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# City of Romulus, Michigan

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**Financial Report  
with Supplemental Information  
June 30, 2018**

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## **Independent Auditor's Report**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Romulus, Michigan (the "City") as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Romulus, Michigan as of June 30, 2018 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

As described in Note 1 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which established accounting and financial reporting standards for defined benefit OPEB plans provided to the employees of governmental employers. Our opinion is not modified with respect to this matter.

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

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

*Plante & Moran, PLLC*

December 13, 2018

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

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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, 2018. 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, 2018:

- Overall revenue within the General Fund increased by approximately 3.55 percent. A majority of this increase can be attributable to the increase in development in the City and the issuance of building permits related to construction. Amazon.com, Inc. invested in an 855,000 square-foot fulfillment center in the City. Additional development took place that included Penske Logistics and InSite Industrial Warehouse facilities. Finally, other areas also experienced slight increases, such as state revenue sharing (CVTRS) and funding from the Local Community Stabilization Fund.
- In August of 2017 revisions were made to the Memorandum of Understanding that was executed between the City and the 34<sup>th</sup> District Court. Specific fees collected through the Court system were now going to be redirected to the Court Debt Service Fund for the purpose of paying the bond debt that had been issued by the City to build a new Court facility in December 2017. This change has resulted in a \$788,290 reduction in revenues previously reflected in the General Fund. The construction of this facility began in the early summer of 2018 and will continue through an estimated completion date of November 2019.
- Property taxes are the City's single largest source of revenue for the General Fund. The City's tax revenue for fiscal year 2017-2018 was \$7,706,032, which represents a slight increase of \$281,984 or 3.80 percent from the previous fiscal year. Some of this change is the result of increase in overall taxable value that is more specific to real property values from the previous fiscal year values. There was also a slight decrease in final capture amounts that were due to TIFA. Finally, the City experienced less of a financial impact in property tax revenues as it relates to chargebacks from Wayne County and potential liabilities through the tax tribunal process.
- Federal grant revenue decreased by \$232,609 as a result of the expiration of the 2015 SAFER. However, the Fire Department has been able to apply for and be approved for the 2017 SAFER grant for the additional hire and partial reimbursement of 5 additional Firefighters. The Police Department has also been proactive in acquiring additional funding for salary reimbursement and the cost of overtime from the State of Michigan Department of State Police from the Enhanced Collaborative Model to Combat Human Trafficking initiative as well as the Southeast Michigan Crimes against Children. The City will continue to explore all federal and state grant opportunities.
- The City received its share of "City, Village and Township Revenue Sharing" (CVTRS) in fiscal year 2017-2018, as a result of meeting all of the legislative requirements of accountability and transparency by demonstrating best practices.

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## Management's Discussion and Analysis (Continued)

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- Investment income within the General Fund increased by \$36,651 from the previous fiscal year. The City's earnings reconciliation represents the cost value, or actual cash value, of the investment transactions and is based on the current market value, the interest receipts, and maturity value of the City's investments. Earnings include coupon/interest payments (cash receipt on payment of coupons), purchased interest (the amount paid at the time of purchase of any interest accrued), and realized gains/losses (the difference between the cash received at maturity or sale and the cash paid at the time of the original purchase). The interest earned for the fiscal year is affected by changes in fixed income interest rates as rising interest rates reduce the market value of the City's investments while falling interest rates increase the market value of the City's holding. In 2018, the Federal Reserve raised the overnight Fed Funds rate on three occasions which had a negative impact on market valuations for the year.
- Total expenditures within the General Fund increased by \$606,243, not including transfers to other financing sources. This increase in expenditures can be attributed to increases within the Public Safety Departments specific to retention of SAFER grant employees from the 2015 grant, the cost of health insurance, overtime, pension benefits and the reallocation of department-related and facility expenditures.
- Road funding through the State of Michigan's gas tax has increased for Major and Local Road Funds in fiscal year 2017-2018 by approximately 19.82 percent, in large part, to the implementation of changes in the Act 51 funding and formula. Additionally, the Local Street Fund received an additional one-time State Appropriation, under Public Act 82 of 2018, in the amount of \$176,931. These additional funds are intended to be utilized in the repair and maintenance of the City's local road system. The fund balance in the Major Streets Fund slightly decreased to \$1,282,199, which can be attributed to an increase in the transfer amount to the Local Streets Fund to help support local street projects. The fund balance in the Local Streets Fund increased to \$725,465 as a result of the additional funding distributions from the State through the Act 51 as well as the carryover of budgeted local projects into the next fiscal year. The City will continue to take advantage of federal, state, and county grant funding programs when available.
- In November of 2017 the City issued Capital Improvement bonds for the purpose of widening Ecorse Road, from Vining Road to Merriman and extending Vining from Smith to Ecorse. These bonds were issued to facilitate in the development of the new Amazon facility. The debt on these bonds are to be paid for from tax increment revenues by the TIFA and Aerotropolis' LDFA with Amazon required to pay any shortfalls on the bonds.
- The Romulus Athletic Center (the "RAC") experienced a negative change in fund balance of \$37,468. This was primarily the result of an increase in expenditures of approximately 7.2 percent from the previous year. These increases can be attributed to the need for one-time replacement of aging equipment within the facility. Operationally, the RAC experienced a slight increase in revenue. The City will need to continue to review the overall needs of the facility in the future and adjust revenues accordingly.

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

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- The Vehicle and Equipment Fund's net position has increased by \$1,183,367 primarily as the result of implementing GASB 75 and adjusting this funds OPEB expense. Approximately \$430,410 of the unrestricted net position will be utilized for the purpose of purchasing essential public works and public safety equipment in the upcoming budget year. Additionally, the City continues to be conservative in purchasing capital items under the current economic conditions while being mindful of meeting health and safety needs. The intent is to compile a capital needs assessment and purchase equipment accordingly.
- The Computer and Equipment Fund's unrestricted net position has decreased from the 2017 fiscal year by \$366,490 due to the implementation of GASB Statement No. 75. Net investment in capital assets has increased by \$69,337 from the previous fiscal year. The City will continue to review and assess its technology infrastructure to ensure the safety and integrity of information and provide good internal and external customer service.

**Using this Annual Report**

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

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

**The City as a Whole**

The following table shows, in a condensed format, the net position as of June 30, 2018 and 2017 (in thousands of dollars):



## City of Romulus, Michigan

# Management's Discussion and Analysis (Continued)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Current assets	\$ 45,433	\$ 18,435	\$ 18,642	\$ 15,166	\$ 64,075	\$ 33,601
Capital assets and other noncurrent assets	58,265	49,775	66,370	64,386	124,635	114,161
Total assets	103,698	68,210	85,012	79,552	188,710	147,762
<b>Deferred Outflows of Resources</b>	3,592	3,051	241	80	3,833	3,131
<b>Liabilities</b>						
Current liabilities	7,851	3,133	5,737	6,672	13,588	9,805
Long-term liabilities	106,598	79,472	21,802	25,168	128,400	104,640
Total liabilities	114,449	82,605	27,539	31,840	141,988	114,445
<b>Deferred Inflows of Resources</b>	4,729	493	446	-	5,175	493
<b>Net Position</b>						
Net investment in capital assets	51,294	47,661	47,085	43,414	98,379	91,075
Restricted	7,414	4,956	2,416	3,752	9,830	8,708
Unrestricted	(70,596)	(64,454)	7,767	626	(62,829)	(63,828)
* Total net position	<u>\$ (11,888)</u>	<u>\$ (11,837)</u>	<u>\$ 57,268</u>	<u>\$ 47,792</u>	<u>\$ 45,380</u>	<u>\$ 35,955</u>

\* Note that the total net position includes the impact of implementing GASB Statement No. 75. Due to this new accounting standard, the beginning net position for the governmental activities was restated by \$23.5 million (decrease) while the beginning net position for the business-type activities was restated by \$5.7 million (increase).

The City's combined restated total net position increased by approximately \$9.4 million. The restated net position of the governmental activities decreased by approximately \$51 thousand. This change from a net position decrease in 2017 of \$1.8 million is the result of an increase in licenses and permit revenue, charges for services, and state shared revenues while program expenses decreased due to vacant position within public safety and general government. For the business-type activities there was an increase of approximately \$9.5 million or 19.8 percent. The increase in business-type activities net position is the result of the OPEB expense adjustments related to the implementation of GASB Statement No. 75, an increase in the City's equity investment in the Downriver Sewage Disposal System, as well as vacant positions remaining unfilled throughout most of the fiscal year. Additionally, some of the bonds that have been issued as part of the 1994 EPA Judgment Levy and through Wayne County for the Downriver Sewage Disposal System have been paid off or are nearing maturity.

The following table shows the changes in net position during the current year (in thousands of dollars) for all governmental activities and business-type activities:

## City of Romulus, Michigan

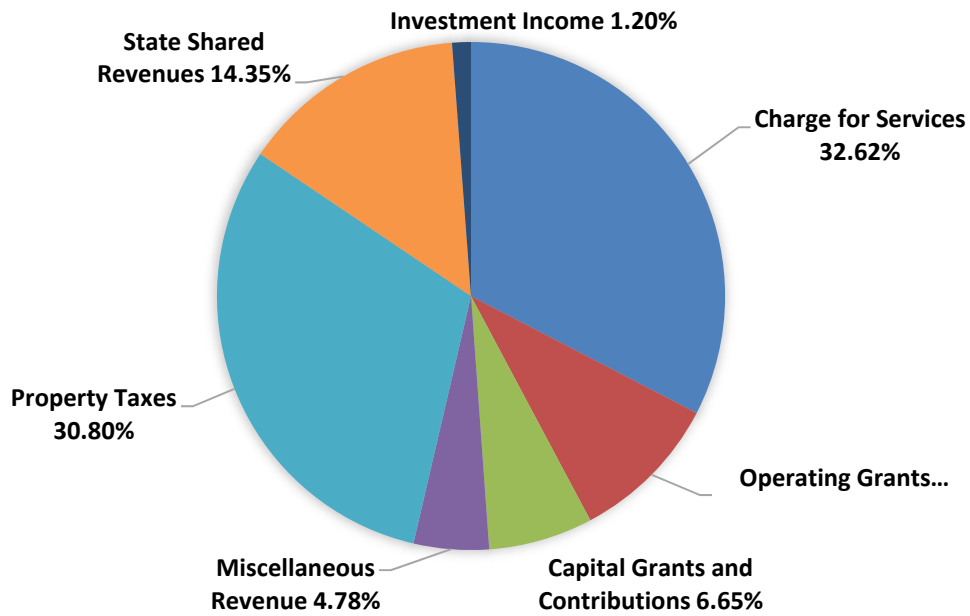
# Management's Discussion and Analysis (Continued)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Net Position</b> - Beginning of year, as restated	\$ (11,837)	\$ 13,482	\$ 47,792	\$ 49,360	\$ 35,955	\$ 62,842
<b>Revenue</b>						
Program revenue:						
Charges for services	10,542	10,053	14,679	17,424	25,221	27,477
Operating grants and contributions	3,103	2,745	-	-	3,103	2,745
Capital grants and contributions	2,148	4,170	1,346	385	3,494	4,555
General revenue:						
Property taxes:						
City	7,744	7,338	-	-	7,744	7,338
Library	520	368	-	-	520	368
Sanitation	1,142	1,118	-	-	1,142	1,118
Street lighting	548	567	-	-	548	567
EPA	-	-	2,535	2,317	2,535	2,317
State-shared revenue	4,638	4,168	-	-	4,638	4,168
Unrestricted investment earnings	389	65	77	33	466	98
Gain on sale of fixed assets	-	-	-	-	-	-
Miscellaneous revenue	1,511	982	3,158	-	4,669	982
Transfers	35	-	(35)	-	-	-
Total revenue	32,320	31,574	21,760	20,159	54,080	51,733
<b>Program Expenses</b>						
General government	3,336	5,072	-	-	3,336	5,072
Public safety	14,578	15,576	-	-	14,578	15,576
Public works	8,693	7,972	-	-	8,693	7,972
Health and welfare	619	582	-	-	619	582
Community and economic development	777	631	-	-	777	631
Recreation and cultural	3,665	3,498	-	-	3,665	3,498
Interest on long-term debt	703	72	-	-	703	72
Water and sewer	-	-	12,284	16,060	12,284	16,060
Total program expenses	32,371	33,403	12,284	16,060	44,655	49,463
<b>Implementation of GASB Statement No. 75</b>						
	-	(23,490)	-	(5,667)	-	(29,157)
<b>Change in Net Position</b>	(51)	(25,319)	9,476	(1,568)	9,425	(26,887)
<b>Net Position</b> - End of year	<u>\$ (11,888)</u>	<u>\$ (11,837)</u>	<u>\$ 57,268</u>	<u>\$ 47,792</u>	<u>\$ 45,380</u>	<u>\$ 35,955</u>

**Governmental Activities**

The City's total governmental revenue increased slightly by \$686,000, primarily due to increases in licenses and permits, charges for services and state shared revenues for 2018. These increases helped to offset the reductions in capital grants and contributions.

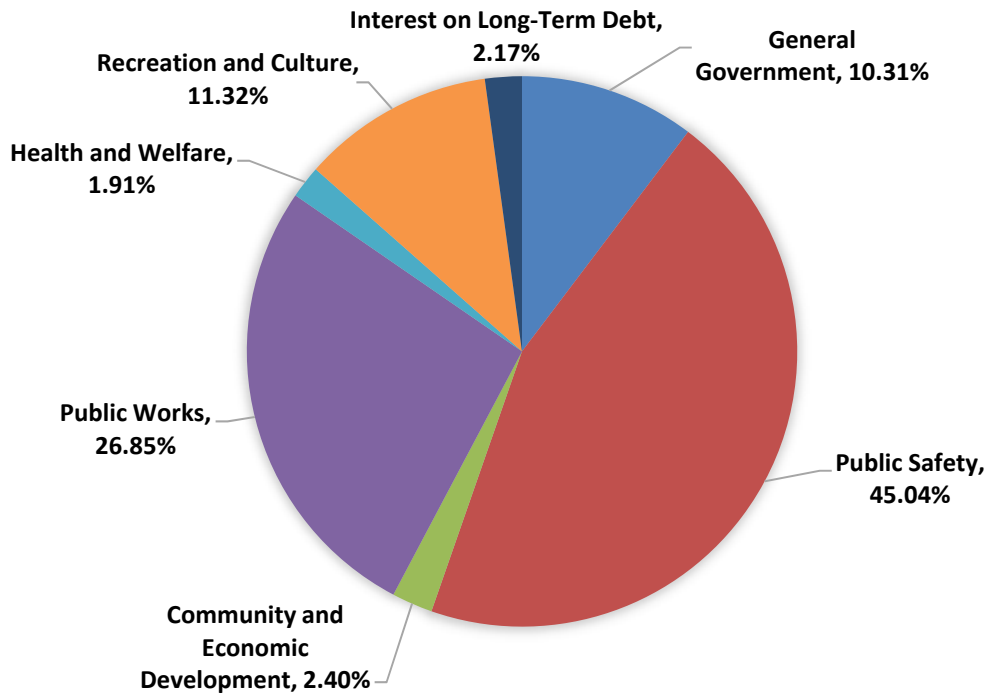
**REVENUE BY SOURCE - GOVERNMENTAL ACTIVITIES**



**Management’s Discussion and Analysis (Continued)**

Total program expenses decreased by \$1,092,000 that is primarily due to critical vacant positions within the public safety departments and general government related expenditures.

