

City of Romulus, Michigan

**Financial Report
with Supplemental Information
June 30, 2016**

City of Romulus, Michigan

Contents

Report Letter	1-3
Management's Discussion and Analysis	4-11
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	12-13
Statement of Activities	14-15
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	16
Reconciliation of the Balance Sheet to the Statement of Net Position	17
Statement of Revenue, Expenditures, and Changes in Fund Balances	18
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Proprietary Funds:	
Statement of Net Position	20
Statement of Revenue, Expenses, and Changes in Net Position	21
Statement of Cash Flows	22-23
Fiduciary Funds:	
Statement of Fiduciary Net Position	24
Statement of Changes in Fiduciary Net Position - Other Employee Benefits Trust Retirees' Insurance Benefits Fund	25
Component Units:	
Statement of Net Position	26
Statement of Activities	27-28
Notes to Financial Statements	29-60
Required Supplemental Information	61
Budgetary Comparison Schedule - General Fund	62
Note to Required Supplemental Information	63-64
OPEB System Schedule	65
Schedule of Changes in the City Net Position Liability and Related Ratios	66
Schedule of City Contributions	67

City of Romulus, Michigan

Contents (Continued)

Other Supplemental Information	68
Nonmajor Governmental Funds:	
Combining Balance Sheet	69-70
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	71-72
Internal Service Funds:	
Combining Statement of Net Position	73
Combining Statement of Revenue, Expenses, and Changes in Net Position	74
Combining Statement of Cash Flows	75
Fiduciary Funds - Combining Statement of Assets and Liabilities	76
Downtown Development Authority:	
Fund-based Balance Sheet	77
Fund-based Schedule of Revenue and Expenditures	78

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, 2016 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. 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, 2016 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.

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.

Plante & Morse, PLLC

December 16, 2016

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, 2016. 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, 2016:

- Total revenue within the General Fund increased slightly by 8.20 percent. This can be somewhat attributed to an increase in fines and forfeitures collected through the District Court and were utilized to provide initial funding to get the new court building project underway. Additionally, the City received the first allocation from the Local Community Stabilization as they relate to changes made by the State of Michigan and personal property taxes. Finally, the City has seen an increase in building improvements and property development, which has resulted in an increase in building-related fees.
- Property taxes are the City's single largest source of revenue. The City's tax revenue for fiscal year 2015-2016 was \$7,577,123, which represents a slight decrease of \$153,637, or 1.99 percent, from the previous fiscal year. Some of this change is the result of tax tribunal and board of review adjustments, but can additionally be attributed to a higher amount of personal property tax delinquency in this fiscal year.
- Federal grant revenue increased by \$49,687 as a result of the receiving additional funding from the State of Michigan Department of State Police from the Enhanced Collaborative Model to Combat Human Trafficking. Additionally, the City received reimbursement for the purchase of equipment through the Justice Assistant Grant program. 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 2015-2016, 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 \$50,808 from the previous fiscal year. The increase in earnings is due to the deployment of a more efficient and disciplined investment platform that carefully considered cash flows and market conditions in determining an appropriate investment strategy. Additionally, the City benefitted from a higher interest rate environment after the Fed Funds rate was increased by .25 percent in December 2015.

City of Romulus, Michigan

Management's Discussion and Analysis (Continued)

- Total expenditures within the General Fund decreased by \$1,497,234, not including transfers to other financing sources. This decrease in expenditures can be attributed to several factors. Within the Public Safety Department, employee retirements occurred with those positions remaining unfilled until after June 30. In the previous fiscal year, the City offered a one-time, irrevocable opt out of future retiree health care and that did not occur in this fiscal year. Additionally, healthcare costs have been locked in through April 1, 2020 for our Teamster, AFSCME, and nonunion employees at a slightly reduced premium cost to the City.
- Road funding through the State of Michigan's gas tax has slightly increased for major roads in fiscal year 2015-2016 by 5.34 percent and increased for local roads by 24.23 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 \$1,324,774, which can be attributed to the completion of the Goddard Road project and utilization of the remaining bond monies for this project. The fund balance in the Local Streets Fund increased to \$343,571 as a result of the additional funding distributions from the State. The City will continue to take advantage of federal, state, and county grant funding programs when available.
- The Romulus Athletic Center (the "RAC") experienced a change in fund balance of \$22,385. This was primarily the result of transferring a reduced amount in comparison to the original authorized budgeted amount allocated from TIFA. Operationally, the RAC experienced a 7.6 percent increase in charges for services with only a 2.2 percent increase in expenditures.
- The Vehicle and Equipment Fund's net position has increased by \$364,856. Approximately \$250,000 of this unrestricted net position will be utilized for the purpose of purchasing essential fire equipment 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 decreased from the 2015 fiscal year by \$133,845 due to the overall investment made in hardware and software technology. Net investment in capital assets has increased by \$202,500 from the previous fiscal year. The City will continue to review and assess its technology infrastructure to ensure the safety of information and provide good internal and external customer service.

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.

City of Romulus, Michigan

Management's Discussion and Analysis (Continued)

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.

The City as a Whole

The following table shows, in a condensed format, the net position as of June 30, 2016 and 2015 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current assets	\$ 16,820	\$ 13,383	\$ 14,464	\$ 15,473	\$ 31,284	\$ 28,856
Capital assets and other noncurrent assets	49,494	50,705	62,016	61,876	111,510	112,581
Total assets	66,314	64,088	76,480	77,349	142,794	141,437
Deferred Outflows of Resources	4,117	1,211	88	-	4,205	1,211
Liabilities						
Current liabilities	2,556	3,288	3,622	5,349	6,178	8,637
Long-term liabilities	53,951	46,413	23,586	23,279	77,537	69,692
Total liabilities	56,507	49,701	27,208	28,628	83,715	78,329
Deferred Inflows of Resources	442	-	-	-	442	-
Net Position						
Net investment in capital assets	47,655	48,995	40,294	38,920	87,949	87,915
Restricted	3,823	3,516	3,354	3,675	7,177	7,191
Unrestricted	(37,996)	(36,913)	5,712	6,126	(32,284)	(30,787)
Total net position	<u>\$ 13,482</u>	<u>\$ 15,598</u>	<u>\$ 49,360</u>	<u>\$ 48,721</u>	<u>\$ 62,842</u>	<u>\$ 64,319</u>

The City's combined net position decreased by approximately \$1,477,000. The net position of the governmental activities decreased by approximately \$2,116,000, or 13.57 percent. This change is a direct result of an increase in the liability recorded for the City's defined pension plan and for postretiree healthcare costs. For the business-type activities, there was a slight increase of \$639,000, or 1.31 percent. The increase in business-type activities net position is the result of the balance of some water and sewer projects continuing into the next fiscal year. Additionally, some of the bonds that have been issued as part of the 1994 EPA Judgment Levy and through Wayne County for the Downriver Sewage Disposal System have been paid off.

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) for all governmental activities and business-type activities:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Net Position - Beginning of year (as restated)	\$ 15,598	\$ 20,860	\$ 48,721	\$ 48,364	\$ 64,319	\$ 69,224
Revenue						
Program revenue:						
Charges for services	10,512	8,345	13,142	11,941	23,654	20,286
Operating grants and contributions	582	2,558	-	-	582	2,558
Capital grants and contributions	1,201	848	86	326	1,287	1,174
General revenue:						
Property taxes:						
City	7,633	7,917	-	-	7,633	7,917
Library	364				364	-
Sanitation	1,126	1,175	-	-	1,126	1,175
Street lighting	543	567	-	-	543	567
EPA	-	-	2,154	1,930	2,154	1,930
State-shared revenue	5,809	3,652	-	-	5,809	3,652
Unrestricted investment earnings (loss)	100	43	44	35	144	78
Gain on sale of fixed assets	10	117	-	-	10	117
Miscellaneous revenue	1,457	2,088	386	1	1,843	2,089
Total revenue	29,337	27,310	15,812	14,233	45,149	41,543
Program Expenses						
General government	5,485	5,321	-	-	5,485	5,321
Public safety	14,263	14,831	-	-	14,263	14,831
Public works	6,816	7,512	-	-	6,816	7,512
Health and welfare	624	605	-	-	624	605
Community and economic development	495	734	-	-	495	734
Recreation and cultural	3,689	3,480	-	-	3,689	3,480
Interest on long-term debt	81	89	-	-	81	89
Water and sewer	-	-	15,173	13,876	15,173	13,876
Total program expenses	31,453	32,572	15,173	13,876	46,626	46,448
Change in Net Position	<u>(2,116)</u>	<u>(5,262)</u>	<u>639</u>	<u>357</u>	<u>(1,477)</u>	<u>(4,905)</u>
Net Position - End of year	<u>\$ 13,482</u>	<u>\$ 15,598</u>	<u>\$ 49,360</u>	<u>\$ 48,721</u>	<u>\$ 62,842</u>	<u>\$ 64,319</u>

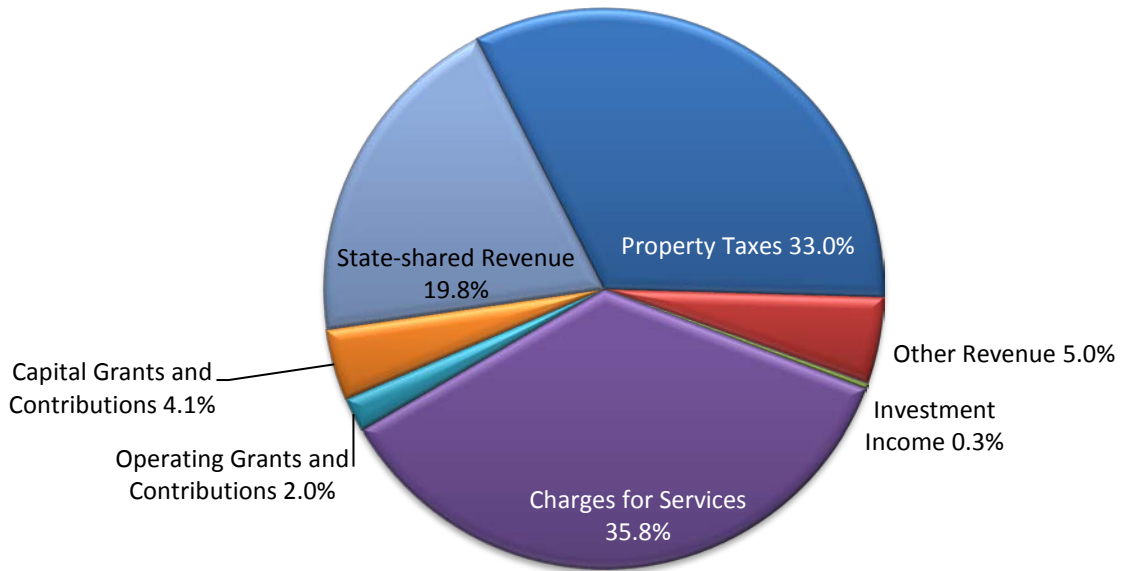
City of Romulus, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

