

# **City of Romulus, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2017**

# City of Romulus, Michigan

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# City of Romulus, Michigan

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## Independent Auditor's Report

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Romulus, Michigan (the "City") as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the City of Romulus, Michigan's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Romulus, Michigan as of June 30, 2017 and the respective changes in its financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

**Other Matters**

*Required Supplemental Information*

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

*Other Information*

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

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

*Plante & Moran, PLLC*

December 15, 2017

# City of Romulus, Michigan

## Management's Discussion and Analysis

The following discussion and analysis of the City of Romulus, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2017. 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, 2017:

- Overall revenue within the General Fund decreased by approximately 7.00 percent. Some of this is related to a decrease in the fines and forfeits collected through the 34<sup>th</sup> District Court and a reduction in building related fees. Fortunately, other areas experienced slight increases, such as state revenue sharing and funding from the Local Community Stabilization, to help offset those decreases.
- With regard to 34<sup>th</sup> District Court revenue, the Memorandum of Understanding was revised in August 2017. The changes will have an impact on revenue in the General Fund as a portion of specific fees charged are to be reallocated and deposited in to the Court Debt Fund in order to pay the debt obligations of the Capital Improvement Bonds issued subsequent to year end.
- Property taxes are the City's single largest source of revenue for the General Fund. The City's tax revenue for fiscal year 2016-2017 was \$7,425,273, which represents a slight decrease of \$151,849 or 2.00 percent from the previous fiscal year. Some of this change is the result of reduction in overall taxable value more specific to personal property from original values to adjusted values. Also, there was an increase in final capture amounts for TIFA, DDA, and the newly established Brownfield.
- Federal grant revenue increased by \$122,945 as a result of the receiving 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 balance of the SAFER grant has been received as of June 30. The City will continue to explore all federal and state grant opportunities.
- The City received "City, Village and Township Revenue Sharing" (CVTRS) in fiscal year 2016-2017, as a result of meeting all of the requirements of accountability and transparency by demonstrating best practices.

# City of Romulus, Michigan

## Management's Discussion and Analysis (Continued)

- Investment income within the General Fund decreased by \$38,875 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.
- Total expenditures within the General Fund increased by \$1,250,223, not including transfers to other financing sources. This increase in expenditures can be attributed to increases within the Public Safety Department specific to overtime, pension benefits and the reallocation of department-related expenses. Additionally, the Building Department has seen a slight increase in part-time staffing and overtime as it relates to an increased need of resources for development in the City. Also, the City provided additional funding for the demolition of blighted and unsafe structures in an effort to be more proactive in the community. These costs are offset by amounts billed to the individual property tax owners.
- Road funding through the State of Michigan's gas tax has increased for Major Road Fund in fiscal year 2016-2017 by 14.99 percent as a result of implemented changes in the Act 51 funding and formula. In the Local Road Fund, however, there was a decrease of approximately 26.62 percent compared to the previous fiscal year solely as the result of the elimination of the Local Agency Reimbursement. The fund balance in the Major Streets Fund slightly decreased to \$1,292,766, 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 \$362,801 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.
- The Romulus Athletic Center (the "RAC") experienced a positive change in fund balance of \$69,220. This was primarily the result of a reduction in expenditures of approximately 3.8 percent from the previous year. Operationally, the RAC also experienced a slight increase in revenue.
- The Vehicle and Equipment Fund's net position has increased by \$381,469. Approximately \$188,560 of this 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. The intent is to compile a capital needs assessment and purchase equipment accordingly.

# City of Romulus, Michigan

## Management's Discussion and Analysis (Continued)

- The Computer and Equipment Fund's unrestricted net position has increased from the 2016 fiscal year by \$136,214 due to the overall stabilization of expenditures and investment in capital. Net investment in capital assets has decreased by \$17,199 from the previous fiscal year. The City will continue to review and assess its technology infrastructure to ensure the safety of information and provide good internal and external customer service.

### Using this Annual Report

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

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, 2017 and 2016 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current assets	\$ 18,435	\$ 16,820	\$ 15,166	\$ 14,464	\$ 33,601	\$ 31,284
Capital assets and other noncurrent assets	49,775	49,494	64,386	62,016	114,161	111,510
Total assets	68,210	66,314	79,552	76,480	147,762	142,794
<b>Deferred Outflows of Resources</b>	3,051	4,117	80	88	3,131	4,205
<b>Liabilities</b>						
Current liabilities	3,133	2,556	6,672	3,622	9,805	6,178
Long-term liabilities	55,982	53,951	19,501	23,586	75,483	77,537
Total liabilities	59,115	56,507	26,173	27,208	85,288	83,715
<b>Deferred Inflows of Resources</b>	493	442	-	-	493	442
<b>Net Position</b>						
Net investment in capital assets	47,661	47,655	43,414	40,294	91,075	87,949
Restricted	5,036	3,823	3,752	3,354	8,788	7,177
Unrestricted	(41,044)	(37,996)	6,293	5,712	(34,751)	(32,284)
Total net position	<u>\$ 11,653</u>	<u>\$ 13,482</u>	<u>\$ 53,459</u>	<u>\$ 49,360</u>	<u>\$ 65,112</u>	<u>\$ 62,842</u>



# City of Romulus, Michigan

## Management's Discussion and Analysis (Continued)

The City's combined total net position increased by approximately \$2,270,000. The net position of the governmental activities decreased by approximately \$1,829,000 or 13.56 percent. This change is a direct result of an increase in the long-term liabilities as they relate to the City's defined benefit pension plan, the spending down of bonds proceeds for Vining Road and for postretirement healthcare costs. For the business-type activities there was an increase of approximately \$4,100,000 or 8.30 percent. The increase in business-type activities net position is the result of the balance of some water and sewer projects continuing into the next fiscal year as well as vacant positions remaining unfilled through a majority of the 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.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Net Position</b> - Beginning of year	\$ 13,482	\$ 15,598	\$ 49,360	\$ 48,721	\$ 62,842	\$ 64,319
<b>Revenue</b>						
Program revenue:						
Charges for services	10,053	10,512	17,424	13,142	27,477	23,654
Operating grants and contributions	2,745	582	-	-	2,745	582
Capital grants and contributions	4,170	1,201	385	86	4,555	1,287
General revenue:						
Property taxes:						
City	7,338	7,633	-	-	7,338	7,633
Library	368	364	-	-	368	364
Sanitation	1,118	1,126	-	-	1,118	1,126
Street lighting	567	543	-	-	567	543
EPA	-	-	2,317	2,154	2,317	2,154
State-shared revenue	4,168	5,809	-	-	4,168	5,809
Unrestricted investment earnings	65	100	33	44	98	144
Gain on sale of fixed assets	-	10	-	-	-	10
Miscellaneous revenue	982	1,457	-	386	982	1,843
Total revenue	31,574	29,337	20,159	15,812	51,733	45,149
<b>Program Expenses</b>						
General government	5,072	5,485	-	-	5,072	5,485
Public safety	15,576	14,263	-	-	15,576	14,263
Public works	7,972	6,816	-	-	7,972	6,816
Health and welfare	582	624	-	-	582	624
Community and economic development	631	495	-	-	631	495
Recreation and cultural	3,498	3,689	-	-	3,498	3,689
Interest on long-term debt	72	81	-	-	72	81
Water and sewer	-	-	16,060	15,173	16,060	15,173
Total program expenses	33,403	31,453	16,060	15,173	49,463	46,626
<b>Change in Net Position</b>	(1,829)	(2,116)	4,099	639	2,270	(1,477)
<b>Net Position</b> - End of year	<u>\$ 11,653</u>	<u>\$ 13,482</u>	<u>\$ 53,459</u>	<u>\$ 49,360</u>	<u>\$ 65,112</u>	<u>\$ 62,842</u>

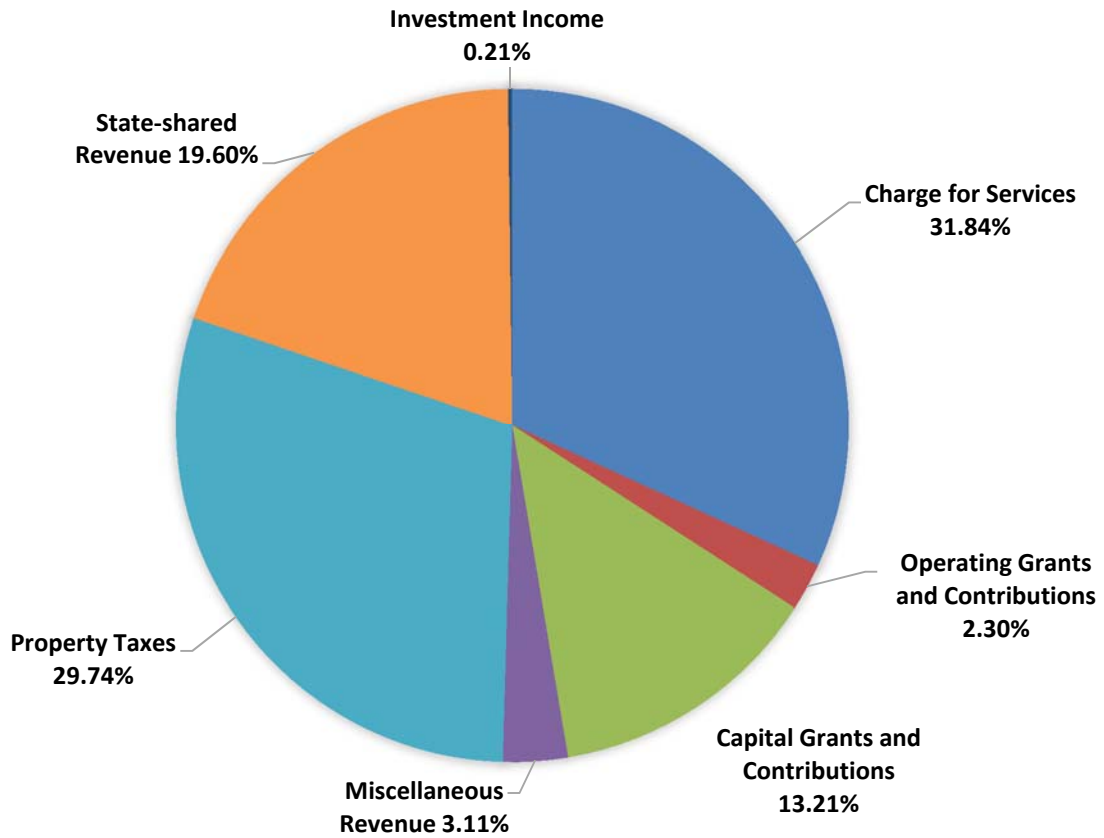
# City of Romulus, Michigan

## Management's Discussion and Analysis (Continued)

### Governmental Activities

The City's total governmental revenue increased by approximately \$2,237,000, primarily due to capital contributions made to the City from the TIFA and the DDA for completed infrastructure projects as well as a slight increase in grant funding and state-shared revenue for 2017.