**EXPENDITURE BY ACTIVITY - GOVERNMENTAL  
ACTIVITIES**



**Business-type Activities**

The City’s business-type activities consist of the Water and Sewer Fund. The City provides water to residents from the Detroit water system through the Great Lakes Water Authority (GLWA). The City provides sewage treatment through the Wayne County Downriver Sewage Disposal System and Rouge Valley Sewage Disposal System. The excess of operating revenue over expenditures in fiscal year 2017-2018 of \$3,355,643 was primarily due to the implementation of GASB Statement No. 75 in addition to the fact that positions remained vacant through most of the fiscal year but have since been filled. Additionally, the Water and Sewer fund received a retroactive reimbursement under the awarded SAW (Storm water, Asset Management, and Wastewater) Grant in the amount of \$617,338. This grant will continue on into the next budget year.

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

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**The City's Funds**

The analysis of the City's major funds begins on page 16, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City establishes and manages funds, in accordance with the State of Michigan Uniform Budgeting and Accounting Act (P.A. 2 of 1968), to help manage money for specific purposes as well as to show accountability for certain activities. The City's major funds for 2018 include the General Fund, Court Building Construction Fund, Vining/Ecorse Construction 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 is public safety, inclusive of police and fire, which incurred expenses of approximately \$12.9 million, or 66.0 percent of General Fund expenditures in 2018. Additionally, total general government services (all administrative services and city facilities) contribute to approximately 24.5 percent of the total General Fund expenditures, with the remaining costs associated with recreational and community development activities.

**General Fund Budgetary Highlights**

During the budget year the City experienced an increase in development, both abated and unabated, that contributed to an increase of permitting revenue. There was an increase reflected in state revenue sharing distributed by the State of Michigan and budgeted vacant positions within public safety, all factors contributing to a General Fund fund balance increase of \$583,425 to \$7,425,413. However, funds in the total amount of \$4,158,635 are considered nonspendable, restricted, committed or have been assigned for current and future years' obligations.

In January 2018, under Public Act 202 as required, the City submitted form 5572 for the City's Defined Benefit and Retiree Health Care systems. As a result of this submittal, the City was required to present to City Council, for approval, an application for a Waiver and Plan for both systems. Both Waivers were approved legislatively by council but ultimately, the Waiver for the Retiree Health Care system was denied by the State and a Corrective Action Plan was required to be submitted. The City is required to submit form 5572 annually and, as a result, may be called upon by the State to make significant changes to these legacy costs some of which can only be done through collective bargaining. The City will continue to be proactive in these areas and make every effort to review options and alternatives that will help to improve funding levels and reduce long-term obligations.

The City has taken the initiative to provide alternative funding sources for City related operational and capital expenditures with the incorporation of foundations. In December 2017 the Romulus Public Safety Foundation was officially established for the purpose of providing support with charitable contributions for public health and safety efforts within the City. Additionally, foundations have been organized to lend support to the Romulus Senior Center and the Downtown Development Authority.

**Capital Asset and Debt Administration**

As part of the Redevelopment Ready process the City has been working to put together a Capital Improvement Plan that will assist the City in prioritizing funding relative to capital needs and infrastructure replacement. Over the past few years' limited investment has been made for the replacement of capital and investment in infrastructure due to limited funding available. This planning development process has been facilitated through the use of specialized software and department coordination. Other projects completed within the fiscal year include some Wayne County projects such as Eureka (Middlebelt to Inkster and Wayne to Dingell), Goddard (W Service Dr. to Merriman) and the finalization of Ecorse subdivision water main replacement. Additionally, phase V of the SSES monitoring and repair project relating to sewer infrastructure will continue through the budget planning process.

Other road projects continuing through to the new fiscal year include the finalization of the Vining Road extension from Smith to Ecorse and Ecorse Road widening from Merriman to Vining that will include additional infrastructure improvements. The City will be participating as part of an Intergovernmental Agreements with Wayne County to improve Merriman Road from Ecorse to Van Born. Additional paving projects are to be completed on Dru, Taft and Oakbrook streets.

On the water and sewer side, Ecorse Road (East of Middlebelt & Middlebelt @ Beverly) will be part of the 2019 Water Main Replacement program. In addition, the City will continue with the metering replacement program to move towards bi-monthly billings.

Additionally, in the upcoming fiscal year, the construction of the new 34<sup>th</sup> District Court is anticipate to continue through November 2019. The financial and operational impact of constructing a larger facility is yet to be determined.

Annually the City's bond rating is reviewed in relation to a specific series of outstanding debt obligations and the City's overall financial performance. During the fiscal year, the City's bond rating of 'AA-' was maintained.

Subsequent to fiscal year end, in the November 2018 general election, Romulus voters approved a new millage to provide additional funding specifically to help support Fire and Police Services in the City of Romulus for the next five years, beginning July 1, 2019.

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

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

The budget plan, as approved in fiscal year 2018-2019, has General Fund annual operating expenditures greater than revenue of \$3,537,875, which is an increase of the planned used of fund balance from the 2017-2018 approved budget. There are specific revenue and expenditure budget changes that contribute to this use of fund balance.

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

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From a revenue perspective, the budget incorporates changes in anticipated revenue as it relates to fines and forfeitures collected through the 34<sup>th</sup> District Court, the stabilization of building permit revenues, and federally awarded grants offset by increases in personnel-related and operational costs. Also, there has been consideration given to the proposed legislative changes in how personal property tax reimbursements are to be calculated and distributed from the Local Community Stabilization Fund.

Specifically, the City will realize an increase in cost for the police and fire departments relating to the defined benefit pension system (MERS), related healthcare costs for active employees and for retirees. Also, with the acceptance of the 2017 SAFER grant in September 2018, the General Fund will incur costs as a result of the required match with the addition of 5 full-time Firefighters and the proposed re-opening of Fire Station 2 on Middlebelt Road.

Additionally, as the host community for the 34<sup>th</sup> District Court and under Public Act 214 of 2018, the City has been required to develop a Compliance Plan and Cost Analysis as it relates to indigent criminal defense and the services that are to be provided under that plan. While the grant does provide some amount of reimbursement, it is not 100% so there will be some additional costs absorbed by the General Fund. This will be an annual requirement and become part of the budget process.

**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.

June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 17,404,264	\$ 8,962,348	\$ 26,366,612	\$ 767,820
Receivables - Net (Note 5)	2,883,812	4,130,676	7,014,488	112,429
Advances to component units (Note 8)	300,000	-	300,000	-
Due from component units (Note 8)	40,837	-	40,837	-
Advances to primary government (Note 8)	-	-	-	400,000
Inventory (Note 1)	264,425	44,859	309,284	-
Prepaid expenses and other assets	281,594	-	281,594	-
Restricted assets (Note 9)	24,209,099	2,415,718	26,624,817	158,204
Investment in joint ventures (Note 16)	-	3,087,858	3,087,858	-
Capital assets: (Note 7)				
Assets not subject to depreciation	17,401,104	726,239	18,127,343	3,203,186
Assets subject to depreciation - Net	40,863,893	65,630,563	106,494,456	19,610,954
Other assets	48,783	13,261	62,044	560,722
<b>Total assets</b>	<b>103,697,811</b>	<b>85,011,522</b>	<b>188,709,333</b>	<b>24,813,315</b>
<b>Deferred Outflows of Resources</b>				
Bond refunding loss being amortized	-	71,885	71,885	206,213
Deferred outflows related to pensions (Note 13)	2,067,365	-	2,067,365	-
Deferred outflows related to OPEB (Note 15)	1,524,705	168,945	1,693,650	52,732
<b>Total deferred outflows of resources</b>	<b>3,592,070</b>	<b>240,830</b>	<b>3,832,900</b>	<b>258,945</b>
<b>Liabilities</b>				
Accounts payable	4,578,183	1,860,065	6,438,248	30,431
Due to other governmental units	17,108	12,515	29,623	84,160
Due to primary government (Note 8)	-	-	-	40,837
Advances from primary government (Note 8)	-	-	-	300,000
Refundable deposits, bonds, etc.	1,250	-	1,250	-
Accrued liabilities and other	1,492,350	913,895	2,406,245	79,153
Advances from component units (Note 8)	400,000	-	400,000	-
Unearned revenue	54,000	134,942	188,942	6,875
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 10)	565,354	97,934	663,288	8,477
Current portion of long-term debt (Note 10)	742,402	2,717,373	3,459,775	2,096,096
Due in more than one year:				
Compensated absences (Note 10)	339,277	24,484	363,761	2,119
Net pension liability (Note 13)	30,203,040	-	30,203,040	-
Net OPEB liability (Note 15)	45,617,275	5,054,620	50,671,895	1,577,685
Long-term debt - Net of current portion (Note 10)	30,438,185	16,723,098	47,161,283	11,667,904
<b>Total liabilities</b>	<b>114,448,424</b>	<b>27,538,926</b>	<b>141,987,350</b>	<b>15,893,737</b>



Statement of Net Position (Continued)

June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Deferred Inflows of Resources</b>				
Deferred inflows related to pensions (Note 13)	\$ 705,135	\$ -	\$ 705,135	\$ -
Deferred inflows related to OPEB (Note 15)	4,024,284	445,911	4,470,195	139,181
Total deferred inflows of resources	4,729,419	445,911	5,175,330	139,181
<b>Net Position (Deficit)</b>				
Net investment in capital assets	51,293,509	47,085,276	98,378,785	10,870,114
Restricted:				
Roads	2,152,827	-	2,152,827	-
Public safety	586,686	-	586,686	-
Sanitation	739,116	-	739,116	-
Grants	43,103	-	43,103	-
PEG fees	838,194	-	838,194	-
Street lighting	105,737	-	105,737	-
Cemetery operations	9,251	-	9,251	-
Community facilities and programs	3,353	-	3,353	-
Library operations	390,731	-	390,731	-
Debt service	2,545,930	2,415,718	4,961,648	-
Brownfield redevelopment	-	-	-	27,526
Unrestricted	(70,596,399)	7,766,521	(62,829,878)	(1,858,298)
Total net position (deficit)	<b>\$ (11,887,962)</b>	<b>\$ 57,267,515</b>	<b>\$ 45,379,553</b>	<b>\$ 9,039,342</b>

# City of Romulus, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 3,335,941	\$ 1,834,099	\$ 2,025	\$ 28,787
Public safety	14,577,684	3,830,532	268,491	147,721
Public works	8,693,140	3,061,372	2,420,879	1,971,177
Health and welfare	619,268	8,936	-	-
Community and economic development	777,050	-	400,113	-
Community services and outreach	3,664,511	1,807,132	12,117	-
Interest on long-term debt	703,273	-	-	-
Total governmental activities	32,370,867	10,542,071	3,103,625	2,147,685
Business-type activities - Water and sewer	12,284,147	14,679,338	-	1,346,413
Total primary government	<b>\$ 44,655,014</b>	<b>\$ 25,221,409</b>	<b>\$ 3,103,625</b>	<b>\$ 3,494,098</b>
Component units:				
Brownfield Redevelopment Authority	\$ 5,330	\$ -	\$ -	\$ -
Tax Increment Financing Authority	2,288,247	-	-	-
Downtown Development Authority	401,726	-	-	-
Total component units	<b>\$ 2,695,303</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
General revenue:				
Property taxes:				
Property taxes				
State-shared revenue				
Investment income				
Income from joint venture (not directly allocated)				
Other miscellaneous income				
Total general revenue				
<b>Transfers</b>				
<b>Change in Net Position</b>				
<b>Net Position (Deficit) - Beginning of year, as restated (Note 1)</b>				
<b>Net Position (Deficit) - End of year</b>				

## Statement of Activities

Year Ended June 30, 2018

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,471,030)	\$ -	\$ (1,471,030)	\$ -
(10,330,940)	-	(10,330,940)	-
(1,239,712)	-	(1,239,712)	-
(610,332)	-	(610,332)	-
(376,937)	-	(376,937)	-
(1,845,262)	-	(1,845,262)	-
(703,273)	-	(703,273)	-
(16,577,486)	-	(16,577,486)	-
-	3,741,604	3,741,604	-
(16,577,486)	3,741,604	(12,835,882)	-
-	-	-	(5,330)
-	-	-	(2,288,247)
-	-	-	(401,726)
-	-	-	(2,695,303)
9,954,278	2,535,391	12,489,669	4,150,407
4,637,560	-	4,637,560	-
389,238	76,733	465,971	-
-	2,539,712	2,539,712	-
1,510,432	617,338	2,127,770	65,710
16,491,508	5,769,174	22,260,682	4,216,117
35,000	(35,000)	-	-
(50,978)	9,475,778	9,424,800	1,520,814
(11,836,984)	47,791,737	35,954,753	7,518,528
<b>\$ (11,887,962)</b>	<b>\$ 57,267,515</b>	<b>\$ 45,379,553</b>	<b>\$ 9,039,342</b>

