require the use of current resources, and therefore is not reported in the fund statements until it comes due for payment	(2,895,922)
--	-------------

Change in net pension liability is not a financial resource and is not reported in the governmental funds	(1,007,706)
---	-------------

Change in deferred outflows related to pensions	332,068
---	---------

Internal service funds are included as part of governmental activities	792,368
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**Change in Net Position of Governmental Activities** \$ (5,261,628)

# City of Romulus, Michigan

## Proprietary Funds Statement of Net Position June 30, 2015

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,645,631	\$ 2,696,397
Receivables - Net (Note 5)	3,882,980	1,800
Inventories	29,080	35,911
Prepaid expenses and other assets	39,321	9,770
Total current assets	7,597,012	2,743,878
Noncurrent assets:		
Restricted assets (Note 9)	6,323,198	-
Investment in joint ventures (Note 16)	1,553,639	-
Capital assets (Note 7):		
Assets not subject to depreciation	1,402,055	71,375
Assets subject to depreciation	60,439,968	1,373,609
Prepaid bond insurance	33,542	-
Total noncurrent assets	69,752,402	1,444,984
Total assets	77,349,414	4,188,862
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	1,115,635	132,771
Due to other governmental units	65,394	-
Accrued liabilities and other	932,902	77,194
Unearned revenue	262,364	-
Compensated absences (Note 10)	99,296	30,003
Current portion of long-term debt (Note 10)	2,873,274	-
Total current liabilities	5,348,865	239,968
Noncurrent liabilities:		
Compensated absences (Note 10)	24,824	7,501
Net OPEB obligation (Note 15)	1,223,099	390,174
Long-term debt - Net of current portion (Note 10)	22,031,192	-
Total noncurrent liabilities	23,279,115	397,675
Total liabilities	28,627,980	637,643
<b>Net Position</b>		
Net investment in capital assets	38,920,113	1,444,984
Restricted - Debt service	3,674,840	-
Unrestricted	6,126,481	2,106,235
Total net position	\$ 48,721,434	\$ 3,551,219

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

# City of Romulus, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2015

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
	Fund	Funds
<b>Operating Revenue</b>		
Charges for services	\$ 11,733,122	\$ 3,105,362
Other charges for services	151,288	86,539
Total operating revenue	11,884,410	3,191,901
<b>Operating Expenses</b>		
Cost of water	2,981,024	-
Cost of sewage treatment	2,691,248	-
Insurance	64,512	550,733
Cost of vehicle and equipment maintenance	-	1,141,098
Cost of computer and equipment maintenance	-	521,858
Salaries and fringes	3,244,189	-
Administrative and other	1,903,609	-
Depreciation and amortization	1,861,734	307,252
Total operating expenses	12,746,316	2,520,941
<b>Operating (Loss) Income</b>	(861,906)	670,960
<b>Nonoperating Revenue (Expense)</b>		
Property taxes	1,929,958	-
Investment income	34,600	3,908
Loss from joint venture	(299,577)	-
Interest expense	(830,346)	-
Gain on disposal of assets	-	117,500
Debt service charge	56,928	-
Adjustments to joint venture debt balance	1,071	-
Total nonoperating revenue	892,634	121,408
<b>Income - Before contributions</b>	30,728	792,368
<b>Capital Contributions - Other capital contributions</b>	326,481	-
<b>Increase in Net Position</b>	357,209	792,368
<b>Net Position - Beginning of year</b>	48,364,225	2,758,851
<b>Net Position - End of year</b>	\$ 48,721,434	\$ 3,551,219

# City of Romulus, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2015

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 11,209,267	\$ 3,190,101
Payments to suppliers	(7,661,649)	(1,494,511)
Payments to employees	(3,476,091)	(653,899)
Net cash provided by operating activities	71,527	1,041,691
<b>Cash Flows from Capital and Related Financing Activities</b>		
Issuance of bonds	806,398	-
Receipt of capital grants	240,054	-
Proceeds from sales of capital assets	-	126,491
Proceeds from property tax levy - Restricted for debt service	2,082,598	-
Purchase of capital assets	(2,174,284)	(435,884)
Principal and interest paid on capital debt	(1,154,038)	-
Debt service charge	56,928	-
Payments to County from the Debt Service Fund	(2,442,228)	-
Net cash used in capital and related financing activities	(2,584,572)	(309,393)
<b>Cash Flows from Investing Activities - Investment income</b>	34,600	3,908
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(2,478,445)	736,206
<b>Cash and Cash Equivalents - Beginning of year</b>	12,447,274	1,960,191
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 9,968,829</b>	<b>\$ 2,696,397</b>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>		
Cash and investments	\$ 3,645,631	\$ 2,696,397
Restricted cash	6,323,198	-
Total cash and cash equivalents	<b>\$ 9,968,829</b>	<b>\$ 2,696,397</b>



# City of Romulus, Michigan

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2015

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>		
Operating (loss) income	\$ (861,906)	\$ 670,960
Adjustments to reconcile operating (loss) income to net cash from operating activities:		
Depreciation	1,861,734	307,252
Changes in assets and liabilities:		
Receivables	(675,143)	(1,800)
Inventories	6,631	9,169
Prepaid and other assets	36,171	4,844
Accounts payable	(64,058)	(48,903)
Accrued and other liabilities	(266,973)	72,816
Net OPEB obligation	35,071	27,353
	<b>\$ 71,527</b>	<b>\$ 1,041,691</b>
Net cash provided by operating activities	<b>\$ 71,527</b>	<b>\$ 1,041,691</b>

**Noncash Capital and Related Financing Activities** - During the year, the County issued completion bonds for the Downriver Sewage Disposal Treatment System. The City has recorded its share of the debt and related utility improvements in the amount of \$806,398 at June 30, 2015. The City has also recorded the change in its share of the unrestricted net position of the Downriver Sewage Disposal Treatment System in the amount of (\$299,577) in nonoperating expenses for the year ended June 30, 2015.

# City of Romulus, Michigan

## Fiduciary Funds Statement of Fiduciary Net Position June 30, 2015

	Other Employee Benefits Trust Retirees' Insurance Benefits Fund	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 1,615,710	\$ 2,169,026
Investments:		
Government securities	332,056	-
Common stock	1,142,741	-
Corporate bonds and notes	289,070	-
Mutual funds	53,956	-
Asset-backed securities	56,835	-
Accounts receivable - Other receivables	1,398	-
Prepaid expenses	181,479	-
Total assets	3,673,245	\$ 2,169,026
<b>Liabilities</b>		
Accounts payable	1,117	\$ 2,517
Due to other governmental units	-	262,505
Accrued and other liabilities	-	1,904,004
Total liabilities	1,117	\$ 2,169,026
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<b>\$ 3,672,128</b>	

# City of Romulus, Michigan

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## Fiduciary Funds

### Statement of Changes in Fiduciary Net Position - Other Employee Benefits Trust Retirees' Insurance Benefits Fund Year Ended June 30, 2015

<b>Additions</b>	
Investment gain	\$ 38,338
Contributions:	
Employer	2,694,479
Employee	<u>64,393</u>
Total contributions	<u>2,758,872</u>
Total additions - Net	2,797,210
<b>Deductions - Benefit payments</b>	<u>2,559,805</u>
<b>Net Increase in Net Position Held in Trust</b>	237,405
<b>Net Position Held in Trust for Other Postemployment Benefits - Beginning of year</b>	<u>3,434,723</u>
<b>Net Position Held in Trust for Other Postemployment Benefits - End of year</b>	<u><u>\$ 3,672,128</u></u>

# City of Romulus, Michigan

## Component Units Statement of Net Position June 30, 2015

	Tax Increment Finance Authority	Downtown Development Authority	Total
<b>Assets</b>			
Cash and investments	\$ 15,516	\$ 223,832	\$ 239,348
Property taxes receivable	48,159	17,875	66,034
Advances to primary government (Note 8)	302,921	-	302,921
Prepaid expenses and other assets	791	912	1,703
Restricted assets (Note 9)	3,724,863	396,545	4,121,408
Capital assets (Note 7):			
Assets not subject to depreciation	3,035,069	567,581	3,602,650
Assets subject to depreciation	20,812,659	527,382	21,340,041
Prepaid bond insurance	658,104	1,862	659,966
Total assets	28,598,082	1,735,989	30,334,071
<b>Deferred Outflows of Resources -</b>			
Deferred charge on debt refunding	16,093	-	16,093
<b>Liabilities</b>			
Accounts payable	83,627	177,934	261,561
Due to other governmental units	32,098	10,622	42,720
Advance from primary government (Note 8)	478,354	76,233	554,587
Accrued liabilities and other	198,828	9,636	208,464
Due within one year:			
Compensated absences (Note 10)	3,968	574	4,542
Current portion of long-term debt (Note 10)	1,910,000	81,356	1,991,356
Due in more than one year:			
Compensated absences (Note 10)	992	144	1,136
Net OPEB obligation	140,344	110,467	250,811
Long-term debt (Note 10)	16,475,000	949,416	17,424,416
Total liabilities	19,323,211	1,416,382	20,739,593
<b>Net Position</b>			
Net investment in capital assets	9,187,591	460,736	9,648,327
Unrestricted	103,373	(141,129)	(37,756)
Total net position	\$ 9,290,964	\$ 319,607	\$ 9,610,571