### REVENUE BY SOURCE - GOVERNMENTAL ACTIVITIES

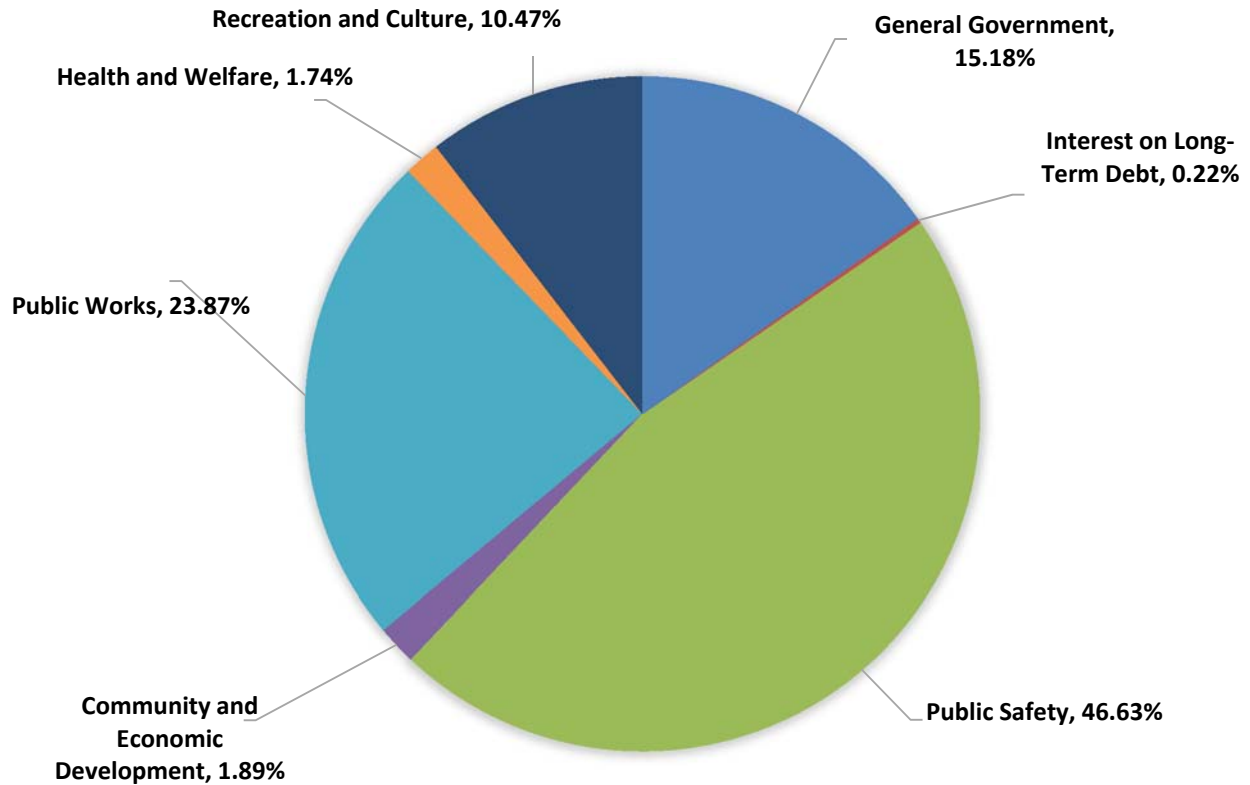


Total program expenses increased by \$1,950,000 primarily due to increases in public safety and public works-related expenditures.

# City of Romulus, Michigan

## Management's Discussion and Analysis (Continued)

### 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 2016-2017 of \$1,234,725 was primarily due to the fact that positions remained vacant through most of the fiscal year but have since been filled. Additionally, anticipated contracted expenses for emergency repairs and engineering fees for related projects will be carried over into the new fiscal year.

# **City of Romulus, Michigan**

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

### **The City's Funds**

The analysis of the City's major funds begins on page 16, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds, 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 2017 include the General Fund and the Water and Sewer Fund. The Water and Sewer Fund is described above.

The General Fund pays for a majority of the City's governmental services. The most noteworthy is public safety, inclusive of police and fire, which incurred expenses of approximately \$13.3 million, or 68.9 percent of General Fund expenditures, in 2017. Additionally, total general government services (all administrative services and city facilities) contribute to approximately 22.7 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 a stabilization in development, both abated and unabated, that contributed to a leveling out 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 \$193,379 to \$6,841,988. However, funds in the total amount of \$3,198,373 are considered nonspendable, restricted, committed or have been assigned for current and future years' obligations.

In January 2017, a task force was put together that was focused on addressing the unfunded pension and retiree healthcare liabilities of local governments in Michigan. It was intended to be a collaborative effort among several different representatives from statewide organizations to develop a comprehensive set of recommendations. As of this report date, no legislative changes have been made, but the State of Michigan will continue to keep an eye on local governments and their funding levels for pension and retiree healthcare obligations.

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

# **City of Romulus, Michigan**

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

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

Funding internally for investment in capital assets has been reduced slightly in efforts to stabilize fund balance and plan accordingly for future investment as they relate to infrastructure. In June 2015, TIFA issued \$3,810,000 in new bond debt that was specific to the infrastructure improvements at the Vining and Wick Road intersection. That project reached completion during this fiscal year. Other projects completed within the fiscal year include Goddard (Romaine to Wayne) and the finalization of Wickham Road and its water main replacement. Additionally, the Pennsylvania water main improvement project was completed along with phase III of the SSES monitoring and repair project relating to sewer infrastructure.

Other road and water and sewer projects continuing through to the new fiscal year include the Vining Road extension to Ecorse and Ecorse Road widening and improvements. Subsequent to fiscal year end, funding for these projects will come from a combination of contributions from Wayne County and the issuance of Capital Improvement Bonds.

Wick Road Phase II, Fourth Street Phase I, Niagara, and the Oakwood approach are projects continuing into the year. The Ecorse City subdivision water main replacement and the SSES monitoring and repair project will continue to be ongoing projects.

Additionally, in the upcoming fiscal year, a new 34<sup>th</sup> District Court facility will be constructed with the cost of the project being funded through the issuance of Capital Improvement Bonds.

During the fiscal year, the City contracted with Munetrix to provide a software solution in developing and preparing a Capital Improvement Plan that will take major infrastructure improvement projects into consideration. The City will continue to research additional funding options to help fund major projects for the City.

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

Subsequent to fiscal year end, a formal review was completed with S&P Global Ratings and the City's bond rating was raised from an "A+" to a rating of "AA-".

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

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

# **City of Romulus, Michigan**

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

The budget plan, as approved in fiscal year 2017-2018, has General Fund annual operating expenditures greater than revenue of \$2,653,500, which is an increase of the planned used of fund balance from the 2016-2017 approved budget. There are specific revenue and expenditure budget changes that contribute to this use of fund balance.

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 expiration of service agreements, and federally awarded grants offset by increases in personnel-related and operational costs.

Specifically, the City will realize an increased cost for the police and fire departments relating to the defined benefit pension system and related healthcare costs for active employees. Also, with the expiration of the SAFER grant in February 2017, the General Fund has absorbed the additional costs for the full-time employees hired under the SAFER grant.

The building department will continue to experience an increase in staffing and operational costs as there is a need for services relative to approved development and is intended to be offset by building department permitting revenue. Also, the budget reflects and continuation of the blight removal initiative for unsafe, dilapidated structures within the City.

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

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

# City of Romulus, Michigan

## Statement of Net Position June 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 15,315,153	\$ 6,914,251	\$ 22,229,404	\$ 837,128
Receivables - Net (Note 5)	2,316,112	3,886,520	6,202,632	259,981
Advances to component units (Note 8)	390,837	33,811	424,648	-
Advances to other funds (Note 8)	-	-	-	350,000
Inventory (Note 1)	183,849	31,204	215,053	-
Prepaid expenses and other assets	229,410	-	229,410	-
Restricted assets (Note 9)	-	3,752,596	3,752,596	-
Investment in joint ventures (Note 17)	-	548,146	548,146	-
Capital assets (Note 7):				
Assets not being depreciated	10,355,120	1,520,108	11,875,228	3,203,186
Assets being depreciated	39,416,599	62,851,521	102,268,120	20,135,011
Other assets	3,268	14,515	17,783	579,148
<b>Total assets</b>	<b>68,210,348</b>	<b>79,552,672</b>	<b>147,763,020</b>	<b>25,364,454</b>
<b>Deferred Outflows of Resources</b>				
Bond refunding loss being amortized	-	79,872	79,872	229,125
Deferred outflows related to pensions (Note 13)	3,051,072	-	3,051,072	-
<b>Total deferred outflows of resources</b>	<b>3,051,072</b>	<b>79,872</b>	<b>3,130,944</b>	<b>229,125</b>
<b>Liabilities</b>				
Accounts payable	746,021	2,536,608	3,282,629	382,632
Due to other governmental units	187	-	187	84,160
Advances from primary government (Note 8)	-	-	-	424,648
Deposits	1,575	-	1,575	-
Accrued liabilities and other	1,213,316	945,951	2,159,267	163,773
Advances from component units (Note 8)	350,000	-	350,000	-
Unearned revenue	64,600	285,313	349,913	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 10)	518,335	118,306	636,641	10,192
Current portion of long-term debt (Note 10)	239,655	2,786,379	3,026,034	2,050,280
Due in more than one year:				
Compensated absences (Note 10)	308,239	29,576	337,815	2,548
Net OPEB obligation (Note 15)	22,894,923	1,299,900	24,194,823	306,155
Net pension liability (Note 13)	30,907,302	-	30,907,302	-
Long-term debt (Note 10)	1,871,200	18,171,306	20,042,506	13,760,126
<b>Total liabilities</b>	<b>59,115,353</b>	<b>26,173,339</b>	<b>85,288,692</b>	<b>17,184,514</b>

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

# City of Romulus, Michigan

## Statement of Net Position (Continued) June 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Deferred Inflows of Resources -</b>				
Deferred inflows related to pensions (Note 13)	\$ 493,268	\$ -	\$ 493,268	\$ -
<b>Net Position</b>				
Net investment in capital assets	47,660,864	43,413,944	91,074,808	9,216,866
Restricted:				
Roads	1,766,783	-	1,766,783	-
Public safety	633,519	-	633,519	-
Sanitation	561,696	-	561,696	-
Grants	34,114	-	34,114	-
PEG fees	718,635	-	718,635	-
Street lighting	115,999	-	115,999	-
Cemetery operations	2,391	-	2,391	-
Community facilities and programs	76	-	76	-
Library operations	163,888	-	163,888	-
Debt service	958,649	3,752,596	4,711,245	-
Brownfield redevelopment	-	-	-	31,162
Unrestricted	(40,963,815)	6,292,665	(34,671,150)	(838,963)
Total net position	<u>\$ 11,652,799</u>	<u>\$ 53,459,205</u>	<u>\$ 65,112,004</u>	<u>\$ 8,409,065</u>