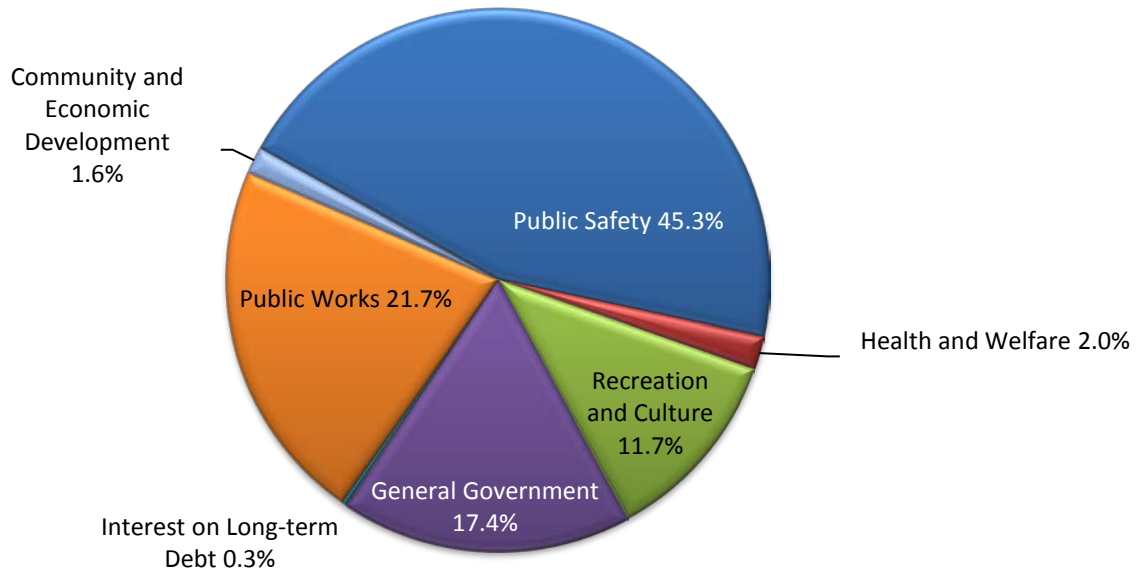
The City's total governmental revenue increased by approximately \$1,575,000, primarily due to an increase in court-related fines and state-shared revenue and increased development for 2016.

Revenue by Source - Governmental Activities



Total program expenses decreased by \$1,119,000 primarily due to vacant positions remaining unfilled in public safety until after fiscal year end, operational changes in public works, some project completions, and encumbering capital and projects into the next budget year.

Expenses by Activity - Governmental Activities



Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund. The City provides water to residents from the Detroit water system through the Great Lakes Water Authority (GLWA). The City provides sewage treatment through Wayne County Downriver Sewage Disposal System and Rouge Valley Sewage Disposal System. The operating income in fiscal year 2015-2016 of \$590,953 was primarily due to the fact that several employees in the water and sewer system irrevocably opted out of future retiree health care, therefore reducing the cost to the system.

The City's Funds

The analysis of the City's major funds begins on page 16, 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 2016 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 \$11.3 million, or 64.0 percent of General Fund expenditures, in 2016. Additionally, the building and grounds department (including city facilities) is significant in that it contains 4.7 percent of the total General Fund expenditures.

City of Romulus, Michigan

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

During the budget year the City experienced an increase in development, both abated and unabated, that contributed to an increase in permitting revenue. There was an increase reflected in fines and forfeitures as collected by the district court and budgeted vacant positions within public safety, all factors contributing to a General Fund fund balance increase of 76.3 percent to \$6,648,609. However, funds in the total amount of \$3,398,427 are considered non-spendable, restricted, or committed or have been assigned for current and future year's obligations. The second phase of the State of Michigan personal property tax changes has been implemented and will have an impact on future tax revenue and the level of reimbursement the City will receive from the State as that will be dependent on calculated loss compared to available LCSEA (Local Community Stabilization Authority) use tax available for distribution.

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 continue to be minimal in the current year and following budget year. 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. It also includes asphalt replacement on Grant Road and sidewalk installation along Wayne Road and the I-94 corridor. As of June 30, 2016, these projects were complete. Remaining bond funds will be utilized for the purpose of additional water main replacement in the current budget year.

Additionally, the FY 2016 infrastructure improvement plan included the Wick and Vining road interchange improvements, the Wickham road water main, and the asphalt overlay project. These projects included funding from other units of government with a match requirement from the City.

The City is currently working on preparing a capital improvement plan that will take major infrastructure improvement projects into consideration. The City will continue to research additional funding options to help fund major projects for the City.

Annually the City's bond rating is reviewed in relation to a specific series of outstanding debt obligations. In March of 2016, Standard & Poor's review of the City's financial position as it relates to its GO Rating raised its underlying rating to 'A+' from 'A'. Additionally, Standard & Poor's assigned its 'A+' long-term rating to the City's series 2016 LTGO refunding bonds and 2016 LTGO tax increment refunding bonds.

City of Romulus, Michigan

Management's Discussion and Analysis (Continued)

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 has implemented a monthly financial scorecard that will enable departments to proactively address and/or mitigate any potential financial-related variations.

The budget plan, as approved in fiscal year 2016-2017, has General Fund annual operating expenditures greater than revenue of \$1,926,650, which is an increase of the planned used of fund balance from the 2015-2016 budget. There are specific revenue and expenditure budget changes that contribute to this use of fund balance. The 34th District Court funding unit fee will be accounted for in a separate Court Building Debt Service fund as the intention is to utilize those funds to pay bond indebtedness for the purpose of constructing a new court facility.

Additionally, the City will realize an increased cost for the police and fire departments relating to the defined benefit pension system and related healthcare costs for active employees. The building department will experience increased costs as it relates to a need for increase in services relative to increased development as well as a blight removal initiative for removal of unsafe, dilapidated structures within the City.

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, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 12,742,760	\$ 5,984,757	\$ 18,727,517	\$ 244,589
Receivables - Net (Note 5)	2,598,244	4,269,093	6,867,337	112,505
Advances to component units (Note 8)	474,402	-	474,402	-
Advances to other funds (Note 8)	-	-	-	275,000
Inventory (Note 1)	269,118	25,031	294,149	-
Prepaid expenses and other assets	220,759	-	220,759	-
Restricted assets (Note 9)	514,849	4,480,421	4,995,270	3,392,846
Investment in joint ventures (Note 16)	-	(295,509)	(295,509)	-
Capital assets (Note 7):				
Assets not being depreciated	6,566,725	1,586,775	8,153,500	3,203,186
Assets being depreciated	42,923,511	60,413,877	103,337,388	20,713,467
Prepaid bond insurance	3,541	15,769	19,310	597,573
Total assets	66,313,909	76,480,214	142,794,123	28,539,166
Deferred Outflows of Resources				
Bond refunding loss being amortized	-	87,859	87,859	252,038
Deferred outflows related to pensions (Note 13)	4,117,009	-	4,117,009	-
Total deferred outflows of resources	4,117,009	87,859	4,204,868	252,038
Liabilities				
Accounts payable	1,148,126	2,401,759	3,549,885	169,408
Due to other governmental units	374	-	374	84,160
Advances from primary government (Note 8)	-	-	-	474,402
Deposits	425	-	425	-
Accrued liabilities and other	1,061,109	925,482	1,986,591	142,474
Advances from component units (Note 8)	275,000	-	275,000	-
Unearned revenue	72,000	294,293	366,293	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 10)	586,168	127,030	713,198	10,186
Current portion of long-term debt (Note 10)	239,655	2,845,133	3,084,788	2,075,280
Due in more than one year:				
Compensated absences (Note 10)	342,099	31,757	373,856	2,546
Net OPEB obligation (Note 15)	19,456,735	1,260,135	20,716,870	278,025
Net pension liability (Note 13)	31,214,860	-	31,214,860	-
Long-term debt (Note 10)	2,110,854	19,321,924	21,432,778	15,810,407
Total liabilities	56,507,405	27,207,513	83,714,918	19,046,888
Deferred Inflows of Resources -				
Deferred inflows related to pensions (Note 13)	441,968	-	441,968	-

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

City of Romulus, Michigan

Statement of Net Position (Continued) June 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Position				
Net investment in capital assets	\$ 47,654,576	\$ 40,294,467	\$ 87,949,043	\$ 9,423,812
Restricted:				
Roads	1,752,568	-	1,752,568	-
Public safety	628,122	-	628,122	-
Sanitation	431,997	-	431,997	-
Grants	77,803	-	77,803	-
PEG fees	598,961	-	598,961	-
Street lighting	118,778	-	118,778	-
Cemetery operations	5,969	-	5,969	-
Community facilities and programs	7,279	-	7,279	-
Library operations	199,971	-	199,971	-
Debt service	1,606	3,353,747	3,355,353	-
Unrestricted	(37,996,085)	5,712,346	(32,283,739)	320,504
Total net position	<u>\$ 13,481,545</u>	<u>\$ 49,360,560</u>	<u>\$ 62,842,105</u>	<u>\$ 9,744,316</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	\$ 5,484,661	\$ 1,965,445	\$ -	\$ 714,068
Public safety	14,262,879	4,707,688	481,037	53,242
Public works	6,816,164	1,932,511	15,000	433,500
Health and welfare	623,975	36,370	-	-
Community and economic development	494,527	-	69,470	-
Recreation and culture	3,689,565	1,869,973	16,710	-
Interest on long-term debt	81,344	-	-	-
Total governmental activities	31,453,115	10,511,987	582,217	1,200,810
Business-type activities - Water and sewer	15,173,473	13,141,636	-	86,346
Total primary government	\$ 46,626,588	\$ 23,653,623	\$ 582,217	\$ 1,287,156
Component units:				
Tax Increment Financing Authority	\$ 2,387,982	\$ -	\$ -	\$ -
Downtown Development Authority	1,077,845	-	-	-
Total component units	\$ 3,465,827	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Miscellaneous				
Gain on sale of fixed assets				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