Governmental Funds  
Balance Sheet

June 30, 2018

	General Fund	Court Building Construction Fund	Vining/Ecorse Construction Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments (Notes 3 and 4)	\$ 6,691,325	\$ 91,341	\$ -	\$ 6,852,951	\$ 13,635,617
Receivables - Net (Note 5)	1,525,729	-	-	1,350,983	2,876,712
Advances to component units (Note 8)	300,000	-	-	-	300,000
Due from component units	-	-	-	40,837	40,837
Inventory	23,919	-	-	168,247	192,166
Prepaid expenses and other assets	268,590	-	-	4,224	272,814
Restricted assets (Note 9)	-	16,575,349	7,001,556	632,194	24,209,099
<b>Total assets</b>	<b>\$ 8,809,563</b>	<b>\$ 16,666,690</b>	<b>\$ 7,001,556</b>	<b>\$ 9,049,436</b>	<b>\$ 41,527,245</b>
<b>Liabilities</b>					
Accounts payable	\$ 178,980	\$ 536,860	\$ 3,503,863	\$ 336,332	\$ 4,556,035
Due to other governmental units	4,706	-	-	12,402	17,108
Refundable deposits, bonds, etc.	1,250	-	-	-	1,250
Accrued liabilities and other	996,581	-	-	201,246	1,197,827
Advances from component units (Note 8)	-	-	-	400,000	400,000
Unearned revenue	54,000	-	-	-	54,000
<b>Total liabilities</b>	<b>1,235,517</b>	<b>536,860</b>	<b>3,503,863</b>	<b>949,980</b>	<b>6,226,220</b>
<b>Deferred Inflows of Resources -</b>					
Unavailable revenue (Note 6)	148,633	-	-	463,657	612,290
<b>Fund Balances</b>					
Nonspendable:					
Inventory	23,919	-	-	168,247	192,166
Prepays	268,590	-	-	4,224	272,814
Long-term receivable	300,000	-	-	-	300,000
Restricted:					
Roads	-	-	-	1,974,087	1,974,087
Public Safety	-	-	-	564,854	564,854
Sanitation	-	-	-	721,512	721,512
Debt service	-	-	-	2,545,930	2,545,930
Grants	-	-	-	32,864	32,864
Capital projects	-	16,129,830	3,497,693	-	19,627,523
PEG fees	-	-	-	838,194	838,194
Street lighting	-	-	-	105,737	105,737
Cemetery operations	-	-	-	9,037	9,037
Community facilities and programs	-	-	-	3,353	3,353
Library operations	-	-	-	214,589	214,589
Committed - Recreation	-	-	-	158,313	158,313
Assigned:					
Subsequent year's budget	3,537,875	-	-	-	3,537,875
SAFER employee retention	47,800	-	-	-	47,800
Park maintenance	66,045	-	-	-	66,045
Capital projects	211,406	-	-	294,858	506,264
Unassigned	2,969,778	-	-	-	2,969,778
<b>Total fund balances</b>	<b>7,425,413</b>	<b>16,129,830</b>	<b>3,497,693</b>	<b>7,635,799</b>	<b>34,688,735</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 8,809,563</b>	<b>\$ 16,666,690</b>	<b>\$ 7,001,556</b>	<b>\$ 9,049,436</b>	<b>\$ 41,527,245</b>

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2018

<b>Fund Balances Reported in Governmental Funds</b>	\$ 34,688,735
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	56,358,169
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	612,290
Accrued interest and other accrued liabilities are not due and payable in the current period and are not reported in the funds	(60,000)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds	(31,180,587)
Accrued interest is not due and payable in the current period and is not reported in the funds	(208,324)
Unamortized bond prepaid insurance is not reported in the funds	48,783
Some employee fringe benefits 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:	
Employee compensated absences	(864,577)
Pension benefits	(28,840,810)
Retiree healthcare benefits	(46,824,170)
Internal service funds are included as part of governmental activities	4,382,529
<b>Net Position of Governmental Activities</b>	<b><u>\$ (11,887,962)</u></b>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2018

	General Fund	Court Building Construction Fund	Vining/Ecorse Construction Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>					
Property taxes	\$ 7,706,032	\$ -	\$ -	\$ 1,667,488	\$ 9,373,520
Special assessments	-	-	-	642,990	642,990
Intergovernmental:					
Federal grants	136,768	-	-	647,658	784,426
State-shared revenue and grants	4,646,231	-	-	2,869,345	7,515,576
Charges for services	2,650,743	-	-	1,830,264	4,481,007
Fines and forfeitures	1,657,178	-	-	1,489,680	3,146,858
Licenses and permits	3,076,335	-	-	86,650	3,162,985
Investment income	77,794	148,551	86,307	48,562	361,214
Other revenue	187,758	-	1,639,500	1,054,174	2,881,432
Total revenue	20,138,839	148,551	1,725,807	10,336,811	32,350,008
<b>Expenditures</b>					
Current:					
General government	4,785,361	-	-	246,454	5,031,815
Public safety	12,892,076	-	-	284,896	13,176,972
Public works	319,804	1,291,913	9,810,818	4,064,121	15,486,656
Health and welfare	619,268	-	-	-	619,268
Community and economic development	330,061	-	-	420,376	750,437
Community services and outreach	597,484	-	-	2,790,034	3,387,518
Debt service	-	-	-	751,810	751,810
Total expenditures	19,544,054	1,291,913	9,810,818	8,557,691	39,204,476
<b>Excess of Revenue Over (Under) Expenditures</b>	594,785	(1,143,362)	(8,085,011)	1,779,120	(6,854,468)
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	1,384,872	1,384,872
Transfers out	(11,360)	-	(631,787)	(706,725)	(1,349,872)
Proceeds from sale of bonds	-	16,996,243	12,214,491	-	29,210,734
Total other financing (uses) sources	(11,360)	16,996,243	11,582,704	678,147	29,245,734
<b>Net Change in Fund Balances</b>	583,425	15,852,881	3,497,693	2,457,267	22,391,266
<b>Fund Balances - Beginning of year</b>	6,841,988	276,949	-	5,178,532	12,297,469
<b>Fund Balances - End of year</b>	<u>\$ 7,425,413</u>	<u>\$ 16,129,830</u>	<u>\$ 3,497,693</u>	<u>\$ 7,635,799</u>	<u>\$ 34,688,735</u>

**Governmental Funds**

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in  
Fund Balances to the Statement of Activities**

**Year Ended June 30, 2018**

<b>Net Change in Fund Balance Reported in Governmental Funds</b>	<b>\$ 22,391,266</b>
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	11,997,887
Depreciation expense	(3,602,926)
Net book value of disposed assets	(2,908)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(123,043)
Certain liabilities, such as accrued interest, are not recognized in the governmental funds until due and payable	(288,386)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	235,000
Governmental funds report bond proceeds as other financing sources but are reported as long-term debt on the statement of net position	(26,080,000)
Governmental funds report bond premiums as proceeds; these are allocated over the related bond term as a reduction of interest expense in the statement of activities	(3,126,079)
Some employee costs (pension, OPEB, compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds until paid	(2,825,524)
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	45,515
Internal service funds are included as part of governmental activities	<u>1,328,220</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (50,978)</u></u></b>

Proprietary Funds  
Statement of Net Position

June 30, 2018

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 8,962,348	\$ 3,768,647
Receivables - Net (Note 5)	4,130,676	7,100
Inventory	44,859	72,259
Prepaid expenses and other assets	-	8,780
Total current assets	13,137,883	3,856,786
Noncurrent assets:		
Restricted assets (Note 9)	2,415,718	-
Investment in joint ventures (Note 16)	3,087,858	-
Capital assets: (Note 7)		
Assets not subject to depreciation	726,239	-
Assets subject to depreciation - Net	65,630,563	1,906,828
Other assets	13,261	-
Total noncurrent assets	71,873,639	1,906,828
Total assets	85,011,522	5,763,614
<b>Deferred Outflows of Resources</b>		
Bond refunding loss being amortized (Note 10)	71,885	-
Deferred outflows related to OPEB (Note 15)	168,945	40,962
Total deferred outflows of resources	240,830	40,962
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	1,860,065	22,148
Due to other governmental units	12,515	-
Accrued liabilities and other	913,895	26,199
Unearned revenue	134,942	-
Compensated absences (Note 10)	97,934	32,043
Current portion of long-term debt (Note 10)	2,717,373	-
Total current liabilities	5,736,724	80,390
Noncurrent liabilities:		
Compensated absences (Note 10)	24,484	8,011
Net OPEB liability (Note 15)	5,054,620	1,225,532
Long-term debt - Net of current portion (Note 10)	16,723,098	-
Total noncurrent liabilities	21,802,202	1,233,543
Total liabilities	27,538,926	1,313,933
<b>Deferred Inflows of Resources</b> - Deferred inflows related to OPEB (Note 15)	445,911	108,114
<b>Net Position</b>		
Net investment in capital assets	47,085,276	1,906,828
Restricted - Debt service	2,415,718	-
Unrestricted	7,766,521	2,475,701
Total net position	\$ 57,267,515	\$ 4,382,529



**Proprietary Funds**  
**Statement of Revenue, Expenses, and Changes in Net Position**

**Year Ended June 30, 2018**

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
<b>Operating Revenue</b>		
Charges to other funds	\$ 14,290,861	\$ 3,039,769
Other	283,752	129,821
Total operating revenue	14,574,613	3,169,590
<b>Operating Expenses</b>		
Cost of water	3,785,523	-
Cost of sewage treatment	3,211,739	-
Cost of insurance coverage	79,180	552,372
Cost of vehicle and equipment maintenance	-	381,575
Cost of computer and equipment maintenance	-	564,243
Salaries and fringes	500,065	-
Administrative and other	1,742,863	-
Depreciation and amortization	1,899,600	380,383
Total operating expenses	11,218,970	1,878,573
<b>Operating Income</b>	3,355,643	1,291,017
<b>Nonoperating Revenue (Expense)</b>		
Property tax revenue	2,535,391	-
Investment income	76,733	28,024
Gain from joint venture	2,539,712	-
Interest expense	(566,357)	-
Adjustments to joint venture debt balance	(498,820)	-
Gain on sale of assets	-	9,179
Debt service charge	104,725	-
State grants	617,338	-
Total nonoperating revenue	4,808,722	37,203
<b>Income - Before capital contributions</b>	8,164,365	1,328,220
<b>Capital Contributions</b>	1,346,413	-
<b>Transfers Out</b>	(35,000)	-
<b>Change in Net Position</b>	9,475,778	1,328,220
<b>Net Position - Beginning of year, as restated (Note 1)</b>	47,791,737	3,054,309
<b>Net Position - End of year</b>	<b>\$ 57,267,515</b>	<b>\$ 4,382,529</b>

Proprietary Funds  
Statement of Cash Flows

Year Ended June 30, 2018

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 14,367,512	\$ 3,168,378
Payments to suppliers	(9,511,329)	(1,535,212)
Payments to employees and fringes	(2,164,722)	(597,783)
	2,691,461	1,035,383
<b>Cash Flows from Noncapital Financing Activities</b> - Transfers to other funds	(35,000)	-
<b>Cash Flows from Capital and Related Financing Activities</b>		
Issuance of long-term debt by the Downriver Sewage Disposal System, including change in City allocation	1,443,934	-
Receipt of SAW grant	617,338	-
Proceeds from sale of capital assets	-	9,179
Property taxes restricted for debt service	2,381,776	-
Purchase of capital assets	(2,538,360)	(481,607)
Principal and interest paid on capital debt	(1,125,641)	-
Debt service charge	112,712	-
Payments to county for the debt service fund	(2,913,734)	-
	(2,021,975)	(472,428)
<b>Cash Flows Provided by Investing Activities</b> - Investment income	76,733	28,024
<b>Net Increase in Cash and Cash Equivalents</b>	711,219	590,979
<b>Cash and Cash Equivalents</b> - Beginning of year	10,666,847	3,177,668
<b>Cash and Cash Equivalents</b> - End of year	<b>\$ 11,378,066</b>	<b>\$ 3,768,647</b>
<b>Classification of Cash and Cash Equivalents</b>		
Cash and investments	\$ 8,962,348	\$ 3,768,647
Restricted cash	2,415,718	-
	<b>\$ 11,378,066</b>	<b>\$ 3,768,647</b>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>		
Operating income	\$ 3,355,643	\$ 1,291,017
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization	1,899,600	380,383
Changes in assets and liabilities:		
Receivables	(207,101)	(2,200)
Inventories	(13,655)	(15,238)
Prepaid and other assets	-	(7,535)
Accounts payable	(678,369)	(70,943)
Net OPEB liability (Note 15)	(1,635,782)	(524,964)
Accrued and other liabilities	(28,875)	(15,137)
	<b>\$ 2,691,461</b>	<b>\$ 1,035,383</b>

**Noncash Capital and Related Financing Activities** - The City has recorded the change in its share of the unrestricted net position of the Downriver Sewage Disposal Treatment System in the amount of \$2,539,712 in nonoperating expenses for the year ended June 30, 2018.

Additionally, the City recorded capital contributions of \$1,346,413 related to donated water and sewer lines during the year ended June 30, 2018.