# City of Romulus, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 5,072,295	\$ 2,207,674	\$ -	\$ 3,777,034
Public safety	15,575,753	4,176,101	585,487	100,963
Public works	7,972,085	1,823,997	2,020,372	292,302
Health and welfare	582,210	9,202	-	-
Community and economic development	630,967	-	126,392	-
Recreation and culture	3,498,140	1,835,787	13,445	-
Interest on long-term debt	71,507	-	-	-
Total governmental activities	33,402,957	10,052,761	2,745,696	4,170,299
Business-type activities - Water and sewer	16,060,003	17,424,317	-	384,944
Total primary government	<b>\$ 49,462,960</b>	<b>\$ 27,477,078</b>	<b>\$ 2,745,696</b>	<b>\$ 4,555,243</b>
Component units:				
Brownfield Redevelopment Authority Fund	\$ 1,100	\$ -	\$ -	\$ -
Tax Increment Financing Authority	4,883,943	-	-	-
Downtown Development Authority	393,985	-	-	-
Total component units	<b>\$ 5,279,028</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Miscellaneous				
Total general revenue				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				

**Statement of Activities  
Year Ended June 30, 2017**

Net Revenue (Expense) and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ 912,413	\$ -	\$ 912,413	\$ -
(10,713,202)	-	(10,713,202)	-
(3,835,414)	-	(3,835,414)	-
(573,008)	-	(573,008)	-
(504,575)	-	(504,575)	-
(1,648,908)	-	(1,648,908)	-
(71,507)	-	(71,507)	-
(16,434,201)	-	(16,434,201)	-
-	1,749,258	1,749,258	-
(16,434,201)	1,749,258	(14,684,943)	-
-	-	-	(1,100)
-	-	-	(4,883,943)
-	-	-	(393,985)
-	-	-	(5,279,028)
9,391,192	2,316,713	11,707,905	3,631,707
4,167,697	-	4,167,697	-
65,060	32,674	97,734	64
981,506	-	981,506	312,006
14,605,455	2,349,387	16,954,842	3,943,777
(1,828,746)	4,098,645	2,269,899	(1,335,251)
13,481,545	49,360,560	62,842,105	9,744,316
<b>\$ 11,652,799</b>	<b>\$ 53,459,205</b>	<b>\$ 65,112,004</b>	<b>\$ 8,409,065</b>

# City of Romulus, Michigan

## Governmental Funds Balance Sheet June 30, 2017

	General Fund	Nonmajor Governmental Funds	Total
<b>Assets</b>			
Cash and investments	\$ 6,631,771	\$ 5,505,714	\$ 12,137,485
Receivables - Net (Note 5)	1,020,070	1,291,142	2,311,212
Advance to component units (Note 8)	350,000	40,837	390,837
Due from other funds (Note 8)	20,000	-	20,000
Inventory	20,964	105,864	126,828
Prepaid expenses and other assets	227,918	247	228,165
	<u>\$ 8,270,723</u>	<u>\$ 6,943,804</u>	<u>\$ 15,214,527</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 282,539	\$ 370,391	\$ 652,930
Due to other governmental units	187	-	187
Due to other funds (Note 8)	-	20,000	20,000
Refundable deposits, bonds, etc.	1,575	-	1,575
Accrued liabilities and other	934,846	157,587	1,092,433
Advances from component units (Note 8)	-	350,000	350,000
Unearned revenue	64,600	-	64,600
	<u>1,283,747</u>	<u>897,978</u>	<u>2,181,725</u>
<b>Deferred Inflows of Resources - Unavailable revenue (Note 6)</b>	144,988	590,345	735,333
<b>Fund Balances</b>			
Nonspendable:			
Inventory	20,964	105,864	126,828
Prepays	224,323	247	224,570
Restricted:			
Roads	-	1,660,919	1,660,919
Public safety	-	570,484	570,484
Sanitation	-	548,452	548,452
Debt service	-	958,649	958,649
PEG fees	-	718,635	718,635
Street lighting	-	115,999	115,999
Cemetery operations	-	2,391	2,391
Community facilities and programs	-	76	76
Library operations	-	68,064	68,064
Committed - Recreation	-	199,544	199,544
Assigned:			
Subsequent year's budget	2,653,500	-	2,653,500
Park maintenance	75,184	-	75,184
Capital projects	224,402	586,595	810,997
Unassigned	3,643,615	(80,438)	3,563,177
	<u>6,841,988</u>	<u>5,455,481</u>	<u>12,297,469</u>
<b>Total fund balances</b>	<u>6,841,988</u>	<u>5,455,481</u>	<u>12,297,469</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 8,270,723</u>	<u>\$ 6,943,804</u>	<u>\$ 15,214,527</u>

# City of Romulus, Michigan

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2017

<b>Fund Balance Reported in Governmental Funds</b>	\$ 12,297,469
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	47,966,115
Delinquent property tax receivables (net of allowance for uncollectible accounts) are expected to be collected over several years and are not available to pay for current year expenditures	82,479
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	303,690
Grant and other receivables not collected within 60 days of year end are recognized as revenue in the statement of net position, but are shown as deferred revenue in the funds	289,164
Net pension liability is not due and payable in the current period and is not reported in the funds	(30,907,302)
Certain pension contributions and changes in pension plan net position are reported as deferred inflows and deferred outflows of resources in the statement of net position, but are reported as expenditures in the governmental funds	2,557,804
Long-term debt obligations are not due and payable in the current period and are not reported in the funds	(2,110,855)
Accrued interest is not due and payable in the current period and is not reported in the funds	(17,477)
Unamortized bond prepaid insurance is not reported in the funds	3,268
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(788,590)
Net OPEB obligation does not present a claim on current financial resources and is not reported as a fund liability	(22,435,368)
Internal service funds are included as part of governmental activities	4,412,402
<b>Net Position of Governmental Activities</b>	<b><u>\$ 11,652,799</u></b>

# City of Romulus, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2017

	General Fund	Nonmajor Governmental Funds	Total
<b>Revenue</b>			
Property taxes	\$ 7,424,048	\$ 2,053,237	\$ 9,477,285
Licenses and permits	1,660,059	-	1,660,059
Federal grants	369,377	136,237	505,614
State-shared revenue and grants	4,240,531	2,454,197	6,694,728
Charges for services	3,092,858	1,850,035	4,942,893
Fines and forfeitures	2,445,471	964,221	3,409,692
Investment income	41,143	15,841	56,984
Other	175,136	999,057	1,174,193
Total revenue	19,448,623	8,472,825	27,921,448
<b>Expenditures</b>			
Current:			
General government	4,368,366	251,290	4,619,656
Public safety	12,678,608	266,403	12,945,011
Public works	282,348	3,838,526	4,120,874
Health and welfare	582,210	-	582,210
Community and economic development	379,744	221,415	601,159
Recreation and culture	646,535	2,657,390	3,303,925
Debt service	-	312,692	312,692
Total expenditures	18,937,811	7,547,716	26,485,527
<b>Excess of Revenue Over Expenditures</b>	510,812	925,109	1,435,921
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	888,743	888,743
Transfers out	(317,433)	(571,310)	(888,743)
Total other financing (uses) sources	(317,433)	317,433	-
<b>Net Change in Fund Balances</b>	193,379	1,242,542	1,435,921
<b>Fund Balances - Beginning of year</b>	6,648,609	4,212,939	10,861,548
<b>Fund Balances - End of year</b>	<b>\$ 6,841,988</b>	<b>\$ 5,455,481</b>	<b>\$ 12,297,469</b>

# City of Romulus, Michigan

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2017**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 1,435,921</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	492,089
Depreciation expense	(3,876,517)
Capital contribution	3,627,232
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(132,347)
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 premiums as proceeds; these are allocated over the related bond term as a reduction of interest expense in the statement of activities	4,654
Governmental funds report prepaid bond insurance as an expenditure; these are allocated over the related bond term as an expense in the statement of activities	(271)
Change in accrued interest payable and other	1,802
Increase in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	103,491
Increase in net OPEB obligation reported in the statement of activities does not require the use of current resources, and therefore is not reported in the fund statements until it comes due for payment	(3,397,756)
Change in net pension liability is not a financial resource and is not reported in the governmental funds	(809,679)
Internal service funds are included as part of governmental activities	<u>487,635</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (1,828,746)</u></b>

# City of Romulus, Michigan

## Proprietary Funds Statement of Net Position June 30, 2017

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 6,914,251	\$ 3,177,668
Receivables - Net (Note 5)	3,886,520	4,900
Due from component units	33,811	-
Inventories	31,204	57,021
Prepaid expenses and other assets	-	1,245
Total current assets	10,865,786	3,240,834
Noncurrent assets:		
Restricted assets (Note 9)	3,752,596	-
Investment in joint ventures (Note 17)	548,146	-
Capital assets (Note 7):		
Assets not subject to depreciation	1,520,108	-
Assets subject to depreciation	62,851,521	1,805,604
Prepaid bond insurance	14,515	-
Total noncurrent assets	68,686,886	1,805,604
Total assets	79,552,672	5,046,438
<b>Deferred Outflows of Resources</b>	79,872	-
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	2,536,608	93,091
Accrued liabilities and other	945,951	43,406
Unearned revenue	285,313	-
Compensated absences (Note 10)	118,306	30,387
Current portion of long-term debt (Note 10)	2,786,379	-
Total current liabilities	6,672,557	166,884
Noncurrent liabilities:		
Compensated absences (Note 10)	29,576	7,597
Net OPEB obligation (Note 15)	1,299,900	459,555
Long-term debt - Net of current portion (Note 10)	18,171,306	-
Total noncurrent liabilities	19,500,782	467,152
Total liabilities	26,173,339	634,036
<b>Net Position</b>		
Net investment in capital assets	43,413,944	1,805,604
Restricted - Debt service	3,752,596	-
Unrestricted	6,292,665	2,606,798
Total net position	\$ 53,459,205	\$ 4,412,402

# City of Romulus, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2017

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
<b>Operating Revenue</b>		
Charges for services	\$ 13,871,089	\$ 2,887,721
Other charges for services	3,448,419	77,155
Total operating revenue	17,319,508	2,964,876
<b>Operating Expenses</b>		
Cost of water	3,700,475	-
Cost of sewage treatment	2,980,970	-
Insurance	75,300	544,698
Cost of vehicle and equipment maintenance	-	991,889
Cost of computer and equipment maintenance	-	553,487
Salaries and fringes	2,480,190	-
Administrative and other	5,056,890	-
Depreciation and amortization	1,790,958	395,243
Total operating expenses	16,084,783	2,485,317
<b>Operating Income</b>	1,234,725	479,559
<b>Nonoperating Revenue (Expense)</b>		
Property taxes	2,316,713	-
Investment income	32,674	8,076
Gain from joint venture	843,655	-
Interest expense	(558,218)	-
Debt service charge	104,809	-
Adjustments to joint venture debt balance	(260,657)	-
Total nonoperating revenue	2,478,976	8,076
<b>Income - Before contributions</b>	3,713,701	487,635
<b>Capital Contributions - Other capital contributions</b>	384,944	-
<b>Increase in Net Position</b>	4,098,645	487,635
<b>Net Position - Beginning of year</b>	49,360,560	3,924,767
<b>Net Position - End of year</b>	\$ 53,459,205	\$ 4,412,402