**Statement of Activities
Year Ended June 30, 2016**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (2,805,148)	\$ -	\$ (2,805,148)	\$ -
(9,020,912)	-	(9,020,912)	-
(4,435,153)	-	(4,435,153)	-
(587,605)	-	(587,605)	-
(425,057)	-	(425,057)	-
(1,802,882)	-	(1,802,882)	-
(81,344)	-	(81,344)	-
(19,158,101)	-	(19,158,101)	-
-	(1,945,491)	(1,945,491)	-
(19,158,101)	(1,945,491)	(21,103,592)	-
-	-	-	(2,387,982)
-	-	-	(1,077,845)
-	-	-	(3,465,827)
9,665,835	2,154,278	11,820,113	3,444,720
5,808,532	-	5,808,532	-
100,296	44,610	144,906	-
1,457,256	385,729	1,842,985	154,852
9,555	-	9,555	-
17,041,474	2,584,617	19,626,091	3,599,572
(2,116,627)	639,126	(1,477,501)	133,745
15,598,172	48,721,434	64,319,606	9,610,571
\$ 13,481,545	\$ 49,360,560	\$ 62,842,105	\$ 9,744,316

City of Romulus, Michigan

Governmental Funds Balance Sheet June 30, 2016

	General Fund	Nonmajor Governmental Funds	Total
Assets			
Cash and investments	\$ 6,005,188	\$ 4,078,016	\$ 10,083,204
Receivables - Net	1,442,675	1,151,969	2,594,644
Advance to component units (Note 8)	433,565	40,837	474,402
Due from other funds (Note 8)	44,953	-	44,953
Inventory	23,225	193,085	216,310
Prepaid expenses and other assets	220,759	-	220,759
Restricted assets	-	514,849	514,849
Total assets	\$ 8,170,365	\$ 5,978,756	\$ 14,149,121
Liabilities			
Accounts payable	\$ 301,029	\$ 805,673	\$ 1,106,702
Due to other governmental units	374	-	374
Due to other funds (Note 8)	-	44,953	44,953
Refundable deposits, bonds, etc.	425	-	425
Accrued liabilities and other	767,161	153,279	920,440
Advances from component units (Note 8)	-	275,000	275,000
Unearned revenue	72,000	-	72,000
Total liabilities	1,140,989	1,278,905	2,419,894
Deferred Inflows of Resources - Unavailable revenue (Note 6)	380,767	486,912	867,679
Fund Balances			
Nonspendable:			
Inventory	23,225	193,085	216,310
Prepays	220,759	-	220,759
Long-term receivable	433,565	40,837	474,402
Restricted:			
Roads	-	1,559,483	1,559,483
Public safety	-	624,143	624,143
Sanitation	-	372,716	372,716
Debt service	-	1,606	1,606
Grants	-	14,585	14,585
PEG fees	-	598,961	598,961
Street lighting	-	118,778	118,778
Cemetery operations	-	5,969	5,969
Community facilities and programs	-	7,279	7,279
Library operations	-	188,044	188,044
Committed - Recreation	-	130,571	130,571
Assigned:			
Subsequent year's budget	1,975,246	-	1,975,246
Public safety	236,920	-	236,920
Park maintenance	77,432	-	77,432
Capital projects	331,280	356,882	688,162
Attorney-related fees	100,000	-	100,000
Unassigned	3,250,182	-	3,250,182
Total fund balances	6,648,609	4,212,939	10,861,548
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,170,365	\$ 5,978,756	\$ 14,149,121

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

City of Romulus, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2016

Fund Balance Reported in Governmental Funds	\$ 10,861,548
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	47,723,310
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	351,137
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	389,344
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	67,198
Net pension liability is not due and payable in the current period and is not reported in the funds	(31,214,860)
Certain pension contributions and changes in pension plan net position are reported as deferred inflows and deferred outflows of resources in the statement of net position, but are reported as expenditures in the governmental funds	3,675,041
Long-term debt obligations are not due and payable in the current period and are not reported in the funds	(2,350,509)
Accrued interest is not due and payable in the current period and is not reported in the funds	(19,279)
Unamortized bond prepaid insurance is not reported in the funds	3,541
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	(892,081)
Net OPEB obligation does not present a claim on current financial resources and is not reported as a fund liability	(19,037,612)
Internal service funds are included as part of governmental activities	3,924,767
Net Position of Governmental Activities	<u>\$ 13,481,545</u>

City of Romulus, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2016

	General Fund	Nonmajor Governmental Funds	Total
Revenue			
Property taxes	\$ 7,577,123	\$ 2,032,774	\$ 9,609,897
Licenses and permits	1,777,631	-	1,777,631
Federal grants	246,432	98,815	345,247
State-shared revenue and grants	3,932,814	2,454,402	6,387,216
Charges for services	2,642,746	1,837,873	4,480,619
Fines and forfeitures	4,156,758	115,498	4,272,256
Investment income	80,018	12,332	92,350
Other	514,945	1,089,780	1,604,725
Total revenue	<u>20,928,467</u>	<u>7,641,474</u>	<u>28,569,941</u>
Expenditures			
Current:			
General government	4,369,876	288,236	4,658,112
Public safety	11,303,309	212,391	11,515,700
Public works	172,425	4,031,056	4,203,481
Health and welfare	623,975	-	623,975
Community and economic development	421,389	36,477	457,866
Recreation and culture	796,614	2,635,966	3,432,580
Debt service	-	473,402	473,402
Total expenditures	<u>17,687,588</u>	<u>7,677,528</u>	<u>25,365,116</u>
Excess of Revenue Over (Under) Expenditures	3,240,879	(36,054)	3,204,825
Other Financing Sources (Uses)			
Transfers in	-	774,672	774,672
Transfers out	(363,006)	(411,666)	(774,672)
Total other financing (uses) sources	<u>(363,006)</u>	<u>363,006</u>	<u>-</u>
Net Change in Fund Balances	2,877,873	326,952	3,204,825
Fund Balances - Beginning of year	<u>3,770,736</u>	<u>3,885,987</u>	<u>7,656,723</u>
Fund Balances - End of year	<u>\$ 6,648,609</u>	<u>\$ 4,212,939</u>	<u>\$10,861,548</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, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ 3,204,825
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	1,590,487
Depreciation expense	(3,837,500)
Capital contribution	714,068
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	34,978
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	385,000
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	4,654
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	2,676
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	(254,533)
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	(3,079,246)
Change in net pension liability is not a financial resource and is not reported in the governmental funds	(1,255,312)
Internal service funds are included as part of governmental activities	373,548
Change in Net Position of Governmental Activities	<u>\$ (2,116,627)</u>

City of Romulus, Michigan

Proprietary Funds Statement of Net Position June 30, 2016

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,984,757	\$ 2,659,556
Receivables - Net (Note 5)	4,269,093	3,600
Inventories	25,031	52,808
Total current assets	10,278,881	2,715,964
Noncurrent assets:		
Restricted assets (Note 9)	4,480,421	-
Investment in joint ventures (Note 16)	(295,509)	-
Capital assets (Note 7):		
Assets not subject to depreciation	1,586,775	-
Assets subject to depreciation	60,413,877	1,766,926
Prepaid bond insurance	15,769	-
Total noncurrent assets	66,201,333	1,766,926
Total assets	76,480,214	4,482,890
Deferred Outflows of Resources	87,859	-
Liabilities		
Current liabilities:		
Accounts payable	2,401,759	41,424
Accrued liabilities and other	925,482	61,390
Unearned revenue	294,293	-
Compensated absences (Note 10)	127,030	28,949
Current portion of long-term debt (Note 10)	2,845,133	-
Total current liabilities	6,593,697	131,763
Noncurrent liabilities:		
Compensated absences (Note 10)	31,757	7,237
Net OPEB obligation (Note 15)	1,260,135	419,123
Long-term debt - Net of current portion (Note 10)	19,321,924	-
Total noncurrent liabilities	20,613,816	426,360
Total liabilities	27,207,513	558,123
Net Position		
Net investment in capital assets	40,294,467	1,766,926
Restricted - Debt service	3,353,747	-
Unrestricted	5,712,346	2,157,841
Total net position	\$ 49,360,560	\$ 3,924,767

City of Romulus, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2016

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
Operating Revenue		
Charges for services	\$ 12,627,890	\$ 2,766,794
Other charges for services	551,961	90,920
Total operating revenue	13,179,851	2,857,714
Operating Expenses		
Cost of water	3,375,254	-
Cost of sewage treatment	2,891,527	-
Insurance	67,180	561,845
Cost of vehicle and equipment maintenance	-	1,018,841
Cost of computer and equipment maintenance	-	539,913
Salaries and fringes	2,493,529	-
Administrative and other	2,006,324	-
Depreciation and amortization	1,755,084	381,068
Total operating expenses	12,588,898	2,501,667
Operating Income	590,953	356,047
Nonoperating Revenue (Expense)		
Property taxes	2,154,278	-
Investment income	44,610	7,946
Loss from joint venture	(1,849,148)	-
Interest expense	(735,427)	-
Gain on disposal of assets	-	9,555
Debt service charge	53,809	-
Cost of issuance	(92,024)	-
Adjustments to joint venture debt balance	385,729	-
Total nonoperating (expense) revenue	(38,173)	17,501
Income - Before contributions	552,780	373,548
Capital Contributions - Other capital contributions	86,346	-
Increase in Net Position	639,126	373,548
Net Position - Beginning of year	48,721,434	3,551,219
Net Position - End of year	\$ 49,360,560	\$ 3,924,767

City of Romulus, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2016

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
Cash Flows from Operating Activities		
Receipts from customers	\$ 12,752,814	\$ 2,855,914
Payments to suppliers	(7,068,683)	(1,562,295)
Payments to employees	(2,409,973)	(644,951)
Net cash provided by operating activities	3,274,158	648,668
Cash Flows from Capital and Related Financing Activities		
Issuance of bonds (face value and bond premium)	4,410,562	-
Receipts from the Local Community Stabilization Authority	23,228	-
Proceeds from sales of capital assets	-	13,250
Proceeds from property tax levy - Restricted for debt service	2,227,131	-
Purchase of capital assets	(1,913,713)	(706,705)
Principal and interest paid on capital debt	(5,064,889)	-
Debt service charge	(126,074)	-
Payments to County from the Debt Service Fund	(2,378,664)	-
Net cash used in capital and related financing activities	(2,822,419)	(693,455)
Cash Flows from Investing Activities - Investment income	44,610	7,946
Net Increase (Decrease) in Cash and Cash Equivalents	496,349	(36,841)
Cash and Cash Equivalents - Beginning of year	9,968,829	2,696,397
Cash and Cash Equivalents - End of year	\$ 10,465,178	\$ 2,659,556
Balance Sheet Classification of Cash and Cash Equivalents		
Cash and investments	\$ 5,984,757	\$ 2,659,556
Restricted cash	4,480,421	-
Total cash and cash equivalents	\$ 10,465,178	\$ 2,659,556

City of Romulus, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2016

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 590,953	\$ 356,047
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	1,755,084	381,068
Changes in assets and liabilities:		
Receivables	(427,037)	(1,800)
Inventories	4,049	(16,897)
Prepaid and other assets	39,321	9,770
Accounts payable	1,228,232	(91,347)
Accrued and other liabilities	46,504	(17,122)
Net OPEB obligation	37,052	28,949
	\$ 3,274,158	\$ 648,668
Net cash provided by operating activities		

Noncash Capital and Related Financing Activities - The City has recorded the change in its share of the unrestricted net position of the Downriver Sewage Disposal Treatment System in the amount of (\$1,849,148) in nonoperating expenses for the year ended June 30, 2016.

