

City of Romulus, Michigan

**Financial Report
with Supplemental Information
June 30, 2014**

City of Romulus, Michigan

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discreetly 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, 2014 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.

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 discreetly presented component units, each major fund, and the aggregate remaining fund information of the City of Romulus, Michigan as of June 30, 2014 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.

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

Emphasis of Matter

As described in Note 2 to the financial statements, during the year ended June 30, 2014, the City adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

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

Other Information

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

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.

Alante & Morse, PLLC

December 12, 2014

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, 2014. 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, 2014:

- Total revenue within the General Fund increased slightly by \$85,497, an increase of .47 percent.
- Property taxes are the City's single largest source of revenue. The City's tax revenue for fiscal year 2013-2014 was \$7,931,047, which represents an increase of \$225,124 or 2.92 percent. This one-time revenue recognition is the result of a final settlement with Wayne County for prior year's property tax obligations. These funds have been assigned specifically for park maintenance and improvements.
- Federal grant revenue reduced substantially by \$615,597 as a result of the completion of the 2010 Staffing for Adequate Fire and Emergency Response (SAFER) grant. The City will continue to explore all federal and state grant opportunities.
- The "Economic Vitality Incentive Program" (EVIP) which in fiscal year 2013-2014, the City qualified for all three incentive programs by demonstrating best practices through transparency, service sharing, and employee benefit reductions. The result of this and the increase in population in the last census provided the City with an overall increase of \$415,518 with \$358,210 relative to timing of payments received from the State of Michigan.
- There was a decrease of \$529,845 in fines and forfeitures or 16.6 percent. This can be attributed to a decrease in tickets issued and staffing. Funds in excess of the agreed-upon base amount are being set aside for current and future police and court facility capital improvements.
- Due to the lower cash reserves, investment income within the General Fund decreased by \$8,861 or 143.6 percent. Any future decreases in the General Fund's fund balance will only escalate this revenue loss.
- Total expenditures within the General Fund increased by \$333,429, an increase of 1.9 percent. This increase in expenditures can be mainly attributed to an increase in general government and recreation and cultural expenditures.
- Road funding through the State of Michigan's gas tax has slightly increased in fiscal year 2013-2014. There was a one-time additional distribution of funding for both major and local streets for special winter road maintenance; the fund balances in the Major Streets Fund increased to \$2,435,830 and fund balance in the Local Streets Fund increased to \$204,743. The City continues to take advantage of federal and state grant funding programs when available.

City of Romulus, Michigan

Management's Discussion and Analysis (Continued)

- The Romulus Athletic Center (the "RAC") decreased its deficit by \$268,205 which resulted in compliance with the five-year deficit elimination plan. This is primarily due to operating transfers from the General Fund with funding support from the Tax Increment Finance Authority.
- The Vehicle and Equipment Fund's unrestricted net position has increased by approximately 81.3 percent to \$719,116. This is the result of being conservative in purchasing capital items under current economical 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 by approximately \$151,397. This is the result of increasing investment for the purpose of upgrading technology and implementing a new financial management software system.

Using this Annual Report

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

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

City of Romulus, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

The following table shows, in a condensed format, the net position as of June 30, 2014 and 2013 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current assets	\$ 13,535	\$ 11,088	\$ 17,546	\$ 14,810	\$ 31,081	\$ 25,898
Capital assets	<u>53,071</u>	<u>56,900</u>	<u>61,529</u>	<u>62,186</u>	<u>114,600</u>	<u>119,086</u>
Total assets	66,606	67,988	79,075	76,996	145,681	144,984
Liabilities						
Current liabilities	3,757	4,211	5,357	5,358	9,114	9,569
Long-term liabilities	<u>16,380</u>	<u>10,778</u>	<u>25,354</u>	<u>24,832</u>	<u>41,734</u>	<u>35,610</u>
Total liabilities	<u>20,137</u>	<u>14,989</u>	<u>30,711</u>	<u>30,190</u>	<u>50,848</u>	<u>45,179</u>
Net Position						
Net investment in capital assets	51,195	54,518	37,231	35,802	88,426	90,320
Restricted	4,511	2,390	4,650	5,213	9,161	7,603
Unrestricted	<u>(9,237)</u>	<u>(3,909)</u>	<u>6,483</u>	<u>5,791</u>	<u>(2,754)</u>	<u>1,882</u>
Total net position	<u>\$ 46,469</u>	<u>\$ 52,999</u>	<u>\$ 48,364</u>	<u>\$ 46,806</u>	<u>\$ 94,833</u>	<u>\$ 99,805</u>

City of Romulus, Michigan

Management's Discussion and Analysis (Continued)

The City's combined net position decreased by approximately \$4,972,000. The net position of the governmental activities decreased by approximately \$6,530,000 or 12.3 percent and business-type activities increased by \$1,558,000 or 3.3 percent. The decrease in the governmental activities net position was primarily related to the increase in the OPEB liability and an increase in long-term debt with the issuance of the 2014 Capital Improvement Bonds. The increase in business-type activities net position is the result of the recent increase in water and sewer use rates through our rate review study.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Net Position - Beginning of year	\$ 52,999	\$ 58,180	\$ 46,806	\$ 44,632	\$ 99,805	\$ 102,812
Revenue						
Program revenue:						
Charges for services	8,191	7,286	11,403	11,094	19,594	18,380
Operating grants and contributions	2,879	3,110	-	-	2,879	3,110
Capital grants and contributions	308	996	83	189	391	1,185
General revenue:						
Property taxes:						
City	8,263	7,774	-	-	8,263	7,774
Sanitation	1,172	1,115	-	-	1,172	1,115
Street lighting	609	603	-	-	609	603
EPA	-	-	2,091	2,176	2,091	2,176
State-shared revenue	3,614	3,574	-	-	3,614	3,574
Unrestricted investment (loss) earnings	(5)	9	5	12	-	21
Transfers	-	52	-	(52)	-	-
Income from joint venture	-	-	870	983	870	983
Miscellaneous revenue	491	1,305	-	424	491	1,729
Total revenue	25,522	25,824	14,452	14,826	39,974	40,650
Program Expenses						
General government	5,008	5,131	-	-	5,008	5,131
Public safety	14,908	14,987	-	-	14,908	14,987
Public works	8,272	7,399	-	-	8,272	7,399
Health and welfare	580	531	-	-	580	531
Community and economic development	246	11	-	-	246	11
Recreation and cultural	2,920	2,818	-	-	2,920	2,818
Interest on long-term debt	118	128	-	-	118	128
Water and sewer	-	-	12,894	12,652	12,894	12,652
Total program expenses	32,052	31,005	12,894	12,652	44,946	43,657
Change in Net Position	(6,530)	(5,181)	1,558	2,174	(4,972)	(3,007)
Net Position - End of year	<u>\$ 46,469</u>	<u>\$ 52,999</u>	<u>\$ 48,364</u>	<u>\$ 46,806</u>	<u>\$ 94,833</u>	<u>\$ 99,805</u>

City of Romulus, Michigan

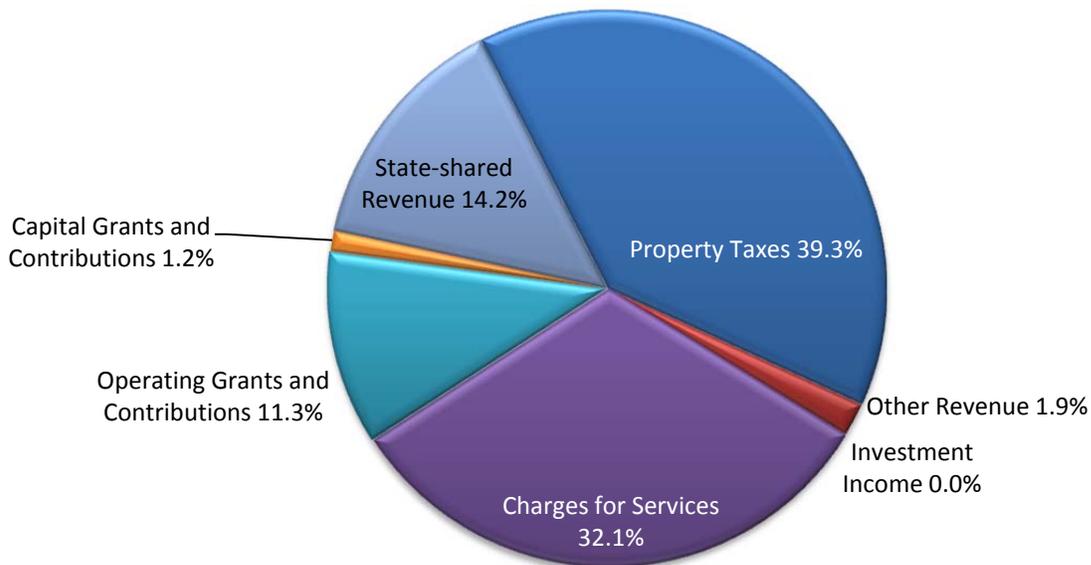
Management's Discussion and Analysis (Continued)

Governmental Activities

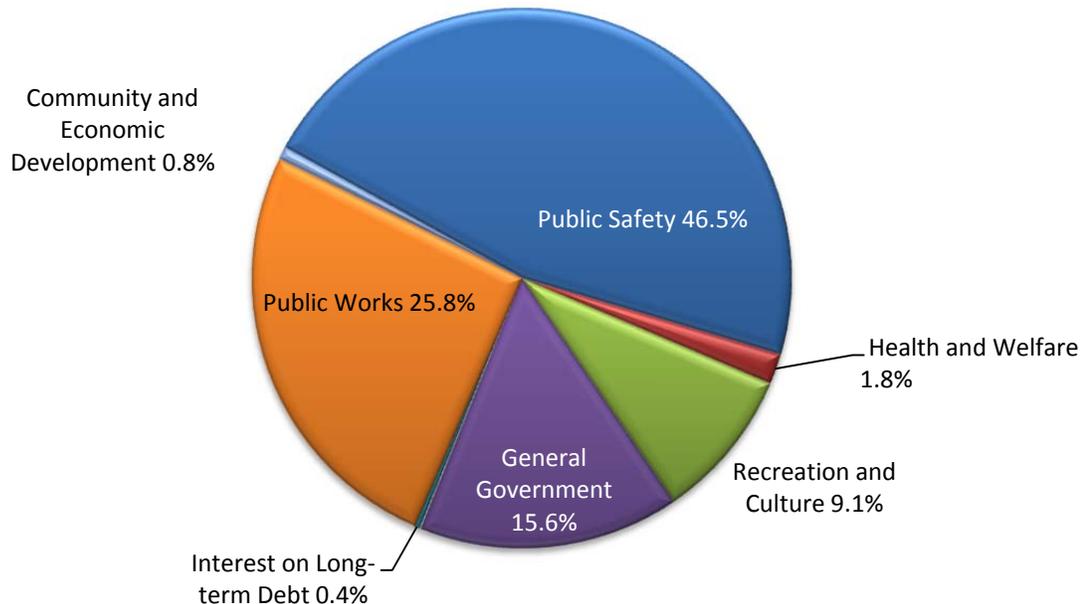
The City's total governmental revenue decreased by approximately \$303,000, primarily due to a decrease in fines and forfeiture revenue, a reduction in capital contributions, and a decrease in miscellaneous revenues for 2014.