# City of Romulus, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2017

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 17,635,668	\$ 2,963,526
Payments to suppliers	(11,678,735)	(1,421,525)
Payments to employees	(2,426,662)	(598,094)
Net cash provided by operating activities	3,530,271	943,907
<b>Cash Flows from Capital and Related Financing Activities</b>		
Issuance of bonds	1,647,089	-
Proceeds from sales of capital assets	-	3,695
Proceeds from property tax levy - Restricted for debt service	2,340,335	-
Purchase of capital assets	(3,776,991)	(437,616)
Principal and interest paid on capital debt	(925,836)	-
Debt service charge	112,796	-
Payments to county from the Debt Service Fund	(2,758,669)	-
Net cash used in capital and related financing activities	(3,361,276)	(433,921)
<b>Cash Flows from Investing Activities - Investment income</b>	32,674	8,076
<b>Net Increase in Cash and Cash Equivalents</b>	201,669	518,062
<b>Cash and Cash Equivalents - Beginning of year</b>	10,465,178	2,659,606
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 10,666,847</b>	<b>\$ 3,177,668</b>
<b>Statement of Net Position Classification of Cash and Cash Equivalents</b>		
Cash and investments	\$ 6,914,251	\$ 3,177,668
Restricted cash	3,752,596	-
Total cash and cash equivalents	<b>\$ 10,666,847</b>	<b>\$ 3,177,668</b>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>		
Operating income	\$ 1,234,725	\$ 479,559
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	1,790,958	395,243
Changes in assets and liabilities:		
Receivables	316,160	(1,350)
Inventories	(6,173)	(4,213)
Prepaid and other assets	-	(1,245)
Accounts payable	141,073	51,667
Accrued and other liabilities	13,763	(16,186)
Net OPEB obligation	39,765	40,432
Net cash provided by operating activities	<b>\$ 3,530,271</b>	<b>\$ 943,907</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 \$843,655 in nonoperating expenses for the year ended June 30, 2017.

# City of Romulus, Michigan

## Fiduciary Funds Statement of Fiduciary Net Position June 30, 2017

	Other Employee Benefits Trust Retirees' Insurance <u>Benefits Fund</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,382,486	\$ 2,355,446
Investments:		
Government securities	306,761	-
Common stock	1,762,293	-
Corporate bonds and notes	469,525	-
Mutual funds	292,985	-
Accounts receivable - Other receivables	-	1,934
Prepaid expenses	194,921	-
	4,408,971	<b><u>\$ 2,357,380</u></b>
<b>Liabilities</b>		
Accounts payable	6,293	\$ 65,954
Due to other governmental units	-	284,294
Accrued and other liabilities	13,409	2,007,132
	19,702	<b><u>\$ 2,357,380</u></b>
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<b><u>\$ 4,389,269</u></b>	

# City of Romulus, Michigan

## Fiduciary Funds

### Statement of Changes in Fiduciary Net Position - Other Employee Benefits Trust Retirees' Insurance Benefits Fund Year Ended June 30, 2017

<b>Additions</b>	
Net investment income	\$ 274,053
Contributions:	
Employer	2,461,024
Employee	<u>42,774</u>
Total contributions	2,503,798
Other income	<u>746</u>
Total additions	2,778,597
<b>Deductions - Benefit payments</b>	<u>2,357,398</u>
<b>Net Increase in Net Position Held in Trust</b>	421,199
<b>Net Position Held in Trust for Other Postemployment Benefits - Beginning of year</b>	<u>3,968,070</u>
<b>Net Position Held in Trust for Other Postemployment Benefits - End of year</b>	<u><u>\$ 4,389,269</u></u>

# City of Romulus, Michigan

## Component Units Statement of Net Position June 30, 2017

	Brownfield Redevelopment Authority	Tax Increment Finance Authority	Downtown Development Authority	Total
<b>Assets</b>				
Cash and investments	\$ 31,162	\$ 666,552	\$ 139,414	\$ 837,128
Property taxes receivable	-	243,079	16,902	259,981
Advances to primary government (Note 8)	-	350,000	-	350,000
Capital assets (Note 7):				
Assets not subject to depreciation	-	2,986,876	216,310	3,203,186
Assets subject to depreciation	-	19,688,911	446,100	20,135,011
Other assets	-	577,482	1,666	579,148
Total assets	31,162	24,512,900	820,392	25,364,454
<b>Deferred Outflows of Resources -</b>				
Deferred charge on debt refunding	-	229,125	-	229,125
<b>Liabilities</b>				
Accounts payable	-	375,488	7,144	382,632
Due to other governmental units	-	73,583	10,577	84,160
Advance from primary government (Note 8)	-	388,169	36,479	424,648
Accrued liabilities and other	-	152,645	11,128	163,773
Due within one year:				
Compensated absences (Note 10)	-	5,218	4,974	10,192
Current portion of long-term debt (Note 10)	-	2,008,924	41,356	2,050,280
Due in more than one year:				
Compensated absences (Note 10)	-	1,228	1,320	2,548
Net OPEB obligation	-	162,275	143,880	306,155
Long-term debt (Note 10)	-	12,893,423	866,703	13,760,126
Total liabilities	-	16,060,953	1,123,561	17,184,514
<b>Net Position</b>				
Net investment in capital assets	-	8,554,456	662,410	9,216,866
Restricted	31,162	-	-	31,162
Unrestricted	-	126,616	(965,579)	(838,963)
Total net position	<u>\$ 31,162</u>	<u>\$ 8,681,072</u>	<u>\$ (303,169)</u>	<u>\$ 8,409,065</u>

# City of Romulus, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Tax Increment Finance Authority:				
Public works	\$ 3,579,546	\$ -	\$ -	\$ -
Recreation and culture	851,490	-	-	-
Debt service	452,907	-	-	-
<b>Total Tax Increment Finance Authority</b>	<b>4,883,943</b>	<b>-</b>	<b>-</b>	<b>-</b>
Downtown Development Authority - Governmental activities:				
Public works	327,974	-	-	-
Debt service	66,011	-	-	-
<b>Total governmental activities</b>	<b>393,985</b>	<b>-</b>	<b>-</b>	<b>-</b>
Brownfield Redevelopment Authority Fund	1,100	-	-	-
<b>Total component units</b>	<b>\$ 5,279,028</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
General revenue:				
Property taxes				
Investment income				
Interest income and other				
Total general revenue				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				

**Component Units  
Statement of Activities  
Year Ended June 30, 2017**

Net (Expense) Revenue and Changes in Net Position			
Tax Increment Finance Authority	Downtown Development Authority	Brownfield Redevelopment Authority Fund	Total
\$ (3,579,546)	\$ -	\$ -	\$ (3,579,546)
(851,490)	-	-	(851,490)
(452,907)	-	-	(452,907)
(4,883,943)	-	-	(4,883,943)
-	(327,974)	-	(327,974)
-	(66,011)	-	(66,011)
-	(393,985)	-	(393,985)
-	-	(1,100)	(1,100)
(4,883,943)	(393,985)	(1,100)	(5,279,028)
3,197,018	402,491	32,198	3,631,707
-	-	64	64
265,608	46,398	-	312,006
3,462,626	448,889	32,262	3,943,777
(1,421,317)	54,904	31,162	(1,335,251)
10,102,389	(358,073)	-	9,744,316
<b>\$ 8,681,072</b>	<b>\$ (303,169)</b>	<b>\$ 31,162</b>	<b>\$ 8,409,065</b>

### Note I - Summary of Significant Accounting Policies

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

#### **Reporting Entity**

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

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

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

The Economic Development Corporation (the "Corporation") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation's governing body, which consists of nine individuals, is appointed by the mayor with the approval of the City Council. The Economic Development Corporation had no financial activity during the year ended June 30, 2017.

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

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

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

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

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

The City of Romulus Housing Authority (the "Housing Authority") has not been included in the City's reporting entity because the City lacks the ability to impose its will on the Housing Authority under the guidelines of Governmental Accounting Standards Board Statement No. 14/61. This entity is subject to separate audit requirements.

**Jointly Governed Organization** - Jointly governed organizations are discussed in Note 17.

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

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

#### **Report Presentation**

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

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



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

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

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

#### **Fund Accounting**

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

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

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

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

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

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

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

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

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

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

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

#### **Basis of Accounting**

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

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.

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

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

#### Specific Balances and Transactions

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

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

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

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

**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. Before July 1, 2016, the capitalization threshold was \$1,500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

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

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

**Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows related to contributions to the defined benefit plan subsequent to the plan's year end through the City's fiscal year end; the variance between the pension plan's actual investment earnings compared to the plan's assumed investment earnings; and the changes in assumptions in the pension plan related to economic and demographic factors. In addition, the City has deferred outflows related to the deferred charge on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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

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

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

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

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

### Note I - Summary of 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 Council has by resolution authorized the director of financial services to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

The City's 2016 tax is levied and collectible on July 1, 2016 and is recognized as revenue in the year ended June 30, 2017, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2016 taxable valuation of the City totaled \$870,283,071, on which taxes levied consisted of 9.4063 mills for operating purposes, 1.5500 mills for sanitation, 0.5000 mills for library, 2.3868 mills for EPA levy, and 0.0608 for publicity. This resulted in \$6.64 million for operations, \$1.09 million for sanitation, \$362,000 for library, \$1.91 million for EPA levy, and \$48,000 for publicity. These amounts are recognized in the respective General, Special Revenue, and Water and Sewer Fund financial statements as tax revenue.

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

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

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

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

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

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

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

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

Shortfall at July 1, 2016		\$ (4,234,765)
Current year building permit revenue		1,420,985
Related expenses:		
Direct costs	\$ 1,266,069	
Estimated indirect costs	<u>100,918</u>	<u>1,366,987</u>
Current year surplus		<u>53,998</u>
Cumulative shortfall at June 30, 2017		<u>\$ (4,180,767)</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.