# City of Romulus, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Tax Increment Finance Authority:				
Public works	\$ 394,234	\$ -	\$ -	\$ -
Recreation and culture	1,135,792	-	120,000	-
Debt service	678,543	-	-	-
Total Tax Increment Finance Authority	2,208,569	-	120,000	-
Downtown Development Authority - Governmental activities:				
Public works	246,304	-	-	200,000
Debt service	5,622	-	-	-
Total governmental activities	251,926	-	-	200,000
Total component units	<u>\$ 2,460,495</u>	<u>\$ -</u>	<u>\$ 120,000</u>	<u>\$ 200,000</u>
General revenue:				
Property taxes				
Interest income and other				
Total general revenue				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				

**Component Units  
Statement of Activities  
Year Ended June 30, 2015**

Net (Expense) Revenue and Changes in		
Net Position		
Tax Increment Finance Authority	Downtown Development Authority	Total
\$ (394,234)	\$ -	\$ (394,234)
(1,015,792)	-	(1,015,792)
(678,543)	-	(678,543)
(2,088,569)	-	(2,088,569)
-	(46,304)	(46,304)
-	(5,622)	(5,622)
-	(51,926)	(51,926)
(2,088,569)	(51,926)	(2,140,495)
2,389,620	360,868	2,750,488
17,445	29,245	46,690
2,407,065	390,113	2,797,178
318,496	338,187	656,683
8,972,468	(18,580)	8,953,888
<b>\$ 9,290,964</b>	<b>\$ 319,607</b>	<b>\$ 9,610,571</b>

### Note I - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the City of Romulus, Michigan (the "City"):

#### **Reporting Entity**

The City of Romulus, Michigan is governed by an elected seven-member council (board). The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

**Blended Component Units** - The City of Romulus Building Authority (the "Building Authority") is governed by a five-member board appointed by the City Council. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings.

**Discretely Presented Component Units** - The following component units are reported within the component units column to emphasize that they are legally separate from the City:

The Economic Development Corporation (the "Corporation") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation's governing body, which consists of nine individuals, is appointed by the mayor with the approval of the City Council. The Economic Development Corporation had no financial activity during the year ended June 30, 2015.

The Downtown Development Authority (the "Development Authority") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Development Authority's governing body, which consists of seven individuals, is appointed by the mayor with the approval of the City Council. In addition, the Development Authority's budget is subject to approval by the City Council.

The Tax Increment Finance Authority (the "Finance Authority") was created to promote growth. The Finance Authority's governing body, which consists of 13 individuals, is appointed by the mayor with the approval of the City Council. In addition, the Finance Authority's budget is subject to approval by the City Council.

### **Note I - Summary of Significant Accounting Policies (Continued)**

The Brownfield Redevelopment Authority (the "Brownfield Authority") was created to promote growth by encouraging the correction of environmental damage. The Brownfield Authority's governing body, which consists of five individuals, is appointed by the mayor with the approval of the City Council. In addition, the Brownfield Authority's budget is subject to approval by the City Council. There has been no activity in the Brownfield Authority to date.

Separate financial statements for the above discretely presented component units are not prepared.

The City of Romulus Housing Authority (the "Housing Authority") has not been included in the City's reporting entity because the City lacks the ability to impose its will on the Housing Authority under the guidelines of Governmental Accounting Standards Board Statement No. 61. This entity is subject to separate audit requirements.

**Jointly Governed Organization** - Jointly governed organizations are discussed in Note 16.

#### **Accounting and Reporting Principles**

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

#### **Report Presentation**

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. 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 all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenue are reported instead as general revenue.



### Note I - Summary of Significant Accounting Policies (Continued)

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

#### **Fund Accounting**

The City accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures for which specific revenues were used. The various funds are aggregated into three broad fund types:

**Governmental funds** include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service fund, and capital projects fund. The City reports the following fund as a "major" governmental fund:

- **The General Fund** is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.

**Proprietary funds** include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the City). The City reports the following fund as a "major" enterprise fund:

- **The Water and Sewer Fund** provides water to customers and disposes of sanitary sewage in exchange for quarterly user charges.

**Internal service funds** are used to allocate insurance costs and machinery and equipment purchases and maintenance to the various funds on a full accrual basis, so that the full costs are recognized and allocated to the various funds in the year that the costs are incurred.

### Note I - Summary of Significant Accounting Policies (Continued)

**Fiduciary funds** include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government programs. Activities that are reported as fiduciary include:

- **Other Employees Benefits Trust Retirees' Insurance Benefits Funds** - Accumulates resources for postretirement health benefit payments to qualified retirees
- **The Agency Funds** - Account for assets held by the City in a trustee capacity for others. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

**Interfund Activity** - During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

#### **Basis of Accounting**

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow." Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

#### **Specific Balances and Transactions**

**Cash and Cash Equivalents** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Pooled investment income is generally allocated to each fund using a weighted average.

**Investments** - Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** - Restricted asset information is included in Note 9.

### Note I - Summary of Significant Accounting Policies (Continued)

**Capital Assets** - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of one year. 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.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Infrastructure, intangibles, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

<u>Capital Asset Class</u>	<u>Lives</u>
Land improvements	20 years
Infrastructure	20 years
Utility system	50 years
Meters	20 years
Buildings and building improvements	20 to 33 years
Equipment and machinery	3 to 10 years
Vehicles	3 to 15 years

**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 position. Bond premiums and discounts and prepaid bond insurance are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond premiums and discounts as an "other financing source," as well as bond premiums and discounts. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

### **Note I - Summary of Significant Accounting Policies (Continued)**

**Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows related to contributions to the defined benefit plan subsequent to the plan's year end through the City's fiscal year end and the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category. The deferred inflows of resources related to unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from three sources: delinquent personal property taxes, grants, and special assessments.

**Net Position Flow Assumption** - Sometimes, the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Fund Balance Flow Assumption** - Sometimes, the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, 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.

### Note I - Summary of Significant Accounting Policies (Continued)

**Fund Balance Policies** - Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the director of financial services to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Property Tax Revenue** - Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. These taxes are due on September 30 with the final collection date of February 28 of the following year. Taxes are considered delinquent on March 1 of the following year, at which time property taxes become a lien and penalties and interest are assessed.

The City's 2014 tax is levied and collectible on July 1, 2014 and is recognized as revenue in the year ended June 30, 2015, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2014 taxable valuation of the City totaled \$866,549,599, on which taxes levied consisted of 9.4063 mills for operating purposes, 1.5500 mills for sanitation, 0.3000 mills for library, and 1.8217 mills for EPA levy. This resulted in \$7.21 million for operations, \$1.2 million for sanitation, \$235,000 for library, and \$1.9 million for EPA levy. These amounts are recognized in the respective General, Special Revenue, and Water and Sewer Fund financial statements as tax revenue.

### Note I - Summary of Significant Accounting Policies (Continued)

**Pension** - The City offers pension benefits to retirees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Postemployment Benefit Costs** - The City offers retiree healthcare benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation of the remaining amortization period. In the governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

**Compensated Absences (Vacation and Sick Leave)** - It is the City'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 City does not have a policy to pay any amounts when employees separate from service with the City. 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. All other accrued compensated absences are reported in the government-wide financial statements; generally, the funds that report each employee's compensation are used to liquidate obligation.

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

### Note 1 - Summary of Significant Accounting Policies (Continued)

**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 - Change in Accounting

During the current year, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. As a result, the government-wide statements and the proprietary funds now include a liability for our unfunded legacy costs. Some of the changes in this net pension liability will be recognized immediately as part of the pension expense measurement, and part will be deferred and recognized over future years. Refer to the pension footnote for further details. This change does not impact the General Fund or any other governmental fund.

The financial statements for the year ended June 30, 2014 have been restated in order to adopt GASB Statement No. 68 and GASB Statement No. 71. The effect of this new accounting standard was a decrease in net position to record the net pension liability at June 30, 2014. As a result of implementing this statement, the beginning net position of governmental activities was restated to \$20,859,800, a reduction of \$25,608,869.

### Note 3 - Stewardship, Compliance, and Accountability

**Construction Code Fees** - The City oversees building construction in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since is as follows:

Shortfall at July 1, 2014		\$ (4,211,360)
Current year building permit revenue		938,946
Related expenses:		
Direct costs	\$ 1,134,104	
Estimated indirect costs	97,856	1,231,960
		<u>                    </u>
Current year shortfall		<u>(293,014)</u>
Cumulative shortfall at June 30, 2015		<u>\$ (4,504,374)</u>



### Note 4 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. 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 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 Other Employee Benefits Trust Retirees' Insurance Benefits Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated four banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the options discussed above.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk.

At year end, the City had \$11,873,702 in bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$221,952 of bank deposits that were uninsured and uncollateralized. The City 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 City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity.