Total program expenses increased by \$1,047,000 primarily due to increases in public works and recreation and cultural expenditures.

Revenue by Source - Governmental Activities



Expenses by Activity - Governmental Activities



Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund. We provide water to residents from the Detroit water system. We provide sewage treatment through Wayne County Downriver Sewage Disposal System and Rouge Valley Sewage Disposal System. The operating loss in fiscal year 2013-2014 of \$312,576 decreased over the 2012-2013 fiscal year by 59 percent. The decrease from the prior year was primarily due to an increase in water and sewer rates as recommended through the rate review study.

The City's Funds

The analysis of the City's major funds begins on page 14, 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 2014 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 \$11.1 million, or 64.5 percent of General Fund expenditures, in 2014. Additionally, the building and grounds department is significant in that it contains 9.2 percent of the total General Fund expenditures.

City of Romulus, Michigan

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Due to staffing vacancies, the realization of a one-time tax payment settlement, the clearing out of accrued liabilities as it relates to pending litigation, and minimal capital expenditures, fund balance increased by 19.5 percent to \$3,622,582. However, funds in the total amount of \$1,501,158 have been committed and assigned for current and future year's obligations. It is important to note, however, that even though tax revenues seem to have stabilized, there is a level of uncertainty with the changes that will occur with the personal property tax legislation and how it will impact the stability of tax revenues.

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

The most significant negative budget variance related to revenues was in the collection of fines and forfeitures. In addition, personal property tax is in peril and although replacement revenue has been promised, there is definitely no guarantee at this time.

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 of 2014, the City issued \$6,000,000 in new bond debt that includes a series of infrastructure projects, such as Goddard Road reconstruction, streetscape, and water main replacement projects. It also includes asphalt replacement on Grant Road and sidewalk installation along Wayne Road. As of June 30, 2014, approximately 15 percent of these projects was complete.

Economic Factors and Next Year's Budgets and Rates

The City has continued to weather the uncertainty that exists in the federal, state, and local economies. This has had such a major impact on our City's revenues; however, without additional revenue enhancements and implementing cost-cutting measures, reductions related to personnel and City services may be necessary in order to maintain a balanced budget.

The budget plan, as approved in the fiscal year 2014-2015, has General Fund annual operating expenditures greater than revenues of \$163,730 which is a decrease of 86 percent from the 2013-2014 Budget. In July 2014, the City offered a one-time retiree healthcare buyout to eligible employees, of which 31 active employees accepted. This will have a budget impact on those funds currently allocated to employees also but will offer some relief in the future with funding requirement for other postemployee benefits and accounting for the City's unfunded accrued liability.

City of Romulus, Michigan

Management's Discussion and Analysis (Continued)

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, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 4)	\$ 8,530,683	\$ 4,490,889	\$ 13,021,572	\$ 759,351
Receivables - Net (Note 5)	2,257,915	3,098,113	5,356,028	68,680
Due from component units (Note 8)	554,587	-	554,587	-
Advances to primary government (Note 8)	-	-	-	502,921
Inventory (Note 1)	162,613	35,711	198,324	-
Prepaid expenses and other assets	305,279	75,492	380,771	5,176
Restricted assets (Note 9)	1,720,552	7,956,385	9,676,937	752,701
Investment in joint ventures (Note 17)	-	1,853,216	1,853,216	-
Capital assets - Net (Note 7):				
Assets not being depreciated	6,705,798	2,003,705	8,709,503	3,392,066
Assets being depreciated	46,364,841	59,525,769	105,890,610	21,734,479
Other assets	4,085	36,385	40,470	698,389
Total assets	66,606,353	79,075,665	145,682,018	27,913,763
Liabilities				
Accounts payable	915,767	1,211,333	2,127,100	37,627
Due to other governmental units	15,204	-	15,204	205,663
Due to primary government (Note 8)	-	-	-	554,587
Accrued liabilities and other	1,005,725	1,246,346	2,252,071	273,487
Advances from component units (Note 8)	502,921	-	502,921	-
Unearned revenue	2,513	-	2,513	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 11)	461,597	101,236	562,833	12,963
Debt obligations (Note 11)	854,427	2,798,257	3,652,684	1,616,356
Due in more than one year:				
Compensated absences (Note 11)	212,938	25,309	238,247	3,242
Net OPEB obligation (Note 16)	13,425,265	1,188,028	14,613,293	225,177
Debt obligations (Note 11)	2,741,327	24,140,931	26,882,258	16,030,773
Total liabilities	20,137,684	30,711,440	50,849,124	18,959,875
Net Position				
Net investment in capital assets	51,195,437	37,230,532	88,425,969	8,617,117
Restricted for:				
Roads	2,684,824	-	2,684,824	-
Public safety	734,917	-	734,917	-
Sanitation	164,774	-	164,774	-
Grants	247,595	-	247,595	-
PEG fees	409,011	-	409,011	-
Street lighting	78,026	-	78,026	-
Cemetery operations	1,628	-	1,628	-
Community facilities and programs	44,554	-	44,554	-
Library operations	145,318	-	145,318	-
Debt service	-	4,650,337	4,650,337	-
Unrestricted	(9,237,415)	6,483,356	(2,754,059)	336,771
Total net position	\$ 46,468,669	\$ 48,364,225	\$ 94,832,894	\$ 8,953,888

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

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	\$ 5,008,495	\$ 2,071,058	\$ 900	\$ -
Public safety	14,908,189	3,045,278	353,360	46,656
Public works	8,271,436	1,372,454	1,791,588	261,587
Health and welfare	579,925	-	-	-
Community and economic development	246,354	-	433,602	-
Recreation and culture	2,919,713	1,702,552	300,000	-
Interest on long-term debt	118,161	-	-	-
Total governmental activities	32,052,273	8,191,342	2,879,450	308,243
Business-type activities - Water and sewer	12,893,725	11,403,338	-	82,722
Total primary government	\$ 44,945,998	\$ 19,594,680	\$ 2,879,450	\$ 390,965
Component units:				
Tax Increment Financing Authority	\$ 2,359,689	\$ -	\$ -	\$ 278,098
Downtown Development Authority	417,779	-	-	187,737
Total component units:	\$ 2,777,468	\$ -	\$ -	\$ 465,835
General revenue:				
Property taxes				
State-shared revenue				
Investment (loss) income				
Miscellaneous				
Income from joint venture				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities Year Ended June 30, 2014

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (2,936,537)	\$ -	\$ (2,936,537)	\$ -
(11,462,895)	-	(11,462,895)	-
(4,845,807)	-	(4,845,807)	-
(579,925)	-	(579,925)	-
187,248	-	187,248	-
(917,161)	-	(917,161)	-
(118,161)	-	(118,161)	-
(20,673,238)	-	(20,673,238)	-
-	(1,407,665)	(1,407,665)	-
(20,673,238)	(1,407,665)	(22,080,903)	-
-	-	-	(2,081,591)
-	-	-	(230,042)
-	-	-	(2,311,633)
10,042,048	2,090,937	12,132,985	3,218,354
3,614,244	-	3,614,244	-
(4,678)	4,742	64	-
490,779	-	490,779	43,058
-	870,463	870,463	-
14,142,393	2,966,142	17,108,535	3,261,412
(6,530,845)	1,558,477	(4,972,368)	949,779
52,999,514	46,805,748	99,805,262	8,004,109
\$ 46,468,669	\$ 48,364,225	\$ 94,832,894	\$ 8,953,888