City of Romulus, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2016

	Other Employee Benefits Trust Retirees' Insurance Benefits Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ 1,329,146	\$ 2,207,034
Investments:		
Government securities	285,125	-
Common stock	1,567,876	-
Corporate bonds and notes	370,029	-
Mutual funds	256,032	-
Prepaid expenses	182,449	-
Total assets	3,990,657	\$ 2,207,034
Liabilities		
Accounts payable	8,871	\$ 83,894
Due to other governmental units	-	556,285
Accrued and other liabilities	13,716	1,566,855
Total liabilities	22,587	\$ 2,207,034
Net Position Held in Trust for Other Employee Benefits	\$ 3,968,070	

City of Romulus, Michigan

Fiduciary Funds

Statement of Changes in Fiduciary Net Position - Other Employee Benefits Trust Retirees' Insurance Benefits Fund Year Ended June 30, 2016

Additions	
Investment gain	\$ 19,061
Contributions:	
Employer	2,546,820
Employee	<u>69,679</u>
Total contributions	<u>2,616,499</u>
Total additions	2,635,560
Deductions - Benefit payments	<u>2,339,618</u>
Net Increase in Net Position Held in Trust	295,942
Net Position Held in Trust for Other Postemployment Benefits - Beginning of year	<u>3,672,128</u>
Net Position Held in Trust for Other Employment Benefits - End of year	<u><u>\$ 3,968,070</u></u>

City of Romulus, Michigan

Component Units Statement of Net Position June 30, 2016

	Tax Increment Finance Authority	Downtown Development Authority	Total
Assets			
Cash and investments	\$ 142,798	\$ 101,791	\$ 244,589
Property taxes receivable	95,590	16,915	112,505
Advances to primary government (Note 8)	275,000	-	275,000
Restricted assets (Note 9)	3,374,939	17,907	3,392,846
Capital assets (Note 7):			
Assets not subject to depreciation	2,986,876	216,310	3,203,186
Assets subject to depreciation	20,235,148	478,319	20,713,467
Prepaid bond insurance	595,809	1,764	597,573
Total assets	27,706,160	833,006	28,539,166
Deferred Outflows of Resources -			
Deferred charge on debt refunding	252,038	-	252,038
Liabilities			
Accounts payable	138,925	30,483	169,408
Due to other governmental units	73,583	10,577	84,160
Advance from primary government (Note 8)	458,169	16,233	474,402
Accrued liabilities and other	131,834	10,640	142,474
Due within one year:			
Compensated absences (Note 10)	4,972	5,214	10,186
Current portion of long-term debt (Note 10)	1,993,924	81,356	2,075,280
Due in more than one year:			
Compensated absences (Note 10)	1,242	1,304	2,546
Net OPEB obligation	150,813	127,212	278,025
Long-term debt (Note 10)	14,902,347	908,060	15,810,407
Total liabilities	17,855,809	1,191,079	19,046,888
Net Position			
Net investment in capital assets	9,700,692	712,536	10,413,228
Unrestricted	401,697	(1,070,609)	(668,912)
Total net position	\$ 10,102,389	\$ (358,073)	\$ 9,744,316

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	\$ 914,015	\$ -	\$ -	\$ -
Recreation and culture	886,722	-	-	-
Debt service	587,245	-	-	-
Total Tax Increment Finance Authority	2,387,982	-	-	-
Downtown Development Authority - Governmental activities:				
Public works	1,044,759	-	-	-
Debt service	33,086	-	-	-
Total governmental activities	1,077,845	-	-	-
Total component units	\$ 3,465,827	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
Interest income and other				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

**Component Units
Statement of Activities
Year Ended June 30, 2016**

Net (Expense) Revenue and Changes in		
Net Position		
Tax Increment Finance Authority	Downtown Development Authority	Total
\$ (914,015)	\$ -	\$ (914,015)
(886,722)	-	(886,722)
(587,245)	-	(587,245)
(2,387,982)	-	(2,387,982)
-	(1,044,759)	(1,044,759)
-	(33,086)	(33,086)
-	(1,077,845)	(1,077,845)
(2,387,982)	(1,077,845)	(3,465,827)
3,071,952	372,768	3,444,720
127,455	27,397	154,852
3,199,407	400,165	3,599,572
811,425	(677,680)	133,745
9,290,964	319,607	9,610,571
\$ 10,102,389	\$ (358,073)	\$ 9,744,316

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 legally 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, 2016.

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 revenue was 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 I - 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.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is 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. Starting July 1, 2016, the capitalization threshold increased to \$3,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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; the variance between the pension plan's actual investment earnings compared to the plan's assumed investment earnings; and the changes in assumptions in the pension plan related to economic and demographic factors. In addition, the City has deferred outflows related to the deferred charge on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 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. In addition, the City has deferred inflows related to the pension plan's variance between projected and actual experience.

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 2015 tax is levied and collectible on July 1, 2015 and is recognized as revenue in the year ended June 30, 2016, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2015 taxable valuation of the City totaled \$840,130,639, on which taxes levied consisted of 9.4063 mills for operating purposes, 1.5500 mills for sanitation, 0.5000 mills for library, 2.0414 mills for EPA levy, and 0.06020 for publicity. This resulted in \$6.75 million for operations, \$1.11 million for sanitation, \$362,000 for library, \$1.69 million for EPA levy, and \$49,000 for publicity. 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 the 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 revenue of the Water and Sewer Fund and internal service funds is 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.

City of Romulus, Michigan

Notes to Financial Statements June 30, 2016

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 - 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, 2015		\$ (4,504,374)
Current year building permit revenue		1,446,510
Related expenses:		
Direct costs	\$ 1,085,643	
Estimated indirect costs	91,258	1,176,901
		<u>269,609</u>
Current year surplus		<u>269,609</u>
Cumulative shortfall at June 30, 2016		<u>\$ (4,234,765)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and 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.

Note 3 - Deposits and Investments (Continued)

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 \$3,662,242 in bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$278,034 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, 2016

Note 3 - 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	\$ 747,529	\$ 498,529	\$ 249,000
Money market	3,010,509	3,010,509	-
Commercial paper	3,484,441	3,484,441	-
U.S. government agency securities	16,308,172	4,432,766	11,875,406
Asset-backed securities	392,010	-	392,010
Total	\$ 23,942,661	\$ 11,426,245	\$ 12,516,416

Fiduciary Funds	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Corporate bonds and notes	\$ 370,029	\$ -	\$ 337,498	\$ 14,755	\$ 17,775
U.S. government agency securities	285,125	52,705	29,980	155,719	46,720
Total	\$ 655,154	\$ 52,705	\$ 367,478	\$ 170,474	\$ 64,495

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:										
	AAA	AA+	AA	AA-	A-1+	A+	A	A-1	A-	BBB+	Not Rated
Primary Government and Component Units											
Negotiable CDs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 747,529
Commercial paper	-	-	-	-	498,396	-	-	2,986,045	-	-	-
Money market	-	-	-	-	-	-	-	-	-	-	3,010,509
U.S. government agency securities	666,949	5,835,916	-	-	-	-	-	-	-	-	-
Asset-backed securities	-	392,010	-	-	-	-	-	-	-	-	-
Total	\$ 666,949	\$ 6,227,926	\$ -	\$ -	\$ 498,396	\$ -	\$ -	\$ 2,986,045	\$ -	\$ -	\$ 3,758,038
Fiduciary Funds											
Corporate bonds and notes	\$ 51,232	\$ 10,006	\$ 14,613	\$ 12,300	\$ -	\$ 18,583	\$ 148,766	\$ -	\$ 67,196	\$ 47,332	\$ -
U.S. government agency securities	285,125	-	-	-	-	-	-	-	-	-	-
Total	\$ 336,357	\$ 10,006	\$ 14,613	\$ 12,300	\$ -	\$ 18,583	\$ 148,766	\$ -	\$ 67,196	\$ 47,332	\$ -

City of Romulus, Michigan

Notes to Financial Statements June 30, 2016

Note 4 - Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The primary government and component units has the following recurring fair value measurements as of June 30, 2016:

Assets Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2016	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities:				
Money market	\$ 170,878	\$ -	\$ 170,878	\$ -
Commercial paper	3,484,441	-	3,484,441	-
U.S. government agency securities	16,543,822	285,125	16,308,172	-
Asset-backed securities	492,266	-	492,266	-
Corporate bonds	378,722	59,475	319,247	-
Total debt securities	21,070,129	344,600	20,775,004	-
Equity securities - Common stocks and mutual funds	1,740,835	1,740,834	-	-
Total investments by fair value level	22,810,964	\$ 2,085,434	\$ 20,775,004	\$ -
Investments measured at the net asset value (NAV) - Michigan CLASS investment pool	3,002,848			
Total investments measured at fair value	\$ 25,813,812			

City of Romulus, Michigan

Notes to Financial Statements June 30, 2016

Note 4 - Fair Value Measurements (Continued)

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

There were no investments at June 30, 2016 valued based on Level 3 inputs.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

Investments in Entities that Calculate Net Asset Value per Share

The City holds shares or interests in investment companies at where the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At June 30, 2016, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Michigan CLASS investment pool	\$ 3,002,848	\$ -	N/A	None