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2015

### Note 4 - Deposits and Investments (Continued)

At year end, the City had the following investments and maturities:

Primary Government	Fair Value	Less than 1 Year	1-5 Years
Negotiable CDs	\$ 1,456,547	\$ 548,551	\$ 907,996
Commercial paper	499,656	499,656	-
U.S. government agency securities	9,501,212	4,629,923	4,871,289
<b>Total</b>	<b>\$ 11,457,415</b>	<b>\$ 5,678,130</b>	<b>\$ 5,779,285</b>

Fiduciary Funds	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Corporate bonds and notes	\$ 289,070	\$ 10,229	\$ 258,664	\$ 20,177	\$ -
U.S. government agency securities	332,056	55,043	176,331	100,683	-
Asset-backed securities	56,835	-	16,365	9,766	30,704
<b>Total</b>	<b>\$ 677,961</b>	<b>\$ 65,272</b>	<b>\$ 451,360</b>	<b>\$ 130,626</b>	<b>\$ 30,704</b>

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	S&P:										
	S&P: AAA	S&P: AA+	S&P: AA	S&P: AA-	S&P: A+	S&P: A	S&P: A-	BBB+	S&P: BBB	A1/PI/F1	Not Rated
<b>Primary Government</b>											
Negotiable CDs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,456,547
Commercial paper	-	-	-	-	-	-	-	-	-	-	499,656
Money market	-	-	-	-	-	-	-	-	-	-	36,732
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,992,935</b>
<b>Fiduciary Funds</b>											
Corporate bonds and notes	\$ 4,461	\$ 20,194	\$ 22,874	\$ 17,168	\$ 29,235	\$ 104,257	\$ 56,644	\$ 34,236	\$ -	\$ -	\$ -
Asset-backed securities	-	-	-	-	-	-	-	-	-	-	56,835
<b>Total</b>	<b>\$ 4,461</b>	<b>\$ 20,194</b>	<b>\$ 22,874</b>	<b>\$ 17,168</b>	<b>\$ 29,235</b>	<b>\$ 104,257</b>	<b>\$ 56,644</b>	<b>\$ 34,236</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 56,835</b>
<b>Component Units -</b>											
Money market	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 410,906

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2015

### Note 5 - Receivables

Receivables as of year end for the City's individual major funds and the nonmajor funds, enterprise funds, and component units in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Nonmajor Funds	Proprietary Internal Service Fund	Total	Enterprise Funds	Total	Component Units
Receivables:							
Property taxes receivable	\$ 706,154	\$ 80,238	\$ -	\$ 786,392	\$ 334,583	\$ 1,120,975	\$ 44,143
Special assessments receivable	-	540,925	-	540,925	-	540,925	-
Receivables from sales to customers on account	-	-	-	-	2,817,305	2,817,305	-
Other receivables	204,210	231,614	1,800	437,624	116,211	553,835	-
Due from other governmental units	942,184	492,582	-	1,434,766	614,881	2,049,647	21,891
Net receivables	<u>\$ 1,852,548</u>	<u>\$ 1,345,359</u>	<u>\$ 1,800</u>	<u>\$ 3,199,707</u>	<u>\$ 3,882,980</u>	<u>\$ 7,082,687</u>	<u>\$ 66,034</u>

### Note 6 - Deferred Inflows/Outflows of Resources

At the end of the current fiscal year, the various components of deferred inflows of resources are as follows:

	Governmental Funds
Delinquent property taxes - Unavailable	\$ 189,864
Special assessments - Unavailable	467,213
Grant revenue - Unavailable	175,624
Total deferred inflows	<u>\$ 832,701</u>

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2015

### Note 7 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2014	Reclassifications	Additions	Disposals	Balance June 30, 2015
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 5,566,341	\$ -	\$ -	\$ -	\$ 5,566,341
Construction in progress	1,139,457	(165,944)	1,306,805	-	2,280,318
Subtotal	6,705,798	(165,944)	1,306,805	-	7,846,659
Capital assets being depreciated:					
Infrastructure	74,129,125	165,944	471,961	-	74,767,030
Buildings and improvements	19,855,800	-	49,810	-	19,905,610
Machinery and equipment	10,222,429	-	391,251	(273,067)	10,340,613
Vehicles	5,292,227	-	241,289	(225,575)	5,307,941
Land improvements	985,758	-	124,989	-	1,110,747
Subtotal	110,485,339	165,944	1,279,300	(498,642)	111,431,941
Accumulated depreciation:					
Infrastructure	43,920,344	-	3,562,072	-	47,482,416
Buildings and improvements	6,878,553	-	468,115	-	7,346,668
Machinery and equipment	8,560,389	-	771,238	(257,211)	9,074,416
Vehicles	4,140,130	-	70,106	(203,404)	4,006,832
Land improvements	621,082	-	45,946	-	667,028
Subtotal	64,120,498	-	4,917,477	(460,615)	68,577,360
Net capital assets being depreciated	46,364,841	165,944	(3,638,177)	(38,027)	42,854,581
Net capital assets	\$ 53,070,639	\$ -	\$ (2,331,372)	\$ (38,027)	\$ 50,701,240
<b>Business-type Activities</b>					
Capital assets not being depreciated:					
Land	\$ 88,065	\$ -	\$ -	\$ -	\$ 88,065
Construction in progress	1,915,640	(1,768,647)	1,166,997	-	1,313,990
Subtotal	2,003,705	(1,768,647)	1,166,997	-	1,402,055
Capital assets being depreciated:					
Water and sewer lines	94,044,735	1,768,647	891,157	-	96,704,539
Machinery and equipment	559,279	-	7,472	-	566,751
Other depreciable assets	1,822,298	-	108,658	(64,136)	1,866,820
Subtotal	96,426,312	1,768,647	1,007,287	(64,136)	99,138,110
Accumulated depreciation:					
Water and sewer lines	35,380,755	-	1,768,834	-	37,149,589
Machinery and equipment	411,870	-	29,758	-	441,628
Other depreciable assets	1,107,918	-	63,143	(64,136)	1,106,925
Subtotal	36,900,543	-	1,861,735	(64,136)	38,698,142
Net capital assets being depreciated	59,525,769	1,768,647	(854,448)	-	60,439,968
Net capital assets	\$ 61,529,474	\$ -	\$ 312,549	\$ -	\$ 61,842,023

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2015

### Note 7 - Capital Assets (Continued)

Component Units	Balance July 1, 2014	Reclassifications	Additions	Disposals	Balance June 30, 2015
Capital assets not being depreciated:					
Land	\$ 3,203,186	\$ -	\$ -	\$ -	\$ 3,203,186
Construction in progress	188,880	(268,657)	580,213	(100,972)	399,464
Subtotal	3,392,066	(268,657)	580,213	(100,972)	3,602,650
Capital assets being depreciated:					
Machinery and equipment	590,344	-	18,021	-	608,365
Building improvements	24,895,336	-	-	-	24,895,336
Land improvements	134,792	268,657	-	-	403,449
Subtotal	25,620,472	268,657	18,021	-	25,907,150
Accumulated depreciation:					
Machinery and equipment	469,783	-	88,183	-	557,966
Buildings	-	-	552,477	-	552,477
Building improvements	3,339,273	-	1,905	-	3,341,178
Land improvements	76,937	-	38,551	-	115,488
Subtotal	3,885,993	-	681,116	-	4,567,109
Net capital assets being depreciated	21,734,479	268,657	(663,095)	-	21,340,041
Net capital assets	\$ 25,126,545	\$ -	\$ (82,882)	\$ (100,972)	\$ 24,942,691

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

#### Governmental activities:

General government	\$ 148,546
Public safety	583,700
Public works	3,712,404
Recreation and culture	165,575
Internal service fund depreciation is charged to the various functions based on their usage of the asset	307,252
<b>Total governmental activities</b>	<b>\$ 4,917,477</b>

#### Business-type activities - Water and sewer

**\$ 1,861,735**

#### Component unit activities:

TIFA	\$ 631,781
DDA	49,335
<b>Total component unit activities</b>	<b>\$ 681,116</b>

**Construction Commitments** - The City has active construction projects at year end. The projects include road and water and sewer infrastructure improvements. At year end, the City has spent approximately \$3,072,000 on these projects with a remaining commitment of approximately \$12,099,000.

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2015

### Note 8 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
General Fund	Nonmajor governmental funds	\$ 44,953
<b>Advances to/from Primary Government and Component Units</b>		
Component unit - Tax Increment Finance Authority	Primary government - Other nonmajor governmental funds	\$ 302,921
Primary government - General fund	Component unit - Downtown Development Authority	\$ 13,565
	Component unit - Tax Increment Finance Authority	440,185
	Total primary government - General Fund	\$ 453,750
Primary government - Other nonmajor funds	Component unit - Downtown Development Authority	\$ 62,668
	Component unit - Tax Increment Finance Authority	38,169
	Total primary government - Other nonmajor funds	\$ 100,837

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2015

### Note 8 - Interfund Receivables, Payables, and Transfers (Continued)

The advance between the Tax Increment Finance Authority and other nonmajor governmental funds is related to cash provided to the Romulus Athletic Center Fund for operating expenses. This advance will be repaid over a number of years. The advance from the General Fund to the Downtown Development Fund and Tax Increment Finance Authority is related to cash provided for operating expenses. These advances will be repaid over a number of years. The advance from the nonmajor governmental funds to the Downtown Development Fund and Tax Increment Finance Authority related to overcaptures from 2013 to the Sanitation and Library Funds. In addition, the advance from the nonmajor governmental funds to the Downtown Development Authority relate to a road construction project toward which the Downtown Development Authority agreed to contribute. These advances will be repaid over a number of years.