City of Romulus, Michigan

Governmental Funds Balance Sheet June 30, 2014

	General Fund	Nonmajor Governmental Funds	Total
Assets			
Cash and investments	\$ 3,147,993	\$ 3,422,499	\$ 6,570,492
Receivables - Net	1,062,925	1,194,990	2,257,915
Due from component units (Note 8)	453,750	100,837	554,587
Due from other funds (Note 8)	44,953	-	44,953
Inventory	23,476	94,057	117,533
Prepaid expenses and other assets	216,098	74,567	290,665
Restricted assets	-	1,720,552	1,720,552
Total assets	\$ 4,949,195	\$ 6,607,502	\$ 11,556,697
Liabilities			
Accounts payable	\$ 306,948	\$ 427,145	\$ 734,093
Due to other governmental units	15,204	-	15,204
Due to other funds (Note 8)	-	44,953	44,953
Accrued liabilities and other	778,631	124,058	902,689
Advances from component units (Note 8)	-	502,921	502,921
Unearned revenue	2,513	-	2,513
Total liabilities	1,103,296	1,099,077	2,202,373
Deferred Inflows of Resources - Unavailable revenue (Note 6)	223,317	589,486	812,803
Fund Balances			
Nonspendable:			
Inventory	23,476	94,057	117,533
Prepays	216,098	74,567	290,665
Restricted:			
Roads	-	2,571,869	2,571,869
Public safety	-	721,812	721,812
Sanitation	-	143,896	143,896
Grants	-	236,124	236,124
PEG fees	-	409,011	409,011
Street lighting	-	78,026	78,026
Cemetery operations	-	1,628	1,628
Community facilities and programs	-	44,554	44,554
Library operations	-	141,523	141,523
Committed:			
Employee relation benefits	183,907	-	183,907
Recreation	-	28	28
Assigned:			
Subsequent year's budget	163,790	-	163,790
Cable television operations	-	81,414	81,414
Court/Police building project	965,881	-	965,881
Park maintenance	187,580	-	187,580
Capital projects	-	320,430	320,430
Unassigned	1,881,850	-	1,881,850
Total fund balances	3,622,582	4,918,939	8,541,521
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,949,195	\$ 6,607,502	\$ 11,556,697

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 Year Ended June 30, 2014

Fund Balance Reported in Governmental Funds	\$	8,541,521
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		51,745,296
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		185,479
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures		545,081
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		22,243
Long-term debt obligations are not due and payable in the current period and are not reported in the funds		(3,595,754)
Accrued interest is not due and payable in the current period and is not reported in the funds		(31,094)
Unamortized bond prepaid insurance is not reported in the funds		4,085
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		(644,595)
Net OPEB obligation does not present a claim on current financial resources and is not reported as a fund liability		(13,062,444)
Internal service funds are included as part of governmental activities		2,758,851
Net Position of Governmental Activities	\$	<u>46,468,669</u>

City of Romulus, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2014

	General Fund	Nonmajor Governmental Funds	Total
Revenue			
Property taxes	\$ 7,931,047	\$ 2,005,222	\$ 9,936,269
Licenses and permits	1,104,700	-	1,104,700
Federal grants	47,864	562,387	610,251
State-shared revenue and grants	4,150,163	1,883,714	6,033,877
Charges for services	2,123,280	1,670,149	3,793,429
Fines and forfeitures	2,668,878	92,518	2,761,396
Investment loss	(2,692)	(1,035)	(3,727)
Other	361,280	1,290,404	1,651,684
Total revenue	18,384,520	7,503,359	25,887,879
Expenditures			
Current:			
General government	5,015,207	257,500	5,272,707
Public safety	11,113,718	674,698	11,788,416
Public works	159,296	3,724,262	3,883,558
Health and welfare	579,925	-	579,925
Community and economic development	23,431	222,014	245,445
Recreation and culture	306,066	2,448,859	2,754,925
Debt service	-	552,522	552,522
Total expenditures	17,197,643	7,879,855	25,077,498
Excess of Revenue Over (Under) Expenditures	1,186,877	(376,496)	810,381
Other Financing Sources (Uses)			
Face value of debt issue	-	2,164,818	2,164,818
Transfers in	39,705	1,042,010	1,081,715
Transfers out	(634,940)	(407,070)	(1,042,010)
Total other financing (uses) sources	(595,235)	2,799,758	2,204,523
Net Change in Fund Balances	591,642	2,423,262	3,014,904
Fund Balances - Beginning of year	3,030,940	2,495,677	5,526,617
Fund Balances - End of year	\$ 3,622,582	\$ 4,918,939	\$ 8,541,521

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, 2014

Net Change in Fund Balances - Total Governmental Funds	\$	3,014,904
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		996,462
Depreciation expense		(4,646,774)
Net book value of assets disposed of		76
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		(424,188)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		951,334
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		(69,818)
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		4,085
Change in accrued interest payable and other		(31,094)
Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position		(2,095,000)
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		34,372
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		(4,287,549)
Internal service funds are included as part of governmental activities		22,345
Change in Net Position of Governmental Activities	\$	(6,530,845)

City of Romulus, Michigan

Proprietary Funds Statement of Net Position June 30, 2014

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,490,889	\$ 1,960,191
Receivables - Net (Note 5)	3,098,113	-
Inventories	35,711	45,080
Prepaid expenses and other assets	75,492	14,614
Total current assets	7,700,205	2,019,885
Noncurrent assets:		
Restricted assets (Note 9)	7,956,385	-
Investment in joint ventures (Note 17)	1,853,216	-
Capital assets (Note 7):		
Assets not subject to depreciation	2,003,705	-
Assets subject to depreciation	59,525,769	1,325,343
Other assets	36,385	-
Total noncurrent assets	71,375,460	1,325,343
Total assets	79,075,665	3,345,228
Liabilities		
Current liabilities:		
Accounts payable	1,211,333	181,674
Accrued liabilities and other	1,246,346	11,942
Current portion of compensated absences (Note 11)	101,236	23,952
Current portion of long-term debt (Note 11)	2,798,257	-
Total current liabilities	5,357,172	217,568
Noncurrent liabilities:		
Provision for compensated absences - Net of current portion (Note 11)	25,309	5,988
Net OPEB obligation (Note 16)	1,188,028	362,821
Long-term debt - Net of current portion (Note 11)	24,140,931	-
Total noncurrent liabilities	25,354,268	368,809
Total liabilities	30,711,440	586,377
Net Position		
Net investment in capital assets	37,230,532	1,325,343
Restricted - Debt service	4,650,337	-
Unrestricted	6,483,356	1,433,508
Total net position	\$ 48,364,225	\$ 2,758,851

City of Romulus, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2014

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
Operating Revenue		
Charges for services	\$ 11,180,831	\$ 2,506,491
Other charges for services	171,122	71,916
Total operating revenue	11,351,953	2,578,407
Operating Expenses		
Cost of water	2,908,213	-
Cost of sewage treatment	2,650,166	-
Insurance	100,378	537,629
Cost of vehicle and equipment maintenance	-	1,274,941
Cost of computer and equipment maintenance	-	448,958
Salaries and fringes	2,555,091	-
Administrative and other	1,553,844	-
Depreciation and amortization	1,896,837	272,906
Total operating expenses	11,664,529	2,534,434
Operating (Loss) Income	(312,576)	43,973
Nonoperating Revenue (Expense)		
Property taxes	2,090,937	-
Investment income (loss)	4,742	(1,176)
Income from joint venture	870,463	-
Interest expense	(1,070,378)	-
Gain on disposal of assets	-	19,253
Debt service charge	51,385	-
Adjustments to joint venture debt balance	(158,818)	-
Total nonoperating revenue	1,788,331	18,077
Income - Before contributions	1,475,755	62,050
Capital Contributions - Other capital contributions	82,722	-
Transfers out	-	(39,705)
Increase in Net Position	1,558,477	22,345
Net Position - Beginning of year	46,805,748	2,736,506
Net Position - End of year	\$ 48,364,225	\$ 2,758,851

City of Romulus, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2014

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
Cash Flows from Operating Activities		
Receipts from customers	\$ 11,278,635	\$ 2,604,257
Payments to suppliers	(7,553,820)	(1,470,066)
Payments to employees	(2,513,655)	(645,597)
Net cash provided by operating activities	1,211,160	488,594
Cash Flows from Noncapital Financing Activities -		
Transfers to other funds	-	(39,705)
Cash Flows from Capital and Related Financing Activities		
Issuance of bonds	3,255,713	-
Proceeds from sales of capital assets	-	19,324
Proceeds from property tax levy - Restricted for debt service	2,113,433	-
Purchase of capital assets	(870,215)	(93,487)
Principal and interest paid on capital debt	(1,402,722)	-
Debt service charge	51,385	-
Payments to County from the Debt Service Fund	(2,524,056)	-
Net cash provided by (used in) capital and related financing activities	623,538	(74,163)
Cash Flows from Investing Activities - Investment income (loss)	4,742	(1,176)
Net Increase in Cash and Cash Equivalents	1,839,440	373,550
Cash and Cash Equivalents - Beginning of year	10,607,834	1,586,641
Cash and Cash Equivalents - End of year	\$ 12,447,274	\$ 1,960,191
Balance Sheet Classification of Cash and Cash Equivalents		
Cash and investments	\$ 4,490,889	\$ 1,960,191
Restricted cash	7,956,385	-
Total cash and cash equivalents	\$ 12,447,274	\$ 1,960,191

City of Romulus, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2014

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities		
Operating (loss) income	\$ (312,576)	\$ 43,973
Adjustments to reconcile operating (loss) income to net cash from operating activities:		
Depreciation	1,896,837	272,906
Changes in assets and liabilities:		
Receivables	(73,318)	25,850
Inventories	3,448	(7,083)
Prepaid and other assets	(70,027)	(4,009)
Accounts payable	(274,640)	126,360
Accrued and other liabilities	(13,611)	30,597
Net OPEB obligation	55,047	-
	\$ 1,211,160	\$ 488,594
Net cash provided by operating activities		

Noncash Capital and Related Financing Activities - During the year, the debt balance associated with the Downriver Sewage Disposal System joint venture was adjusted by \$158,818 through nonoperating expense. The County issued completion bonds for the Downriver Sewage Disposal Treatment System. The City has recorded its share of the debt and related utility improvements in the amount of \$287,450 at June 30, 2014. The City also has recorded its share of the unrestricted net position of the Downriver Sewage Disposal Treatment System in the amount of \$1,853,216 at June 30, 2014.