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

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



# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2017

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

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 \$2,943,238 in bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$337,001 of bank deposits that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

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

Primary Government	Fair Value	Less than 1 Year	1-5 Years
Negotiable CDs	\$ 249,000	\$ 249,000	\$ -
Money market	4,011,134	4,011,134	-
Commercial paper	3,387,821	3,387,821	-
U.S. government agency securities	3,708,566	1,746,823	1,961,743
Asset-backed securities	13,126,193	3,218,321	9,907,872
Total	\$ 24,482,714	\$ 12,613,099	\$ 11,869,615

Fiduciary Funds	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Corporate bonds and notes	\$ 437,736	\$ 68,537	\$ 305,632	\$ 63,567	\$ -
U.S. government agency securities	305,669	4,787	100,197	154,547	46,138
Asset-backed securities	27,272	-	11,274	8,728	7,270
Money market	23,765	-	-	-	23,765
Total	\$ 794,442	\$ 73,324	\$ 417,103	\$ 226,842	\$ 77,173

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2017

### 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 has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	S&P: AAA	S&P: AA+	S&P: AA	S&P: AA-	S&P: A- I+	S&P: A+	S&P: A	S&P: A-I	S&P: A-	S&P: BBB+	Not Rated
<b>Primary Government and Component Units</b>											
Negotiable CDs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 249,000
Commercial paper	-	-	-	-	-	-	-	-	-	-	3,387,821
Money market	6,019,130	-	-	-	-	-	-	-	-	-	-
U.S. government agency securities	-	14,372,270	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 6,019,130</b>	<b>\$ 14,372,270</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,636,821</b>
<b>Fiduciary Funds</b>											
Corporate bonds and notes	\$ 21,686	\$ 14,073	\$ 14,253	\$ 28,391	\$ -	\$ 67,188	\$ 151,347	\$ -	\$ 79,527	\$ 61,271	\$ -
U.S. government agency securities	-	-	-	-	-	-	-	-	-	-	305,669
Money market	-	-	-	-	-	-	-	-	-	-	23,765
Asset backed securities	14,621	-	-	-	-	-	-	-	-	-	13,012
<b>Total</b>	<b>\$ 36,307</b>	<b>\$ 14,073</b>	<b>\$ 14,253</b>	<b>\$ 28,391</b>	<b>\$ -</b>	<b>\$ 67,188</b>	<b>\$ 151,347</b>	<b>\$ -</b>	<b>\$ 79,527</b>	<b>\$ 61,271</b>	<b>\$ 342,446</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 asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

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

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2017

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

The primary government and component units has the following recurring fair value measurements as of June 30, 2017:

#### Assets Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2017	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities:				
Commercial paper	\$ 3,387,821	\$ -	\$ 3,387,821	\$ -
U.S. government agency securities	16,293,188	305,669	15,987,519	-
Asset-backed securities	874,511	-	874,511	-
Corporate bonds	437,736	-	437,736	-
Total debt securities	20,993,256	305,669	20,687,587	-
Equity securities - Common stocks and mutual funds	1,762,293	1,762,293	-	-
Total investments by fair value level	22,755,549	\$ 2,067,962	\$ 20,687,587	\$ -
Investments measured at net asset value (NAV) - Michigan CLASS investment pool	3,539,670			
Total investments measured at fair value	\$ 26,295,219			

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, 2017 valued based on Level 3 inputs.

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

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

The City holds shares or interests in investment companies 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.

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2017

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

At June 30, 2017, 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	\$ 3,539,670	\$ -	N/A	None

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

### Note 5 - Receivables

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

	General Fund	Nonmajor Funds	Proprietary Internal Service Fund	Total	Enterprise Funds	Total	Component Units
Receivables:							
Property taxes receivable	\$ 258,327	\$ 16,137	\$ -	\$ 274,464	\$ 261,057	\$ 535,521	\$ 40,857
Special assessments receivable	-	303,690	-	303,690	-	303,690	-
Receivables from sales to customers on account	-	-	-	-	3,110,165	3,110,165	-
Other receivables	201,953	202,429	1,350	405,732	226,310	632,042	149,802
Due from other governmental units	559,790	768,886	3,550	1,332,226	288,988	1,621,214	69,322
Net receivables	<u>\$ 1,020,070</u>	<u>\$ 1,291,142</u>	<u>\$ 4,900</u>	<u>\$ 2,316,112</u>	<u>\$ 3,886,520</u>	<u>\$ 6,202,632</u>	<u>\$ 259,981</u>

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2017

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

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

	Governmental Funds
Delinquent property taxes - Unavailable	\$ 142,479
Special assessments - Unavailable	303,690
Grant revenue - Unavailable	196,234
State, local, and other revenue - Unavailable	92,930
	<u>735,333</u>
Total deferred inflows	<u>\$ 735,333</u>

### Note 7 - Capital Assets

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

	Balance July 1, 2016	Reclassifications	Additions	Disposals	Balance June 30, 2017
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 5,566,341	\$ -	\$ -	\$ -	\$ 5,566,341
Construction in progress	1,000,384	165,882	3,946,433	(323,920)	4,788,779
Subtotal	6,566,725	165,882	3,946,433	(323,920)	10,355,120
Capital assets being depreciated:					
Infrastructure	78,064,050	(165,882)	155,741	-	78,053,909
Buildings and improvements	19,940,367	-	88,970	-	20,029,337
Machinery and equipment	11,130,950	-	370,548	-	11,501,498
Vehicles	5,331,435	-	299,741	-	5,631,176
Land improvements	1,161,761	-	15,729	-	1,177,490
Subtotal	115,628,563	(165,882)	930,729	-	116,393,410
Accumulated depreciation:					
Infrastructure	50,400,086	-	3,093,525	-	53,493,611
Buildings and improvements	7,807,006	-	441,099	-	8,248,105
Machinery and equipment	9,746,208	-	425,064	-	10,171,272
Vehicles	4,036,355	-	264,024	-	4,300,379
Land improvements	715,397	-	48,047	-	763,444
Subtotal	72,705,052	-	4,271,759	-	76,976,811
Net capital assets being depreciated	42,923,511	(165,882)	(3,341,030)	-	39,416,599
Net capital assets	<u>\$ 49,490,236</u>	<u>\$ -</u>	<u>\$ 605,403</u>	<u>\$ (323,920)</u>	<u>\$ 49,771,719</u>

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2017

### Note 7 - Capital Assets (Continued)

<b>Business-type Activities</b>	Balance	Reclassifications	Additions	Disposals	Balance
	July 1, 2016				June 30, 2017
Capital assets not being depreciated:					
Land	\$ 88,065	\$ -	\$ -	\$ -	\$ 88,065
Construction in progress	1,498,710	(2,167,721)	2,101,054	-	1,432,043
Subtotal	1,586,775	(2,167,721)	2,101,054	-	1,520,108
Capital assets being depreciated:					
Water and sewer lines	98,225,216	2,167,721	1,731,377	-	102,124,314
Machinery and equipment	590,344	-	11,774	-	602,118
Other depreciable assets	2,028,531	-	317,730	(24,611)	2,321,650
Subtotal	100,844,091	2,167,721	2,060,881	(24,611)	105,048,082
Accumulated depreciation:					
Water and sewer lines	38,821,741	-	1,689,143	-	40,510,884
Machinery and equipment	466,449	-	29,748	-	496,197
Other depreciable assets	1,142,024	-	72,067	(24,611)	1,189,480
Subtotal	40,430,214	-	1,790,958	(24,611)	42,196,561
Net capital assets being depreciated	60,413,877	2,167,721	269,923	-	62,851,521
Net capital assets	\$ 62,000,652	\$ -	\$ 2,370,977	\$ -	\$ 64,371,629
		Transfer to			
	Balance	Governmental			Balance
<b>Component Units</b>	July 1, 2016	Activities	Additions	Disposals	June 30, 2017
Capital assets not being depreciated - Land	\$ 3,203,186	\$ -	\$ -	\$ -	\$ 3,203,186
Capital assets being depreciated:					
Machinery and equipment	614,945	-	7,885	-	622,830
Building improvements	24,895,336	-	9,660	-	24,904,996
Land improvements	406,081	-	-	-	406,081
Subtotal	25,916,362	-	17,545	-	25,933,907
Accumulated depreciation:					
Machinery and equipment	600,818	-	7,327	-	608,145
Buildings	1,104,954	-	552,477	-	1,657,431
Building improvements	3,343,083	-	2,388	-	3,345,471
Land improvements	154,040	-	33,809	-	187,849
Subtotal	5,202,895	-	596,001	-	5,798,896
Net capital assets being depreciated	20,713,467	-	(578,456)	-	20,135,011
Net capital assets	\$ 23,916,653	\$ -	\$ (578,456)	\$ -	\$ 23,338,197

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2017

### Note 7 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 216,188
Public safety	248,712
Public works	3,238,063
Recreation and culture	173,554
Internal service fund depreciation is charged to the various functions based on their usage of the asset	<u>395,242</u>

Total governmental activities	<u>\$ 4,271,759</u>
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Business-type activities - Water and sewer	<u>\$ 1,790,958</u>
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Component unit activities:

TIFA	\$ 551,490
DDA	<u>44,511</u>

Total component unit activities	<u>\$ 596,001</u>
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**Construction Commitments** - The City has active construction projects at year end. The projects include road and water and sewer infrastructure improvements. At year end, the City has spent approximately \$5,516,000 on these projects with a remaining commitment of approximately \$17,319,000, which includes \$14,000,000 related to the 34th District Court renovation.

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

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Due to/from Other Funds</b>		
General Fund	Nonmajor governmental funds	<u>\$ 20,000</u>

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2017

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

#### Advances to/from Primary Government and Component Units

Component unit - Tax Increment Finance Authority	Primary government - Other nonmajor governmental funds	\$ 350,000
Primary government - General Fund	Component unit - Tax Increment Finance Authority	\$ 350,000
Primary government - Other nonmajor funds	Component unit - Downtown Development Authority	\$ 2,668
	Component unit - Tax Increment Finance Authority	38,169
	Total primary government - Other nonmajor funds	\$ 40,837
Primary government - Water and Sewer Fund	Component unit - Downtown Development Authority	\$ 33,811

The advance between the Tax Increment Finance Authority and other nonmajor governmental funds is related to cash provided to the Romulus Athletic Center Fund for operating expenses. This advance will be repaid over a number of years. The advance from the General Fund to the Downtown Development Fund and Tax Increment Finance Authority is related to cash provided for operating expenses. These advances will be repaid over a number of years. The advance from the nonmajor governmental funds to the Downtown Development Fund and Tax Increment Finance Authority related to overcaptures from 2013 to the Sanitation and Library Funds. The advance from the Water and Sewer Fund relates to an interest payment made on outstanding Downtown Development Authority bonds by the Water and Sewer Fund. These advances will be repaid over a number of years.

#### Interfund Transfers

Transfers In	Transfers Out			
	General Fund	Nonmajor Governmental Funds	Enterprise Funds	Internal Service Funds
Nonmajor governmental funds	\$ 317,433	\$ 571,310	\$ -	\$ -

The transfers from the General Fund to nonmajor governmental funds were related primarily to the Court Building Construction Fund to support construction of the court building. Remaining transfers were between the City's two street funds to redistribute Act 51 monies from the Major Streets Fund to the Local Streets Fund and to the Debt Service Fund in accordance with a City Council-approved resolution.



# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2017

### Note 9 - Restricted Assets

Cash has been restricted for the following purposes:

	<u>Business-type Activities</u>
Cash deposits at Wayne County	\$ 2,307,428
Cash and investments	<u>1,445,168</u>
Total restricted assets	<u>\$ 3,752,596</u>

The cash on deposit at Wayne County is being held at Wayne County for county sewage disposal system bonds. These restricted assets resulted from property tax collections and are restricted for debt service payments. Net position has been restricted for these amounts. Total tax and other collections received in the current year were approximately \$2,291,000 compared to principal and interest payments of approximately \$2,759,000 on the related debt.