#### Interfund Transfers

Transfers In	Transfers Out			
	General Fund	Nonmajor Governmental Funds	Enterprise Funds	Internal Service Funds
Nonmajor governmental funds	\$ 8,750	\$ 806,161	\$ -	\$ -

The transfers from the General Fund to nonmajor governmental funds were related primarily to the Romulus Athletic Center Fund to support recreational programming. Remaining transfers were between the City's two street funds to redistribute Act 51 monies from the Major Streets Fund to the Local Streets Fund and to the Debt Service Fund in accordance with a City Council approved resolution.

### Note 9 - Restricted Assets

Cash has been restricted for the following purposes:

	Governmental Activities	Business-type Activities	Component Units
Cash deposits at Wayne County	\$ -	\$ 2,098,099	\$ -
Cash and investments	-	2,242,543	-
Unspent bond proceeds	1,034,422	1,982,556	4,121,408
Total restricted assets	\$ 1,034,422	\$ 6,323,198	\$ 4,121,408

### **Note 9 - Restricted Assets (Continued)**

The cash on deposit at Wayne County is being held at Wayne County for County sewage disposal system bonds. These restricted assets resulted from property tax collections and are restricted for debt service payments. Net position has been restricted for these amounts. Total tax and other collections received in the current year were approximately \$1,930,000 compared to principal and interest payments of \$2,881,000 on the related debt.

The cash and investments for the business-type activities consist of property tax collections held by the City to pay certain Water and Sewer Fund debt service payments. Net position has been restricted for the amounts related to the property tax collections.

Unspent bond proceeds from the 2014 and 2015 Capital Improvement Bonds are restricted for the purpose of paying part of the costs of acquiring, constructing, furnishing, and equipping road improvements, sidewalk improvements, water supply, and sewage disposal system improvements, together with all the necessary site improvements, appurtenances, and attachments.

### **Note 10 - Long-term Debt**

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the City. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.



# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2015

### Note 10 - Long-term Debt (Continued)

Long-term obligation activity for governmental and business-type activities and component units can be summarized as follows:

	Interest Rate Ranges	Maturity Date Range	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>								
General obligation bonds:								
Beverly Road Bond - \$1,650,000	4.00%-5.10%	2016	\$155,000	\$ 300,000	\$ -	\$ 145,000	\$ 155,000	\$ 155,000
Capital improvement bonds - Major streets - \$2,095,000	2.0%-4.0%	2029	\$90,000- \$180,000	2,095,000	-	145,000	1,950,000	145,000
Capital lease - Honeywell agreement - \$2,499,858	4.29%	2015		475,936	-	475,936	-	-
Special assessment bonds - Beverly Road - \$1,650,000	4.00%-5.10%	2022	\$80,000- \$85,000	655,000	-	85,000	570,000	85,000
Plus premiums on bonds payable				69,818	-	4,655	65,163	4,655
Total bonds payable				3,595,754	-	855,591	2,740,163	389,655
Compensated absences				674,535	461,597	461,080	675,052	455,939
Total governmental activities				\$ 4,270,289	\$ 461,597	\$ 1,316,671	\$ 3,415,215	\$ 845,594
<b>Business-type Activities</b>								
Wayne County contractual obligations - \$42,381,873	1.63%-6.30%	2033	\$54,379- \$2,364,730	\$ 18,795,925	\$ 806,398	\$ 2,392,707	\$ 17,209,616	\$ 2,449,861
Capital improvement bonds - Water and sewer - \$7,000,000	3.5%-5.0%	2027	\$320,000- \$510,000	5,175,000	-	305,000	4,870,000	320,000
Capital improvement bonds - Water - \$2,900,000	2.0%-4.0%	2034	\$100,000- \$260,000	2,900,000	-	140,000	2,760,000	100,000
Plus premiums on bonds payable				68,263	-	3,413	64,850	3,413
Total bonds payable				26,939,188	806,398	2,841,120	24,904,466	2,873,274
Compensated absences				126,545	101,236	103,661	124,120	99,296
Total business-type activities				\$ 27,065,733	\$ 907,634	\$ 2,944,781	\$ 25,028,586	\$ 2,972,570

### Note 10 - Long-term Debt (Continued)

Component Unit Activities	Interest Rate Ranges	Maturity Date Range	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Tax Increment Finance Authority:								
General obligation bonds - \$5,445,000	2.50%-4.30%	2020	\$385,000-\$470,000	\$ 2,545,000	\$ -	\$ 2,545,000	\$ -	\$ -
General obligation bonds - \$18,500,000	4.0%-5.0%	2027	\$835,000-\$1,355,000	13,685,000	-	805,000	12,880,000	835,000
Capital improvement bonds - \$1,695,000	1.35%	2020	\$335,000-\$350,000	-	1,695,000	-	1,695,000	335,000
Capital improvement bonds - \$3,810,000	1.35%	2019	\$740,000-\$780,000	-	3,810,000	-	3,810,000	740,000
Compensated absences				8,018	3,356	6,414	4,960	3,968
Total - Tax Increment Finance Authority				16,238,018	5,508,356	3,356,414	18,389,960	1,913,968
Downtown Development Authority:								
General obligation bonds - \$3,400,000	2.50%-3.60%	2015	\$385,000	385,000	-	385,000	-	-
Capital improvement bonds - DDA - \$1,005,000	2.0%-4.0%	2034	\$40,000-\$70,000	1,005,000	-	-	1,005,000	80,000
Plus premiums on bonds payable				27,129	-	1,357	25,772	1,356
Compensated absences				8,187	-	7,469	718	574
Total - Downtown Development Authority				1,425,316	-	393,826	1,031,490	81,930
Total component units				\$ 17,663,334	\$ 5,508,356	\$ 3,750,240	\$ 19,421,450	\$ 1,995,898

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

Years Ending June 30	Governmental Activities			Business-type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 385,000	\$ 87,825	\$ 472,825	\$ 2,869,861	\$ 744,828	\$ 3,614,689	\$ 1,990,000	\$ 652,389	\$ 2,642,389
2017	235,000	77,118	312,118	2,811,666	667,585	3,479,251	2,000,000	607,278	2,607,278
2018	235,000	69,910	304,910	2,864,226	589,166	3,453,392	2,050,000	553,798	2,603,798
2019	235,000	62,730	297,730	2,555,750	511,422	3,067,172	2,105,000	497,918	2,602,918
2020	240,000	55,550	295,550	1,955,196	446,810	2,402,006	2,160,000	438,918	2,598,918
2021-2025	935,000	160,210	1,095,210	6,277,571	1,532,400	7,809,971	5,900,000	1,401,408	7,301,408
2026-2030	410,000	41,400	451,400	4,229,235	561,751	4,790,986	2,925,000	206,400	3,131,400
2031-2034	-	-	-	1,276,111	117,262	1,393,373	260,000	26,600	286,600
Total	\$ 2,675,000	\$ 554,743	\$ 3,229,743	\$ 24,839,616	\$ 5,171,224	\$ 30,010,840	\$ 19,390,000	\$ 4,384,709	\$ 23,774,709

### **Note 10 - Long-term Debt (Continued)**

**Current Refundings** - During the year, the Tax Increment Finance Authority issued one Limited Tax General Obligation Refunding Bond, Series 2015. Limited Tax General Obligation Refunding Bond, Series 2015 was issued with a par amount of \$1,695,000 and an interest rate of 1.35 percent. The proceeds of this bond along with \$500,700 of other sources were used to refund \$2,160,000 of outstanding General Obligation Bonds, Series 2004 with interest rates ranging from 4.00 to 4.30 percent. The net proceeds of \$2,176,093 (after payment of \$19,607 in underwriting fees, insurance, and other issuance costs) were deposited in an irrevocable trust with an escrow agent until July 6, 2015, at which time the proceeds were then used to pay the outstanding bond. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the Tax Increment Finance Authority statement of net position. The refunding decreased total debt service payments over the next four years by approximately \$142,000. The net present value savings from the refunding is approximately \$123,000. The new General Obligation Bonds are paid through the Tax Increment Finance Authority Fund.

### **Note 11 - Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefit claims and participates in the Michigan Municipal League risk pool for claims relating to employee injuries (workers' compensation) and for claims relating to general liability and property loss. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

### Note 12 - Contingent Liabilities

#### Clean Water Act

The City has been named as a defendant in a lawsuit alleging violations of the Clean Water Act occurring in the Downriver Sewage Treatment System. Several other communities, including Wayne County, were also named as defendants. Under the terms of the consent decree, the communities are required to undertake construction projects to expand the capacity of the system and eliminate any violations of the Clean Water Act. The estimated total cost of the project is approximately \$347,000,000, with the City's share estimated to be approximately \$47,000,000. The outstanding balance payable at June 30, 2015 was approximately \$17,210,000. The bonds will be paid through a court-ordered judgment levy. In addition, approximately \$42,445,000 of capital improvement bonds were issued in previous years for the system. The City's share of the outstanding balance payable at June 30, 2015 was \$4,780,000. The bonds will be paid through sewer rates.