**Fiduciary Funds  
Statement of Fiduciary Net Position**

**June 30, 2018**

	<u>Other Employee Benefits Trust Retirees' Insurance Benefits Fund</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,433,179	\$ 2,404,332
Investments:		
U.S. government securities	271,176	-
Common stock	1,825,570	-
Corporate bonds and notes	153,928	-
Mutual funds	794,364	-
Accounts receivable - Other receivables	-	25,374
Prepaid expenses and other assets	203,703	-
Total assets	4,681,920	<b><u>\$ 2,429,706</u></b>
<b>Liabilities</b>		
Accounts payable	2,464	\$ 5,780
Due to other governmental units	-	133,786
Accrued liabilities and other	20,843	2,290,140
Total liabilities	23,307	<b><u>\$ 2,429,706</u></b>
<b>Net Position Held in Trust for Other Postemployment Benefits</b>	<b><u>\$ 4,658,613</u></b>	

**City of Romulus, Michigan**

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Fiduciary Funds  
Statement of Changes in Fiduciary Net Position - Other Employee Benefits  
Trust Retirees' Insurance Benefits Fund

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**Year Ended June 30, 2018**

**Additions**

Net investment income	\$ 233,942
Contributions:	
Employer	2,646,481
Employee	<u>46,266</u>
Total additions	2,926,689

**Deductions - Benefit payments** 2,657,345

**Net Increase in Net Position Held in Trust** 269,344

**Net Position Held in Trust for Other Postemployment Benefits - Beginning of year** 4,389,269

**Net Position Held in Trust for Other Postemployment Benefits - End of year** \$ 4,658,613

Component Units  
Statement of Net Position

June 30, 2018

	Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total
<b>Assets</b>				
Cash and investments (Note 3)	\$ 541,826	\$ 198,468	\$ 27,526	\$ 767,820
Property taxes receivable	95,277	17,152	-	112,429
Advances to primary government (Note 8)	400,000	-	-	400,000
Restricted assets (Note 9)	158,204	-	-	158,204
Capital assets: (Note 7)				
Assets not subject to depreciation	2,986,876	216,310	-	3,203,186
Assets subject to depreciation - Net	19,200,895	410,059	-	19,610,954
Other assets	559,154	1,568	-	560,722
<b>Total assets</b>	<b>23,942,232</b>	<b>843,557</b>	<b>27,526</b>	<b>24,813,315</b>
<b>Deferred Outflows of Resources</b>				
Bond refunding loss being amortized	206,213	-	-	206,213
Deferred outflows related to OPEB (Note 15)	28,673	24,059	-	52,732
<b>Total deferred outflows of resources</b>	<b>234,886</b>	<b>24,059</b>	<b>-</b>	<b>258,945</b>
<b>Liabilities</b>				
Accounts payable	16,039	14,392	-	30,431
Due to other governmental units	73,583	10,577	-	84,160
Due to primary government	38,169	2,668	-	40,837
Advances from primary government (Note 8)	300,000	-	-	300,000
Accrued liabilities and other	71,600	7,553	-	79,153
Unearned revenue	-	6,875	-	6,875
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 10)	5,326	3,151	-	8,477
Current portion of long-term debt (Note 10)	2,054,332	41,764	-	2,096,096
Due in more than one year:				
Compensated absences (Note 10)	1,331	788	-	2,119
Long-term debt - Net of current portion (Note 10)	10,841,028	826,876	-	11,667,904
Net OPEB liability (Note 15)	857,873	719,812	-	1,577,685
<b>Total liabilities</b>	<b>14,259,281</b>	<b>1,634,456</b>	<b>-</b>	<b>15,893,737</b>
<b>Deferred Inflows of Resources - Deferred inflows related to OPEB (Note 15)</b>	<b>75,680</b>	<b>63,501</b>	<b>-</b>	<b>139,181</b>
<b>Net Position</b>				
Net investment in capital assets	9,292,411	626,369	-	9,918,780
Restricted - Brownfield redevelopment	-	-	27,526	27,526
Unrestricted	549,746	(1,456,710)	-	(906,964)
<b>Total net position</b>	<b>\$ 9,842,157</b>	<b>\$ (830,341)</b>	<b>\$ 27,526</b>	<b>\$ 9,039,342</b>

# City of Romulus, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Tax Increment Financing Authority:				
Public works	\$ 929,573	\$ -	\$ -	\$ -
Community services and outreach	909,120	-	-	-
Interest on long-term debt	449,554	-	-	-
<b>Total Tax Increment Financing Authority</b>	<b>2,288,247</b>	<b>-</b>	<b>-</b>	<b>-</b>
Downtown Development Authority:				
Public works	370,326	-	-	-
Interest on long-term debt	31,400	-	-	-
<b>Total Downtown Development Authority</b>	<b>401,726</b>	<b>-</b>	<b>-</b>	<b>-</b>
Brownfield Redevelopment Authority	5,330	-	-	-
<b>Total component units</b>	<b>\$ 2,695,303</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

General revenue:  
 Property taxes  
 Interest income and other  
 Total general revenue

**Change in Net Position**

**Net Position** - Beginning of year, as restated (Note 1)

**Net Position** - End of year

Component Units  
Statement of Activities

Year Ended June 30, 2018

Net (Expense) Revenue and Changes in Net Position			
Tax Increment Financing Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total
\$ (929,573)	\$ -	\$ -	\$ (929,573)
(909,120)	-	-	(909,120)
(449,554)	-	-	(449,554)
(2,288,247)	-	-	(2,288,247)
-	(370,326)	-	(370,326)
-	(31,400)	-	(31,400)
-	(401,726)	-	(401,726)
-	-	(5,330)	(5,330)
(2,288,247)	(401,726)	(5,330)	(2,695,303)
3,751,961	397,027	1,419	4,150,407
19,846	45,589	275	65,710
3,771,807	442,616	1,694	4,216,117
1,483,560	40,890	(3,636)	1,520,814
8,358,597	(871,231)	31,162	7,518,528
<b>\$ 9,842,157</b>	<b>\$ (830,341)</b>	<b>\$ 27,526</b>	<b>\$ 9,039,342</b>

**Note 1 - Significant Accounting Policies**

***Reporting Entity***

The City of Romulus, Michigan (the "City") is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the City's operations, even though they are separate legal entities. Thus, blended component units are appropriately presented as funds of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are 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 sole purpose is to finance and construct the City's public buildings.

**Discretely Presented Component Units**

***The Economic Development Corporation***

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, 2018.

***Downtown Development Authority***

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 selected 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 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.

***The Brownfield Redevelopment Authority***

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 Nos. 14, 61, and 80. This entity is subject to separate audit requirements.



**Note 1 - Significant Accounting Policies (Continued)**

***Jointly Governed Organization***

Jointly governed organizations are discussed in Note 16.

***Accounting and Reporting Principles***

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

***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, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

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

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the City's water and sewer function and various other functions. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, 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 it spends certain resources; separate funds allow the City to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

**Governmental Funds**

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

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

**Note 1 - Significant Accounting Policies (Continued)**

- **The Court Building Construction Fund** accounts for transactions related to resources obtained through the issuance of capital improvement bonds, specifically used to construct a new 34th District Court facility. These resources will also fund parking and site improvements.
- **The Vining/Ecorse Construction Fund** accounts for transactions related to resources obtained through the issuance of capital improvement bonds, used to pay part of the costs of various capital improvements. These improvements include, but are not limited to, public road improvements, including drainage, water, sewer, and traffic signal improvements along Ecorse Road from Vining Road to Merriman, and along Vining Road from Smith Road north to Ecorse Road.

**Proprietary Funds**

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

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

**Internal Service Funds**

The City’s 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.

**Fiduciary Funds**

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the City’s programs. Activities that are reported as fiduciary include the following:

- **Other Employee Benefits Trust Retirees’ Insurance Benefits Fund**, which accumulates resources for for postretirement health benefit payments to qualified retirees.
- **The Agency Funds** are used to account for assets held by the City in a trustee capacity for others. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

**Interfund Activity**

During the course of operations, the City 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 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.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in 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.

**Note 1 - Significant Accounting Policies (Continued)**

***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 City has spent its resources.

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

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a “deferred inflow.”

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows.

***Specific Balances and Transactions***

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Pool 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.

**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 \$3,000 and an estimated useful life in excess of one year. The assets are recorded at historical cost. Donated capital assets are recorded at acquisition value at the date of donation.

**Note 1 - Significant Accounting Policies (Continued)**

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

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Land improvements	20
Infrastructure	20
Utility system	50
Meters	20
Building and building improvements	20 to 33
Equipment and machinery	3 to 10
Vehicles	3 to 15

**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 are deferred and 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 issuances and premiums as an "other financing source" and bond discounts as "other financing uses." The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The City reports deferred outflows related to the deferred charge on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In addition, the City reports deferred outflows related to deferred pension and OPEB costs, as detailed in Notes 13 and 15, respectively.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

**Note 1 - Significant Accounting Policies (Continued)**

The City reports deferred inflows related to unavailable revenue, which is reported only on the governmental funds balance sheet. The governmental funds report unavailable revenue from three sources: delinquent personal property taxes, grants, and special assessments. In addition, the City has deferred inflows related to deferred pension and OPEB cost reductions, as detailed in Notes 13 and 15.

**Net Position**

Net position of the City is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

**Net Position Flow Assumption**

The City will sometimes fund outlays for a particular purpose from both restricted 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 (as applicable), 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 Assumptions**

The City will sometimes 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.

**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 nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. 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.

**Note 1 - Significant Accounting Policies (Continued)**

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 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 2017 property tax revenue was levied and collectible on July 1, 2017 and is recognized as revenue in the year ended June 30, 2018 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2017 taxable valuation of the City totaled \$888.8 million, on which taxes levied consisted of 9.4063 mills for operating purposes, 1.5500 mills for sanitation, 0.7000 mills for library, 2.3723 mills for EPA levy, and 0.0583 mills for publicity. This resulted in \$6.9 million for operating, \$1.1 million for sanitation, \$517,000 for library, \$2 million for EPA levy, and \$48,000 for publicity. These amounts are recognized in the respective General Fund, special revenue fund, and Water and Sewer Fund financial statements as tax revenue.

**Pension**

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

**Other Postemployment Benefit Liability**

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

**Note 1 - Significant Accounting Policies (Continued)**

**Compensated Absences (Vacation and Sick Leave)**

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

**Proprietary Funds Operating Classification**

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

**Upcoming Accounting Pronouncements**

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2020.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2021.



**Note 1 - Significant Accounting Policies (Continued)**

***Adoption of New Accounting Pronouncement***

During the current year, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which replaces GASB Statement No. 45. As a result, the government-wide statements and proprietary funds now include a liability for the City's estimated unfunded other postemployment benefit (OPEB) costs. Some of the changes in this net OPEB liability will be recognized immediately as part of the OPEB expense measurement, and part will be deferred and recognized over future years. Refer to the other postemployment benefit plan disclosure (see Note 15) for further details. This change does not impact the modified accrual funds.

The financial statements for the year ended June 30, 2017 have been restated in order to adopt GASB Statement No. 75. The effect of this new standard was a decrease in net position to record the net OPEB liability at June 30, 2017. Additionally, the net OPEB obligation previously recorded in the government-wide statements, proprietary funds, and component units in accordance with GASB Statement No. 45 has been eliminated. The overall result was an decrease in net position as of the beginning of the current fiscal year, as follows:

- Governmental Activities: From \$11,652,799 to \$(11,836,984)
- Business-type Activities/Water and Sewer Fund: From \$53,459,205 to \$47,791,737
- Internal Service Funds: From \$3,924,767 to \$3,054,309
- Component Units: From \$8,409,065 to \$7,518,528

**Note 2 - Stewardship, Compliance, and Accountability**

***Construction Code Fees***

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

Shortfall at July 1, 2017		\$ (4,180,767)
Current year permit revenue		2,666,702
Related expenses:		
Direct costs	\$ 1,194,516	
Estimated indirect costs	107,535	1,302,051
		<u>1,364,651</u>
Current year surplus		<u>1,364,651</u>
Cumulative shortfall June 30, 2018		<u><u>\$ (2,816,116)</u></u>

**Note 3 - Deposits and Investments**

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



June 30, 2018

**Note 3 - Deposits and Investments (Continued)**

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

The City has designated three 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 deposits and investments are in accordance with statutory authority.

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

**Custodial Credit Risk of Bank Deposits**

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

At year end, the City had \$4,717,929 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$380,429 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	Less than 1 Year	1-5 Years	Fair Value
Money market	\$ 5,883,442	\$ -	\$ 5,883,442
Commercial paper	3,626,536	-	3,626,536
U.S. government agency securities	3,235,677	4,329,671	7,565,348
Asset-backed securities	114,716	1,475,462	1,590,178
U.S. Treasury bonds	496,608	3,586,036	4,082,644
International redevelopment notes	511,243	2,738,746	3,249,989
Total	<u>\$ 13,868,222</u>	<u>\$ 12,129,915</u>	<u>\$ 25,998,137</u>

Fiduciary Funds	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Total
Corporate bonds and notes	\$ -	\$ 34,097	\$ 91,546	\$ 52,747	\$ 178,390
U.S. government agency securities	34,993	-	-	208,380	243,373
Money market	85,564	-	-	-	85,564
Total	<u>\$ 120,557</u>	<u>\$ 34,097</u>	<u>\$ 91,546</u>	<u>\$ 261,127</u>	<u>\$ 507,327</u>

June 30, 2018

**Note 3 - 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's has no investment policy that would further limit its investment choices. As of June 30, 2018, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Primary Government and Component Units	S&P: AAA	S&P: AA+	Moody's: A1+	Moody's: A1
Money market funds	\$ 5,883,442	\$ -	\$ -	\$ -
Commercial paper	-	-	547,192	3,079,344
U.S. government agency securities	-	7,565,348	-	-
Asset-backed securities	-	1,590,178	-	-
U.S. Treasury bonds	-	4,082,644	-	-
International redevelopment notes	3,249,989	-	-	-
<b>Total</b>	<b>\$ 9,133,431</b>	<b>\$ 13,238,170</b>	<b>\$ 547,192</b>	<b>\$ 3,079,344</b>

Fiduciary Funds	S&P:AAA	S&P:AA+	S&P:A+	S&P:A	S&P A-	S&P: BBB+	Not Rated	Total
Corporate bonds and notes	\$ 16,972	\$ -	\$ 13,304	\$ 13,617	\$ 55,683	\$ 52,183	\$ 26,631	\$ 178,390
U.S. government agency securities	-	44,383	-	-	-	-	198,990	243,373
Money market	-	-	-	-	-	-	85,564	85,564
<b>Total</b>	<b>\$ 16,972</b>	<b>\$ 44,383</b>	<b>\$ 13,304</b>	<b>\$ 13,617</b>	<b>\$ 55,683</b>	<b>\$ 52,183</b>	<b>\$ 311,185</b>	<b>\$ 507,327</b>

**Note 4 - Fair Value Measurements**

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

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

June 30, 2018

**Note 4 - Fair Value Measurements (Continued)**

The primary government, component units, and fiduciary fund had the following recurring fair value measurements as of June 30, 2018:

Assets Measured at Fair Value on a Recurring Basis at June 30, 2018				
Quoted Prices in				
	Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
<b>Assets</b>				
Debt securities:				
Money market funds	\$ -	\$ 2,364,538	\$ -	\$ 2,364,538
Commercial paper	-	3,626,536	-	3,626,536
U.S. government agency securities	-	7,808,722	-	7,808,722
Asset-backed securities	-	1,590,179	-	1,590,179
U.S. Treasury bonds	-	4,082,644	-	4,082,644
International redevelopment notes	-	3,249,989	-	3,249,989
Corporate bonds	-	178,390	-	178,390
Total debt securities:	-	22,900,998	-	22,900,998
Total investments at fair value	\$ -	\$ 22,900,998	\$ -	22,900,998
Investments measured at NAV - Michigan CLASS investment pool				3,604,469
Total investments measured at fair value				\$ 26,505,467

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

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

There were no investments at June 30, 2018 valued based on Level 3 inputs.