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

### Note 10 - Long-term Debt

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

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2017

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

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

	Interest Rate Ranges	Maturity Date Range	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>								
Capital improvement bonds - Major streets - \$2,095,000	2.0%-4.0%	2029	\$90,000-\$180,000	\$ 1,805,000	\$ -	\$ 150,000	\$ 1,655,000	\$ 155,000
Special assessment bonds - Beverly Road - \$1,650,000	4.00%-5.10%	2022	\$80,000	485,000	-	85,000	400,000	80,000
Plus premiums on bonds payable				60,509	-	4,654	55,855	4,655
Total bonds payable				2,350,509	-	239,654	2,110,855	239,655
Compensated absences				928,267	484,475	586,168	826,574	518,335
Total governmental activities				\$ 3,278,776	\$ 484,475	\$ 825,822	\$ 2,937,429	\$ 757,990
<b>Business-type Activities</b>								
Wayne County contractual obligations - \$42,381,873	1.63%-6.30%	2033	\$253,790-\$2,315,642	\$ 14,705,058	\$ 1,607,089	\$ 2,370,724	\$ 13,941,423	\$ 2,315,642
Capital improvement bonds - Water and sewer - \$7,000,000				330,000	-	330,000	-	-
Capital improvement bonds - Water and sewer - \$3,835,000	3.0% - 5.0%	2026	\$320,000-\$465,000	3,835,000	-	-	3,835,000	320,000
Capital improvement bonds - Water - \$2,900,000	2.0%-4.0%	2034	\$95,000-\$260,000	2,660,000	40,000	100,000	2,600,000	95,000
Plus premiums on bonds payable				636,999	-	55,737	581,262	55,737
Total bonds payable				22,167,057	1,647,089	2,856,461	20,957,685	2,786,379
Compensated absences				158,787	116,125	127,030	147,882	118,306
Total business-type activities				\$ 22,325,844	\$ 1,763,214	\$ 2,983,491	\$ 21,105,567	\$ 2,904,685

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2017

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

Component Unit Activities	Interest Rate Ranges	Maturity Date Range	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Tax Increment Finance Authority:</b>								
Limited Tax General Obligation Bonds - \$10,370,000	2.0%-5.0%	2027	\$875,000- \$1,235,000	\$ 10,370,000	\$ -	\$ -	\$ 10,370,000	\$ 875,000
Plus premiums on bonds payable				1,221,271	-	33,924	1,187,347	33,924
General obligation bonds - \$18,500,000	4.0%-5.0%	2027	\$835,000- \$1,355,000	875,000	-	875,000	-	-
Capital improvement bonds - \$1,695,000	1.35%	2020	\$335,000- \$350,000	1,360,000	-	335,000	1,025,000	350,000
Capital improvement bonds - \$3,810,000	1.35%	2019	\$740,000- \$780,000	3,070,000	-	750,000	2,320,000	750,000
Compensated absences				6,214	5,204	4,972	6,446	5,218
<b>Total - Tax Increment Finance Authority</b>				<b>16,902,485</b>	<b>5,204</b>	<b>1,998,896</b>	<b>14,908,793</b>	<b>2,014,142</b>
<b>Downtown Development Authority:</b>								
Capital improvement bonds - DDA - \$1,005,000	2.0%-4.0%	2034	\$40,000- \$70,000	965,000	-	80,000	885,000	40,000
Plus premiums on bonds payable				24,416	-	1,357	23,059	1,356
Compensated absences				6,518	4,990	5,214	6,294	4,974
<b>Total - Downtown Development Authority</b>				<b>995,934</b>	<b>4,990</b>	<b>86,571</b>	<b>914,353</b>	<b>46,330</b>
<b>Total component units</b>				<b>\$ 17,898,419</b>	<b>\$ 10,194</b>	<b>\$ 2,085,467</b>	<b>\$ 15,823,146</b>	<b>\$ 2,060,472</b>

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

Years Ending June 30	Governmental Activities			Business-type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 235,000	\$ 69,910	\$ 304,910	\$ 2,730,642	\$ 603,452	\$ 3,334,094	\$ 2,015,000	\$ 465,508	\$ 2,480,508
2019	235,000	62,730	297,730	2,598,912	530,393	3,129,305	2,060,000	423,086	2,483,086
2020	240,000	55,550	295,550	1,996,015	468,233	2,464,248	2,100,000	374,928	2,474,928
2021	245,000	46,670	291,670	1,948,440	412,843	2,361,283	1,015,000	328,100	1,343,100
2022	250,000	37,640	287,640	1,072,858	367,255	1,440,113	1,055,000	287,150	1,342,150
2023-2027	640,000	104,700	744,700	5,963,401	1,225,212	7,188,613	5,925,000	757,450	6,682,450
2028-2032	210,000	12,600	222,600	3,297,360	370,531	3,667,891	295,000	63,400	358,400
2033-2034	-	-	-	768,795	-	768,795	135,000	8,200	143,200
<b>Total</b>	<b>\$ 2,055,000</b>	<b>\$ 389,800</b>	<b>\$ 2,444,800</b>	<b>\$ 20,376,423</b>	<b>\$ 3,977,919</b>	<b>\$ 24,354,342</b>	<b>\$ 14,600,000</b>	<b>\$ 2,707,822</b>	<b>\$ 17,307,822</b>

### Note 11 - Risk Management

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

### **Note 11 - Risk Management (Continued)**

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

### **Note 12 - Contingent Liabilities**

#### **Clean Water Act**

The City has been named as a defendant in a lawsuit alleging violations of the Clean Water Act occurring in the Downriver Sewage Treatment System. Several other communities, including Wayne County, were also named as defendants. Under the terms of the consent decree, the communities are required to undertake construction projects to expand the capacity of the system and eliminate any violations of the Clean Water Act. The estimated total cost of the project is approximately \$347,000,000, with the City's share estimated to be approximately \$47,000,000. The outstanding balance payable at June 30, 2017 was approximately \$6,700,000. The bonds will be paid through a court-ordered judgment levy. In addition, approximately \$42,445,000 of capital improvement bonds was issued in previous years for the system. The City's share of the outstanding balance payable at June 30, 2017 was \$7,200,000. 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 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** - At the December 31, 2016 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	62
Inactive plan members entitled to but not yet receiving benefits	7
Active plan members	<u>57</u>
Total employees covered by the System	<u>126</u>

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2017

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

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

For the year ended June 30, 2017, the average active employee contribution rate was 7.0 percent of annual pay and the City's average contribution rate was 50.0 of annual payroll.

#### Net Pension Liability

The net pension liability reported at June 30, 2017 was determined using a measure of the total pension liability and the pension net position as of December 31, 2016. The December 31, 2016 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, 2015</b>	\$ 49,907,873	\$ 18,693,013	\$ 31,214,860
Service cost	528,499	-	528,499
Interest	3,882,853	-	3,882,853
Differences between expected and actual experience	(202,239)	-	(202,239)
Contributions - Employer	-	2,202,543	(2,202,543)
Contributions - Employee	-	278,651	(278,651)
Net investment income	-	2,076,536	(2,076,536)
Benefit payments, including refunds	(3,272,919)	(3,272,919)	-
Administrative expenses	-	(41,059)	41,059
Net changes	936,194	1,243,752	(307,558)
<b>Balance at December 31, 2016</b>	<u>\$ 50,844,067</u>	<u>\$ 19,936,765</u>	<u>\$ 30,907,302</u>

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

**Assumption Changes** - From the time of the last measurement date at December 31, 2015 to December 31, 2016, the actuary modified significant assumptions that affect the measurement of the total pension liability. The actuary adjusted the assumed annual rate of return down from 8.00 percent to 7.75 percent.

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

For the year ended June 30, 2017, the City recognized pension expense of \$3,240,630. At June 30, 2017, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 493,268
Changes in assumptions	1,047,631	-
Net difference between projected and actual earnings on pension plan investments	796,262	-
Employer contributions to the plan subsequent to the measurement date	1,207,179	-
Total	<u>\$ 3,051,072</u>	<u>\$ 493,268</u>

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

Years Ending June 30	Amount
2018	\$ 528,999
2019	528,999
2020	455,957
2021	(163,330)

**Actuarial Assumptions** - The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 %	
Salary increases	3.8 %	The pay increase assumption used in the actuarial valuation projects annual pay increases of 3.75 percent in the long-term, including inflation
Investment rate of return	8.0 %	Net of pension plan investment expense, including inflation

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

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

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

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

**Discount Rate** - The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

#### Projected Cash Flows

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

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2015, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Global equity	56 %	6.7 %
Global fixed income	19	1.8
Real assets	13	7.7
Diversifying strategies	12	5.5



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

The preceding target allocation was amended as of January 1, 2017 to reduce the previous allocation to global equity and global fixed income and to increase the allocation of real assets and diversifying strategies. The target allocation as of January 1, 2017 will be 55.5 percent global equity, 18.5 percent global fixed income, 13.5 percent real assets, and 12.5 percent diversifying strategies.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the City, calculated using the discount rate of 8.00 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00 percent) or 1 percentage point higher (9.00 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability of the City	\$ 36,923,174	\$ 30,907,302	\$ 25,882,701

**Pension Plan Fiduciary Net Position** - Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows or resources related to pension, and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are 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, 2017. 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 \$563,765 during the current year and employees contributed \$94,340.

### Note 15 - Other Postemployment Benefits

**Plan Description** - The City provides healthcare benefits to eligible employees and their spouses and dependents through the City of Romulus Retiree Health Care Plan. In the June 30, 2015 actuary report, the plan has 264 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

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

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

**Funding Progress** - For the year ended June 30, 2017, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2015, which was the most recent valuation. There have been no significant changes to healthcare costs, payroll, or other factors that would cause the City to expect a significant increase in the funding progress. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 5,573,640
Interest on the prior year's net OPEB obligation	1,259,694
Less adjustment to the annual required contribution	<u>(866,227)</u>
Annual OPEB cost	5,967,107
Amounts contributed	<u>(2,461,024)</u>
Increase in net OPEB obligation	3,506,083
OPEB obligation - Beginning of year	<u>20,994,895</u>
OPEB obligation - End of year	<u>\$ 24,500,978</u>

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

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

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Annual OPEB Costs	Employer Contributions		Net OPEB Obligation
				Percentage of ARC Contributed	Percentage of OPEB Costs Contributed	
6/30/15	6/30/13	\$ 5,400,370	\$ 5,678,459	49.9 %	47.5 %	\$ 17,822,450
6/30/16	6/30/13	5,385,254	5,719,265	47.3	44.5	20,994,895
6/30/17	6/30/15	5,573,640	5,967,107	44.2	41.2	24,500,978

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/11	\$ 2,848,525	\$ 79,709,849	\$ 76,861,324	3.6 %	\$ 10,850,519	708.4 %
6/30/13	2,793,739	60,066,433	57,272,694	4.7	7,641,555	749.5
6/30/15	3,672,128	62,287,733	58,615,605	5.9	5,124,343	1,143.9

Approximately \$5,700,000 of the actuarial accrued liability at June 30, 2015 relates to the 34th District Court.