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

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	\$ 332,388	\$ 30,433	\$ -	\$ 362,821	\$ 293,659	\$ 656,480	\$ 43,183
Special assessments receivable	-	389,344	-	389,344	-	389,344	-
Receivables from sales to customers on account	-	-	-	-	3,414,911	3,414,911	-
Other receivables	125,578	199,555	50	325,183	2,418	327,601	-
Due from other governmental units	984,709	532,637	3,550	1,520,896	558,105	2,079,001	69,322
Net receivables	<u>\$ 1,442,675</u>	<u>\$ 1,151,969</u>	<u>\$ 3,600</u>	<u>\$ 2,598,244</u>	<u>\$ 4,269,093</u>	<u>\$ 6,867,337</u>	<u>\$ 112,505</u>

City of Romulus, Michigan

Notes to Financial Statements June 30, 2016

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	\$ 362,821
Special assessments - Unavailable	389,344
Grant revenue - Unavailable	67,198
State, local, and other revenue - Unavailable	48,316
	<hr/>
Total deferred inflows	\$ 867,679

Note 7 - Capital Assets

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

	Balance July 1, 2015	Reclassifications	Additions	Disposals	Balance June 30, 2016
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 5,566,341	\$ -	\$ -	\$ -	\$ 5,566,341
Construction in progress	2,280,318	(2,368,306)	1,088,372	-	1,000,384
Subtotal	7,846,659	(2,368,306)	1,088,372	-	6,566,725
Capital assets being depreciated:					
Infrastructure	74,767,030	2,296,931	1,000,089	-	78,064,050
Buildings and improvements	19,905,610	-	34,757	-	19,940,367
Machinery and equipment	10,340,613	71,375	777,759	(58,797)	11,130,950
Vehicles	5,307,941	-	59,268	(35,774)	5,331,435
Land improvements	1,110,747	-	51,014	-	1,161,761
Subtotal	111,431,941	2,368,306	1,922,887	(94,571)	115,628,563
Accumulated depreciation:					
Infrastructure	47,482,416	-	2,917,670	-	50,400,086
Buildings and improvements	7,346,668	-	460,338	-	7,807,006
Machinery and equipment	9,074,416	-	730,589	(58,797)	9,746,208
Vehicles	4,006,832	-	61,602	(32,079)	4,036,355
Land improvements	667,028	-	48,369	-	715,397
Subtotal	68,577,360	-	4,218,568	(90,876)	72,705,052
Net capital assets being depreciated	42,854,581	2,368,306	(2,295,681)	(3,695)	42,923,511
Net capital assets	\$ 50,701,240	\$ -	\$ (1,207,309)	\$ (3,695)	\$ 49,490,236

Note 7 - Capital Assets (Continued)

Business-type Activities	Balance	Reclassifications	Additions	Disposals	Balance
	July 1, 2015				June 30, 2016
Capital assets not being depreciated:					
Land	\$ 88,065	\$ -	\$ -	\$ -	\$ 88,065
Construction in progress	1,313,990	(1,151,844)	1,336,564	-	1,498,710
Subtotal	1,402,055	(1,151,844)	1,336,564	-	1,586,775
Capital assets being depreciated:					
Water and sewer lines	96,704,539	1,151,844	368,833	-	98,225,216
Machinery and equipment	566,751	-	23,593	-	590,344
Other depreciable assets	1,866,820	-	184,723	(23,012)	2,028,531
Subtotal	99,138,110	1,151,844	577,149	(23,012)	100,844,091
Accumulated depreciation:					
Water and sewer lines	37,149,589	-	1,672,152	-	38,821,741
Machinery and equipment	441,628	-	24,821	-	466,449
Other depreciable assets	1,106,925	-	58,111	(23,012)	1,142,024
Subtotal	38,698,142	-	1,755,084	(23,012)	40,430,214
Net capital assets being depreciated	60,439,968	1,151,844	(1,177,935)	-	60,413,877
Net capital assets	\$ 61,842,023	\$ -	\$ 158,629	\$ -	\$ 62,000,652
Component Units					
	Balance	Transfer to			Balance
	July 1, 2015	Governmental	Additions	Disposals	June 30, 2016
		Activities			
Capital assets not being depreciated:					
Land	\$ 3,203,186	\$ -	\$ -	\$ -	\$ 3,203,186
Construction in progress	399,464	(399,464)	-	-	-
Subtotal	3,602,650	(399,464)	-	-	3,203,186
Capital assets being depreciated:					
Machinery and equipment	608,365	-	6,580	-	614,945
Building improvements	24,895,336	-	-	-	24,895,336
Land improvements	403,449	-	2,632	-	406,081
Subtotal	25,907,150	-	9,212	-	25,916,362
Accumulated depreciation:					
Machinery and equipment	557,966	-	42,852	-	600,818
Buildings	552,477	-	552,477	-	1,104,954
Building improvements	3,341,178	-	1,905	-	3,343,083
Land improvements	115,488	-	38,552	-	154,040
Subtotal	4,567,109	-	635,786	-	5,202,895
Net capital assets being depreciated	21,340,041	-	(626,574)	-	20,713,467
Net capital assets	\$ 24,942,691	\$ (399,464)	\$ (626,574)	\$ -	\$ 23,916,653

City of Romulus, Michigan

Notes to Financial Statements June 30, 2016

Note 7 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 140,351
Public safety	453,913
Public works	3,067,174
Recreation and culture	176,062
Internal service fund depreciation is charged to the various functions based on their usage of the asset	<u>381,068</u>

Total governmental activities	<u>\$ 4,218,568</u>
-------------------------------	---------------------

Business-type activities - Water and sewer	<u>\$ 1,755,084</u>
--	---------------------

Component unit activities:

TIFA	\$ 586,722
DDA	<u>49,064</u>

Total component unit activities	<u>\$ 635,786</u>
---------------------------------	-------------------

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 \$3,144,000 on these projects with a remaining commitment of approximately \$18,152,000, which includes \$14,000,000 related to the 34th District Court.

Note 8 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Nonmajor governmental funds	<u>\$ 44,953</u>

City of Romulus, Michigan

Notes to Financial Statements June 30, 2016

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

Advances to/from Primary Government and Component Units

Component unit - Tax Increment Finance Authority	Primary government - Other nonmajor governmental funds	\$ 275,000
Primary government - General Fund	Component unit - Downtown Development Authority	\$ 13,565
	Component unit - Tax Increment Finance Authority	<u>420,000</u>
	Total primary government - General Fund	<u>\$ 433,565</u>
Primary government - Other nonmajor funds	Component unit - Downtown Development Authority	\$ 2,668
	Component unit - Tax Increment Finance Authority	<u>38,169</u>
	Total primary government - Other nonmajor funds	<u>\$ 40,837</u>

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 relates to a road construction project toward which the Downtown Development Authority agreed to contribute. These advances will be repaid over a number of years.

City of Romulus, Michigan

Notes to Financial Statements June 30, 2016

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

Interfund Transfers

Transfers In	Transfers Out			
	General Fund	Nonmajor Governmental Funds	Enterprise Funds	Internal Service Funds
Nonmajor governmental funds	\$ 363,006	\$ 411,666	\$ -	\$ -

The transfers from the General Fund to nonmajor governmental funds were related primarily to the Court Building Construction Fund to support construction of the Court building. 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	\$ -	\$ 2,179,846	\$ -
Cash and investments	-	1,839,703	-
Unspent bond proceeds	514,849	460,872	3,392,846
Total restricted assets	\$ 514,849	\$ 4,480,421	\$ 3,392,846

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 \$1,683,000 compared to principal and interest payments of \$2,853,000 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.

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
Governmental Activities								
General obligation bonds -								
Beverly Road Bond - \$1,650,000	4.00%-5.10%	2016	\$155,000	\$ 155,000	\$ -	\$ 155,000	\$ -	\$ -
Capital improvement bonds - Major streets - \$2,095,000	2.0%-4.0%	2029	\$90,000-\$180,000	1,950,000	-	145,000	1,805,000	150,000
Special assessment bonds -								
Beverly Road - \$1,650,000	4.00%-5.10%	2022	\$80,000-\$85,000	570,000	-	85,000	485,000	85,000
Plus premiums on bonds payable				65,163	-	4,654	60,509	4,655
Total bonds payable				2,740,163	-	389,654	2,350,509	239,655
Compensated absences				675,535	928,267	675,535	928,267	586,168
Total governmental activities				\$ 3,415,698	\$ 928,267	\$ 1,065,189	\$ 3,278,776	\$ 825,823
Business-type Activities								
Wayne County contractual obligations - \$42,381,873	1.63%-6.30%	2033	\$54,379-\$2,364,730	\$ 17,209,616	\$ -	\$ 2,504,558	\$ 14,705,058	\$ 2,359,396
Capital improvement bonds - Water and sewer - \$7,000,000	3.5%-5.0%	2027	\$320,000-\$510,000	4,870,000	-	4,540,000	330,000	330,000
Capital improvement bonds - Water and sewer - \$3,835,000	3.0% - 5.0%	2026	\$320,000-\$465,000	-	3,835,000	-	3,835,000	-
Capital improvement bonds - Water - \$2,900,000	2.0%-4.0%	2034	\$100,000-\$260,000	2,760,000	-	100,000	2,660,000	100,000
Plus premiums on bonds payable				64,850	575,562	3,413	636,999	55,737
Total bonds payable				24,904,466	4,410,562	7,147,971	22,167,057	2,845,133
Compensated absences				124,120	158,787	124,120	158,787	127,030
Total business-type activities				\$ 25,028,586	\$ 4,569,349	\$ 7,272,091	\$ 22,325,844	\$ 2,972,163

City of Romulus, Michigan

Notes to Financial Statements June 30, 2016

Note 10 - Long-term Debt (Continued)

	Interest Rate Ranges	Maturity Date Range	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component Unit Activities								
Tax Increment Finance Authority:								
Limited Tax General Obligation Bonds - \$10,370,000	2.0%-5.0%	2027	\$875,000- \$1,235,000	\$ -	\$ 10,370,000	\$ -	\$ 10,370,000	\$ -
Plus premiums on bonds payable				-	1,221,271	-	1,221,271	33,924
General obligation bonds - \$18,500,000	4.0%-5.0%	2027	\$835,000- \$1,355,000	12,880,000	-	12,005,000	875,000	875,000
Capital improvement bonds - \$1,695,000	1.35%	2020	\$335,000- \$350,000	1,695,000	-	335,000	1,360,000	335,000
Capital improvement bonds - \$3,810,000	1.35%	2019	\$740,000- \$780,000	3,810,000	-	740,000	3,070,000	750,000
Compensated absences				4,960	6,214	4,960	6,214	4,972
Total - Tax Increment Finance Authority				18,389,960	11,597,485	13,084,960	16,902,485	1,998,896
Downtown Development Authority:								
Capital improvement bonds - DDA - \$1,005,000	2.0%-4.0%	2034	\$40,000- \$70,000	1,005,000	-	40,000	965,000	80,000
Plus premiums on bonds payable				25,772	-	1,356	24,416	1,356
Compensated absences				718	6,518	718	6,518	5,214
Total - Downtown Development Authority				1,031,490	6,518	42,074	995,934	86,570
Total component units				\$ 19,421,450	\$ 11,604,003	\$ 13,127,034	\$ 17,898,419	\$ 2,085,466