#### Tax Appeals

The City is a defendant in several tax appeal cases. Based on recent settlements and estimates of potential refunds by management, the City has recorded a liability for potential refunds related to these appeals. The City's component units (Tax Increment Financing Authority and Downtown Development Authority) are also impacted by certain tax appeal cases. A liability has been recorded in the component units for potential refunds in these cases.

### Note 13 - Agent Defined Benefit Pension Plan Description

**Plan Description** - The City participates in the Michigan Municipal Employees' Retirement System (the "System"), an agent multiple-employer defined benefit pension plan that covers members of the Police Officers Labor Council, International Association of Fire Fighters, the previous mayor, and the Police Officers Association of Michigan. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

**Funding Policy** - The obligation to contribute to and maintain the System for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from the employees of 5.0 percent of gross wages from the Police Officers Labor Council, 5.0 percent of gross wages from the Police Officers Association of Michigan, 5.0 percent of gross wages from the International Association of Fire Fighters, and 5.0 percent from the previous mayor.

### Note 13 - Agent Defined Benefit Pension Plan Description (Continued)

**Benefits Provided** - The Plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in the System.

The System's plan covers members of the Police Officers Labor Council, International Association of Fire Fighters, the previous mayor, and the Police Officers Association of Michigan. The System provides retirement, disability, and death benefits to plan members and their beneficiaries.

Retirement benefits for employees are calculated as 2.50 or 3.00 percent (depending on the group) of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 15 or 25 years of service (depending on the group), or in some cases, reduced early retirement at 50 with 25 years of service or 55 with 15 years of service (depending on the group). Vesting period is 10 years. Employees are eligible for non-duty disability benefits after six years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits equal 80 times the employee's final full-year salary. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are 3 percent, noncompounding.

Benefit terms, within the parameters established by the System, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Police and fire employees' benefit terms may be subject to binding arbitration in certain circumstances.

**Employees Covered by Benefit Terms** - At the December 31, 2014 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	60
Inactive plan members entitled to but not yet receiving benefits	7
Active plan members	<u>57</u>
Total employees covered by the System	<u><u>124</u></u>

### Note 13 - Agent Defined Benefit Pension Plan Description (Continued)

**Contributions** - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the System retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the System's retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2015, the average active employee contribution rate was 3.9 percent of annual pay and the City's average contribution rate was 24.5 of annual payroll.

#### Net Pension Liability

The net pension liability reported at June 30, 2015 was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The December 31, 2014 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2013</b>	\$ 46,552,160	\$ 20,064,579	\$ 26,487,581
Service cost	542,571	-	542,571
Interest	3,731,581	-	3,731,581
Contributions - Employer	-	1,785,563	(1,785,563)
Contributions - Employee	-	284,028	(284,028)
Net investment income	-	1,242,261	(1,242,261)
Benefit payments, including refunds	(3,184,316)	(3,184,316)	-
Administrative expenses	-	(45,406)	45,406
Net changes	1,089,836	82,130	1,007,706
<b>Balance at December 31, 2014</b>	<u>\$ 47,641,996</u>	<u>\$ 20,146,709</u>	<u>\$ 27,495,287</u>

### Note 13 - Agent Defined Benefit Pension Plan Description (Continued)

#### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$2,501,100. At June 30, 2015, the City reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 292,169
Employer contributions to the plan subsequent to the measurement date	<u>918,611</u>
Total	<u>\$ 1,210,780</u>

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

<u>Years Ending June 30</u>	<u>Amount</u>
2016	\$ 73,042
2017	73,042
2018	73,042
2019	73,043

**Actuarial Assumptions** - The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 %
Salary increases	4.5 % In the long term, 1 percent, 2 percent, and 3 percent for calendar years 2014, 2015, and 2016, respectively, including inflation
Investment rate of return	8.0 % Net of pension plan investment expense, including inflation

### Note 13 - Agent Defined Benefit Pension Plan Description (Continued)

Mortality rates were based on the 1994 Group Annuity Mortality Table of a 50 percent male and 50 percent female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of the most recent actuarial experience study in 2008.

**Discount Rate** - The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

#### Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of June 30, 2015, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Global equity	58 %	5.0 %
Global fixed income	20 %	2.2 %
Real assets	12 %	4.2 %
Diversifying strategies	10 %	6.6 %



**Note 13 - Agent Defined Benefit Pension Plan Description (Continued)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the City, calculated using the discount rate of 8.25 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.25 percent) or 1 percentage point higher (9.25 percent) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Net pension liability of the City	\$ 33,073,729	\$ 27,495,287	\$ 22,827,484

**Pension Plan Fiduciary Net Position** - Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are report by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

**Note 14 - Defined Contribution Pension Plan**

The City provides pension benefits to all groups not covered in the System's plan through a defined contribution plan administered by McCready and Keene. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by labor contracts with the approval of the City Council, the City contributed 9.5 percent of employees' gross earnings for nonunion employees and 11.5 percent of employees' gross earnings for Teamsters and AFSCME employees during the year ended June 30, 2015. Employees who participate are required to contribute 0.5 percent to 1.0 percent of earnings and may contributed 0-10 percent of after-tax earnings. In accordance with these requirements, the City contributed \$532,973 during the current year and employees contributed \$80,758.

### Note 15 - Other Postemployment Benefits

**Plan Description** - The City provides healthcare benefits to eligible employees and their spouses and dependents through the City of Romulus Retiree Health Care Plan. Currently, the plan has 278 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits). During the year ended June 30, 2015, a new collective bargaining agreement was approved by the City Council. This agreement closed out the City of Romulus Retiree Health Care Plan and started a new plan. As part of the changes, 30 employees opted out of retiree health care within the new plan, resulting in significant changes to the OPEB liability.

This is a single-employer defined benefit plan administered by the City. The benefits are provided in accordance with labor contracts and City personnel policies as approved by the City Council. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions.

**Funding Policy** - The labor contracts and City personnel policies as approved by the City Council require contributions from employees in certain employee groups. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). However, as shown below, the City has made contributions to advance-fund these benefits, as determined by the City Council through annual budget resolutions.

**Funding Progress** - For the year ended June 30, 2015, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2013, which was the most recent valuation. There have been no significant changes to healthcare costs, payroll, or other factors that would cause the City to expect a significant increase in the funding progress. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 5,400,370
Interest on the prior year's net OPEB obligation	890,308
Less adjustment to the annual required contribution	<u>(612,219)</u>
Annual OPEB cost	5,678,459
Amounts contributed	<u>(2,694,479)</u>
Increase in net OPEB obligation	2,983,980
OPEB obligation - Beginning of year	<u>14,838,470</u>
OPEB obligation - End of year	<u>\$ 17,822,450</u>

### Note 15 - Other Postemployment Benefits (Continued)

Employer contributions and annual OPEB cost data for the current and two preceding years were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Annual OPEB Costs	Employer Contributions		Net OPEB Obligation
				Percentage of ARC Contributed	Percentage of OPEB Costs Contributed	
6/30/13	6/30/11	\$ 6,954,822	\$ 7,062,068	34.2 %	33.7 %	\$ 10,407,804
6/30/14	6/30/11	6,998,460	7,193,513	39.5	38.4	14,838,470
6/30/15	6/30/13	5,400,370	5,678,459	49.9	47.5	17,822,450

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/09	\$ 2,891,009	\$ 48,005,400	\$ 45,114,391	6.0	\$ 12,435,976	362.8
6/30/11	2,848,525	79,709,849	76,861,324	3.6	10,850,519	708.4
6/30/13	2,793,739	60,066,433	57,272,694	4.7	10,850,519	527.8

Approximately \$6,300,000 of the actuarial accrued liability at June 30, 2013 relates to the 34th District Court.

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

### **Note 15 - Other Postemployment Benefits (Continued)**

In the June 30, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 6.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 4.0 percent after 10 years. Both rates included a 4.0 percent inflation assumption. The UAAL is being amortized as a level percentage of payroll if the division is open to new hires and as a level dollar amount if the division is closed to new hires. The remaining amortization period at June 30, 2013 was 26 years.

### **Note 16 - Joint Venture**

The City is a member of the 34th District Court (the "Court"), which provides services to the City of Romulus, the City of Belleville, and the townships of Huron, Sumpter, and Van Buren. The City has a two-thirds interest in the revenue of the Court and provides the annual funding for its operations. During the year, the City received net revenue from the Court of \$3,198,013. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the 34th District Court can be obtained from the administrative offices at 11131 Wayne Road, Romulus, Michigan.

The City, along with 12 other communities, jointly participates in the Downriver Sewage Disposal System. The City's share of capital assets, restricted assets (for debt service), related debt, and equity interest is recorded in the Water and Sewer Fund. During the year, the City paid \$2,387,400 for operations of the system and \$2,881,114 for debt service. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future, except as discussed in Note 12. Financial statements for the joint venture can be obtained from the administrative offices at 415 Clifford, Detroit, MI 48226.

### **Note 17 - Upcoming Accounting Pronouncements**

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the City's 2015-2016 fiscal year.

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statements more extensive footnote disclosures and required supplementary information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the City will, after adoption of GASB Statement No. 75, recognize on the face of the financial statements its net OPEB liability. The City is currently evaluating the impact these standards will have on the financial statements when adopted. GASB Statement No. 74 is effective for fiscal years beginning after June 15, 2016 whereas GASB Statement No. 75 is effective one year later.