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

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

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

In the June 30, 2015 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 6.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 4.0 percent after 10 years. Both rates included a 4.0 percent inflation assumption. The UAAL is being amortized as a level percentage of payroll if the division is open to new hires and as a level dollar amount if the division is closed to new hires. The remaining amortization period at June 30, 2015 was 24 years.

### Note 16 - OPEB Plan

**Plan Administration** - The City of Romulus, Michigan administers the City of Romulus Other Employee Benefits Trust Retirees' Insurance Benefits Fund, which is a single-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.

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

**Plan Membership** - At June 30, 2017, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	125
Active plan members	<u>123</u>
Total	<u>248</u>

**Benefits Provided** - The OPEB 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, 2017, the City contributed \$2,461,024 to the plan. Plan members are not required to contribute to the plan.

### Note 16 - OPEB Plan (Continued)

#### OPEB Plan Investments

**Investment Policy** - The plan's policy in regard to the allocation of invested assets is established and may be amended by the board of trustees by a majority vote of its members. It is the policy of the board of trustees to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the board's adopted asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation (%)
Domestic equities	50.00 %
International equities	10.00
Fixed income	40.00

**Rate of Return** - For the year ended June 30, 2017, the annual money-weighted rate of return on plan investments, net of investment expense, was 7.1 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### Net OPEB Liability

The City reports OPEB expense based on funding requirements, as directed by GASB Statement No. 45. Beginning next year, the City will adopt GASB Statement No. 75, which will require the measurement of OPEB expense as it is earned, rather than as it is funded. The net OPEB liability of the City has been measured as of June 30, 2017 and is composed of the following:

Total OPEB liability	\$ 65,522,037
Plan fiduciary net position	<u>(4,389,269)</u>
Net OPEB liability	<u>\$ 61,132,768</u>
Plan fiduciary net position as a percentage of the total OPEB liability	7 %

### Note 16 - OPEB Plan (Continued)

**Actuarial Assumptions** - The total OPEB liability shown in this report is based on an actuarial valuation performed as of June 30, 2015 and a measurement date of June 30, 2017. The roll-forward procedure increases the June 30, 2015 actuarial accrued liability with normal cost and interest and decreases it with expected benefit payments. The valuation used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 %	
Healthcare cost trend rate	9.00 %	Gradually decreasing to 4.00 percent in year 10
Salary increases	4.00 %	To 17.00 percent, including inflation
Investment rate of return	6.00 %	Net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2000 Mortality Table projected 20 years with Scale BB.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These real rates of return 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. For each major asset class that is included in the OPEB plan's target asset allocation as of June 30, 2017, these arithmetic best estimates are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Domestic equities	7.10 %
International equities	6.90
Fixed income	2.80
Cash/short-term investment	1.40

**Discount Rate** - The discount rate used to measure the total OPEB liability was 6.00 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates.

### Note 16 - OPEB Plan (Continued)

#### Projected Cash Flows

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 plan members. 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.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** - The following presents the net OPEB liability, calculated using the discount rate of 6.00 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.00 percent) or 1 percentage point higher (7.00 percent) than the current rate:

	1 Percent Decrease (5.00%)	Current Discount Rate (6.00%)	1 Percent Increase (7.00%)
Net OPEB liability	<u>\$ 70,179,699</u>	<u>\$ 61,132,768</u>	<u>\$ 53,742,079</u>

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates** - The following presents the net OPEB liability, calculated using the healthcare cost trend rate of 9.00 percent, decreasing to 4.00 percent, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (8.00 percent, decreasing to 3.00 percent) or 1 percentage point higher (10.00 percent, decreasing to 5.00 percent) 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	<u>\$ 52,922,945</u>	<u>\$ 61,132,768</u>	<u>\$ 71,023,955</u>

### **Note 17 - 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 \$3,400,433. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the 34th District Court can be obtained from the administrative offices at 11131 Wayne Road, Romulus, Michigan.

The City, along with 12 other communities, jointly participates in the Downriver Sewage Disposal System. The City's share of capital assets, restricted assets (for debt service), related debt, and equity interest is recorded in the Water and Sewer Fund. During the year, the City paid \$2,980,970 for operations of the system and \$2,758,669 for debt service. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future, except as discussed in Note 12. Financial statements for the joint venture can be obtained from the administrative offices at 415 Clifford, Detroit, MI 48226.

### **Note 18 - 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, 2017 the City abated \$696,386 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 19 - Subsequent Events**

On November 29, 2017, the City of Romulus, Michigan issued \$11,140,000 in Capital Improvement Bonds, Series 2017A. The bonds are being issued for the purpose of paying part of the cost of public road improvements and infrastructure.

On August 28, 2017, the City of Romulus, Michigan approved a notice of intent to revise the original \$14,000,000 renovation of the 34th District Court building to issue bonds not to exceed \$17,000,000 to construct a new 34th District Court building.

On October 23, 2017, the City of Romulus, Michigan approved to issue \$14,940,000 in Capital Improvement Bonds, Series 2017B. The bonds are being issued for the purpose of paying part of the costs of acquiring, constructing, furnishing, and equipping a new court facility.



### Note 20 - Upcoming Accounting Pronouncements

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

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. 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 2019-2020 fiscal year.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB statements. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits (OPEB)). 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 2017-2018 fiscal year.

In June 2017, the GASB issued 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 2020-2021 fiscal year.

## **Required Supplemental Information**

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# City of Romulus, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 7,246,080	\$ 7,246,080	\$ 7,424,048	\$ 177,968
Licenses and permits	1,271,280	1,321,280	1,660,059	338,779
Federal sources	264,210	264,210	369,377	105,167
State sources	3,881,170	3,881,170	4,240,531	359,361
Charges for services	2,853,950	2,945,285	3,092,858	147,573
Fines and forfeitures	3,000,000	3,000,000	2,445,471	(554,529)
Interest income	10,000	10,000	41,143	31,143
Other	146,060	149,260	175,136	25,876
Total revenue	18,672,750	18,817,285	19,448,623	631,338
<b>Expenditures - Current</b>				
Legislative	81,350	80,850	79,038	1,812
Mayor	626,840	677,650	654,502	23,148
Clerk	633,260	661,858	651,128	10,730
Treasurer	444,130	444,130	431,288	12,842
Community services/outreach	736,780	733,745	546,535	187,210
Financial services	2,180,660	2,585,953	2,329,232	256,721
Community and economic development	387,080	387,080	379,744	7,336
Public safety	12,850,270	13,221,890	11,994,748	1,227,142
Public services	2,659,030	2,746,686	2,189,029	557,657
Total expenditures	20,599,400	21,539,842	19,255,244	2,284,598
<b>Net Change in Fund Balance</b>	(1,926,650)	(2,722,557)	193,379	2,915,936
<b>Fund Balance - Beginning of year</b>	6,648,609	6,648,609	6,648,609	-
<b>Fund Balance - End of year</b>	<u>\$ 4,721,959</u>	<u>\$ 3,926,052</u>	<u>\$ 6,841,988</u>	<u>\$ 2,915,936</u>

# City of Romulus, Michigan

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## Note to Required Supplemental Information Year Ended June 30, 2017

**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.

# City of Romulus, Michigan

## Note to Required Supplemental Information (Continued) Year Ended June 30, 2017

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.

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	\$ 19,448,623	\$ 18,937,811	\$ 317,433
Operating transfers budgeted as revenue and expenditures	-	317,433	(317,433)
Amounts per budget statement	<u>\$ 19,448,623</u>	<u>\$ 19,255,244</u>	<u>\$ -</u>

# City of Romulus, Michigan

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

	2017	2016	2015
<b>Total Pension Liability</b>			
Service cost	\$ 528,499	\$ 528,402	\$ 542,571
Interest	3,882,853	3,817,235	3,731,581
Differences between expected and actual experience	(202,239)	(552,460)	-
Changes in assumptions	-	1,746,051	-
Benefit payments, including refunds	(3,272,919)	(3,273,351)	(3,184,316)
<b>Net Change in Total Pension Liability</b>	936,194	2,265,877	1,089,836
<b>Total Pension Liability - Beginning of year</b>	49,907,873	47,641,996	46,552,160
<b>Total Pension Liability - End of year</b>	<b>\$ 50,844,067</b>	<b>\$ 49,907,873</b>	<b>\$ 47,641,996</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 2,202,543	\$ 1,869,896	\$ 1,785,563
Contributions - Member	278,651	281,502	284,028
Net investment income (loss)	2,076,536	(288,789)	1,242,261
Administrative expenses	(41,059)	(42,954)	(45,406)
Benefit payments, including refunds	(3,272,919)	(3,273,351)	(3,184,316)
<b>Net Change in Plan Fiduciary Net Position</b>	1,243,752	(1,453,696)	82,130
<b>Plan Fiduciary Net Position - Beginning of year</b>	18,693,013	20,146,709	20,064,579
<b>Plan Fiduciary Net Position - End of year</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>\$ 30,907,302</b>	<b>\$ 31,214,860</b>	<b>\$ 27,495,287</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	39.21 %	37.46 %	42.29 %
<b>Covered Employee Payroll</b>	\$ 3,853,356	\$ 3,817,724	\$ 3,907,772
<b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	802.1 %	817.6 %	703.6 %

# City of Romulus, Michigan

## Required Supplemental Information Schedule of City Contributions Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 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	\$ 1,296,993
Contributions in relation to the actuarially determined contribution	<u>2,202,543</u>	<u>1,869,896</u>	<u>1,785,564</u>	<u>1,868,648</u>	<u>1,526,264</u>	<u>1,529,553</u>	<u>1,578,406</u>	<u>1,532,019</u>	<u>1,377,582</u>	<u>1,296,993</u>
<b>Contribution Deficiency</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Covered Employee Payroll</b>	\$ 3,853,356	\$ 3,817,724	\$ 3,907,772	\$ 4,459,246	\$ 4,742,971	\$ 4,847,101	\$ 4,854,341	\$ 6,342,769	\$ 5,449,276	\$ 5,905,009
<b>Contributions as a Percentage of Covered Employee Payroll</b>	57.2 %	49.0 %	45.7 %	41.9 %	32.2 %	31.6 %	32.5 %	24.2 %	25.3 %	22.0 %

### Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	22 years
Asset valuation method	Five-year smoothed
Inflation	2.5 percent
Salary increases	3.75 percent
Investment rate of return	7.75 percent
Retirement age	60 with 10 years of service, 55 with 15 or 25 years of service (depending on the group), or 50 with 25 years of service
Mortality	50 percent male - 50 percent female blend of the following tables: 1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent 2. The RP-2014 Employee Mortality Tables 3. The RP-2014 Juvenile Mortality Tables For disabled retirees, the mortality rates were based on the 50 percent male - 50 percent female blend of the RP-2014 Disabled Retiree Mortality Table.
Other information	None