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

**Investments in Entities that Calculate Net Asset Value per Share**

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

As of June 30, 2018, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Michigan CLASS investment pool	\$ 3,604,469	\$ -	N/A	None

June 30, 2018

**Note 4 - Fair Value Measurements (Continued)**

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

**Note 5 - Receivables**

Receivables as of June 30, 2018 for the City's individual major funds and the nonmajor funds, enterprise funds, and component units in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Nonmajor Funds	Proprietary Internal Service Fund	Total Governmental Activities	Enterprise Funds	Total	Component Units
Receivables:							
Property taxes receivable	\$ 662,365	\$ 101,973	\$ -	\$ 764,338	\$ 371,849	\$ 1,136,187	\$ 40,857
Special assessments receivable	-	289,439	-	289,439	-	289,439	-
Receivables from sales to customers on account	-	-	-	-	2,996,439	2,996,439	-
Other receivables	233,442	178,702	-	412,144	10,108	422,252	2,250
Due from other governmental units	629,922	780,869	7,100	1,417,891	752,280	2,170,171	69,322
Net receivables	<u>\$ 1,525,729</u>	<u>\$ 1,350,983</u>	<u>\$ 7,100</u>	<u>\$ 2,883,812</u>	<u>\$ 4,130,676</u>	<u>\$ 7,014,488</u>	<u>\$ 112,429</u>

**Note 6 - Deferred Inflows 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	\$ 170,262
Special assessments - Unavailable	227,347
Grant revenue - Unavailable	33,564
State, local, and other revenue - Unavailable	181,117
Total deferred inflows	<u>\$ 612,290</u>

June 30, 2018

**Note 7 - Capital Assets**

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

**Governmental Activities**

	Balance July 1, 2017	Reclassifications	Additions	Disposals	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$ 5,566,341	\$ -	\$ -	\$ -	\$ 5,566,341
Construction in progress	4,788,779	(4,053,845)	11,099,829	-	11,834,763
Subtotal	10,355,120	(4,053,845)	11,099,829	-	17,401,104
Capital assets being depreciated:					
Infrastructure	78,053,909	4,053,845	317,598	-	82,425,352
Buildings and improvements	20,029,337	-	112,251	-	20,141,588
Machinery and equipment	11,501,498	-	645,864	(121,979)	12,025,383
Vehicles	5,631,176	-	303,953	(222,388)	5,712,741
Land improvements	1,177,490	-	-	-	1,177,490
Subtotal	116,393,410	4,053,845	1,379,666	(344,367)	121,482,554
Accumulated depreciation:					
Infrastructure	53,493,611	-	2,845,538	-	56,339,149
Buildings and improvements	8,248,105	-	441,624	-	8,689,729
Machinery and equipment	10,171,272	-	377,022	(119,071)	10,429,223
Vehicles	4,300,379	-	272,066	(222,388)	4,350,057
Land improvements	763,444	-	47,059	-	810,503
Subtotal	76,976,811	-	3,983,309	(341,459)	80,618,661
Net capital assets being depreciated	39,416,599	4,053,845	(2,603,643)	(2,908)	40,863,893
Net governmental activities capital assets	<u>\$ 49,771,719</u>	<u>\$ -</u>	<u>\$ 8,496,186</u>	<u>\$ (2,908)</u>	<u>\$ 58,264,997</u>

June 30, 2018

**Note 7 - Capital Assets (Continued)**

***Business-type Activities***

	Balance July 1, 2017	Reclassifications	Additions	Disposals	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$ 88,065	\$ -	\$ -	\$ -	\$ 88,065
Construction in progress	1,432,043	(2,019,162)	1,225,293	-	638,174
Subtotal	1,520,108	(2,019,162)	1,225,293	-	726,239
Capital assets being depreciated:					
Water and sewer lines	102,124,314	2,019,162	2,338,812	-	106,482,288
Machinery and equipment	602,118	-	163,999	-	766,117
Other depreciable assets	2,321,650	-	156,669	(119,279)	2,359,040
Subtotal	105,048,082	2,019,162	2,659,480	(119,279)	109,607,445
Accumulated depreciation:					
Water and sewer lines	40,510,884	-	1,770,478	-	42,281,362
Machinery and equipment	496,197	-	43,746	-	539,943
Other depreciable assets	1,189,480	-	85,376	(119,279)	1,155,577
Subtotal	42,196,561	-	1,899,600	(119,279)	43,976,882
Net capital assets being depreciated	62,851,521	2,019,162	759,880	-	65,630,563
Net business-type activity capital assets	\$ 64,371,629	\$ -	\$ 1,985,173	\$ -	\$ 66,356,802

***Component Unit***

	Balance July 1, 2017	Reclassifications	Additions	Disposals	Balance June 30, 2018
Capital assets not being depreciated - Land	\$ 3,203,186	\$ -	\$ -	\$ -	\$ 3,203,186
Capital assets being depreciated:					
Machinery and equipment	622,830	-	4,078	-	626,908
Building improvements	24,904,996	-	66,287	-	24,971,283
Land improvements	406,081	-	-	-	406,081
Subtotal	25,933,907	-	70,365	-	26,004,272
Accumulated depreciation:					
Machinery and equipment	608,145	-	4,200	-	612,345
Building improvements	5,002,902	-	556,843	-	5,559,745
Land improvements	187,849	-	33,379	-	221,228
Subtotal	5,798,896	-	594,422	-	6,393,318
Net capital assets being depreciated	20,135,011	-	(524,057)	-	19,610,954
Net capital assets	\$ 23,338,197	\$ -	\$ (524,057)	\$ -	\$ 22,814,140

June 30, 2018

**Note 7 - Capital Assets (Continued)**

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

Governmental activities:		
General government	\$	220,169
Public safety		217,416
Public works		2,985,585
Recreation and culture		179,756
Internal service fund depreciation is charged to the various functions based on their usage of the asset		<u>380,383</u>
Total governmental activities	\$	<u>3,983,309</u>
Business-type activities - Water and sewer	\$	1,899,600
Component unit activities:		
TIFA	\$	550,342
DDA		<u>44,080</u>
Total component unit activities	\$	<u>594,422</u>

**Construction Commitments**

The City has active construction projects at year end. The projects include roads, water and sewer infrastructure improvements, and court building construction. At year end, the City has spent approximately \$12,428,000 on these projects with a remaining commitment of approximately \$19,316,000, which includes \$15,704,000 related to the 34th District Court renovation.

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

The City has made the following long-term advances between the City and the discretely presented component units:

Fund Borrowed From	Fund Loaned To	Amount
Component unit - Tax Increment Finance Authority	Primary government - Other nonmajor governmental funds	\$ 400,000
Primary government - General Fund	Component unit - Tax Increment Finance Authority	<u>300,000</u>
	Total	<u>\$ 700,000</u>

The advance between the Tax Increment Finance Authority and other nonmajor governmental funds is related to cash provided to the Romulus Athletic Center Fund for operating expenses. This advance will be repaid over a number of years. The advance from the General Fund to the Tax Increment Finance Authority is related to cash provided for operating expenses. This advance will be repaid over a number of years.

June 30, 2018

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

Interfund receivables and payables at June 30, 2018 are as follows:

Receivable	Payable	Amount
Primary government - Other nonmajor governmental funds	Component unit - Downtown Development Authority	\$ 2,668
	Component unit - Tax Increment Finance Authority	38,169
	Total primary government - Other nonmajor governmental funds	<u>\$ 40,837</u>

The payable from the Downtown Development Fund and Tax Increment Finance Authority to the nonmajor governmental funds related to overcaptures from 2013 to the Sanitation and Library Funds. Balances will be paid within the next fiscal year.

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Nonmajor governmental funds	\$ 11,360
Vining/Ecorse Construction Fund	Nonmajor governmental funds	631,787
Nonmajor governmental funds	Nonmajor governmental funds	706,725
Water and Sewer Fund	Nonmajor governmental funds	35,000
	Total	<u>\$ 1,384,872</u>

The transfers from the General Fund to nonmajor governmental funds were related to the supplemental funding of two special assessment districts. The transfer from the Vining/Ecorse Construction Fund to the nonmajor governmental funds relates to the portion of bond proceeds designated to fund debt service during the construction phase of the project. The transfers between the nonmajor governmental funds 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. The transfer from the Water and Sewer Fund to the Local Streets Fund was to pay the portion of a construction invoice that related to the replacement of a water main.

**Note 9 - Restricted Assets**

At June 30, 2018, restricted assets are composed of the following:

Description	Governmental Activities	Business-type Activities	Component Units
Cash deposits at Wayne County, Michigan	\$ -	\$ 2,415,718	\$ -
Bond proceeds	24,209,099	-	158,204
Total	<u>\$ 24,209,099</u>	<u>\$ 2,415,718</u>	<u>\$ 158,204</u>

The cash on deposit at Wayne County, Michigan is being held at Wayne County, Michigan 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 \$2,535,000 compared to principal and interest payments of approximately \$2,914,000 on the related debt.



June 30, 2018

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

Bond proceeds were collected in the current year for construction projects related to the new District Court building and Ecorse and Vining Road Construction. See Note 10 for the new debt issued.

**Note 10 - Long-term Debt**

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

Long-term debt activity for the year ended June 30, 2018 can be summarized as follows:

**Governmental Activities**

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Capital improvement bonds - Major streets: Amount of issue - \$2,095,000 Maturing through 2029	2.00%-4.00%	\$90,000-\$180,000	\$ 1,655,000	\$ -	\$ (155,000)	\$ 1,500,000	\$ 155,000
Capital improvement bonds - Court building construction: Amount of issue - \$14,940,000 Maturing through 2043	2.50%-4.00%	\$330,000-\$1,015,000	-	14,940,000	-	14,940,000	330,000
Capital improvement bonds - Vining/Ecorse Construction: Amount of issue - \$11,140,000 Maturing through 2034	2.75%-4.00%	\$745,000-\$870,000	-	11,140,000	-	11,140,000	-
Special assessment bonds - Beverly Road: Amount of issue - \$1,650,000 Maturing through 2022 Plus premium on bonds payable	4.00%-5.10%	\$80,000	400,000	-	(80,000)	320,000	80,000
			55,855	3,130,734	(4,655)	3,181,934	158,537
Total bonds payable			2,110,855	29,210,734	(239,655)	31,081,934	723,537
Copier leases	5.02%		-	103,223	(4,570)	98,653	18,865
Compensated absences			826,574	596,392	(518,335)	904,631	565,354
Total governmental activities long-term debt			\$ 2,937,429	\$ 29,910,349	\$ (762,560)	\$ 32,085,218	\$ 1,307,756

June 30, 2018

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

***Business-type Activities***

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Wayne County contractual obligations:							
Amount of issue - \$42,381,873							
Maturing through 2033	1.63%-6.30%	\$253,790- \$2,315,642	\$ 13,941,423	\$ 1,491,226	\$ (2,542,585)	\$ 12,890,064	\$ 2,225,608
Capital improvement bonds -							
Water and sewer:							
Amount of issue - \$3,835,000							
Maturing through 2026	3.00%-5.00%	\$320,000- \$465,000	3,835,000	-	(320,000)	3,515,000	330,000
Capital improvement bonds -							
Water:							
Amount of issue - \$2,900,000							
Maturing through 2034	2.00%-4.00%	\$95,000- \$260,000	2,600,000	-	(95,000)	2,505,000	105,000
Premiums on bonds payable			581,262	-	(55,737)	525,525	55,737
Total bonds payable			20,957,685	1,491,226	(3,013,322)	19,435,589	2,716,345
Copier leases	5.02%	0	-	5,138	(256)	4,882	1,028
Compensated absences			147,882	92,842	(118,306)	122,418	97,934
Total business-type activities long-term debt			<u>\$ 21,105,567</u>	<u>\$ 1,589,206</u>	<u>\$ (3,131,884)</u>	<u>\$ 19,562,889</u>	<u>\$ 2,815,307</u>

June 30, 2018

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

**Component Unit**

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Tax Increment Finance Authority:							
Limited Tax General							
Obligation:							
Amount of issue - \$10,370,000							
Maturing through 2027	2.00%-5.00%	\$875,000-\$1,235,000	\$ 10,370,000	\$ -	\$ (875,000)	\$ 9,495,000	\$ 905,000
Premium on bonds payable			1,187,347	-	(33,924)	1,153,423	33,924
Capital improvement bonds:							
Amount of issue - \$1,695,000							
Maturing through 2020	1.35%	\$335,000-\$350,000	1,025,000	-	(350,000)	675,000	350,000
Capital improvement bonds:							
Amount of issue - \$3,810,000							
Maturing through 2019	1.35%	\$740,000-\$780,000	2,320,000	-	(750,000)	1,570,000	765,000
Compensated absences			6,446	5,429	(5,218)	6,657	5,326
Copier leases	5.02%	0	-	2,039	(102)	1,937	408
Total - Tax Increment Finance Authority			14,908,793	7,468	(2,014,244)	12,902,017	2,059,658
Downtown Development Authority:							
Capital Improvement bonds:							
Amount of issue - \$1,005,000							
Maturing through 2034	2.00%-4.00%	\$40,000-\$70,000	885,000	-	(40,000)	845,000	40,000
Premium on bonds payable			23,059	-	(1,356)	21,703	1,356
Compensated absences			6,294	2,619	(4,974)	3,939	3,151
Copier leases	5.02%		-	2,039	(102)	1,937	408
Total - Downtown Development Authority			914,353	4,658	(46,432)	872,579	44,915
Total component units			\$ 15,823,146	\$ 12,126	\$ (2,060,676)	\$ 13,774,596	\$ 2,104,573

**Debt Service Requirements to Maturity**

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

Years Ending June 30	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 583,865	\$ 1,223,102	\$ 1,806,967	\$ 2,648,243	\$ 532,411	\$ 3,180,654	\$ 2,060,745	\$ 423,265	\$ 2,484,010
2020	599,834	1,204,903	1,804,737	2,050,058	469,112	2,519,170	2,100,784	375,068	2,475,852
2021	1,470,852	1,167,554	2,638,406	1,997,077	412,468	2,409,545	1,015,824	328,200	1,344,024
2022	1,441,923	1,111,703	2,553,626	1,125,982	366,186	1,492,168	1,055,866	287,208	1,343,074
2023	1,337,179	1,058,374	2,395,553	1,159,961	328,756	1,488,717	1,090,655	244,714	1,335,369
2024-2028	6,510,000	4,480,813	10,990,813	5,946,688	979,063	6,925,751	4,890,000	529,950	5,419,950
2029-2033	6,980,000	3,009,975	9,989,975	3,263,327	121,515	3,384,842	305,000	51,600	356,600
2034-2038	4,460,000	1,637,650	6,097,650	723,610	-	723,610	70,000	2,800	72,800
Thereafter	4,615,000	599,625	5,214,625	-	-	-	-	-	-
Total	\$ 27,998,653	\$ 15,493,699	\$ 43,492,352	\$ 18,914,946	\$ 3,209,511	\$ 22,124,457	\$ 12,588,874	\$ 2,242,805	\$ 14,831,679

**Note 11 - Risk Management**

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

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

**Note 12 - Contingent Liabilities**

***Clean Water Act***

The City has been named as a defendant in a lawsuit alleging violations of the Clean Water Act occurring in the Downriver Sewage Treatment System. Several other communities, including Wayne County, Michigan, 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, 2018 was approximately \$4,700,000. The bonds will be paid through a court-ordered judgment levy. In addition, approximately \$62,100,000 of capital improvement bonds was issued in previous years for the system. The City's share of the outstanding balance payable at June 30, 2018 was \$8,200,000. The bonds will be paid through sewer rates.