## **Required Supplemental Information**

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# City of Romulus, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 7,430,457	\$ 7,430,457	\$ 7,864,890	\$ 434,433
Licenses and permits	1,212,100	1,212,100	1,212,347	247
Federal sources	413,014	413,014	196,745	(216,269)
State sources	3,910,355	3,910,355	3,871,045	(39,310)
Charges for services	2,351,165	2,368,165	2,272,289	(95,876)
Fines and forfeitures	4,100,000	4,100,000	3,048,009	(1,051,991)
Interest income	6,000	16,000	29,210	13,210
Other	302,838	361,838	981,321	619,483
Total revenue	19,725,929	19,811,929	19,475,856	(336,073)
<b>Expenditures - Current</b>				
General government:				
City Council	77,685	77,685	76,188	1,497
Mayor	350,800	353,869	351,373	2,496
Finance department	552,839	565,252	548,700	16,552
Purchasing	108,576	120,255	119,320	935
Treasurer	435,311	477,795	474,133	3,662
Assessing	383,359	464,714	459,712	5,002
Board of Review	1,642	1,642	1,078	564
Clerk	363,549	421,022	413,239	7,783
Elections	166,919	159,847	159,183	664
Buildings and grounds	1,720,970	1,788,514	1,546,763	241,751
Legal	300,000	300,000	282,635	17,365
Human resources	210,189	223,754	206,685	17,069
Unresolved claims	100,000	100,000	134,130	(34,130)
Transfer to Merriman Road SAD Fund	8,750	10,811	8,750	2,061
Nondepartmental	621,710	611,777	513,307	98,470
City-owned property	9,200	9,200	5,111	4,089
Cemetery	117,207	110,432	79,856	30,576
Contingency	122,585	-	-	-
Total general government	5,651,291	5,796,569	5,380,163	416,406
Public safety:				
Police	8,767,632	8,849,605	8,459,604	390,001
Fire	2,740,187	2,766,806	2,551,992	214,814
Total public safety	11,507,819	11,616,411	11,011,596	604,815
Public works:				
Building safety and engineering	1,080,847	1,098,607	964,597	134,010
Department of Public Works	127,859	130,094	121,967	8,127
Drains-at-large	68,500	68,500	59,773	8,727
Total public works	1,277,206	1,297,201	1,146,337	150,864

# City of Romulus, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Expenditures - Current (Continued)</b>				
Health and welfare:				
Ordinance	\$ 309,344	\$ 313,500	\$ 306,255	\$ 7,245
Animal control	320,212	321,806	298,800	23,006
Total health and welfare	629,556	635,306	605,055	30,251
Community and economic development:				
Community and development	197,040	200,123	198,887	1,236
Historical commission	125	125	18	107
Planning	162,881	164,955	169,510	(4,555)
Total community and economic development	360,046	365,203	368,415	(3,212)
Recreation and culture:				
Recreation	12,503	250,376	184,626	65,750
Community service	239,384	272,347	271,523	824
Senior services	211,914	365,956	359,987	5,969
Total recreation and culture	463,801	888,679	816,136	72,543
Total expenditures	19,889,719	20,599,369	19,327,702	1,271,667
<b>Net Change in Fund Balance</b>	(163,790)	(787,440)	148,154	935,594
<b>Fund Balance - Beginning of year</b>	3,622,582	3,622,582	3,622,582	-
<b>Fund Balance - End of year</b>	<b>\$ 3,458,792</b>	<b>\$ 2,835,142</b>	<b>\$ 3,770,736</b>	<b>\$ 935,594</b>



# City of Romulus, Michigan

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## Note to Required Supplemental Information Year Ended June 30, 2015

**Budgetary Information** - The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act), as amended. The following statements represent a brief synopsis of the major provisions of the act:

1. Budgets must be adopted for the General Fund and special revenue funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

The City adopts its budget on an activity basis (department), which is in accordance with the State's legal requirements and is the level of classification detail at which expenditures may not legally exceed appropriations.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In February, the mayor holds a meeting with all departments. At this time, the finance department provides the necessary budget materials with instructions and discusses intended strategies.
2. In March, the mayor and the finance director hold meetings with each department to review proposed spending and activities. Working with the finance director, alternative approaches are sought to provide better services and reduce costs. Departmental recommendations are refined by the mayor according to overall City needs and estimated available revenue.
3. The city charter provides that the mayor must submit his recommendations on the upcoming year's budget on or before the first day of April. With these line item recommendations, the mayor summarizes major policy and concerns, along with his proposed tax levy and the estimated revenue generated.
4. The City Council conducts budget hearings with the mayor and the finance director during the month of April. Citizens are given an opportunity to comment on proposed spending at a City Council public hearing, which is generally held on the first or second Monday in May. Prior to this public hearing, the proposed budget is available to the public in the city clerk's office for inspection for a period of not less than three weeks. The City Council then makes final adjustments to the proposed budget, according to the concerns developed during its public hearings. Under the charter, the City Council must adopt the final budget for the ensuing fiscal year on or before May 15 of each year.

# City of Romulus, Michigan

## Note to Required Supplemental Information (Continued) Year Ended June 30, 2015

5. The city budget is adopted by resolution, which incorporates the line items in the mayor's recommendations, amendments, and refinements as developed by changing events and concerns established in the City Council hearing process, and policy guidelines for expenditure of funds. A vote of four of the seven City Council members serving is necessary for budget adoption. The mayor has item veto authority, which he may exercise subsequent to budget adoption.

During the current year, the budget was amended in a legally permissible manner with the exception of budget amendments made subsequent to year end. A comparison of the budget with statements of actual revenue and expenditures, including budget variances, for the General Fund is presented as required supplemental information. Budgetary comparisons for the special revenue funds can be obtained at City Hall.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, with the following exceptions:

	Total		
	<u>Total Revenue</u>	<u>Expenditures</u>	<u>Fund Balance</u>
Amounts per operating statement	\$ 19,341,726	\$ 19,184,822	\$ 3,770,736
Operating transfers budgeted as revenue and expenditures	-	8,750	-
Tax tribunal refunds budgeted as an expenditure	134,130	134,130	-
	<u>134,130</u>	<u>134,130</u>	<u>-</u>
Amounts per budget statement	<u>\$ 19,475,856</u>	<u>\$ 19,327,702</u>	<u>\$ 3,770,736</u>

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the City of Romulus, Michigan incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund - Community and economic development	\$ 365,203	\$ 368,415	\$ (3,212)

# City of Romulus, Michigan

## Required Supplemental Information OPEB System Schedule Year Ended June 30, 2015

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/13	\$ 2,793,739	\$ 60,066,433	\$ 57,272,694	4.7	\$ 10,850,519	527.8
6/30/11	2,848,525	79,709,849	76,861,324	3.6	10,850,519	708.4
6/30/09	2,891,009	48,005,400	45,114,391	6.0	12,435,976	362.8

# City of Romulus, Michigan

## Required Supplemental Information Schedule of Changes in the City Net Pension Liability and Related Ratios Last Ten Fiscal Years

	2015
<b>Total Pension Liability</b>	
Service cost	\$ 542,571
Interest	3,731,581
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds	(3,184,316)
Net change in total pension liability	1,089,836
Total pension liability - Beginning of year	46,552,160
Total pension liability - End of year	<b>\$ 47,641,996</b>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 1,785,563
Contributions - Member	284,028
Net investment income	1,242,261
Administrative expenses	(45,406)
Benefit payments, including refunds	(3,184,316)
Other	-
Net change in plan fiduciary net position	82,130
Plan fiduciary net position - Beginning of year	20,064,579
Plan fiduciary net position - End of year	<b>\$ 20,146,709</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 27,495,287</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	42.29 %
<b>Covered Employee Payroll</b>	\$ 3,907,772
<b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	703.6 %