City of Romulus, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2014

	Other Employee Benefits Trust Retirees' Insurance Benefits Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ 1,363,186	\$ 1,813,382
Investments:		
U.S. government securities	222,624	-
Common stock	1,241,509	-
Corporate bonds and notes	267,485	-
Mutual funds	55,312	-
Asset-backed securities	49,575	-
Accounts receivables:		
Other receivables	990	-
Due from other governmental units	-	32
Prepaid expenses	236,713	-
Total assets	3,437,394	\$ 1,813,414
Liabilities		
Accounts payable	2,671	\$ (1,836)
Due to other governmental units	-	51,978
Accrued and other liabilities	-	1,763,272
Total liabilities	2,671	\$ 1,813,414
Net Position Held in Trust for Pension and Other Employee Benefits		\$ 3,434,723

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, 2014

Additions	
Investment gain	\$ 252,187
Contributions:	
Employer	2,762,847
Employee	48,871
	<u>2,811,718</u>
Total contributions	2,811,718
Total additions - Net	3,063,905
Deductions - Benefit payments	<u>2,422,921</u>
Net Increase in Net Position Held in Trust	640,984
Net Position Held in Trust for Other Postemployment Benefits - Beginning of year	<u>2,793,739</u>
Net Position Held in Trust for Other Postemployment Benefits - End of year	<u><u>\$ 3,434,723</u></u>

City of Romulus, Michigan

Component Units Statement of Net Position (Deficit) June 30, 2014

	Tax Increment Finance Authority	Downtown Development Authority	Total
Assets			
Cash and investments	\$ 570,774	\$ 188,577	\$ 759,351
Property taxes receivable	48,684	19,996	68,680
Advances to primary government (Note 8)	502,921	-	502,921
Prepaid expenses and other assets	2,755	2,421	5,176
Restricted assets (Note 9)	-	752,701	752,701
Capital assets (Note 7):			
Assets not subject to depreciation	3,014,887	377,179	3,392,066
Assets subject to depreciation	21,426,419	308,060	21,734,479
Other assets	696,429	1,960	698,389
	26,262,869	1,650,894	27,913,763
Liabilities			
Accounts payable	6,268	31,359	37,627
Due to other governmental units	175,696	29,967	205,663
Due to primary government (Note 8)	478,354	76,233	554,587
Accrued liabilities and other	261,582	11,905	273,487
Due within one year:			
Compensated absences (Note 11)	6,414	6,549	12,963
Current portion of long-term debt (Note 11)	1,190,000	426,356	1,616,356
Due in more than one year:			
Compensated absences (Note 11)	1,604	1,638	3,242
Net OPEB obligation	130,483	94,694	225,177
Long-term debt (Note 11)	15,040,000	990,773	16,030,773
	17,290,401	1,669,474	18,959,875
Net Position (Deficit)			
Net investment in capital assets	8,211,306	405,811	8,617,117
Unrestricted	761,162	(424,391)	336,771
	\$ 8,972,468	\$ (18,580)	\$ 8,953,888

City of Romulus, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Tax Increment Finance Authority:				
Public works	\$ 1,443,471	\$ -	\$ -	\$ 278,098
Recreation and culture	916,218	-	-	-
Total Tax Increment Finance Authority	2,359,689	-	-	278,098
Downtown Development Authority - Public works	417,779	-	-	187,737
Total component units	\$ 2,777,468	\$ -	\$ -	\$ 465,835
General revenue:				
Property taxes				
Interest income and other				
Total general revenue				
Change in Net Position (Deficit)				
Net Position (Deficit) - Beginning of year				
Net Position (Deficit) - End of year				

**Component Units
Statement of Activities
Year Ended June 30, 2014**

Net (Expense) Revenue and Changes in Net Position
(Deficit)

Tax Increment Finance Authority	Downtown Development Authority	Total
\$ (1,165,373)	\$ -	\$ (1,165,373)
(916,218)	-	(916,218)
(2,081,591)	-	(2,081,591)
-	(230,042)	(230,042)
(2,081,591)	(230,042)	(2,311,633)
2,632,991	585,363	3,218,354
12,448	30,610	43,058
2,645,439	615,973	3,261,412
563,848	385,931	949,779
8,408,620	(404,511)	8,004,109
\$ 8,972,468	\$ (18,580)	\$ 8,953,888

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

The Economic Development Corporation (the "Corporation") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation's governing body, which consists of nine individuals, is appointed by the mayor with the approval of the City Council. The Economic Development Corporation had no financial activity during the year ended June 30, 2014.

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 17.

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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. 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 revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues 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 revenues reported for the various functions concerned.

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

Fund Accounting

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

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, Debt Service Fund, and Capital Projects Fund. The City reports the following funds as "major" governmental funds:

- **The General Fund**, which 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 funds as "major" enterprise funds:

- **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** - Accounts 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. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Basis of Accounting

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

Specific Balances and Transactions

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

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

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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

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

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

Capital Asset Class	Lives
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 financial 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 no items that qualify for reporting in this category.

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

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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

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

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

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

The City's 2013 tax is levied and collectible on July 1, 2013 and is recognized as revenue in the year ended June 30, 2014, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2013 taxable valuation of the City totaled \$904,737,659, on which taxes levied consisted of 9.4063 mills for operating purposes, 1.5500 mills for sanitation, 0.3000 mills for library, and 1.8217 mills for EPA levy. This resulted in \$7.42 million for operations, \$1.2 million for sanitation, \$226,000 for Library, and \$1.6 million for EPA levy. These amounts are recognized in the respective General, Special Revenue, and Water and Sewer Fund financial statements as tax revenue.

Note I - Summary of Significant Accounting Policies (Continued)

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

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. All other accrued compensated absences are reported in the government-wide financial statements; generally, the funds that report each employee's compensation are used to liquidate obligation.

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

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.

City of Romulus, Michigan

Notes to Financial Statements June 30, 2014

Note 2 - Change in Accounting

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

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

Item	Amount	Prior Reporting Classification/ Treatment	New Classification After Adoption of GASB Statement No. 65
Revenue in governmental funds not collected within 60 days of year end	\$ 812,803	Liability	Deferred inflow of resources
Bond issuance costs - In business-type activities	96,769	Asset	Expensed
Bond issuance costs - In component units	148,685	Asset	Expensed

Note 3 - Stewardship, Compliance, and Accountability

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

Shortfall at July 1, 2013	\$ (4,063,919)
Current year building permit revenue	900,184
Related expenses:	
Direct costs	953,500
Estimated indirect costs	94,125
	<u>1,047,625</u>
Current year shortfall	<u>(147,441)</u>
Cumulative shortfall at June 30, 2014	<u>\$ (4,211,360)</u>

Note 3 - Stewardship, Compliance, and Accountability (Continued)

Fund Deficits - The component units are presented on the full accrual basis in the basic financial statements, resulting in a deficit in the Downtown Development Authority (DDA) of \$18,580 as of June 30, 2014. The accompanying other supplemental income includes a combining schedule to demonstrate that the DDA does not have a deficit on a modified accrual basis.

Note 4 - Deposits and Investments

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

The Other Employee Benefits Trust Retirees' Insurance Benefits Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

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

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

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

City of Romulus, Michigan

Notes to Financial Statements June 30, 2014

Note 4 - Deposits and Investments (Continued)

At year end, the City had \$10,960,109 in bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$495,809 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.

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

Primary Government	Fair Value	Less than 1 Year	1-5 Years
Negotiable CDs	\$ 1,217,471	\$ 755,281	\$ 462,190
Commercial Paper	499,906	499,906	-
U.S. government agency securities	9,445,753	2,176,423	7,269,330
Total	<u>\$ 11,163,130</u>	<u>\$ 3,431,610</u>	<u>\$ 7,731,520</u>

Fiduciary Funds	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Corporate bonds and notes	\$ 267,483	\$ 53,503	\$ 204,202	\$ 9,778	\$ -
U.S. government agency securities	222,624	37,647	112,836	72,141	-
Asset-backed securities	49,574	-	14,333	7,955	27,286
Total	<u>\$ 539,681</u>	<u>\$ 91,150</u>	<u>\$ 331,371</u>	<u>\$ 89,874</u>	<u>\$ 27,286</u>

City of Romulus, Michigan

Notes to Financial Statements June 30, 2014

Note 4 - Deposits and Investments (Continued)

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: AA+	S&P: AA	S&P: A+	S&P: A	S&P: A-	S&P: BBB+	S&P: BBB	AI/PI/FI	Not Rated
Primary Government									
Negotiable CDs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,217,471
Money market	-	-	-	-	-	-	-	-	534,689
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,752,160
Fiduciary Funds									
Corporate bonds and notes	\$ 15,350	\$ 11,980	\$ 38,925	\$ 104,580	\$ 56,826	\$ 29,629	\$ 10,193	\$ -	\$ -
Money market	-	-	-	-	-	-	-	521,212	-
Asset-backed securities	-	-	-	-	-	-	-	-	49,574
Total	\$ 15,350	\$ 11,980	\$ 38,925	\$ 104,580	\$ 56,826	\$ 29,629	\$ 10,193	\$ 521,212	\$ 49,574
Component Units -									
Money market	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 252,541

Note 5 - Receivables

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

Receivables:	Nonmajor		Total	Enterprise Funds	Total	Component Units
	General Fund	Funds				
Property taxes receivable	\$ 267,024	\$ 22,186	\$ 289,210	\$ 224,859	\$ 514,069	\$ 46,789
Special assessments receivable	-	545,081	545,081	-	545,081	-
Receivables from sales to customers on account	-	-	-	2,798,966	2,798,966	-
Other receivables	198,809	193,749	392,558	74,288	466,846	-
Due from other governmental units	597,092	433,974	1,031,066	-	1,031,066	21,891
Net receivables	\$ 1,062,925	\$ 1,194,990	\$ 2,257,915	\$ 3,098,113	\$ 5,356,028	\$ 68,680

City of Romulus, Michigan

Notes to Financial Statements June 30, 2014

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	\$ 245,479
Special assessments - Unavailable	545,081
Grant revenue - Unavailable	22,243
Total deferred inflows	<u>\$ 812,803</u>