***Tax Appeals***

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

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

***Plan Description***

The City of Romulus, Michigan 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 13 - Agent Defined Benefit Pension Plan Description (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.

***Benefits Provided***

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

Retirement benefits for employees are calculated as 2.50 or 3.00 percent (depending on the group) of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 15 or 25 years of service (depending on the group), or in some cases, reduced early retirement at 50 with 25 years of service or 55 with 15 years of service (depending on the group). The vesting period is 10 years. Employees are eligible for nonduty disability benefits after six years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. Death benefits equal between 25 to 85 percent of the employee's final full-year salary depending on the plan selected and reasons for death. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

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

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

***Employees Covered by Benefit Terms***

The following members were covered by the benefit terms:

Date of member count	December 31, 2017
Inactive plan members or beneficiaries currently receiving benefits	63
Inactive plan members entitled to but not yet receiving benefits	6
Active plan members	61
Total employees covered by the System	130

***Contributions***

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the System retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the System's retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. For the year ended June 30, 2018, the average active employee contribution rate was 7.0 percent of annual pay and the City's average contribution rate was 80.0 percent of annual payroll.

June 30, 2018

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

**Net Pension Liability**

The City has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The June 30, 2018 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2017 measurement date. The December 31, 2017 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2016</b>	\$ 50,844,067	\$ 19,936,765	\$ 30,907,302
Changes for the year:			
Service cost	571,096	-	571,096
Interest	3,954,235	-	3,954,235
Changes in benefits	(22,732)	-	(22,732)
Differences between expected and actual experience	124,833	-	124,833
Contributions - Employer	-	2,466,354	(2,466,354)
Contributions - Employee	-	303,223	(303,223)
Net investment income	-	2,603,367	(2,603,367)
Benefit payments, including refunds	(3,329,070)	(3,329,070)	-
Administrative expenses	-	(41,250)	41,250
Miscellaneous other charges	(74,276)	(74,276)	-
Net changes	1,224,086	1,928,348	(704,262)
<b>Balance at December 31, 2017</b>	<u>\$ 52,068,153</u>	<u>\$ 21,865,113</u>	<u>\$ 30,203,040</u>

The plan's fiduciary net position represents 42 percent of the total pension liability.

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

For the year ended June 30, 2018, the City recognized pension expense of \$3,019,568.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 99,867	\$ (342,328)
Changes in assumptions	698,420	-
Net difference between projected and actual earnings on pension plan investments	-	(362,807)
Employer contributions to the plan subsequent to the measurement date	1,269,078	-
Total	<u>\$ 2,067,365</u>	<u>\$ (705,135)</u>

June 30, 2018

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending June 30	Amount
2019	\$ 346,881
2020	273,838
2021	(345,448)
2022	(182,119)

**Actuarial Assumptions**

The total pension liability in the December 31, 2017 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.8 percent, an investment rate of return (net of investment expenses) of 8 percent, and using a 50 percent male and 50 percent female blend of the following mortality tables:

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

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

**Discount Rate**

The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

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

**Investment Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2017, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55.50 %	8.65 %
Global fixed income	18.50	3.76
Real assets	13.50	9.72
Diversifying strategies	12.50	7.50

June 30, 2018

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

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability of the City, calculated using the discount rate of 8.0 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1 Percent Decrease (7.0%)</u>	<u>Current Discount Rate (8.0%)</u>	<u>1 Percent Increase (9.0%)</u>
Net pension liability of the System	\$ 36,290,932	\$ 30,203,040	\$ 25,107,148

***Pension Plan Fiduciary Net Position***

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

**Note 14 - Defined Contribution Pension Plan**

The City provides pension benefits to all groups not covered in the System's plan through a defined contribution plan administered by McCready and Keene. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by labor contracts with the approval of the City Council, the City contributed 11.5 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, 2018. Employees who participate are required to contribute 0.5 percent to 1.0 percent of earnings and may contribute 0-10 percent of after-tax earnings. In accordance with these requirements, the City contributed \$603,734 during the current year and employees contributed \$105,325.

**Note 15 - Other Postemployment Benefit Plan**

***Plan Description***

The City of Romulus, Michigan administers the City of Romulus Retiree Health Care Plan, which is a cost-sharing multiple-employer defined benefit OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) for permanent full-time general and public works employees of the City. The benefits are provided in accordance with labor contracts and city personnel policies, as approved by the City Council. In the June 30, 2017 actuary report, the plan has 275 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

The plan does not issue a separate stand-alone financial statement. The financial statements of the OPEB plan are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Management of the plan is vested with the City Council, which consists of seven elected members.



**Note 15 - Other Postemployment Benefit Plan (Continued)**

**Benefits Provided**

The City of Romulus Retiree Health Care Plan provides medical, prescription, dental, optical, and life coverage for retirees and spouses with 25 years of service or who are 65 years of age with 10 years of service, or are 50 years of age with 25 years of service, depending on bargaining agreement. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the plan.

**Contributions**

The OPEB plan's funding policy is that the employer will make discretionary contributions. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves. For the year ended June 30, 2018, the City contributed \$2,425,886 to the plan. Other employers in the plan contributed \$220,595. Plan members are not required to contribute to the plan.

**Net OPEB Liability**

At June 30, 2018, the City reported a liability of \$52,249,580 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on the City's actuarially accrued liability for the year ended June 30, 2017 relative to all other contributing employers. At June 30, 2017, the City's proportion was 89.23 percent.

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the City recognized OPEB expense of \$3,019,302.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (4,609,376)
Changes in assumptions	1,693,650	-
Net difference between projected and actual earnings on OPEB plan investments	52,732	-
	<u>1,746,382</u>	<u>(4,609,376)</u>
Total	<u>\$ 1,746,382</u>	<u>\$ (4,609,376)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending June 30	Amount
2019	\$ (868,093)
2020	(868,093)
2021	(868,093)
2022	(258,751)
Total	<u>\$ (2,863,030)</u>

**Note 15 - Other Postemployment Benefit Plan (Continued)**

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 4 percent to 17 percent; an investment rate of return (net of investment expenses) of 6.0 percent; a healthcare cost trend rate of 9.0 percent for 2018, decreasing 0.4 percent per year to an ultimate rate of 4.0 percent for 2028 and later years; and using the RP-2000 mortality tables projected 20 years with Scale BB. These assumptions were applied to all periods included in the measurement.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period ended March 2, 2010.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

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

**Investment Rate of Return**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2018 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	50.00 %	7.20 %
International equity	10.00	7.20
U.S. government or agency fixed income	40.00	2.70

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the City, calculated using the discount rate of 6.00 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (5.00%)	Current Discount Rate (6.00%)	1 Percent Increase (7.00%)
Net OPEB liability of the City of Romulus Retiree Health Care Plan	\$ 60,043,424	\$ 52,249,580	\$ 45,867,206

**Note 15 - Other Postemployment Benefit Plan (Continued)**

***Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate***

The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate of 9.00 percent decreasing to 4.00 percent, as well as what the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (8.00% decreasing to 3.00%)	Current Healthcare Cost Trend Rate (9.00% decreasing to 4.00%)	1 Percent Increase (10.00% decreasing to 5.00%)
Net OPEB liability of the City of Romulus Retiree Health Care Plan	\$ 45,665,060	\$ 52,249,580	\$ 60,097,164

***OPEB Plan Fiduciary Net Position***

Detailed information about the plan's fiduciary net position is not available in a separately issued financial report. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

**Note 16 - Joint Venture**

The City is a member of the 34th District Court (the "Court"), which provides services to the City of Romulus, Michigan, the City of Belleville, Michigan, and the townships of Huron, Sumpter, and Van Buren. The City has a two-thirds interest in the revenue of the Court and provides the annual funding for its operations. During the year, the City received net revenue from the Court of \$2,572,460. 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 \$3,211,739 for operations of the system and \$2,913,734 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 Notes 12 and 18. Financial statements for the joint venture can be obtained from the administrative offices at 415 Clifford, Detroit, MI 48226.

**Note 17 - Tax Abatements**

The City uses the Industrial Facilities Tax exemption (PA 198 of 1974) to enter into agreements with local businesses to construct new industrial facilities or rehabilitate historical facilities. Under the program, the City grants reductions of 50 percent of the property tax bill for new property.

For the fiscal year ended June 30, 2018, the City abated \$601,272 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

**Note 18 - Subsequent Events**

On September 27, 2018, the System transferred from the County of Wayne, Michigan (the "County") to the Downriver Utility Wastewater Authority (DUWA). DUWA is a consortium formed in 2010 under Public Act 233 of 1955 to acquire and operate the sewer system. The same 12 communities that originally jointly participated in the System are now the members of DUWA and are effectively owners of the System. The transfer price was \$54 million, which was paid at closing with \$55 million in revenue bonds (Senior Lien bond proceeds) issued by DUWA, plus an obligation for an additional payment of \$3.5 million to be paid in September 2023.

Existing County debt related to the System was handled as follows:

Judgment levy debt of \$23.2 million remains as an obligation of the County and will continue to be paid directly from the communities to the County.

2007D series bonds were refunded and reissued as part of the \$55 million Senior Lien bond issuance.

The outstanding State Revolving Fund (SRF) debt of \$62 million was exchanged into DUWA's name and has now become a liability of DUWA.

At the time of the system transfer on September 27, 2018, in addition to transferring the treatment plant, distribution system and other capital assets with a net book value of approximately \$190 million, the County also transferred approximately \$40 million of cash. In exchange for these assets, DUWA is obligated for the exchanged SRF debt in the principal amount of approximately \$62 million, the new 2018 Senior Lien debt issuance with a face amount of \$55 million and the \$3.5 million remaining transfer obligation. All DUWA debt is revenue bond debt that will be paid by the communities through rates and charges. The City of Romulus, Michigan is evaluating the impact of the transfer on its water and sewer fund; any such impact will be reflected in its fiscal year 2019 financial statements.

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## Required Supplemental Information

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Required Supplemental Information  
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 7,476,080	\$ 7,476,080	\$ 7,706,032	\$ 229,952
Intergovernmental:				
Federal grants	66,060	66,060	136,768	70,708
State sources	4,071,170	4,071,170	4,646,231	575,061
Charges for services	2,777,140	2,784,140	2,650,743	(133,397)
Fines and forfeitures	2,500,000	2,500,000	1,657,178	(842,822)
Licenses and permits	1,231,950	1,283,760	3,076,335	1,792,575
Interest income	10,000	19,000	77,794	58,794
Other	152,120	213,712	187,758	(25,954)
Total revenue	18,284,520	18,413,922	20,138,839	1,724,917
<b>Expenditures</b>				
Current services:				
General government:				
Legislative	92,630	93,230	85,022	8,208
Mayor	702,080	704,530	683,127	21,403
Financial services	2,120,140	2,218,443	2,099,777	118,666
Treasurer	460,210	468,835	463,072	5,763
Clerk	728,920	731,196	697,622	33,574
Buildings and grounds	900,000	1,088,250	756,741	331,509
Public safety	13,711,280	13,987,688	12,892,076	1,095,612
Public services	402,570	410,482	319,804	90,678
Health and welfare	734,190	734,930	619,268	115,662
Community and economic development	336,390	336,390	330,061	6,329
Community services and outreach	738,250	741,700	597,484	144,216
Total expenditures	20,926,660	21,515,674	19,544,054	1,971,620
<b>Excess of Revenue (Under) Over Expenditures</b>	(2,642,140)	(3,101,752)	594,785	3,696,537
<b>Other Financing Uses - Transfers out</b>	(11,360)	(11,360)	(11,360)	-
<b>Net Change in Fund Balance</b>	(2,653,500)	(3,113,112)	583,425	3,696,537
<b>Fund Balance - Beginning of year</b>	6,841,988	6,841,988	6,841,988	-
<b>Fund Balance - End of year</b>	<u>\$ 4,188,488</u>	<u>\$ 3,728,876</u>	<u>\$ 7,425,413</u>	<u>\$ 3,696,537</u>

# City of Romulus, Michigan

## Required Supplemental Information Schedule of Changes in the Net Pension Liability and Related Ratios

	Last Four Fiscal Years			
	2018	2017	2016	2015
<b>Total Pension Liability</b>				
Service cost	\$ 571,096	\$ 528,499	\$ 528,402	\$ 542,571
Interest	3,954,235	3,882,853	3,817,235	3,731,581
Changes in benefit terms	(22,732)	-	-	-
Differences between expected and actual experience	124,833	(202,239)	(552,460)	-
Changes in assumptions	-	-	1,746,051	-
Benefit payments, including refunds	(3,329,070)	(3,272,919)	(3,273,351)	(3,184,316)
Miscellaneous other charges	(74,276)	-	-	-
<b>Net Change in Total Pension Liability</b>	1,224,086	936,194	2,265,877	1,089,836
<b>Total Pension Liability - Beginning of year</b>	50,844,067	49,907,873	47,641,996	46,552,160
<b>Total Pension Liability - End of year</b>	<b>\$ 52,068,153</b>	<b>\$ 50,844,067</b>	<b>\$ 49,907,873</b>	<b>\$ 47,641,996</b>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 2,466,354	\$ 2,202,543	\$ 1,869,896	\$ 1,785,563
Contributions - Employee	303,223	278,651	281,502	284,028
Net investment income	2,603,367	2,076,536	(288,789)	1,242,261
Administrative expenses	(41,250)	(41,059)	(42,954)	(45,406)
Benefit payments, including refunds	(3,329,070)	(3,272,919)	(3,273,351)	(3,184,316)
Other	(74,276)	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	1,928,348	1,243,752	(1,453,696)	82,130
<b>Plan Fiduciary Net Position - Beginning of year</b>	19,936,765	18,693,013	20,146,709	20,064,579
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 21,865,113</b>	<b>\$ 19,936,765</b>	<b>\$ 18,693,013</b>	<b>\$ 20,146,709</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 30,203,040</b>	<b>\$ 30,907,302</b>	<b>\$ 31,214,860</b>	<b>\$ 27,495,287</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	41.99 %	39.21 %	37.46 %	42.29 %
<b>Covered Employee Payroll</b>	\$ 4,180,129	\$ 3,853,356	\$ 3,817,724	\$ 3,907,772
<b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	722.54 %	802.09 %	817.63 %	703.61 %