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
2017	\$ 235,000	\$ 77,118	\$ 312,118	\$ 2,789,396	\$ 631,532	\$ 3,420,928	\$ 2,040,000	\$ 461,613	\$ 2,501,613
2018	235,000	69,910	304,910	2,816,108	563,966	3,380,074	2,015,000	465,508	2,480,508
2019	235,000	62,730	297,730	2,502,010	492,247	2,994,257	2,060,000	423,086	2,483,086
2020	240,000	55,550	295,550	1,900,692	432,496	2,333,188	2,100,000	374,928	2,474,928
2021	245,000	46,670	291,670	1,843,543	379,561	2,223,104	1,015,000	328,100	1,343,100
2022-2026	790,000	129,940	919,940	5,211,393	1,315,741	6,527,134	5,690,000	994,325	6,684,325
2027-2031	310,000	25,000	335,000	3,436,567	444,522	3,881,089	1,520,000	105,675	1,625,675
2032-2034	-	-	-	1,070,351	71,559	1,141,910	200,000	16,200	216,200
Total	\$ 2,290,000	\$ 466,918	\$ 2,756,918	\$ 21,570,060	\$ 4,331,624	\$ 25,901,684	\$ 16,640,000	\$ 3,169,435	\$ 19,809,435

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 2016. Limited Tax General Obligation Refunding Bond, Series 2016 was issued with a par amount of \$10,370,000 and an interest rate of 2.0 to 5.0 percent. The proceeds of this bond along with a bond premium of \$1,221,271 were used to refund \$11,170,000 of outstanding General Obligation Bonds, Series 2006 with interest rates ranging from 4.0 to 5.0 percent. The net proceeds of \$11,405,945 (after payment of \$185,326 in underwriting fees, insurance, and other issuance costs) were deposited in an irrevocable trust with an escrow agent until June 16, 2016, 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 \$1.37 million. The net present value savings from the refunding is approximately \$1.21 million. The new General Obligation Bonds are paid through the Tax Increment Finance Authority Fund.

The Water and Sewer Fund also issued one Limited Tax General Obligation Refunding Bond, Series 2016. The Limited Tax General Obligation Refunding Bond, Series 2016 was issued with a par amount of \$3,835,000 and an interest rate of 3.0 to 5.0 percent. The proceeds of this bond along with a bond premium of \$575,562 were used to refund \$4,220,000 of outstanding Capital Improvement Bonds, Series 2006 with interest rates ranging from 3.5 to 5.0 percent. The net proceeds of \$4,307,859 (after payment of \$102,703 in underwriting fees, insurance, and other issuance costs) were deposited in an irrevocable trust with an escrow agent until May 18, 2016, 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 Water and Sewer Fund's statement of net position. The refunding decreased total debt service payments over the next four years by approximately \$486,000. The net present value savings from the refunding is approximately \$426,000 million. The new General Obligation Bonds are paid through the Water and Sewer Fund.

Subsequent Event - During January 2016, the Downriver Sewage Disposal System issued a new special revenue fund debt; however, there were no draws until July 2016. The debt will not be recorded on the City's financial statements until the debt has been drawn upon; therefore, no amount was recorded as of June 30, 2016. The debt incurred by the County has a balance of \$17,705,000 with an interest rate of 2.50 percent and will be payable through 2037. The City's portion of the total debt issue will be approximately \$2,112,000.

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, 2016 was approximately \$8,800,000. 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, 2016 was \$5,900,000. 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.

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

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.

Benefits Provided - The System 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.

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). The 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 between 25 to 85 percent of the employee's final full-year salary depending on the plan selected and reasons for death. 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.

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

Employees Covered by Benefit Terms - At the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	57
Inactive plan members entitled to but not yet receiving benefits	5
Active plan members	<u>61</u>
Total employees covered by the System	<u>123</u>

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, 2016, the average active employee contribution rate was 7.0 percent of annual pay and the City's average contribution rate was 50.0 of annual payroll.

Net Pension Liability

The net pension liability reported at June 30, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

City of Romulus, Michigan

Notes to Financial Statements June 30, 2016

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

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
Balance at December 31, 2014	\$ 47,641,996	\$ 20,146,709	\$ 27,495,287
Service cost	528,402	-	528,402
Interest	3,817,235	-	3,817,235
Differences between expected and actual experience	(552,460)	-	(552,460)
Changes in assumptions	1,746,051	-	1,746,051
Contributions - Employer	-	1,869,896	(1,869,896)
Contributions - Employee	-	281,502	(281,502)
Net investment income	-	(288,789)	288,789
Benefit payments, including refunds	(3,273,351)	(3,273,351)	-
Administrative expenses	-	(42,954)	42,954
Net changes	<u>2,265,877</u>	<u>(1,453,696)</u>	<u>3,719,573</u>
Balance at December 31, 2015	<u>\$ 49,907,873</u>	<u>\$ 18,693,013</u>	<u>\$ 31,214,860</u>

Assumption Changes - From the time of the last measurement date at December 31, 2014 to December 31, 2015, the actuary modified significant assumptions that affect the measurement of the total pension liability. The actuary adjusted the assumed annual rate of return down from 8.25 percent to 8.00 percent. The mortality tables were updated from the 1994 Group Mortality Table to a blend of the RP-2014 tables described below.

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, 2016, the City recognized pension expense of \$3,185,367. At June 30, 2016, the City reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred (Inflows) Outflows of Resources</u>
Difference between expected and actual experience	\$ (441,968)
Changes in assumptions	1,396,841
Net difference between projected and actual earnings on pension plan investments	1,741,398
Employer contributions to the plan subsequent to the measurement date	<u>978,770</u>
Total	<u>\$ 3,675,041</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>
2017	\$ 692,328
2018	692,328
2019	692,328
2020	619,287

Actuarial Assumptions - The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 %	
Salary increases	3.8 %	The pay increase assumption used in the actuarial valuation projects annual pay increases of 3.75 percent in the long term, including inflation
Investment rate of return	7.8 %	Net of pension plan investment expense, including inflation

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

Mortality rates were based on a 50 percent male and 50 percent female blend of the following tables:

1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent
2. The RP-2014 Employee Mortality Tables
3. The RP-2014 Juvenile Mortality Tables

For disabled retirees, the mortality rates were based on the 50 percent male - 50 percent female blend of the RP-2014 Disabled Retiree Mortality Tables.

Discount Rate - The discount rate used to measure the total pension liability was 8.00 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 December 31, 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 8.00 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 (7.00 percent) or 1 percentage point higher (9.00 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability of the City	\$ 37,163,606	\$ 31,214,860	\$ 26,249,923

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, 2016. Employees who participate are required to contribute 0.5 percent to 1.0 percent of earnings and may contribute 0-10 percent of after-tax earnings. In accordance with these requirements, the City contributed \$543,080 during the current year and employees contributed \$83,960.

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. In the June 30, 2013 actuary report, the plan has 278 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

Note 15 - Other Postemployment Benefits (Continued)

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, 2016, 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)	\$ 5,385,254
Interest on the prior year's net OPEB obligation	1,069,346
Less adjustment to the annual required contribution	<u>(735,335)</u>
Annual OPEB cost	5,719,265
Amounts contributed	<u>(2,546,820)</u>
Increase in net OPEB obligation	3,172,445
OPEB obligation - Beginning of year	<u>17,822,450</u>
OPEB obligation - End of year	<u>\$ 20,994,895</u>

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	
6/30/14	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
6/30/16	6/30/13	5,385,254	5,719,265	47.3	44.5	20,994,895

Note 15 - Other Postemployment Benefits (Continued)

The funding progress of the plan 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
6/30/09	\$ 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	7,641,555	749.5

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.

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, Michigan, the City of Belleville, Michigan, 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 \$4,156,758. 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 \$2,578,915 for operations of the system and \$2,853,058 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 June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the City to recognize on the face of the financial statements its net OPEB liability related to its participation in the Other Employee Benefits Trust plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2018.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement will require governments to disclose in their financial statements information related to tax abatement agreements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

Required Supplemental Information

City of Romulus, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 7,287,365	\$ 7,287,365	\$ 7,577,123	\$ 289,758
Licenses and permits	1,225,100	1,335,100	1,777,631	442,531
Federal sources	349,510	349,510	246,432	(103,078)
State sources	3,930,415	3,930,415	3,932,814	2,399
Charges for services	2,445,405	2,521,585	2,642,746	121,161
Fines and forfeitures	3,825,000	3,825,000	4,156,758	331,758
Interest income	8,000	8,000	80,018	72,018
Other	431,985	457,955	514,945	56,990
Total revenue	19,502,780	19,714,930	20,928,467	1,213,537
Expenditures - Current				
Legislative	77,040	77,540	77,505	35
Mayor	543,110	543,110	526,749	16,361
Clerk	570,590	573,087	548,764	24,323
Treasurer	418,230	422,305	384,023	38,282
Community services/outreach	647,285	732,435	696,614	35,821
Financial services	2,150,935	2,503,131	2,429,402	73,729
Community and economic development	379,460	440,669	421,389	19,280
Public safety	12,047,155	12,088,134	10,841,642	1,246,492
Public services	2,806,080	2,942,826	2,124,506	818,320
Total expenditures	19,639,885	20,323,237	18,050,594	2,272,643
Net Change in Fund Balance	(137,105)	(608,307)	2,877,873	3,486,180
Fund Balance - Beginning of year	3,770,736	3,770,736	3,770,736	-
Fund Balance - End of year	\$ 3,633,631	\$ 3,162,429	\$ 6,648,609	\$ 3,486,180

City of Romulus, Michigan

Note to Required Supplemental Information Year Ended June 30, 2016

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, 2016

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:

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Other Financing Sources (Uses)</u>
Amounts per operating statement	\$ 20,928,467	\$ 17,687,588	\$ 363,006
Operating transfers budgeted as revenue and expenditures	<u>-</u>	<u>363,006</u>	<u>(363,006)</u>
Amounts per budget statement	<u>\$ 20,928,467</u>	<u>\$ 18,050,594</u>	<u>\$ -</u>