Note 7 - Capital Assets

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

	Balance July 1, 2013	Reclassifications	Additions	Disposals	Balance June 30, 2014
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 5,566,341	\$ -	\$ -	\$ -	\$ 5,566,341
Construction in progress	823,569	(48,768)	364,656	-	1,139,457
Subtotal	6,389,910	(48,768)	364,656	-	6,705,798
Capital assets being depreciated:					
Infrastructure	74,035,895	-	93,230	-	74,129,125
Buildings and improvements	19,779,127	-	76,673	-	19,855,800
Machinery and equipment	10,132,229	-	535,540	(445,340)	10,222,429
Vehicles	5,776,719	-	19,931	(504,423)	5,292,227
Land improvements	936,990	48,768	-	-	985,758
Subtotal	110,660,960	48,768	725,374	(949,763)	110,485,339
Accumulated depreciation:					
Infrastructure	40,360,714	-	3,559,630	-	43,920,344
Buildings and improvements	6,425,332	-	453,221	-	6,878,553
Machinery and equipment	8,313,349	-	692,305	(445,265)	8,560,389
Vehicles	4,455,473	-	189,079	(504,422)	4,140,130
Land improvements	595,637	-	25,445	-	621,082
Subtotal	60,150,505	-	4,919,680	(949,687)	64,120,498
Net capital assets being depreciated	50,510,455	48,768	(4,194,306)	(76)	46,364,841
Net capital assets	<u>\$ 56,900,365</u>	<u>\$ -</u>	<u>\$ (3,829,650)</u>	<u>\$ (76)</u>	<u>\$ 53,070,639</u>

City of Romulus, Michigan

Notes to Financial Statements June 30, 2014

Note 7 - Capital Assets (Continued)

Business-type Activities	Balance	Reclassifications	Additions	Disposals	Balance
	July 1, 2013				June 30, 2014
Capital assets not being depreciated:					
Land	\$ 88,065	\$ -	\$ -	\$ -	\$ 88,065
Construction in progress	1,082,511	-	833,129	-	1,915,640
Subtotal	1,170,576	-	833,129	-	2,003,705
Capital assets being depreciated:					
Water and sewer lines	93,833,380	-	211,355	-	94,044,735
Machinery and equipment	559,279	-	-	-	559,279
Other depreciable assets	1,685,482	-	195,903	(59,087)	1,822,298
Subtotal	96,078,141	-	407,258	(59,087)	96,426,312
Accumulated depreciation:					
Water and sewer lines	33,567,098	-	1,813,657	-	35,380,755
Machinery and equipment	382,261	-	29,609	-	411,870
Other depreciable assets	1,113,434	-	53,571	(59,087)	1,107,918
Subtotal	35,062,793	-	1,896,837	(59,087)	36,900,543
Net capital assets being depreciated	61,015,348	-	(1,489,579)	-	59,525,769
Net capital assets	\$ 62,185,924	\$ -	\$ (656,450)	\$ -	\$ 61,529,474
Component Units					
	Balance	Reclassifications	Additions	Disposals	Balance
	July 1, 2013				June 30, 2014
Capital assets not being depreciated:					
Land	\$ 3,203,186	\$ -	\$ -	\$ -	\$ 3,203,186
Construction in progress	37,195	-	151,685	-	188,880
Subtotal	3,240,381	-	151,685	-	3,392,066
Capital assets being depreciated:					
Machinery and equipment	590,344	-	-	-	590,344
Buildings	24,861,471	-	-	-	24,861,471
Building improvements	33,865	-	-	-	33,865
Land improvements	134,792	-	-	-	134,792
Subtotal	25,620,472	-	-	-	25,620,472
Accumulated depreciation:					
Machinery and equipment	391,391	-	78,392	-	469,783
Buildings	2,763,668	-	564,693	-	3,328,361
Building improvements	9,068	-	1,844	-	10,912
Land improvements	62,165	-	14,772	-	76,937
Subtotal	3,226,292	-	659,701	-	3,885,993
Net capital assets being depreciated	22,394,180	-	(659,701)	-	21,734,479
Net capital assets	\$ 25,634,561	\$ -	\$ (508,016)	\$ -	\$ 25,126,545

City of Romulus, Michigan

Notes to Financial Statements June 30, 2014

Note 7 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 197,336
Public safety	636,772
Public works	3,683,562
Recreation and culture	129,104
Internal service fund depreciation is charged to the various functions based on their usage of the asset	<u>272,906</u>

Total governmental activities	<u>\$ 4,919,680</u>
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Business-type activities - Water and sewer	<u>\$ 1,896,837</u>
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Component unit activities:

TIFA	\$ 616,218
DDA	<u>43,483</u>

Total component unit activities	<u>\$ 659,701</u>
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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 \$1,700,000 on these projects with a remaining commitment of approximately \$5,200,000.

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	\$ 44,953
Advances to/from Primary Government and Component Units		
Component unit - Tax Increment Finance Authority	Primary government - Other nonmajor governmental funds	\$ 502,921

City of Romulus, Michigan

Notes to Financial Statements June 30, 2014

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

Due to/from Primary Government and Component Units

Primary government - General Fund	Component unit - Tax Increment Finance Authority	\$ 440,185
	Component unit - Downtown Development Authority	<u>13,565</u>
	Total primary government - General Fund	<u>\$ 453,750</u>
Primary government - Other nonmajor funds	Component unit - Tax increment Finance Authority	\$ 38,169
	Component unit - Downtown Development Authority	<u>62,668</u>
	Total primary government - Other nonmajor funds	<u>\$ 100,837</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.

Interfund Transfers

Transfers In	Transfers Out		Transfers Out	Transfers Out
	General Fund	Nonmajor Governmental Funds	Enterprise Funds	Internal Service Funds
General Fund	\$ -	\$ -	\$ -	\$ 39,705
Nonmajor governmental funds	634,940	407,070	-	-

The transfers from the General Fund to nonmajor governmental funds were related primarily to debt service expenditures except for \$351,000 which was transferred to the Romulus Athletic Center Fund to support recreational programming. Remaining transfers were between the City's two street funds to redistribute Act 51 monies from the Major Streets Fund to the Local Streets Fund and to the Debt Service Fund in accordance with a City Council approved resolution.

City of Romulus, Michigan

Notes to Financial Statements June 30, 2014

Note 9 - Restricted Assets

Cash has been restricted for the following purposes:

	Governmental Activities	Business-type Activities	Component Units
Cash deposits at Wayne County	\$ -	\$ 2,842,381	\$ -
Cash and investments	-	2,473,758	-
Unspent bond proceeds	1,720,552	2,640,246	752,701
Total restricted assets	<u>\$ 1,720,552</u>	<u>\$ 7,956,385</u>	<u>\$ 752,701</u>

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 \$2,091,000 compared to principal and interest payments of \$2,947,000 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 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.

City of Romulus, Michigan

Notes to Financial Statements June 30, 2014

Note 10 - Lease Agreement

The City has entered into a lease agreement as lessee for financing the purchase of various City renovations. The lease agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of the future minimum lease payments as of the inception date (see Note 11). The future minimum lease obligations for the year ending June 30, 2015 and the net present value are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2015	\$ 491,495
Total minimum lease payments	491,495
Less amount representing interest	<u>(15,559)</u>
Present value	<u>\$ 475,936</u>

Note 11 - 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.

Note 11 - Long-term Debt (Continued)

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

	Interest Rate Ranges	Maturity Date Range	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities								
General obligation bonds:								
Building Authority Bonds - \$2,080,000	2.50%-3.25%	2013	\$270,000	\$ 270,000	\$ -	\$ 270,000	\$ -	\$ -
Beverly Road Bond - \$1,650,000	4.00%-5.10%	2016	\$145,000-\$155,000	440,000	-	140,000	300,000	145,000
Capital improvement bonds - Major streets - \$2,095,000	2.0%-4.0%	2029	\$90,000-\$180,000	-	2,095,000	-	2,095,000	145,000
Capital lease - Honeywell agreement - \$2,499,858	4.29%	2015	\$475,936	932,270	-	456,334	475,936	475,936
Special assessment bonds - Beverly Road - \$1,650,000	4.00%-5.10%	2022	\$80,000-\$85,000	740,000	-	85,000	655,000	85,000
Plus premiums on bonds payable				-	69,818	-	69,818	3,491
Total bonds payable				2,382,270	2,164,818	951,334	3,595,754	854,427
Compensated absences				717,306	427,331	470,102	674,535	461,597
Total governmental activities				\$ 3,099,576	\$ 2,592,149	\$ 1,421,436	\$ 4,270,289	\$ 1,316,024
Business-type Activities								
Wayne County contractual obligations - \$42,381,873	1.63%-6.30%	2033	\$54,379-\$2,364,730	\$ 20,914,521	\$ 287,450	\$ 2,406,046	\$ 18,795,925	\$ 2,389,844
Capital improvement bonds - Water and sewer - \$7,000,000	3.5%-5.0%	2027	\$310,000-\$510,000	5,470,000	-	295,000	5,175,000	305,000
Capital improvement bonds - Water - \$2,900,000	2.0%-4.0%	2034	\$100,000-\$260,000	-	2,900,000	-	2,900,000	100,000
Plus premiums on bonds payable				-	68,263	-	68,263	3,413
Total bonds payable				26,384,521	3,255,713	2,701,046	26,939,188	2,798,257
Compensated absences				139,050	98,735	111,240	126,545	101,236
Total business-type activities				\$ 26,523,571	\$ 3,354,448	\$ 2,812,286	\$ 27,065,733	\$ 2,899,493

Note 11 - Long-term Debt (Continued)