## **Other Supplemental Information**

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# City of Romulus, Michigan

## Nonmajor Special Revenue Funds

	Nonmajor Special Revenue Funds						
	Major Streets	Local Streets	Cable TV	911	Sanitation	Community Development Block Grant	Street Lighting
<b>Assets</b>							
Cash and investments	\$ 405,455	\$ -	\$ 429,939	\$ 201,256	\$ 320,298	\$ 10,607	\$ 119,341
Receivables:							
Property taxes receivable	-	-	-	-	68,049	-	24
Special assessments receivable	-	-	-	-	-	-	61,565
Other receivables	3,609	3,609	97,752	48,442	-	-	-
Due from other governmental units	222,485	105,987	-	-	-	41,961	-
Advance from component units	60,000	-	-	-	34,215	-	-
Inventory	52,702	79,053	-	-	-	-	-
Prepaid expenses	7,119	10,159	2,364	12	50	-	-
Restricted assets	1,034,422	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 1,785,792</b>	<b>\$ 198,808</b>	<b>\$ 530,055</b>	<b>\$ 249,710</b>	<b>\$ 422,612</b>	<b>\$ 52,568</b>	<b>\$ 180,930</b>
<b>Liabilities and Fund Balances (Deficit)</b>							
<b>Liabilities</b>							
Accounts payable	\$ 234,646	\$ 12,197	\$ 18,130	\$ 43,598	\$ 84,500	\$ 29,015	\$ 43,353
Due to other governmental units	-	-	-	-	13,515	-	24,656
Due to other funds	-	-	-	-	-	-	-
Accrued liabilities and other:							
Accrued salaries and wages	4,578	6,867	4,041	-	110	-	-
Accrued and other liabilities	-	277	-	-	28,680	-	-
Advances from component units	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>239,224</b>	<b>19,341</b>	<b>22,171</b>	<b>43,598</b>	<b>126,805</b>	<b>29,015</b>	<b>68,009</b>
<b>Deferred Inflows of Resources -</b>							
Unavailable revenue	-	-	-	16,873	16,605	41,961	-
<b>Fund Balances (Deficit)</b>							
Nonspendable:							
Inventory	52,702	79,053	-	-	-	-	-
Prepays	7,119	10,159	2,364	12	50	-	-
Restricted:							
Roads	1,486,747	90,255	-	-	-	-	-
Public safety	-	-	-	189,227	-	-	-
Sanitation	-	-	-	-	279,152	-	-
PEG fees	-	-	505,520	-	-	-	-
Street lighting	-	-	-	-	-	-	112,921
Cemetery operations	-	-	-	-	-	-	-
Community facilities and programs	-	-	-	-	-	-	-
Library operations	-	-	-	-	-	-	-
Committed - Recreation	-	-	-	-	-	-	-
Assigned - Capital projects	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(18,408)	-
<b>Total fund balances (deficit)</b>	<b>1,546,568</b>	<b>179,467</b>	<b>507,884</b>	<b>189,239</b>	<b>279,202</b>	<b>(18,408)</b>	<b>112,921</b>
<b>Total liabilities, deferred inflows of resources, and fund balances (deficit)</b>	<b>\$ 1,785,792</b>	<b>\$ 198,808</b>	<b>\$ 530,055</b>	<b>\$ 249,710</b>	<b>\$ 422,612</b>	<b>\$ 52,568</b>	<b>\$ 180,930</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2015**

Nonmajor Special Revenue Funds									
Merriman Road Special Assessment District	Oakwood Special Assessment District	Narcotics Enforcement	Romulus Athletic Center	Cemetery Perpetuation	Library	Community - Employee Activity Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 45,098	\$ 14,642	\$ 423,891	\$ 488,651	\$ 3,755	\$ 22,224	\$ 19,933	\$ -	\$ 305,593	\$ 2,810,683
-	-	-	-	-	12,165	-	-	-	80,238
3,599	849	-	-	-	-	-	-	474,912	540,925
-	-	-	71,952	-	6,250	-	-	-	231,614
-	-	-	10,000	-	112,149	-	-	-	492,582
-	-	-	-	-	6,622	-	-	-	100,837
-	-	-	2,718	-	-	-	-	-	134,473
-	-	-	40,331	-	1,791	-	-	-	61,826
-	-	-	-	-	-	-	-	-	1,034,422
<b>\$ 48,697</b>	<b>\$ 15,491</b>	<b>\$ 423,891</b>	<b>\$ 613,652</b>	<b>\$ 3,755</b>	<b>\$ 161,201</b>	<b>\$ 19,933</b>	<b>\$ -</b>	<b>\$ 780,505</b>	<b>\$ 5,487,600</b>
\$ 6,500	\$ -	\$ 23,358	\$ 19,443	\$ -	\$ 959	\$ 238	\$ -	\$ -	\$ 515,937
-	-	-	-	-	3,813	-	-	-	41,984
-	-	-	44,953	-	-	-	-	-	44,953
-	-	-	27,457	-	6,849	-	-	-	49,902
-	-	-	65,922	-	6,175	-	-	-	101,054
-	-	-	302,921	-	-	-	-	-	302,921
6,500	-	23,358	460,696	-	17,796	238	-	-	1,056,751
-	-	-	-	-	2,210	-	-	467,213	544,862
-	-	-	2,718	-	-	-	-	-	134,473
-	-	-	40,331	-	1,791	-	-	-	61,826
42,197	15,491	-	-	-	-	-	-	-	1,634,690
-	-	400,533	-	-	-	-	-	-	589,760
-	-	-	-	-	-	-	-	-	279,152
-	-	-	-	-	-	-	-	-	505,520
-	-	-	-	-	-	-	-	-	112,921
-	-	-	-	3,755	-	-	-	-	3,755
-	-	-	-	-	-	19,695	-	-	19,695
-	-	-	-	-	139,404	-	-	-	139,404
-	-	-	109,907	-	-	-	-	-	109,907
-	-	-	-	-	-	-	-	313,292	313,292
-	-	-	-	-	-	-	-	-	(18,408)
42,197	15,491	400,533	152,956	3,755	141,195	19,695	-	313,292	3,885,987
<b>\$ 48,697</b>	<b>\$ 15,491</b>	<b>\$ 423,891</b>	<b>\$ 613,652</b>	<b>\$ 3,755</b>	<b>\$ 161,201</b>	<b>\$ 19,933</b>	<b>\$ -</b>	<b>\$ 780,505</b>	<b>\$ 5,487,600</b>



# City of Romulus, Michigan

Nonmajor Special Revenue Funds							
	Major Streets	Local Streets	Cable TV	911	Sanitation	Community Development Block Grant	Street Lighting
<b>Revenue</b>							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,175,370	\$ -	\$ 567,068
Federal grants	-	-	-	10,772	-	78,372	-
State-shared revenue and grants	1,741,236	579,526	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-
Investment income	3,936	37	941	327	1,167	-	405
Other revenue	3,565	8,025	375,312	134,093	5,257	-	-
<b>Total revenue</b>	<b>1,748,737</b>	<b>587,588</b>	<b>376,253</b>	<b>145,192</b>	<b>1,181,794</b>	<b>78,372</b>	<b>567,473</b>
<b>Expenditures</b>							
Current:							
General government	-	-	361,414	-	-	-	-
Public safety	-	-	-	167,236	-	-	-
Public works	1,831,838	1,057,864	-	-	1,047,318	-	532,578
Community and economic development - Redevelopment and housing	-	-	-	-	-	332,904	-
Recreation and culture:							
Library	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>1,831,838</b>	<b>1,057,864</b>	<b>361,414</b>	<b>167,236</b>	<b>1,047,318</b>	<b>332,904</b>	<b>532,578</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(83,101)</b>	<b>(470,276)</b>	<b>14,839</b>	<b>(22,044)</b>	<b>134,476</b>	<b>(254,532)</b>	<b>34,895</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	445,000	-	-	-	-	-
Transfers out	(806,161)	-	-	-	-	-	-
<b>Total other financing (uses) sources</b>	<b>(806,161)</b>	<b>445,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(889,262)</b>	<b>(25,276)</b>	<b>14,839</b>	<b>(22,044)</b>	<b>134,476</b>	<b>(254,532)</b>	<b>34,895</b>
<b>Fund Balances - Beginning of year</b>	<b>2,435,830</b>	<b>204,743</b>	<b>493,045</b>	<b>211,283</b>	<b>144,726</b>	<b>236,124</b>	<b>78,026</b>
<b>Fund Balances (Deficit) - End of year</b>	<b>\$ 1,546,568</b>	<b>\$ 179,467</b>	<b>\$ 507,884</b>	<b>\$ 189,239</b>	<b>\$ 279,202</b>	<b>\$ (18,408)</b>	<b>\$ 112,921</b>

**Other Supplemental Information  
Combining Statement of Revenue, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2015**

Nonmajor Special Revenue Funds									
Merriman Road Special Assessment District	Oakwood Special Assessment District	Narcotics Enforcement	Romulus Athletic Center	Cemetery Perpetuation	Library	Community - Employee Activity Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ (1,796)	\$ -	\$ -	\$ -	\$ 231,237	\$ -	\$ -	\$ -	\$ 1,971,879
-	-	8,791	-	-	-	-	-	-	97,935
-	-	146,536	-	-	14,126	-	-	-	2,481,424
-	-	-	1,689,333	-	19,406	-	-	-	1,708,739
-	-	-	-	-	112,580	-	-	-	112,580
98	6	1,115	1,249	2	196	63	-	331	9,873
70,032	18,550	6,000	509,713	2,125	29,471	272	-	108,666	1,271,081
70,130	16,760	162,442	2,200,295	2,127	407,016	335	-	108,997	7,653,511
-	-	-	-	-	-	-	-	-	361,414
-	-	274,771	-	-	-	-	-	-	442,007
80,934	1,269	-	-	-	-	25,194	-	-	4,576,995
-	-	-	-	-	-	-	-	-	332,904
-	-	-	-	-	409,025	-	-	-	409,025
-	-	-	2,095,572	-	-	-	-	-	2,095,572
-	-	-	-	-	-	-	145,000	230,800	375,800
-	-	-	-	-	-	-	60,191	41,305	101,496
80,934	1,269	274,771	2,095,572	-	409,025	25,194	205,191	272,105	8,695,213
(10,804)	15,491	(112,329)	104,723	2,127	(2,009)	(24,859)	(205,191)	(163,108)	(1,041,702)
8,750	-	-	-	-	-	-	205,191	155,970	814,911
-	-	-	-	-	-	-	-	-	(806,161)
8,750	-	-	-	-	-	-	205,191	155,970	8,750
(2,054)	15,491	(112,329)	104,723	2,127	(2,009)	(24,859)	-	(7,138)	(1,032,952)
44,251	-	512,862	48,233	1,628	143,204	44,554	-	320,430	4,918,939
<b>\$ 42,197</b>	<b>\$ 15,491</b>	<b>\$ 400,533</b>	<b>\$ 152,956</b>	<b>\$ 3,755</b>	<b>\$ 141,195</b>	<b>\$ 19,695</b>	<b>\$ -</b>	<b>\$ 313,292</b>	<b>\$ 3,885,987</b>