City of Romulus, Michigan

Required Supplemental Information OPEB System Schedule Year Ended June 30, 2016

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%	\$ 7,641,555	749.5%
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

	2016	2015
Total Pension Liability		
Service cost	\$ 528,402	\$ 542,571
Interest	3,817,235	3,731,581
Changes in benefit terms	-	-
Differences between expected and actual experience	(552,460)	-
Changes in assumptions	1,746,051	-
Benefit payments, including refunds	(3,273,351)	(3,184,316)
Net Change in Total Pension Liability	2,265,877	1,089,836
Total Pension Liability - Beginning of year	47,641,996	46,552,160
Total Pension Liability - End of year	\$ 49,907,873	\$ 47,641,996
Plan Fiduciary Net Position		
Contributions - Employer	\$ 1,869,896	\$ 1,785,563
Contributions - Member	281,502	284,028
Net investment income	(288,789)	1,242,261
Administrative expenses	(42,954)	(45,406)
Benefit payments, including refunds	(3,273,351)	(3,184,316)
Other	-	-
Net Change in Plan Fiduciary Net Position	(1,453,696)	82,130
Plan Fiduciary Net Position - Beginning of year	20,146,709	20,064,579
Plan Fiduciary Net Position - End of year	\$ 18,693,013	\$ 20,146,709
City's Net Pension Liability - Ending	\$ 31,214,860	\$ 27,495,287
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	39.82 %	42.29 %
Covered Employee Payroll	\$ 3,817,724	\$ 3,907,772
City's Net Pension Liability as a Percentage of Covered Employee Payroll	817.6 %	703.6 %

City of Romulus, Michigan

Required Supplemental Information Schedule of City Contributions Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 1,869,896	\$ 1,785,564	\$ 1,868,648	\$ 1,526,264	\$ 1,529,553	\$ 1,578,406	\$ 1,532,019	\$ 1,377,582	\$ 1,296,993	\$ 1,094,145
Contributions in relation to the actuarially determined contribution	<u>1,869,896</u>	<u>1,785,564</u>	<u>1,868,648</u>	<u>1,526,264</u>	<u>1,529,553</u>	<u>1,578,406</u>	<u>1,532,019</u>	<u>1,377,582</u>	<u>1,296,993</u>	<u>1,094,145</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 3,817,724	\$ 3,907,772	\$ 4,459,246	\$ 4,742,971	\$ 4,847,101	\$ 4,854,341	\$ 6,342,769	\$ 5,449,276	\$ 5,905,009	\$ 5,358,087
Contributions as a percentage of covered employee payroll	49.0 %	45.7 %	41.9 %	32.2 %	31.6 %	32.5 %	24.2 %	25.3 %	22.0 %	20.4 %

Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	23 years
Asset valuation method	10-year smoothed
Inflation	2.5 percent
Salary increases	3.75 percent
Investment rate of return	7.75 percent
Retirement age	60 with 10 years of service, 55 with 15 or 25 years of service (depending on the group), or 50 with 25 years of service
Mortality	50 percent male - 50 percent female blend of the following tables: 1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent 2. The RP-2014 Employee Mortality Tables 3. The RP-2014 Juvenile Mortality Tables For disabled retirees, the mortality rates were based on the 50 percent male - 50 percent female blend of the RP-2014 Disabled Retiree Mortality Table.
Other information	None

Other Supplemental Information

City of Romulus, Michigan

Nonmajor Special Revenue Funds

	Major Streets	Local Streets	Cable TV	911	Sanitation	Community Development Block Grant	Street Lighting
Assets							
Cash and investments	\$ 668,839	\$ 110,741	\$ 532,997	\$ 161,159	\$ 566,452	\$ 14,591	\$ 163,870
Receivables:							
Property taxes receivable	-	-	-	-	25,065	-	63
Special assessments receivable	-	-	-	-	-	-	-
Other receivables	-	-	93,279	40,052	-	-	-
Due from other governmental units	213,391	140,902	-	-	-	63,217	-
Advance to component units	-	-	-	-	34,215	-	-
Inventory	77,234	115,851	-	-	-	-	-
Restricted assets	514,849	-	-	-	-	-	-
Total assets	\$ 1,474,313	\$ 367,494	\$ 626,276	\$ 201,211	\$ 625,732	\$ 77,808	\$ 163,933
Liabilities, Deferred Inflows of Resources, and Fund Balances							
Liabilities							
Accounts payable	\$ 144,117	\$ 15,429	\$ 23,896	\$ 1,757	\$ 160,755	\$ 5	\$ 45,155
Due to other funds	-	-	-	-	-	-	-
Accrued liabilities and other:							
Accrued salaries and wages	5,422	8,494	3,419	344	298	-	-
Accrued and other liabilities	-	-	-	-	32,682	-	-
Advances from component units	-	-	-	-	-	-	-
Total liabilities	149,539	23,923	27,315	2,101	193,735	5	45,155
Deferred Inflows of Resources -							
Unavailable revenue	-	-	-	-	25,066	63,218	-
Fund Balances							
Nonspendable:							
Inventory	77,234	115,851	-	-	-	-	-
Long-term receivable	-	-	-	-	34,215	-	-
Restricted:							
Roads	1,247,540	227,720	-	-	-	-	-
Public safety	-	-	-	199,110	-	-	-
Sanitation	-	-	-	-	372,716	-	-
Debt service	-	-	-	-	-	-	-
Grants	-	-	-	-	-	14,585	-
PEG fees	-	-	598,961	-	-	-	-
Street lighting	-	-	-	-	-	-	118,778
Cemetery operations	-	-	-	-	-	-	-
Community facilities and programs	-	-	-	-	-	-	-
Library operations	-	-	-	-	-	-	-
Committed - Recreation	-	-	-	-	-	-	-
Assigned - Capital projects	-	-	-	-	-	-	-
Total fund balances	1,324,774	343,571	598,961	199,110	406,931	14,585	118,778
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,474,313	\$ 367,494	\$ 626,276	\$ 201,211	\$ 625,732	\$ 77,808	\$ 163,933

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

Nonmajor Special Revenue Funds							Nonmajor Capital Projects Funds			Total Nonmajor Governmental 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	Court Building Construction Fund	Construction Fund	
\$ 65,869	\$ 33,405	\$ 433,024	\$ 529,762	\$ 5,969	\$ 110,824	\$ 7,279	\$ 1,606	\$ 352,231	\$ 319,398	\$ 4,078,016
-	-	-	-	-	5,305	-	-	-	-	30,433
-	-	-	-	-	-	-	-	-	389,344	389,344
-	-	-	59,974	-	6,250	-	-	-	-	199,555
-	-	3,979	5,000	-	106,148	-	-	-	-	532,637
-	-	-	-	-	6,622	-	-	-	-	40,837
-	-	-	-	-	-	-	-	-	-	193,085
-	-	-	-	-	-	-	-	-	-	514,849
\$ 65,869	\$ 33,405	\$ 437,003	\$ 594,736	\$ 5,969	\$ 235,149	\$ 7,279	\$ 1,606	352,231	708,742	\$ 5,978,756
\$ 15,051	\$ -	\$ 7,991	\$ 60,181	\$ -	\$ 16,589	\$ -	\$ -	\$ 314,747	\$ -	\$ 805,673
-	-	-	44,953	-	-	-	-	-	-	44,953
-	-	-	40,255	-	8,407	-	-	-	-	66,639
-	-	-	43,776	-	10,182	-	-	-	-	86,640
-	-	-	275,000	-	-	-	-	-	-	275,000
15,051	-	7,991	464,165	-	35,178	-	-	314,747	-	1,278,905
-	-	3,979	-	-	5,305	-	-	-	389,344	486,912
-	-	-	-	-	-	-	-	-	-	193,085
-	-	-	-	-	6,622	-	-	-	-	40,837
50,818	33,405	-	-	-	-	-	-	-	-	1,559,483
-	-	425,033	-	-	-	-	-	-	-	624,143
-	-	-	-	-	-	-	-	-	-	372,716
-	-	-	-	-	-	-	1,606	-	-	1,606
-	-	-	-	-	-	-	-	-	-	14,585
-	-	-	-	-	-	-	-	-	-	598,961
-	-	-	-	-	-	-	-	-	-	118,778
-	-	-	-	5,969	-	-	-	-	-	5,969
-	-	-	-	-	-	7,279	-	-	-	7,279
-	-	-	-	-	188,044	-	-	-	-	188,044
-	-	-	130,571	-	-	-	-	-	-	130,571
-	-	-	-	-	-	-	-	37,484	319,398	356,882
50,818	33,405	425,033	130,571	5,969	194,666	7,279	1,606	37,484	319,398	4,212,939
\$ 65,869	\$ 33,405	\$ 437,003	\$ 594,736	\$ 5,969	\$ 235,149	\$ 7,279	\$ 1,606	\$ 352,231	\$ 708,742	\$ 5,978,756

City of Romulus, Michigan

Nonmajor Special Revenue Funds

	Major Streets	Local Streets	Cable TV	911	Sanitation	Community Development Block Grant	Street Lighting
Revenue							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,125,792	\$ -	\$ 542,579
Federal grants	-	-	-	-	-	69,470	-
State-shared revenue and grants	1,616,776	719,951	-	-	18,488	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-
Investment income	(604)	953	2,936	574	464	-	(697)
Other revenue	12,332	8,991	376,377	126,137	6,180	-	-
Total revenue	1,628,504	729,895	379,313	126,711	1,150,924	69,470	541,882
Expenditures							
Current:							
General government	-	-	288,236	-	-	-	-
Public safety	-	-	-	116,840	-	-	-
Public works	1,438,632	615,791	-	-	1,023,195	-	536,025
Community and economic development - Redevelopment and housing	-	-	-	-	-	36,477	-
Recreation and culture:							
Library	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-	-
Total expenditures	1,438,632	615,791	288,236	116,840	1,023,195	36,477	536,025
Excess of Revenue Over (Under) Expenditures	189,872	114,104	91,077	9,871	127,729	32,993	5,857
Other Financing Sources (Uses)							
Transfers in	-	50,000	-	-	-	-	-
Transfers out	(411,666)	-	-	-	-	-	-
Total other financing (uses) sources	(411,666)	50,000	-	-	-	-	-
Net Change in Fund Balances	(221,794)	164,104	91,077	9,871	127,729	32,993	5,857
Fund Balances - Beginning of year	1,546,568	179,467	507,884	189,239	279,202	(18,408)	112,921
Fund Balances - End of year	\$ 1,324,774	\$ 343,571	\$ 598,961	\$ 199,110	\$ 406,931	\$ 14,585	\$ 118,778