Component Unit Activities	Interest Rate Ranges	Maturity Date Range	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Tax Increment Finance Authority:								
General obligation bonds - \$5,445,000	2.50%-4.30%	2020	\$385,000- \$470,000	\$ 2,915,000	\$ -	\$ 370,000	\$ 2,545,000	\$ 385,000
General obligation bonds - \$18,500,000	4.0%-5.0%	2027	\$805,000- \$1,355,000	14,455,000	-	770,000	13,685,000	805,000
Compensated absences				4,204	7,177	3,363	8,018	6,414
Total - Tax Increment Finance Authority				17,374,204	7,177	1,143,363	16,238,018	1,196,414
Downtown Development Authority:								
General obligation bonds - \$2,500,000	2.00%-3.80%	2014	\$0	235,000	-	235,000	-	-
General obligation bonds - \$3,400,000	2.50%-3.60%	2015	\$375,000- \$385,000	760,000	-	375,000	385,000	385,000
Capital improvement bonds - DDA - \$1,005,000	2.0%-4.0%	2034	\$40,000- \$70,000	-	1,005,000	-	1,005,000	40,000
Plus premiums on bonds payable				-	27,129	-	27,129	1,356
Compensated absences				8,054	6,576	6,443	8,187	6,549
Total - Downtown Development Authority				1,003,054	1,038,705	616,443	1,425,316	432,905
Total component units				\$ 18,377,258	\$ 1,045,882	\$ 1,759,806	\$ 17,663,334	\$ 1,629,319

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
2015	\$ 850,936	\$ 116,692	\$ 967,628	\$ 2,794,844	\$ 799,199	\$ 3,594,043	\$ 1,615,000	\$ 731,155	\$ 2,346,155
2016	385,000	87,825	472,825	2,938,175	722,574	3,660,749	1,275,000	673,067	1,948,067
2017	235,000	77,118	312,118	2,753,401	645,935	3,399,336	1,330,000	619,626	1,949,626
2018	235,000	69,910	304,910	2,804,730	568,642	3,373,372	1,380,000	563,780	1,943,780
2019	235,000	62,730	297,730	2,495,023	492,102	2,987,125	1,435,000	504,701	1,939,701
2020-2024	1,085,000	195,760	1,280,760	6,745,096	1,675,492	8,420,588	6,110,000	1,672,253	7,782,253
2025-2029	500,000	61,400	561,400	4,481,101	677,898	5,158,999	4,155,000	364,150	4,519,150
2030-2034	-	-	-	1,858,555	164,027	2,022,582	320,000	39,400	359,400
Total	\$ 3,525,936	\$ 671,435	\$ 4,197,371	\$ 26,870,925	\$ 5,745,869	\$ 32,616,794	\$ 17,620,000	\$ 5,168,132	\$ 22,788,132

Note 12 - 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.

Note 12 - Risk Management (Continued)

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 13 - 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, 2014 was approximately \$18,796,000. The bonds will be paid through a court-ordered judgment levy. In addition, approximately \$41,400,000 of capital improvement bonds were issued in previous years and \$1,045,000 issued in 2014 for the system. The City's share of the outstanding balance payable at June 30, 2014 was \$5,175,000. 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 14 - Defined Benefit Pension Plan

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

Note 14 - Defined Benefit Pension Plan (Continued)

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.

Annual Pension Cost - For the year ended June 30, 2014, the City's annual pension cost of \$1,766,079 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2011 using the entry age cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return and (b) projected salary increases of 4.5 percent in the long term per year (1 percent in 2014) plus a percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 27 years.

Three-year Trend Information

	Fiscal Year Ended June 30		
	2014	2013	2012
Annual pension cost (APC)	\$ 1,766,079	\$ 1,526,359	\$ 1,530,396
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	-	-	-
	Actuarial Valuation as of December 31		
	2013	2012	2011
Actuarial value of assets	\$ 21,305,377	\$ 20,815,343	\$ 20,559,823
Actuarial accrued liability (AAL) (entry age)	47,969,698	46,256,844	44,627,337
Unfunded AAL (UAAL)	26,664,321	25,441,501	24,067,514
Funded ratio	44.4 %	45.0 %	46.1 %
Covered payroll	4,459,246	4,742,971	4,847,101
UAAL as a percentage of covered payroll	598.0 %	536.4 %	496.5 %

Note 15 - Defined Contribution Pension Plan

The City provides pension benefits to all groups not covered in the MERS plan through a defined contribution plan. 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, 2014. Employees who participate are required to contribute 0.5 percent to 1.0 percent of earnings and may contributed 0-10 percent of after-tax earnings. In accordance with these requirements, the City contributed \$461,019 during the current year and employees contributed \$74,888.

Note 16 - Other Postemployment Benefits

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

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

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

City of Romulus, Michigan

Notes to Financial Statements June 30, 2014

Note 16 - Other Postemployment Benefits (Continued)

Funding Progress - For the year ended June 30, 2014, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2011, which was the most recent valuation. The City received a new valuation subsequent to year end, which was used to determine the funding progress of the plan. 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)	\$ 6,998,460
Interest on the prior year's net OPEB obligation	624,468
Less adjustment to the annual required contribution	<u>(429,415)</u>
Annual OPEB cost	7,193,513
Amounts contributed	<u>(2,762,847)</u>
Increase in net OPEB obligation	4,430,666
OPEB obligation - Beginning of year	<u>10,407,804</u>
OPEB obligation - End of year	<u>\$ 14,838,470</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	
6/30/12	6/30/09	\$ 3,390,306	\$ 3,465,781	52.2 %	51.0 %	\$ 5,722,536
6/30/13	6/30/11	6,954,822	7,062,068	34.2	33.7	10,407,804
6/30/14	6/30/11	6,998,460	7,193,513	39.5	38.4	14,838,470

Note 16 - 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	10,850,519	527.8

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

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

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

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 17 - Joint Venture

The City is a member of the 34th District Court (the "Court"), which provides services to the City of Romulus, the City of Belleville, and the townships of Huron, Sumpter, and Van Buren. The City has a two-thirds interest in the revenue of the Court and provides the annual funding for its operations. During the year, the City received net revenue from the Court of \$2,749,839. 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 \$2,323,699 for operations of the system and \$2,946,865 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 18 - Upcoming Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. 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 financial statements for the year ending June 30, 2015.

Required Supplemental Information

City of Romulus, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 7,800,125	\$ 7,800,125	\$ 7,931,047	\$ 130,922
Licenses and permits	789,600	1,109,600	1,104,700	(4,900)
Federal sources	79,698	79,698	47,864	(31,834)
State sources	3,776,891	3,776,891	4,150,163	373,272
Charges for services	2,278,835	2,278,835	2,123,280	(155,555)
Fines and forfeitures	3,000,000	3,000,000	2,668,878	(331,122)
Interest income (loss)	6,200	6,200	(2,692)	(8,892)
Other	325,562	591,586	361,280	(230,306)
Total revenue	18,056,911	18,642,935	18,384,520	(258,415)
Expenditures - Current				
General government:				
City Council	77,488	77,488	76,366	1,122
Mayor	383,509	385,809	386,391	(582)
Finance department	635,696	643,871	651,162	(7,291)
Treasurer	420,181	420,181	407,995	12,186
Assessing	307,526	307,526	300,995	6,531
Board of review	1,454	1,454	969	485
Clerk	363,323	363,323	362,920	403
Elections	162,809	171,312	162,056	9,256
Buildings and grounds	1,871,669	2,006,113	1,593,646	412,467
Attorney	330,000	330,000	318,283	11,717
Human resources	250,914	249,263	205,468	43,795
Nondepartmental	486,774	486,774	477,336	9,438
City-owned property	663,907	522,610	11,480	511,130
Cemetery	114,986	114,986	60,140	54,846
Total general government	6,070,236	6,080,710	5,015,207	1,065,503
Public safety:				
Police	8,572,225	8,449,737	7,768,764	680,973
Fire	2,027,838	2,356,480	2,392,872	(36,392)
Building inspection	918,013	1,007,080	844,388	162,692
Planning and zoning	144,375	144,375	107,694	36,681
Total public safety	11,662,451	11,957,672	11,113,718	843,954
Public works:				
Department of Public Works	133,637	133,637	129,094	4,543
Drains-at-large	68,500	68,500	30,202	38,298
Total public works	202,137	202,137	159,296	42,841

City of Romulus, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures - Current (Continued)				
Health and welfare:				
Ordinance	\$ 285,949	\$ 286,146	\$ 282,974	\$ 3,172
Animal control	307,423	307,924	296,951	10,973
Total health and welfare	593,372	594,070	579,925	14,145
Community and economic development:				
Community and development	11,508	11,508	10,498	1,010
Community service	3,000	13,000	12,597	403
Public relations	500	500	336	164
Total community and economic development	15,008	25,008	23,431	1,577
Recreation and culture:				
Recreation	-	134,651	134,236	415
Historical	300	300	294	6
Senior services	170,140	170,140	171,536	(1,396)
Total recreation and culture	170,440	305,091	306,066	(975)
Total expenditures	18,713,644	19,164,688	17,197,643	1,967,045
Excess of Revenue (Under) Over Expenditures	(656,733)	(521,753)	1,186,877	1,708,630
Transfers in	-	-	39,705	39,705
Other Financing Uses - Transfers out	(283,835)	(634,835)	(634,940)	(105)
Total other financing uses	(283,835)	(634,835)	(595,235)	39,600
Net Change in Fund Balance	(940,568)	(1,156,588)	591,642	1,748,230
Fund Balance - Beginning of year	3,030,940	3,030,940	3,030,940	-
Fund Balance - End of year	<u>\$ 2,090,372</u>	<u>\$ 1,874,352</u>	<u>\$ 3,622,582</u>	<u>\$ 1,748,230</u>

City of Romulus, Michigan

Note to Required Supplemental Information Year Ended June 30, 2014

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)

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:

- Operating transfers have been included in the “revenue” and “expenditures” categories rather than as “other financing sources (uses).”
- Reimbursements from other funds have been included in revenue, rather than as a reduction of expenditures.