Required Supplemental Information  
Schedule of Pension Contributions

Last Ten Fiscal Years  
Years Ended June 30

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 2,466,354	\$ 2,202,543	\$ 1,869,896	\$ 1,785,564	\$ 1,868,648	\$ 1,526,264	\$ 1,529,553	\$ 1,578,406	\$ 1,532,019	\$ 1,377,582
Contributions in relation to the actuarially determined contribution	2,466,354	2,202,543	1,869,896	1,785,564	1,868,648	1,526,264	1,529,553	1,578,406	1,532,019	1,377,582
<b>Contribution Deficiency</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Employee Payroll</b>	<b>\$ 4,180,129</b>	<b>\$ 3,853,356</b>	<b>\$ 3,817,724</b>	<b>\$ 3,907,772</b>	<b>\$ 4,459,246</b>	<b>\$ 4,742,971</b>	<b>\$ 4,847,101</b>	<b>\$ 4,854,341</b>	<b>\$ 6,342,769</b>	<b>\$ 5,449,276</b>
<b>Contributions as a Percentage of Covered Employee Payroll</b>	<b>59.00 %</b>	<b>57.16 %</b>	<b>48.98 %</b>	<b>45.69 %</b>	<b>41.91 %</b>	<b>32.18 %</b>	<b>31.56 %</b>	<b>32.52 %</b>	<b>24.15 %</b>	<b>25.28 %</b>

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level of percentage of payroll, open
Remaining amortization period	21 years
Asset valuation method	Five-year smoothed
Inflation	2.50 percent
Salary increase	3.75 percent
Investment rate of return	7.75 percent
Retirement age	60 with 10 years of service, 55 with 15 or 25 years of service (depending on the group), or 50 with 25 years of service
Mortality	50 percent male - 50 percent female blend of the following tables: 1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent 2. The RP-2014 Employee Mortality Tables 3. The RP-2014 Juvenile Mortality Tables
Other information	None



Required Supplemental Information  
Schedule of Changes in the Net OPEB Liability and Related Ratios

	<b>Last Two Fiscal Years</b>	
	2018	2017
<b>Total OPEB Liability</b>		
Service cost	\$ 652,804	\$ 675,757
Interest	3,872,290	3,790,304
Differences between expected and actual experience	(6,729,960)	(627,854)
Changes in assumptions	2,518,057	-
Benefit payments, including refunds	(2,620,542)	(2,300,054)
<b>Net Change in Total OPEB Liability</b>	(2,307,351)	1,538,153
<b>Total OPEB Liability - Beginning of year</b>	65,522,037	63,983,884
<b>Total OPEB Liability - End of year</b>	<b>\$ 63,214,686</b>	<b>\$ 65,522,037</b>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 2,751,868	\$ 2,461,024
Net investment income	233,943	273,530
Administrative expenses	(95,925)	(53,100)
Benefit payments, including refunds	(2,620,542)	(2,300,054)
Other	-	40,708
<b>Net Change in Plan Fiduciary Net Position</b>	269,344	422,108
<b>Plan Fiduciary Net Position - Beginning of year</b>	4,389,269	3,967,161
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 4,658,613</b>	<b>\$ 4,389,269</b>
<b>Net OPEB Liability - Ending</b>	<b>\$ 58,556,073</b>	<b>\$ 61,132,768</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	7.37 %	6.70 %
<b>Covered Employee Payroll</b>	\$ 5,954,862	\$ 6,023,526
<b>Net OPEB Liability as a Percentage of Covered Employee Payroll</b>	983.33 %	1,014.90 %

Required Supplemental Information  
Schedule of OPEB Contributions

Last Ten Fiscal Years  
Years Ended June 30

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 5,524,127	\$ 5,573,640	\$ 5,385,254	\$ 5,400,370	\$ 6,998,460	\$ 6,954,822	\$ 3,390,306	\$ 3,244,311	\$ 2,520,396	\$ 2,411,861
Contributions in relation to the actuarially determined contribution	2,751,868	2,461,024	2,546,820	2,694,479	2,762,847	2,376,800	1,770,472	1,160,212	1,616,616	1,461,388
<b>Contribution Excess</b>	<b>\$ (2,772,259)</b>	<b>\$ (3,112,616)</b>	<b>\$ (2,838,434)</b>	<b>\$ (2,705,891)</b>	<b>\$ (4,235,613)</b>	<b>\$ (4,578,022)</b>	<b>\$ (1,619,834)</b>	<b>\$ (2,084,099)</b>	<b>\$ (903,780)</b>	<b>\$ (950,473)</b>
<b>Covered Employee Payroll</b>	<b>\$ 5,954,862</b>	<b>\$ 6,023,526</b>	<b>\$ 5,124,343</b>	<b>\$ 5,124,343</b>	<b>\$ 7,641,555</b>	<b>\$ 7,641,555</b>	<b>\$ 10,850,519</b>	<b>\$ 10,850,519</b>	<b>\$ 12,435,976</b>	<b>\$ 12,435,976</b>
<b>Contributions as a Percentage of Covered Employee Payroll</b>	<b>46.21 %</b>	<b>40.86 %</b>	<b>49.70 %</b>	<b>52.58 %</b>	<b>36.16 %</b>	<b>31.10 %</b>	<b>16.32 %</b>	<b>10.69 %</b>	<b>13.00 %</b>	<b>11.75 %</b>

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	23 years, closed
Asset valuation method	Market value of assets
Inflation	2.50 percent
Healthcare cost trend rates	Initial trend of 9.0 percent gradually decreasing to 4.0 percent in year 10
Salary increase	4.00 to 17.00 percent, including inflation
Investment rate of return	6.00 percent, net of OPEB plan investment expense
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	The RP-2000 Mortality Table projected 20 years with Scale BB
Other information	None

June 30, 2018

### ***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 or her 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 or her 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.
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 or she 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.

**June 30, 2018**

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

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Other Financing Uses</u>
Amounts per operating statement	\$ 20,138,839	\$ 19,544,054	\$ 11,360
Operating transfers budgeted as revenue and expenditures	-	11,360	(11,360)
Amounts per budget statement	<u>\$ 20,138,839</u>	<u>\$ 19,555,414</u>	<u>\$ -</u>

***Changes in Assumptions***

In 2018, the following assumptions were changed relative to the City of Romulus Retiree Health Care Plan:

- Removal of the excise tax load to the liabilities, to account for future excise taxes for Cadillac plans under the Patient Protection and Affordable Care Act.
- Resetting the healthcare cost trend assumption.

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## Other Supplemental Information

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# City of Romulus, Michigan

Special Revenue Funds							
	Major Streets	Local Streets	Cable TV	911	Sanitation	Community Development Block Grant	Street Lighting
<b>Assets</b>							
Cash and investments	\$ 967,998	\$ 567,694	\$ 752,374	\$ 195,011	\$ 831,951	\$ 38,682	\$ 53,617
Receivables:							
Property taxes receivable	-	-	-	-	71,924	-	-
Special assessments receivable	-	-	-	-	-	-	56,140
Other receivables	-	-	90,318	-	-	-	-
Due from other governments	316,345	108,267	-	30,048	-	30,804	-
Due from component units	-	-	-	-	34,215	-	-
Inventory	67,299	100,948	-	-	-	-	-
Prepaid expenses and other assets:							
Prepaid expenses	-	-	-	-	-	-	-
Restricted assets	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 1,351,642</b>	<b>\$ 776,909</b>	<b>\$ 842,692</b>	<b>\$ 225,059</b>	<b>\$ 938,090</b>	<b>\$ 69,486</b>	<b>\$ 109,757</b>
<b>Liabilities</b>							
Accounts payable	\$ 49,332	\$ 35,601	\$ 284	\$ 4,811	\$ 171,633	\$ 25,083	\$ -
Due to other governmental units	-	-	-	-	-	366	4,020
Accrued liabilities and other:							
Accrued salaries and wages	9,618	15,843	4,214	-	4,169	934	-
Accrued and other liabilities	-	-	-	-	23,172	-	-
Advances from component units	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>58,950</b>	<b>51,444</b>	<b>4,498</b>	<b>4,811</b>	<b>198,974</b>	<b>26,383</b>	<b>4,020</b>
<b>Deferred Inflows of Resources -</b>							
Unavailable revenue	10,493	-	-	21,832	17,604	10,239	-
<b>Fund Balances</b>							
Nonspendable:							
Inventory	67,299	100,948	-	-	-	-	-
Prepays	-	-	-	-	-	-	-
Restricted:							
Roads	1,214,900	624,517	-	-	-	-	-
Public Safety	-	-	-	198,416	-	-	-
Sanitation	-	-	-	-	721,512	-	-
Debt service	-	-	-	-	-	-	-
Grants	-	-	-	-	-	32,864	-
PEG fees	-	-	838,194	-	-	-	-
Street lighting	-	-	-	-	-	-	105,737
Cemetery operations	-	-	-	-	-	-	-
Community facilities and programs	-	-	-	-	-	-	-
Library operations	-	-	-	-	-	-	-
Committed - Recreation	-	-	-	-	-	-	-
Assigned - Capital projects	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>1,282,199</b>	<b>725,465</b>	<b>838,194</b>	<b>198,416</b>	<b>721,512</b>	<b>32,864</b>	<b>105,737</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,351,642</b>	<b>\$ 776,909</b>	<b>\$ 842,692</b>	<b>\$ 225,059</b>	<b>\$ 938,090</b>	<b>\$ 69,486</b>	<b>\$ 109,757</b>

Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2018

Special Revenue Funds

Merriman Road Special Assessment District	Oakwood Special Assessment District	Narcotics Enforcement	Romulus Athletic Center	Cemetery Perpetuation	Library Fund	Community - Employee Activity Fund	Debt Service Fund	Construction Fund	Total
\$ 78,555	\$ 61,383	\$ 368,344	\$ 625,589	\$ 9,037	\$ 213,385	\$ 3,353	\$ 1,788,955	\$ 297,023	\$ 6,852,951
-	-	-	-	-	30,049	-	-	-	101,973
334	1,541	-	-	-	-	-	-	231,424	289,439
-	-	-	88,384	-	-	-	-	-	178,702
-	-	-	-	-	170,624	-	124,781	-	780,869
-	-	-	-	-	6,622	-	-	-	40,837
-	-	-	-	-	-	-	-	-	168,247
-	-	-	4,010	214	-	-	-	-	4,224
-	-	-	-	-	-	-	632,194	-	632,194
<b>\$ 78,889</b>	<b>\$ 62,924</b>	<b>\$ 368,344</b>	<b>\$ 717,983</b>	<b>\$ 9,251</b>	<b>\$ 420,680</b>	<b>\$ 3,353</b>	<b>\$ 2,545,930</b>	<b>\$ 528,447</b>	<b>\$ 9,049,436</b>
\$ 6,776	\$ 367	\$ 1,906	\$ 33,282	\$ -	\$ 7,257	\$ -	\$ -	\$ -	\$ 336,332
-	-	-	-	-	1,774	-	-	6,242	12,402
-	-	-	46,062	-	11,318	-	-	-	92,158
-	-	-	76,316	-	9,600	-	-	-	109,088
-	-	-	400,000	-	-	-	-	-	400,000
6,776	367	1,906	555,660	-	29,949	-	-	6,242	949,980
-	-	-	-	-	176,142	-	-	227,347	463,657
-	-	-	-	-	-	-	-	-	168,247
-	-	-	4,010	214	-	-	-	-	4,224
72,113	62,557	-	-	-	-	-	-	-	1,974,087
-	-	366,438	-	-	-	-	-	-	564,854
-	-	-	-	-	-	-	-	-	721,512
-	-	-	-	-	-	-	2,545,930	-	2,545,930
-	-	-	-	-	-	-	-	-	32,864
-	-	-	-	-	-	-	-	-	838,194
-	-	-	-	-	-	-	-	-	105,737
-	-	-	-	9,037	-	-	-	-	9,037
-	-	-	-	-	-	3,353	-	-	3,353
-	-	-	-	-	214,589	-	-	-	214,589
-	-	-	158,313	-	-	-	-	-	158,313
-	-	-	-	-	-	-	-	294,858	294,858
72,113	62,557	366,438	162,323	9,251	214,589	3,353	2,545,930	294,858	7,635,799
<b>\$ 78,889</b>	<b>\$ 62,924</b>	<b>\$ 368,344</b>	<b>\$ 717,983</b>	<b>\$ 9,251</b>	<b>\$ 420,680</b>	<b>\$ 3,353</b>	<b>\$ 2,545,930</b>	<b>\$ 528,447</b>	<b>\$ 9,049,436</b>