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2016**

Nonmajor Special Revenue Funds							Nonmajor Capital Project Funds			Total Nonmajor Governmental 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	Court Building Construction Fund	Construction Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 364,403	\$ -	\$ -	\$ -	\$ -	\$ 2,032,774
-	-	29,345	-	-	-	-	-	-	-	98,815
-	-	82,413	-	-	16,774	-	-	-	-	2,454,402
-	-	-	1,817,343	-	20,530	-	-	-	-	1,837,873
-	-	-	-	-	115,498	-	-	-	-	115,498
431	258	2,093	1,265	24	(584)	54	1,606	35	3,524	12,332
85,772	18,550	6,200	300,500	2,190	31,323	910	-	-	114,318	1,089,780
86,203	18,808	120,051	2,119,108	2,214	547,944	964	1,606	35	117,842	7,641,474
-	-	-	-	-	-	-	-	-	-	288,236
-	-	95,551	-	-	-	-	-	-	-	212,391
86,332	2,954	-	-	-	-	13,380	-	314,747	-	4,031,056
-	-	-	-	-	-	-	-	-	-	36,477
-	-	-	-	-	494,473	-	-	-	-	494,473
-	-	-	2,141,493	-	-	-	-	-	-	2,141,493
-	-	-	-	-	-	-	145,000	-	240,400	385,400
-	-	-	-	-	-	-	57,626	-	30,376	88,002
86,332	2,954	95,551	2,141,493	-	494,473	13,380	202,626	314,747	270,776	7,677,528
(129)	15,854	24,500	(22,385)	2,214	53,471	(12,416)	(201,020)	(314,712)	(152,934)	(36,054)
8,750	2,060	-	-	-	-	-	202,626	352,196	159,040	774,672
-	-	-	-	-	-	-	-	-	-	(411,666)
8,750	2,060	-	-	-	-	-	202,626	352,196	159,040	363,006
8,621	17,914	24,500	(22,385)	2,214	53,471	(12,416)	1,606	37,484	6,106	326,952
42,197	15,491	400,533	152,956	3,755	141,195	19,695	-	-	313,292	3,885,987
\$ 50,818	\$ 33,405	\$ 425,033	\$ 130,571	\$ 5,969	\$ 194,666	\$ 7,279	\$ 1,606	\$ 37,484	\$ 319,398	\$ 4,212,939

City of Romulus, Michigan

Other Supplemental Information Combining Statement of Net Position Internal Service Funds June 30, 2016

	Vehicle and Equipment Fund	Computer and Equipment Fund	Property and Liability Self- insurance Fund	Total
Assets				
Current assets:				
Cash and investments	\$ 1,894,439	\$ 335,977	\$ 429,140	\$ 2,659,556
Receivables	3,600	-	-	3,600
Inventories	52,808	-	-	52,808
Total current assets	1,950,847	335,977	429,140	2,715,964
Noncurrent assets - Capital assets	1,329,765	437,161	-	1,766,926
Total assets	3,280,612	773,138	429,140	4,482,890
Liabilities				
Current liabilities:				
Accounts payable	14,621	26,803	-	41,424
Accrued wages	55,960	5,430	-	61,390
Current portion of compensated absences	14,658	14,291	-	28,949
Total current liabilities	85,239	46,524	-	131,763
Noncurrent liabilities:				
Provision for compensated absences - Net of current portion	3,664	3,573	-	7,237
Net OPEB obligation	272,347	146,776	-	419,123
Total noncurrent liabilities	276,011	150,349	-	426,360
Total liabilities	361,250	196,873	-	558,123
Net Position				
Net investment in capital assets	1,329,765	437,161	-	1,766,926
Unrestricted	1,589,597	139,104	429,140	2,157,841
Total net position	\$ 2,919,362	\$ 576,265	\$ 429,140	\$ 3,924,767

City of Romulus, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended June 30, 2016

	Vehicle and Equipment Fund	Computer and Equipment Fund	Property and Liability Self- insurance Fund	Total
Operating Revenue				
Charges to other funds	\$ 1,624,874	\$ 709,440	\$ 432,480	\$ 2,766,794
Other	22,576	509	67,835	90,920
Total operating revenue	1,647,450	709,949	500,315	2,857,714
Operating Expenses				
Cost of insurance claims	-	-	561,845	561,845
Cost of vehicle and equipment maintenance	1,018,841	-	-	1,018,841
Cost of computer and equipment maintenance	-	539,913	-	539,913
Depreciation	279,315	101,753	-	381,068
Total operating expenses	1,298,156	641,666	561,845	2,501,667
Operating Income (Loss)	349,294	68,283	(61,530)	356,047
Nonoperating Revenue				
Investment income	6,007	372	1,567	7,946
Gain on sale of assets	9,555	-	-	9,555
Total nonoperating revenue	15,562	372	1,567	17,501
Change in Net Position	364,856	68,655	(59,963)	373,548
Net Position - Beginning of year	2,554,506	507,610	489,103	3,551,219
Net Position - End of year	\$ 2,919,362	\$ 576,265	\$ 429,140	\$ 3,924,767

City of Romulus, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2016

	Vehicle and Equipment Fund	Computer and Equipment Fund	Property and Liability Self- insurance Fund	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 1,645,650	\$ 709,949	\$ 500,315	\$ 2,855,914
Payments to suppliers	(638,235)	(362,215)	(561,845)	(1,562,295)
Payments to employees	(436,133)	(208,818)	-	(644,951)
Net cash provided by (used in) operating activities	571,282	138,916	(61,530)	648,668
Cash Flows from Capital and Related Financing Activities				
Proceeds from sales of capital assets	13,250	-	-	13,250
Purchase of capital assets	(402,452)	(304,253)	-	(706,705)
Net cash used in capital and related financing activities	(389,202)	(304,253)	-	(693,455)
Cash Flows from Investing Activities - Investment income	6,007	372	1,567	7,946
Net Increase (Decrease) in Cash and Cash Equivalents	188,087	(164,965)	(59,963)	(36,841)
Cash and Cash Equivalents - Beginning of year	1,706,352	500,942	489,103	2,696,397
Cash and Cash Equivalents - End of year	<u>\$ 1,894,439</u>	<u>\$ 335,977</u>	<u>\$ 429,140</u>	<u>\$ 2,659,556</u>
Balance Sheet Classification of Cash and Cash Equivalents - Cash and investments	<u>\$ 1,894,439</u>	<u>\$ 335,977</u>	<u>\$ 429,140</u>	<u>\$ 2,659,556</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 349,294	\$ 68,283	\$ (61,530)	\$ 356,047
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	279,315	101,753	-	381,068
Changes in assets and liabilities:				
Receivables	(1,800)	-	-	(1,800)
Inventories	(16,897)	-	-	(16,897)
Prepaid and other assets	6,834	2,936	-	9,770
Accounts payable	(29,487)	(61,860)	-	(91,347)
Accrued and other liabilities	(23,998)	6,876	-	(17,122)
Net OPEB obligation	8,021	20,928	-	28,949
Net cash provided by (used in) operating activities	<u>\$ 571,282</u>	<u>\$ 138,916</u>	<u>\$ (61,530)</u>	<u>\$ 648,668</u>

City of Romulus, Michigan

Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds June 30, 2016

	Revolving Fund	General Tax Fund	Current Tax Fund	Delinquent Personal Property Tax Fund	Payroll Fund	Total Fiduciary Funds
Assets - Cash and investments	\$ 1,813,313	\$ 56,158	\$ 38	\$ 140,465	\$ 197,060	\$ 2,207,034
Liabilities						
Accounts payable	\$ -	\$ 56,158	\$ -	\$ 21,049	\$ 6,687	\$ 83,894
Due to other governmental units	555,500	-	38	-	747	556,285
Accrued and other liabilities	1,257,813	-	-	119,416	189,626	1,566,855
Total liabilities	\$ 1,813,313	\$ 56,158	\$ 38	\$ 140,465	\$ 197,060	\$ 2,207,034

City of Romulus, Michigan

Other Supplemental Information Downtown Development Authority Fund-based Balance Sheet June 30, 2016

	Downtown Development Authority	Full Accrual Adjustments	Total
Assets			
Cash and cash equivalents	\$ 101,791	\$ -	\$ 101,791
Receivables - Property taxes receivable	16,915	-	16,915
Restricted assets	17,907	-	17,907
Capital assets	-	694,629	694,629
Bond prepaid insurance	-	1,764	1,764
	\$ 136,613	696,393	833,006
Liabilities			
Accounts payable	\$ 30,483	-	30,483
Due to other governmental units	10,577	-	10,577
Due to primary government	16,233	-	16,233
Accrued liabilities and other	2,540	8,100	10,640
Compensated absences	-	6,518	6,518
Net OPEB or pension obligation	-	127,212	127,212
Long-term debt	-	989,416	989,416
	59,833	1,131,246	1,191,079
Deferred Inflows of Resources -			
Unavailable revenue	6,325	(6,325)	-
Equity - Restricted	70,455	(70,455)	
Total liabilities, deferred inflows of resources, and equity	\$ 136,613		
Net position:			
Net investment in capital assets		712,536	712,536
Unrestricted		(1,070,609)	(1,070,609)
Total net position		\$ (358,073)	\$ (358,073)

City of Romulus, Michigan

Other Supplemental Information Downtown Development Authority Fund-based Schedule of Revenue and Expenditures Year Ended June 30, 2016

	Downtown Development Authority	Full Accrual Adjustments	Total
Revenue			
Property taxes	\$ 366,443	\$ 6,325	\$ 372,768
Other revenue	27,397	-	27,397
Total revenue	393,840	6,325	400,165
Expenditures - Current			
Salaries and wages	69,190	5,800	74,990
Fringe benefits	53,004	16,746	69,750
Other current services	130,340	7,806	138,146
Depreciation	-	49,063	49,063
Capital outlay and capital contributions	362,797	351,271	714,068
Principal expenditures	40,000	(40,000)	-
Interest expense	33,284	(1,456)	31,828
Total expenditures	688,615	389,230	1,077,845
Change in Fund Balance/Net Position	(294,775)	(382,905)	(677,680)
Fund Balance/Net Position - Beginning of year	365,230	(45,623)	319,607
Fund Balance/Net Position - End of year	\$ 70,455	\$ (428,528)	\$ (358,073)