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund - General government - Mayor	\$ 385,809	\$ 386,391	\$ (582)
General Fund - General government - Finance department	643,871	651,162	(7,291)
General Fund - Public safety - Fire	2,356,480	2,392,872	(36,392)
General Fund - Recreation and culture - Senior services	170,140	171,536	(1,396)
General Fund - Other financing uses - Transfers out	634,835	634,940	(105)

City of Romulus, Michigan

Required Supplemental Information Pension System Schedule Year Ended June 30, 2014

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	\$ 21,305,377	\$ 47,969,698	\$ 26,664,321	44.4	\$ 4,459,246	598.0
6/30/12	20,815,343	46,256,844	25,441,501	45.0	4,742,971	536.4
6/30/11	20,559,823	44,627,337	24,067,514	46.1	4,847,101	496.5

City of Romulus, Michigan

Required Supplemental Information OPEB System Schedule Year Ended June 30, 2014

The schedule of funding progress is as follows:

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

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
6/30/14	6/30/11	\$ 6,998,460	39.5
6/30/13	6/30/11	6,954,822	34.2
6/30/12	6/30/09	3,390,306	52.2

* The required contribution is expressed to the City as a percentage of payroll.

Other Supplemental Information

City of Romulus, Michigan

	Nonmajor Special Revenue Funds					
	Major Streets	Local Streets	Cable TV	911	Sanitation	Community Development Block Grant
Assets						
Cash and investments	\$ 510,984	\$ 69,802	\$ 402,666	\$ 192,958	\$ 340,123	\$ 236,631
Receivables:						
Property taxes receivable	-	-	-	-	20,048	-
Special assessments receivable	-	-	-	-	-	-
Other receivables	5,815	5,815	91,571	34,311	-	-
Due from other governmental units	245,098	69,899	-	-	-	11,472
Due from component units	60,000	-	-	-	34,215	-
Inventory	34,565	51,847	-	-	-	-
Prepaid expenses	10,756	15,787	2,620	28	830	-
Restricted assets	1,720,552	-	-	-	-	-
Total assets	\$ 2,587,770	\$ 213,150	\$ 496,857	\$ 227,297	\$ 395,216	\$ 248,103
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 148,681	\$ 3,518	\$ 45	\$ 5,242	\$ 173,513	\$ 508
Due to other funds	-	-	-	-	-	-
Accrued liabilities and other:						
Accrued salaries and wages	3,259	4,889	3,767	-	5	-
Accrued and other liabilities	-	-	-	-	56,924	-
Advances from component units	-	-	-	-	-	-
Total liabilities	151,940	8,407	3,812	5,242	230,442	508
Deferred Inflows of Resources -						
Unavailable revenue	-	-	-	10,772	20,048	11,471
Fund Balances						
Nonspendable:						
Inventory	34,565	51,847	-	-	-	-
Prepays	10,756	15,787	2,620	28	830	-
Restricted:						
Roads	2,390,509	137,109	-	-	-	-
Public safety	-	-	-	211,255	-	-
Sanitation	-	-	-	-	143,896	-
Grants	-	-	-	-	-	236,124
PEG fees	-	-	409,011	-	-	-
Street lighting	-	-	-	-	-	-
Cemetery operations	-	-	-	-	-	-
Community facilities and programs	-	-	-	-	-	-
Library operations	-	-	-	-	-	-
Committed - Recreation	-	-	-	-	-	-
Assigned:						
Cable television operations	-	-	81,414	-	-	-
Capital projects	-	-	-	-	-	-
Total fund balances	2,435,830	204,743	493,045	211,283	144,726	236,124
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,587,770	\$ 213,150	\$ 496,857	\$ 227,297	\$ 395,216	\$ 248,103

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

Nonmajor Special Revenue Funds									
Street Lighting	Merriman Road Special Assessment District	Narcotics Enforcement	Romulus Athletic Center	Cemetery Perpetuation	Library	Community - Employee Activity Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 78,002	\$ 53,161	\$ 549,203	\$ 569,256	\$ 1,628	\$ 53,101	\$ 44,554	\$ -	\$ 320,430	\$ 3,422,499
24	-	-	-	-	2,114	-	-	-	22,186
-	-	-	-	-	-	-	-	545,081	545,081
-	-	-	49,987	-	6,250	-	-	-	193,749
-	-	-	15,000	-	92,505	-	-	-	433,974
-	-	-	-	-	6,622	-	-	-	100,837
-	-	-	7,645	-	-	-	-	-	94,057
-	-	2,305	40,560	-	1,681	-	-	-	74,567
-	-	-	-	-	-	-	-	-	1,720,552
\$ 78,026	\$ 53,161	\$ 551,508	\$ 682,448	\$ 1,628	\$ 162,273	\$ 44,554	\$ -	\$ 865,511	\$ 6,607,502
\$ -	\$ 8,910	\$ 35,432	\$ 49,701	\$ -	\$ 1,595	\$ -	\$ -	\$ -	\$ 427,145
-	-	-	44,953	-	-	-	-	-	44,953
-	-	3,214	22,931	-	4,092	-	-	-	42,157
-	-	-	13,709	-	11,268	-	-	-	81,901
-	-	-	502,921	-	-	-	-	-	502,921
-	8,910	38,646	634,215	-	16,955	-	-	-	1,099,077
-	-	-	-	-	2,114	-	-	545,081	589,486
-	-	-	7,645	-	-	-	-	-	94,057
-	-	2,305	40,560	-	1,681	-	-	-	74,567
-	44,251	-	-	-	-	-	-	-	2,571,869
-	-	510,557	-	-	-	-	-	-	721,812
-	-	-	-	-	-	-	-	-	143,896
-	-	-	-	-	-	-	-	-	236,124
-	-	-	-	-	-	-	-	-	409,011
78,026	-	-	-	-	-	-	-	-	78,026
-	-	-	-	1,628	-	-	-	-	1,628
-	-	-	-	-	-	44,554	-	-	44,554
-	-	-	-	-	141,523	-	-	-	141,523
-	-	-	28	-	-	-	-	-	28
-	-	-	-	-	-	-	-	-	81,414
-	-	-	-	-	-	-	-	320,430	320,430
78,026	44,251	512,862	48,233	1,628	143,204	44,554	-	320,430	4,918,939
\$ 78,026	\$ 53,161	\$ 551,508	\$ 682,448	\$ 1,628	\$ 162,273	\$ 44,554	\$ -	\$ 865,511	\$ 6,607,502

City of Romulus, Michigan

	Nonmajor Special Revenue Funds					
	Major Streets	Local Streets	Cable TV	911	Sanitation	Community Development Block Grant
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,173,017	\$ -
Federal grants	-	-	-	-	-	432,984
State-shared revenue and grants	1,363,076	472,668	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Investment (loss) income	(150)	(1)	(314)	(159)	(483)	-
Other revenue	61,609	7,122	347,205	150,542	4,821	-
Total revenue	1,424,535	479,789	346,891	150,383	1,177,355	432,984
Expenditures						
Current:						
General government	-	-	257,500	-	-	-
Public safety	-	-	-	174,749	-	-
Public works	1,358,519	710,833	-	-	1,041,151	-
Community and economic development - Redevelopment and housing	-	-	-	-	-	222,014
Recreation and culture:						
Library	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-
Total expenditures	1,358,519	710,833	257,500	174,749	1,041,151	222,014
Excess of Revenue Over (Under) Expenditures	66,016	(231,044)	89,391	(24,366)	136,204	210,970
Other Financing Sources (Uses)						
Face value of debt issue	2,164,818	-	-	-	-	-
Transfers in	-	250,000	-	-	-	-
Transfers out	(407,070)	-	-	-	-	-
Total other financing sources	1,757,748	250,000	-	-	-	-
Net Change in Fund Balances	1,823,764	18,956	89,391	(24,366)	136,204	210,970
Fund Balances (Deficit) - Beginning of year	612,066	185,787	403,654	235,649	8,522	25,154
Fund Balances - End of year	\$2,435,830	\$ 204,743	\$ 493,045	\$ 211,283	\$ 144,726	\$ 236,124

Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2014

Nonmajor Special Revenue Funds									
	Merriman								Total
Street	Road Special	Narcotics	Romulus	Cemetery		Community -	Debt	Capital	Nonmajor
Lighting	Assessment	Enforcement	Athletic	Perpetuation	Library	Employee	Service	Projects	Governmental
	District		Center			Activity Fund	Fund	Fund	Funds
\$ 608,677	\$ -	\$ -	\$ -	\$ -	\$ 223,528	\$ -	\$ -	\$ -	\$ 2,005,222
-	-	129,403	-	-	-	-	-	-	562,387
-	-	33,831	-	-	14,139	-	-	-	1,883,714
-	-	-	1,604,264	-	15,885	50,000	-	-	1,670,149
-	-	-	-	-	92,518	-	-	-	92,518
(219)	(47)	(441)	1,072	(1)	(202)	-	-	(90)	(1,035)
-	76,632	124,535	333,379	82	33,912	-	-	150,565	1,290,404
608,458	76,585	287,328	1,938,715	81	379,780	50,000	-	150,475	7,503,359
-	-	-	-	-	-	-	-	-	257,500
-	-	499,949	-	-	-	-	-	-	674,698
543,745	64,568	-	-	-	-	5,446	-	-	3,724,262
-	-	-	-	-	-	-	-	-	222,014
-	-	-	-	-	427,349	-	-	-	427,349
-	-	-	2,021,510	-	-	-	-	-	2,021,510
-	-	-	-	-	-	-	270,833	225,700	496,533
-	-	-	-	-	-	-	4,388	51,601	55,989
543,745	64,568	499,949	2,021,510	-	427,349	5,446	275,221	277,301	7,879,855
64,713	12,017	(212,621)	(82,795)	81	(47,569)	44,554	(275,221)	(126,826)	(376,496)
-	-	-	-	-	-	-	-	-	2,164,818
-	8,750	-	351,000	-	-	-	275,190	157,070	1,042,010
-	-	-	-	-	-	-	-	-	(407,070)
-	8,750	-	351,000	-	-	-	275,190	157,070	2,799,758
64,713	20,767	(212,621)	268,205	81	(47,569)	44,554	(31)	30,244	2,423,262
13,313	23,484	725,483	(219,972)	1,547	190,773	-	31	290,186	2,495,677
\$ 78,026	\$ 44,251	\$ 512,862	\$ 48,233	\$ 1,628	\$ 143,204	\$ 44,554	\$ -	\$ 320,430	\$ 4,918,939