# City of Romulus, Michigan

## Special Revenue Funds

	Major Streets	Local Streets	Cable TV	911	Sanitation	Community Development Block Grant	Street Lighting
<b>Revenue</b>							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,143,051	\$ -	\$ 4,711
Special assessments	-	-	-	-	-	-	542,911
Intergovernmental:							
Federal grants	112,717	-	-	-	-	533,678	-
State-shared revenue and grants	1,787,843	809,967	-	-	119,949	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-
Licenses and permits	86,650	-	-	-	-	-	-
Investment income	8,500	2,574	5,551	1,272	6,373	-	880
Other revenue	3,410	18,669	360,462	166,983	9,175	-	-
<b>Total revenue</b>	<b>1,999,120</b>	<b>831,210</b>	<b>366,013</b>	<b>168,255</b>	<b>1,278,548</b>	<b>533,678</b>	<b>548,502</b>
<b>Expenditures</b>							
Current services:							
General government	-	-	246,454	-	-	-	-
Public safety	-	-	-	116,577	-	-	-
Public works	1,302,962	1,003,546	-	-	1,105,488	-	558,764
Community and economic development -							
Redevelopment and housing	-	-	-	-	-	420,376	-
Community services and outreach:							
Library	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>1,302,962</b>	<b>1,003,546</b>	<b>246,454</b>	<b>116,577</b>	<b>1,105,488</b>	<b>420,376</b>	<b>558,764</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>696,158</b>	<b>(172,336)</b>	<b>119,559</b>	<b>51,678</b>	<b>173,060</b>	<b>113,302</b>	<b>(10,262)</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	535,000	-	-	-	-	-
Transfers out	(706,725)	-	-	-	-	-	-
<b>Total other financing (uses) sources</b>	<b>(706,725)</b>	<b>535,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(10,567)</b>	<b>362,664</b>	<b>119,559</b>	<b>51,678</b>	<b>173,060</b>	<b>113,302</b>	<b>(10,262)</b>
<b>Fund Balances - Beginning of year</b>	<b>1,292,766</b>	<b>362,801</b>	<b>718,635</b>	<b>146,738</b>	<b>548,452</b>	<b>(80,438)</b>	<b>115,999</b>
<b>Fund Balances - End of year</b>	<b>\$ 1,282,199</b>	<b>\$ 725,465</b>	<b>\$ 838,194</b>	<b>\$ 198,416</b>	<b>\$ 721,512</b>	<b>\$ 32,864</b>	<b>\$ 105,737</b>



Other Supplemental Information  
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds

**Year Ended June 30, 2018**

Special Revenue Funds								Capital Project Funds	
Merriman Road Special Assessment District	Oakwood Special Assessment District	Narcotics Enforcement	Romulus Athletic Center	Cemetery Perpetuation	Library Fund	Community - Employee Activity Fund	Debt Service Fund	Construction Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 519,726	\$ -	\$ -	\$ -	\$ 1,667,488
-	18,550	-	-	-	-	-	-	81,529	642,990
-	-	1,263	-	-	-	-	-	-	647,658
-	-	98,009	-	-	53,577	-	-	-	2,869,345
-	-	-	1,808,540	-	21,724	-	-	-	1,830,264
-	-	-	-	-	100,200	-	1,389,480	-	2,879,160
-	-	-	-	-	-	-	-	-	86,650
674	459	3,393	2,538	51	1,498	17	12,339	2,443	60,901
85,772	-	8,346	361,120	6,809	30,168	3,260	-	-	1,054,174
86,446	19,009	111,011	2,172,198	6,860	726,893	3,277	1,401,819	83,972	11,738,630
-	-	-	-	-	-	-	-	-	246,454
-	-	168,319	-	-	-	-	-	-	284,896
86,823	6,538	-	-	-	-	-	-	-	4,064,121
-	-	-	-	-	-	-	-	-	420,376
-	-	-	-	-	580,368	-	-	-	580,368
-	-	-	2,209,666	-	-	-	-	-	2,209,666
-	-	-	-	-	-	-	155,000	80,000	390,000
-	-	-	-	-	-	-	498,050	18,760	1,014,860
86,823	6,538	168,319	2,209,666	-	580,368	-	653,050	98,760	9,210,741
(377)	12,471	(57,308)	(37,468)	6,860	146,525	3,277	748,769	(14,788)	2,527,889
9,300	2,060	-	-	-	-	-	838,512	-	2,223,384
-	-	-	-	-	-	-	-	-	(706,725)
9,300	2,060	-	-	-	-	-	838,512	-	1,516,659
8,923	14,531	(57,308)	(37,468)	6,860	146,525	3,277	1,587,281	(14,788)	4,044,548
63,190	48,026	423,746	199,791	2,391	68,064	76	958,649	309,646	6,137,181
<b>\$ 72,113</b>	<b>\$ 62,557</b>	<b>\$ 366,438</b>	<b>\$ 162,323</b>	<b>\$ 9,251</b>	<b>\$ 214,589</b>	<b>\$ 3,353</b>	<b>\$ 2,545,930</b>	<b>\$ 294,858</b>	<b>\$10,181,729</b>

Other Supplemental Information  
Combining Statement of Net Position  
Internal Service Funds

June 30, 2018

	Vehicle and Equipment Fund	Computer and Equipment Fund	Property and Liability Self- insurance Fund	Total
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 2,755,858	\$ 590,587	\$ 422,202	\$ 3,768,647
Receivables	7,100	-	-	7,100
Inventory	72,259	-	-	72,259
Prepaid expenses and other assets	-	823	7,957	8,780
Total current assets	2,835,217	591,410	430,159	3,856,786
Noncurrent assets - Capital assets	1,417,529	489,299	-	1,906,828
Total assets	4,252,746	1,080,709	430,159	5,763,614
<b>Deferred Outflows of Resources</b> - Deferred outflows related to OPEB	20,481	20,481	-	40,962
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	17,332	4,816	-	22,148
Accrued liabilities and other	18,270	7,929	-	26,199
Compensated absences	13,247	18,796	-	32,043
Total current liabilities	48,849	31,541	-	80,390
Noncurrent liabilities:				
Compensated absences	3,312	4,699	-	8,011
Net OPEB liability	612,766	612,766	-	1,225,532
Total noncurrent liabilities	616,078	617,465	-	1,233,543
Total liabilities	664,927	649,006	-	1,313,933
<b>Deferred Inflows of Resources</b> - Deferred inflows related to OPEB	54,057	54,057	-	108,114
<b>Net Position</b>				
Net investment in capital assets	1,417,529	489,299	-	1,906,828
Unrestricted	2,136,714	(91,172)	430,159	2,475,701
Total net position	<u>\$ 3,554,243</u>	<u>\$ 398,127</u>	<u>\$ 430,159</u>	<u>\$ 4,382,529</u>

**City of Romulus, Michigan**

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenses, and Changes in Net Position**  
**Internal Service Funds**

**Year Ended June 30, 2018**

	Vehicle and Equipment Fund	Computer and Equipment Fund	Property and Liability Self- insurance Fund	Total Internal Service Funds
<b>Operating Revenue</b>				
Charges to other funds	\$ 1,732,789	\$ 798,380	\$ 508,600	\$ 3,039,769
Other	76,581	-	53,240	129,821
Total operating revenue	1,809,370	798,380	561,840	3,169,590
<b>Operating Expenses</b>				
Cost of insurance coverage	-	-	552,372	552,372
Cost of vehicle and equipment maintenance	381,575	-	-	381,575
Cost of computer and equipment maintenance	-	564,243	-	564,243
Depreciation and amortization	272,066	108,317	-	380,383
Total operating expenses	653,641	672,560	552,372	1,878,573
<b>Operating Income</b>	1,155,729	125,820	9,468	1,291,017
<b>Nonoperating Revenue</b>				
Investment income	18,459	5,165	4,400	28,024
Gain on sale of assets	9,179	-	-	9,179
Total nonoperating revenue	27,638	5,165	4,400	37,203
<b>Change in Net Position</b>	1,183,367	130,985	13,868	1,328,220
<b>Net Position - Beginning of year, as restated</b>	2,370,876	267,142	416,291	3,054,309
<b>Net Position - End of year</b>	<u><u>\$ 3,554,243</u></u>	<u><u>\$ 398,127</u></u>	<u><u>\$ 430,159</u></u>	<u><u>\$ 4,382,529</u></u>

Other Supplemental Information  
Combining Statement of Cash Flows  
Internal Service Funds

Year Ended June 30, 2018

	Vehicle and Equipment Fund	Computer and Equipment Fund	Property and Liability Self- insurance Fund	Total Internal Service Funds
<b>Cash Flows from Operating Activities</b>				
Receipts from other funds	\$ 1,807,170	\$ 799,368	\$ 561,840	\$ 3,168,378
Payments to suppliers	(647,664)	(327,219)	(560,329)	(1,535,212)
Payments to employees	(342,646)	(255,137)	-	(597,783)
Net cash and cash equivalents provided by operating activities	816,860	217,012	1,511	1,035,383
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from sale of capital assets	9,179	-	-	9,179
Purchase of capital assets	(303,953)	(177,654)	-	(481,607)
Net cash and cash equivalents used in capital and related financing activities	(294,774)	(177,654)	-	(472,428)
<b>Cash Flows Provided by Investing Activities -</b>				
Investment income	18,459	5,165	4,400	28,024
<b>Net Increase in Cash and Cash Equivalents</b>	540,545	44,523	5,911	590,979
<b>Cash and Cash Equivalents - Beginning of year</b>	2,215,313	546,064	416,291	3,177,668
<b>Cash and Cash Equivalents - End of year</b>	<b><u>\$ 2,755,858</u></b>	<b><u>\$ 590,587</u></b>	<b><u>\$ 422,202</u></b>	<b><u>\$ 3,768,647</u></b>
<b>Classification of Cash and Cash Equivalents</b>				
- Cash and investments	<b><u>\$ 2,755,858</u></b>	<b><u>\$ 590,587</u></b>	<b><u>\$ 422,202</u></b>	<b><u>\$ 3,768,647</u></b>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>				
Operating income	\$ 2,311,458	\$ 251,640	\$ 18,936	\$ 2,582,034
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	272,066	108,317	-	380,383
Changes in assets and liabilities:				
Receivables	(2,200)	-	-	(2,200)
Inventories	(15,238)	-	-	(15,238)
Prepaid and other assets	-	422	(7,957)	(7,535)
Accounts payable	(4,379)	(66,564)	-	(70,943)
Net OPEB liability	(565,422)	40,458	-	(524,964)
Accrued and other liabilities	(23,696)	8,559	-	(15,137)
Net cash and cash equivalents provided by operating activities	<b><u>\$ 1,972,589</u></b>	<b><u>\$ 342,832</u></b>	<b><u>\$ 10,979</u></b>	<b><u>\$ 2,326,400</u></b>

**Other Supplemental Information  
Combining Statement of Assets and Liabilities  
Agency Funds**

**June 30, 2018**

	Revolving Fund	General Tax Fund	Current Tax Fund	Delinquent Personal Property Tax Fund	Payroll Fund	Total Agency Funds
<b>Assets</b>						
Cash and investments	\$2,060,980	\$ 4,093	\$ 265	\$ 132,715	\$ 206,279	\$2,404,332
Due from other governmental units	231	-	125	-	25,018	25,374
Total assets	<b><u>\$2,061,211</u></b>	<b><u>\$ 4,093</u></b>	<b><u>\$ 390</u></b>	<b><u>\$ 132,715</u></b>	<b><u>\$ 231,297</u></b>	<b><u>\$2,429,706</u></b>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 4,093	\$ -	\$ 1,577	\$ 110	\$ 5,780
Due to other governmental units	133,786	-	-	-	-	133,786
Accrued and other liabilities	1,927,425	-	390	131,138	231,187	2,290,140
Total liabilities	<b><u>\$2,061,211</u></b>	<b><u>\$ 4,093</u></b>	<b><u>\$ 390</u></b>	<b><u>\$ 132,715</u></b>	<b><u>\$ 231,297</u></b>	<b><u>\$2,429,706</u></b>

Other Supplemental Information  
Downtown Development Authority  
Statement of Net Position/Governmental Fund Balance Sheet

June 30, 2018

	Modified Accrual	Full Accrual Adjustments	Statement of Net Position
<b>Assets</b>			
Cash and cash equivalents	\$ 198,468	\$ -	\$ 198,468
Receivables - Property tax receivable	17,152	-	17,152
Capital assets - Net	-	626,369	626,369
Bond prepaid insurance	-	1,568	1,568
Total assets	215,620	627,937	843,557
<b>Deferred Outflows of Resources</b> - Deferred outflows related to OPEB			
	-	24,059	24,059
Total assets and deferred outflows of resources	<b>\$ 215,620</b>	651,996	867,616
<b>Liabilities</b>			
Accounts payable	\$ 14,392	-	14,392
Due to other governmental units	10,577	-	10,577
Due to primary government	2,668	-	2,668
Accrued liabilities and other	6,728	14,575	21,303
Unearned revenue	6,875	-	6,875
Noncurrent liabilities:			
Due within one year:			
Compensated absences	-	3,151	3,151
Current portion of long-term debt	-	41,764	41,764
Due in more than one year:			
Compensated absences	-	788	788
Net OPEB liability	-	719,812	719,812
Long-term debt - Net of current portion	-	826,876	826,876
Total liabilities	41,240	1,606,966	1,648,206
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	6,325	(6,325)	-
Deferred inflows related to OPEB	-	63,501	63,501
Total deferred inflows of resources	6,325	57,176	63,501
<b>Fund Balances</b> - Restricted			
	168,055	(168,055)	-
Total liabilities, deferred inflows of resources, and fund balances	<b>\$ 215,620</b>		
<b>Net Position</b>			
Net investment in capital assets		626,369	626,369
Unrestricted		(1,456,710)	(1,456,710)
Total net position		<b>\$ (830,341)</b>	<b>\$ (830,341)</b>

**City of Romulus, Michigan**

Other Supplemental Information  
Downtown Development Authority  
Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement  
of Activities

**Year Ended June 30, 2018**

	Modified Accrual	Full Accrual Adjustments	Statement of Activities
<b>Revenue</b>			
Property taxes	\$ 397,027	\$ -	\$ 397,027
Charges for services	-	4,875	4,875
Other revenue	38,714	2,000	40,714
Total revenue	435,741	6,875	442,616
<b>Expenditures</b>			
Current services:			
General expenditures:			
Salaries and wages	78,512	(2,659)	75,853
Fringe benefits	63,313	47,312	110,625
Other current services	146,824	(5,798)	141,026
Depreciation	-	44,080	44,080
Debt service:			
Principal	40,000	(40,000)	-
Interest on long-term debt	31,600	(1,458)	30,142
Total expenditures	360,249	41,477	401,726
<b>Net Change in Fund Balances/Net Position</b>	75,492	(34,602)	40,890
<b>Fund Balances/Net Position</b> - Beginning of year, as restated	92,563	(963,794)	(871,231)
<b>Fund Balances/Net Position</b> - End of year	<u>\$ 168,055</u>	<u>\$ (998,396)</u>	<u>\$ (830,341)</u>