# City of Romulus, Michigan

## Other Supplemental Information Combining Statement of Net Position Internal Service Funds June 30, 2015

	Vehicle and Equipment Fund	Computer and Equipment Fund	Property and Liability Self- insurance Fund	Total
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 1,706,352	\$ 500,942	\$ 489,103	\$ 2,696,397
Receivables	1,800	-	-	1,800
Inventories	35,911	-	-	35,911
Prepaid expenses and other assets	6,834	2,936	-	9,770
Total current assets	1,750,897	503,878	489,103	2,743,878
Noncurrent assets - Capital assets	1,210,323	234,661	-	1,444,984
Total assets	2,961,220	738,539	489,103	4,188,862
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	44,108	88,663	-	132,771
Accrued wages	73,854	3,340	-	77,194
Current portion of compensated absences	19,541	10,462	-	30,003
Total current liabilities	137,503	102,465	-	239,968
Noncurrent liabilities:				
Provision for compensated absences - Net of current portion	4,885	2,616	-	7,501
Net OPEB obligation	264,326	125,848	-	390,174
Total noncurrent liabilities	269,211	128,464	-	397,675
Total liabilities	406,714	230,929	-	637,643
<b>Net Position</b>				
Net investment in capital assets	1,210,323	234,661	-	1,444,984
Unrestricted	1,344,183	272,949	489,103	2,106,235
Total net position	<b>\$ 2,554,506</b>	<b>\$ 507,610</b>	<b>\$ 489,103</b>	<b>\$ 3,551,219</b>

# City of Romulus, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended June 30, 2015

	Vehicle and Equipment Fund	Computer and Equipment Fund	Property and Liability Self- insurance Fund	Total
<b>Operating Revenue</b>				
Charges to other funds	\$ 1,880,178	\$ 809,843	\$ 415,341	\$ 3,105,362
Other	16,055	60	70,424	86,539
Total operating revenue	1,896,233	809,903	485,765	3,191,901
<b>Operating Expenses</b>				
Cost of insurance claims	-	-	550,733	550,733
Cost of vehicle and equipment maintenance	1,139,145	1,953	-	1,141,098
Cost of computer and equipment maintenance	-	521,858	-	521,858
Depreciation	278,404	28,848	-	307,252
Total operating expenses	1,417,549	552,659	550,733	2,520,941
<b>Operating Income (Loss)</b>	478,684	257,244	(64,968)	670,960
<b>Nonoperating Revenue</b>				
Investment income	2,135	734	1,039	3,908
Gain on sale of assets	117,500	-	-	117,500
Total nonoperating revenue	119,635	734	1,039	121,408
<b>Change in Net Position</b>	598,319	257,978	(63,929)	792,368
<b>Net Position - Beginning of year</b>	1,956,187	249,632	553,032	2,758,851
<b>Net Position - End of year</b>	<b>\$ 2,554,506</b>	<b>\$ 507,610</b>	<b>\$ 489,103</b>	<b>\$ 3,551,219</b>

# City of Romulus, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2015

	Vehicle and Equipment Fund	Computer and Equipment Fund	Property and Liability Self- insurance Fund	Total
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 1,894,433	\$ 809,903	\$ 485,765	\$ 3,190,101
Payments to suppliers	(632,768)	(311,010)	(550,733)	(1,494,511)
Payments to employees	(468,942)	(184,957)	-	(653,899)
Net cash provided by (used in) operating activities	792,723	313,936	(64,968)	1,041,691
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from sales of capital assets	126,491	-	-	126,491
Purchase of capital assets	(260,647)	(175,237)	-	(435,884)
Net cash used in capital and related financing activities	(134,156)	(175,237)	-	(309,393)
<b>Cash Flows from Investing Activities - Investment income</b>	2,135	734	1,039	3,908
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	660,702	139,433	(63,929)	736,206
<b>Cash and Cash Equivalents - Beginning of year</b>	1,045,650	361,509	553,032	1,960,191
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 1,706,352</u>	<u>\$ 500,942</u>	<u>\$ 489,103</u>	<u>\$ 2,696,397</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents - Cash and investments</b>	<u>\$ 1,706,352</u>	<u>\$ 500,942</u>	<u>\$ 489,103</u>	<u>\$ 2,696,397</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ 478,684	\$ 257,244	\$ (64,968)	\$ 670,960
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	278,404	28,848	-	307,252
Changes in assets and liabilities:				
Receivables	(1,800)	-	-	(1,800)
Inventories	9,169	-	-	9,169
Prepaid and other assets	7,646	(2,802)	-	4,844
Accounts payable	(53,047)	4,144	-	(48,903)
Accrued and other liabilities	66,027	6,789	-	72,816
Net OPEB obligation	7,640	19,713	-	27,353
Net cash provided by (used in) operating activities	<u>\$ 792,723</u>	<u>\$ 313,936</u>	<u>\$ (64,968)</u>	<u>\$ 1,041,691</u>

# City of Romulus, Michigan

## Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds June 30, 2015

	Revolving Fund	General Tax Fund	Current Tax Fund	Delinquent Personal Property Tax Fund	Payroll Fund	Total Fiduciary Funds
<b>Assets - Cash and investments</b>	<b>\$ 2,106,299</b>	<b>\$ 4,025</b>	<b>\$ 141</b>	<b>\$ 51,914</b>	<b>\$ 6,647</b>	<b>\$ 2,169,026</b>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ 2,517	\$ -	\$ 2,517
Due to other governmental units	262,364	-	141	-	-	262,505
Accrued and other liabilities	1,843,935	4,025	-	49,397	6,647	1,904,004
Total liabilities	<b>\$ 2,106,299</b>	<b>\$ 4,025</b>	<b>\$ 141</b>	<b>\$ 51,914</b>	<b>\$ 6,647</b>	<b>\$ 2,169,026</b>

# City of Romulus, Michigan

## Other Supplemental Information Downtown Development Authority Fund-based Balance Sheet June 30, 2015

	Downtown Development Authority	Full Accrual Adjustments	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 223,832	\$ -	\$ 223,832
Receivables - Property taxes receivable	17,875	-	17,875
Prepaid expenses and other assets	912	-	912
Restricted assets	396,545	-	396,545
Capital assets	-	1,094,963	1,094,963
Bond prepaid insurance	-	1,862	1,862
	<b>\$ 639,164</b>	1,096,825	1,735,989
<b>Liabilities</b>			
Accounts payable	\$ 177,934	-	177,934
Due to other governmental units	10,622	-	10,622
Due to primary government	76,233	-	76,233
Accrued liabilities and other	1,859	7,777	9,636
Compensated absences	-	718	718
Net OPEB or pension obligation	-	110,467	110,467
Long-term debt	-	1,030,772	1,030,772
	266,648	1,149,734	1,416,382
<b>Deferred Inflows of Resources -</b>			
Unavailable revenue	7,286	(7,286)	-
<b>Equity</b>			
Fund balance:			
Nonspendable - Prepaid expenses	912	(912)	
Restricted	364,318	(364,318)	
	365,230	(365,230)	
Total liabilities, deferred inflows of resources, and fund balance	<b>\$ 639,164</b>		
<b>Net position:</b>			
Net investment in capital assets		460,736	460,736
Unrestricted		(141,129)	(141,129)
		<b>\$ 319,607</b>	<b>\$ 319,607</b>

# City of Romulus, Michigan

## Other Supplemental Information Downtown Development Authority Fund-based Schedule of Revenue and Expenditures Year Ended June 30, 2015

	Downtown Development Authority	Full Accrual Adjustments	Total
<b>Revenue</b>			
Property taxes	\$ 362,476	\$ (1,608)	\$ 360,868
State-shared revenue and grants	200,000	-	200,000
Investment income	1,366	-	1,366
Other revenue	27,879	-	27,879
	<u>591,721</u>	<u>(1,608)</u>	<u>590,113</u>
<b>Expenditures - Current</b>			
Salaries and wages	60,116	(7,469)	52,647
Fringe benefits	41,750	15,774	57,524
Other current services	88,056	-	88,056
Depreciation	-	49,335	49,335
Capital outlay	459,059	(459,059)	-
Principal expenditures	385,000	(385,000)	-
Interest expense	6,930	(2,566)	4,364
	<u>1,040,911</u>	<u>(788,985)</u>	<u>251,926</u>
<b>Change in Fund Balance/Net Position</b>	(449,190)	787,377	338,187
<b>Fund Balance/Net Position - Beginning of year</b>	<u>814,420</u>	<u>(833,000)</u>	<u>(18,580)</u>
<b>Fund Balance/Net Position - End of year</b>	<u><u>\$ 365,230</u></u>	<u><u>\$ (45,623)</u></u>	<u><u>\$ 319,607</u></u>