City of Romulus, Michigan

Other Supplemental Information Combining Statement of Net Position Internal Service Funds June 30, 2014

	Vehicle and Equipment Fund	Computer and Equipment Fund	Property and Liability Self- insurance Fund	Long-term Disability Self- insurance Fund	Total
Assets					
Current assets:					
Cash and investments	1,045,650	361,509	553,032	-	1,960,191
Inventories	45,080	-	-	-	45,080
Prepaid expenses and other assets	14,480	134	-	-	14,614
Total current assets	1,105,210	361,643	553,032	-	2,019,885
Noncurrent assets - Capital assets	1,237,071	88,272	-	-	1,325,343
Total assets	2,342,281	449,915	553,032	-	3,345,228
Liabilities					
Current liabilities:					
Accounts payable	97,155	84,519	-	-	181,674
Accrued wages	8,319	3,623	-	-	11,942
Current portion of compensated absences	19,147	4,805	-	-	23,952
Total current liabilities	124,621	92,947	-	-	217,568
Noncurrent liabilities:					
Provision for compensated absences - Net of current portion	4,787	1,201	-	-	5,988
Net OPEB obligation	256,686	106,135	-	-	362,821
Total noncurrent liabilities	261,473	107,336	-	-	368,809
Total liabilities	386,094	200,283	-	-	586,377
Net Position					
Net investment in capital assets	1,237,071	88,272	-	-	1,325,343
Unrestricted	719,116	161,360	553,032	-	1,433,508
Total net position	\$ 1,956,187	\$ 249,632	\$ 553,032	\$ -	\$ 2,758,851

City of Romulus, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended June 30, 2014

	Vehicle and Equipment Fund	Computer and Equipment Fund	Property and Liability Self- insurance Fund	Long-term Disability Self- insurance Fund	Total
Operating Revenue					
Charges to other funds	\$ 1,592,987	\$ 368,936	\$ 544,568	\$ -	\$ 2,506,491
Other	7,846	38	64,032	-	71,916
Total operating revenue	1,600,833	368,974	608,600	-	2,578,407
Operating Expenses					
Cost of insurance claims	-	-	537,629	-	537,629
Cost of vehicle and equipment maintenance	1,274,941	-	-	-	1,274,941
Cost of computer and equipment maintenance	-	448,958	-	-	448,958
Depreciation	241,064	31,842	-	-	272,906
Total operating expenses	1,516,005	480,800	537,629	-	2,534,434
Operating Income (Loss)	84,828	(111,826)	70,971	-	43,973
Nonoperating (Expenses) Revenue					
Investment loss	(432)	(240)	(471)	(33)	(1,176)
Gain (loss) on sale of assets	19,324	(71)	-	-	19,253
Total nonoperating revenue (expenses)	18,892	(311)	(471)	(33)	18,077
Income (Loss) - Before transfers	103,720	(112,137)	70,500	(33)	62,050
Transfers Out	-	-	-	(39,705)	(39,705)
Change in Net Position	103,720	(112,137)	70,500	(39,738)	22,345
Net Position - Beginning of year	1,852,467	361,769	482,532	39,738	2,736,506
Net Position - End of year	<u>\$ 1,956,187</u>	<u>\$ 249,632</u>	<u>\$ 553,032</u>	<u>\$ -</u>	<u>\$ 2,758,851</u>

City of Romulus, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2014

	Vehicle and Equipment Fund	Computer and Equipment Fund	Property and Liability Self- insurance Fund	Long-term Disability Self- insurance Fund	Total
Cash Flows from Operating Activities					
Receipts from customers	\$ 1,626,683	\$ 368,974	\$ 608,600	\$ -	\$ 2,604,257
Payments to suppliers	(726,911)	(205,526)	(537,629)	-	(1,470,066)
Payments to employees	(499,441)	(146,156)	-	-	(645,597)
Net cash provided by operating activities	400,331	17,292	70,971	-	488,594
Cash Flows from Noncapital Financing Activities - Transfers to other funds					
	-	-	-	(39,705)	(39,705)
Cash Flows from Capital and Related Financing Activities					
Proceeds from sales of capital assets	19,324	-	-	-	19,324
Purchase of capital assets	(22,314)	(71,173)	-	-	(93,487)
Net cash used in capital and related financing activities	(2,990)	(71,173)	-	-	(74,163)
Cash Flows from Investing Activities - Loss on investments					
	(432)	(240)	(471)	(33)	(1,176)
Net Increase (Decrease) in Cash and Cash Equivalents					
	396,909	(54,121)	70,500	(39,738)	373,550
Cash and Cash Equivalents - Beginning of year					
	648,741	415,630	482,532	39,738	1,586,641
Cash and Cash Equivalents - End of year					
	<u>\$ 1,045,650</u>	<u>\$ 361,509</u>	<u>\$ 553,032</u>	<u>\$ -</u>	<u>\$ 1,960,191</u>
Balance Sheet Classification of Cash and Cash Equivalents - Cash and investments					
	<u>\$ 1,045,650</u>	<u>\$ 361,509</u>	<u>\$ 553,032</u>	<u>\$ -</u>	<u>\$ 1,960,191</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 84,828	\$ (111,826)	\$ 70,971	\$ -	\$ 43,973
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	241,064	31,842	-	-	272,906
Changes in assets and liabilities:					
Receivables	25,850	-	-	-	25,850
Inventories	(7,083)	-	-	-	(7,083)
Prepaid and other assets	(3,969)	(40)	-	-	(4,009)
Accounts payable	42,388	83,972	-	-	126,360
Accrued and other liabilities	17,253	13,344	-	-	30,597
Net cash provided by operating activities	<u>\$ 400,331</u>	<u>\$ 17,292</u>	<u>\$ 70,971</u>	<u>\$ -</u>	<u>\$ 488,594</u>

City of Romulus, Michigan

Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds June 30, 2014

	Revolving Fund	General Tax Fund	Current Tax Fund	Delinquent Personal Property Tax Fund	Payroll Fund	Total Fiduciary Funds
Assets						
Cash and investments	\$ 1,721,518	\$ 4,100	\$ 20	\$ 87,744	\$ -	\$ 1,813,382
Due from other governmental units	-	-	-	-	32	32
Total assets	<u>\$ 1,721,518</u>	<u>\$ 4,100</u>	<u>\$ 20</u>	<u>\$ 87,744</u>	<u>\$ 32</u>	<u>\$ 1,813,414</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ (1,836)	\$ (1,836)
Due to other governmental units	-	-	20	51,958	-	51,978
Accrued and other liabilities	1,721,518	4,100	-	35,786	1,868	1,763,272
Total liabilities	<u>\$ 1,721,518</u>	<u>\$ 4,100</u>	<u>\$ 20</u>	<u>\$ 87,744</u>	<u>\$ 32</u>	<u>\$ 1,813,414</u>

City of Romulus, Michigan

Other Supplemental Information Downtown Development Authority Fund-based Balance Sheet June 30, 2014

	Downtown Development Authority	Full Accrual Adjustments	Total
Assets			
Cash and cash equivalents	\$ 188,577	\$ -	\$ 188,577
Receivables - Property taxes receivable	19,996	-	19,996
Prepaid expenses and other assets	2,421	-	2,421
Restricted assets	752,701	-	752,701
Capital assets	-	685,239	685,239
Bond prepaid insurance	-	1,960	1,960
Total assets	\$ 963,695	687,199	1,650,894
Liabilities			
Accounts payable	\$ 31,359	-	31,359
Due to other governmental units	29,967	-	29,967
Due to primary government	76,233	-	76,233
Accrued liabilities and other	2,297	9,608	11,905
Compensated absences	-	8,187	8,187
Net OPEB or pension obligation	-	94,694	94,694
Long-term debt	-	1,417,129	1,417,129
Total liabilities	139,856	1,529,618	1,669,474
Deferred Inflows of Resources -			
Unavailable revenue	9,419	(9,419)	-
Equity			
Fund balance:			
Nonspendable - Prepaid expenses	2,421	(2,421)	
Restricted	811,999	(811,999)	
Total fund balance	814,420	(814,420)	
Total liabilities, deferred inflows of resources, and fund balance	\$ 963,695		
Net position:			
Net investment in capital assets		405,811	405,811
Unrestricted		(424,391)	(424,391)
Total net position		\$ (18,580)	\$ (18,580)

City of Romulus, Michigan

Other Supplemental Information Downtown Development Authority Fund-based Schedule of Revenues and Expenditures Year Ended June 30, 2014

	Downtown Development Authority	Full Accrual Adjustments	Total
Revenue			
Property taxes	\$ 585,363	\$ -	\$ 585,363
State-shared revenue and grants	187,737	-	187,737
Other revenue	30,610	-	30,610
Total revenue	803,710	-	803,710
Expenditures - Current			
Salaries and wages	87,041	133	87,174
Fringe benefits	65,463	21,664	87,127
Other current services	125,225	-	125,225
Depreciation	-	43,482	43,482
Bond issuance costs	38,726	(1,960)	36,766
Capital outlay/loss on disposal of asset	151,685	(151,685)	-
Principal expenditures	610,000	(610,000)	-
Interest expense	28,397	9,608	38,005
Total expenditures	1,106,537	(688,758)	417,779
Other Financing Source - Proceeds from issuance of bonds	1,032,129	(1,032,129)	-
Change in Fund Balance/Net Position	729,302	(343,371)	385,931
Fund Balance/Net Position - Beginning of year	85,118	(489,629)	(404,511)
Fund Balance/Net Position - End of year	<u>\$ 814,420</u>	<u>\$ (833,000)</u>	<u>\$ (18,580)</u>