# City of Romulus, Michigan

## Required Supplemental Information OPEB System Schedule Year Ended June 30, 2017

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/15	\$ 3,672,128	\$ 62,287,733	\$ 58,615,605	5.9 %	\$ 5,124,343	1,143.9 %
6/30/13	2,793,739	60,066,433	57,272,694	4.7	7,641,555	749.5
6/30/11	2,848,525	79,709,849	76,861,324	3.6	10,850,519	708.4



# City of Romulus, Michigan

## Required Supplemental Information OPEB Plan Schedule of Changes in the City's Net Pension Liability and Related Ratios Last Ten Fiscal Years (Schedule is built prospectively upon implementation of GASB No. 74)

	2017
<b>Total OPEB Liability</b>	
Service cost	\$ 675,757
Interest	3,790,304
Differences between expected and actual experience	(627,854)
Benefit payments, including refunds	(2,300,054)
<b>Net Change in Total OPEB Liability</b>	1,538,153
<b>Total OPEB Liability - Beginning of year</b>	63,983,884
<b>Total OPEB Liability - End of year</b>	<b>\$ 65,522,037</b>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 2,461,024
Net investment income	273,530
Administrative expenses	(53,100)
Benefit payments, including refunds	(2,300,054)
Other	40,708
<b>Net Change in Plan Fiduciary Net Position</b>	422,108
<b>Plan Fiduciary Net Position - Beginning of year</b>	3,967,161
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 4,389,269</b>
<b>Net OPEB Liability - Ending</b>	<b>\$ 61,132,768</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	6.70 %
<b>Covered Employee Payroll</b>	\$ 6,023,526
<b>Net OPEB Liability as a Percentage of Covered Employee Payroll</b>	1,014.9 %

# City of Romulus, Michigan

## Required Supplemental Information OPEB Plan Schedule of City Contributions Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 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	<u>2,461,024</u>	<u>2,546,820</u>	<u>2,694,479</u>	<u>2,762,847</u>	<u>2,376,800</u>	<u>1,770,472</u>	<u>1,160,212</u>	<u>1,616,616</u>	<u>1,461,388</u>
<b>Contribution Deficiency</b>	<b><u>\$3,112,616</u></b>	<b><u>\$2,838,434</u></b>	<b><u>\$2,705,891</u></b>	<b><u>\$4,235,613</u></b>	<b><u>\$4,578,022</u></b>	<b><u>\$1,619,834</u></b>	<b><u>\$2,084,099</u></b>	<b><u>\$ 903,780</u></b>	<b><u>\$ 950,473</u></b>
<b>Covered Employee Payroll</b>	\$ 6,023,526	\$ 5,124,343	\$ 5,124,343	\$ 7,641,555	\$ 7,641,555	\$10,850,519	\$10,850,519	\$12,435,976	\$12,435,976
<b>Contributions as a Percentage of Covered Employee Payroll</b>	40.9 %	49.7 %	52.6 %	36.2 %	31.1 %	16.3 %	10.7 %	13.0 %	11.8 %

### Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of June 30, 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 normal
Amortization method	Level dollar
Remaining amortization period	24 years, closed
Asset valuation method	Market value of assets
Inflation	2.75 percent
Healthcare cost trend rates	Initial trend of 9.0 percent gradually decreasing to 4.0 percent in year 10
Salary increases	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

**City of Romulus, Michigan**

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**Required Supplemental Information  
OPEB Plan  
Schedule of Investment Returns  
Last Ten Fiscal Years**

	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	7.1 %

## **Other Supplemental Information**

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# City of Romulus, Michigan

## Nonmajor Special Revenue Funds

	Major Streets	Local Streets	Cable TV	911	Sanitation	Community Development Block Grant	Street Lighting
<b>Assets</b>							
Cash and investments	\$ 1,001,755	\$ 285,009	\$ 629,830	\$ 151,151	\$ 635,046	\$ (101,845)	\$ 115,999
Receivables:							
Property taxes receivable	-	-	-	-	13,244	-	-
Special assessments receivable	-	-	-	-	-	-	-
Other receivables	-	-	93,433	-	-	-	-
Due from other governmental units	289,680	102,191	-	63,035	-	137,914	-
Advance to component units	-	-	-	-	34,215	-	-
Inventory	42,346	63,518	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 1,333,781</b>	<b>\$ 450,718</b>	<b>\$ 723,263</b>	<b>\$ 214,186</b>	<b>\$ 682,505</b>	<b>\$ 36,069</b>	<b>\$ 115,999</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 32,246	\$ 74,640	\$ 75	\$ 3,787	\$ 84,323	\$ 421	\$ -
Due to other funds	-	-	-	-	-	-	-
Accrued liabilities and other:							
Accrued salaries and wages	8,769	13,277	4,553	626	3,864	1,534	-
Accrued and other liabilities	-	-	-	-	32,622	-	-
Advances from component units	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>41,015</b>	<b>87,917</b>	<b>4,628</b>	<b>4,413</b>	<b>120,809</b>	<b>1,955</b>	<b>-</b>
<b>Deferred Inflows of Resources -</b>							
Unavailable revenue	-	-	-	63,035	13,244	114,552	-
<b>Fund Balances</b>							
Nonspendable:							
Inventory	42,346	63,518	-	-	-	-	-
Prepays	-	-	-	-	-	-	-
Restricted:							
Roads	1,250,420	299,283	-	-	-	-	-
Public safety	-	-	-	146,738	-	-	-
Sanitation	-	-	-	-	548,452	-	-
Debt service	-	-	-	-	-	-	-
PEG fees	-	-	718,635	-	-	-	-
Street lighting	-	-	-	-	-	-	115,999
Cemetery operations	-	-	-	-	-	-	-
Community facilities and programs	-	-	-	-	-	-	-
Library operations	-	-	-	-	-	-	-
Committed - Recreation	-	-	-	-	-	-	-
Assigned - Capital projects	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(80,438)	-
<b>Total fund balances</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>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,333,781</b>	<b>\$ 450,718</b>	<b>\$ 723,263</b>	<b>\$ 214,186</b>	<b>\$ 682,505</b>	<b>\$ 36,069</b>	<b>\$ 115,999</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2017**

Nonmajor Special Revenue Funds							Nonmajor Capital Projects Funds			Total Nonmajor Governmental Funds
Merriman Road Special Assessment District	Oakwood Special Assessment District	Narcotics Enforcement	Romulus Athletic Center	Cemetery Perpetuation	Library	Community - Employee Activity Fund	Debt Service Fund	Court Building Construction Fund	Construction Fund	
\$ 69,812	\$ 48,488	\$ 427,856	\$ 588,679	\$ 2,391	\$ 136,279	\$ 76	\$ 875,515	\$ 330,027	\$ 309,646	\$ 5,505,714
-	-	-	-	-	2,893	-	-	-	-	16,137
-	-	-	-	-	-	-	-	-	303,690	303,690
-	-	-	96,496	-	12,500	-	-	-	-	202,429
-	-	-	-	-	92,932	-	83,134	-	-	768,886
-	-	-	-	-	6,622	-	-	-	-	40,837
-	-	-	-	-	-	-	-	-	-	105,864
-	-	-	247	-	-	-	-	-	-	247
<b>\$ 69,812</b>	<b>\$ 48,488</b>	<b>\$ 427,856</b>	<b>\$ 685,422</b>	<b>\$ 2,391</b>	<b>\$ 251,226</b>	<b>\$ 76</b>	<b>\$ 958,649</b>	<b>\$ 330,027</b>	<b>\$ 613,336</b>	<b>\$ 6,943,804</b>
\$ 6,622	\$ 462	\$ 4,110	\$ 45,643	\$ -	\$ 64,984	\$ -	\$ -	\$ 53,078	\$ -	\$ 370,391
-	-	-	20,000	-	-	-	-	-	-	20,000
-	-	-	43,182	-	11,116	-	-	-	-	86,921
-	-	-	26,806	-	11,238	-	-	-	-	70,666
-	-	-	350,000	-	-	-	-	-	-	350,000
6,622	462	4,110	485,631	-	87,338	-	-	53,078	-	897,978
-	-	-	-	-	95,824	-	-	-	303,690	590,345
-	-	-	-	-	-	-	-	-	-	105,864
-	-	-	247	-	-	-	-	-	-	247
63,190	48,026	-	-	-	-	-	-	-	-	1,660,919
-	-	423,746	-	-	-	-	-	-	-	570,484
-	-	-	-	-	-	-	-	-	-	548,452
-	-	-	-	-	-	-	958,649	-	-	958,649
-	-	-	-	-	-	-	-	-	-	718,635
-	-	-	-	-	-	-	-	-	-	115,999
-	-	-	-	2,391	-	-	-	-	-	2,391
-	-	-	-	-	-	76	-	-	-	76
-	-	-	-	-	68,064	-	-	-	-	68,064
-	-	-	199,544	-	-	-	-	-	-	199,544
-	-	-	-	-	-	-	-	276,949	309,646	586,595
-	-	-	-	-	-	-	-	-	-	(80,438)
63,190	48,026	423,746	199,791	2,391	68,064	76	958,649	276,949	309,646	5,455,481
<b>\$ 69,812</b>	<b>\$ 48,488</b>	<b>\$ 427,856</b>	<b>\$ 685,422</b>	<b>\$ 2,391</b>	<b>\$ 251,226</b>	<b>\$ 76</b>	<b>\$ 958,649</b>	<b>\$ 330,027</b>	<b>\$ 613,336</b>	<b>\$ 6,943,804</b>

# City of Romulus, Michigan

## Nonmajor Special Revenue Funds

	Major Streets	Local Streets	Cable TV	911	Sanitation	Community Development Block Grant	Street Lighting
<b>Revenue</b>							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,118,113	\$ -	\$ 566,959
Federal grants	-	-	-	-	-	126,392	-
State-shared revenue and grants	1,687,023	528,280	-	-	66,671	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-
Investment income (loss)	2,903	165	1,666	441	2,260	-	460
Other revenue	2,834	17,757	369,298	70,405	6,105	-	-
<b>Total revenue</b>	<b>1,692,760</b>	<b>546,202</b>	<b>370,964</b>	<b>70,846</b>	<b>1,193,149</b>	<b>126,392</b>	<b>567,419</b>
<b>Expenditures</b>							
Current:							
General government	-	-	251,290	-	-	-	-
Public safety	-	-	-	123,218	-	-	-
Public works	1,153,458	893,472	-	-	1,051,628	-	570,198
Community and economic development -							
Redevelopment and housing	-	-	-	-	-	221,415	-
Recreation and culture:							
Library	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>1,153,458</b>	<b>893,472</b>	<b>251,290</b>	<b>123,218</b>	<b>1,051,628</b>	<b>221,415</b>	<b>570,198</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>539,302</b>	<b>(347,270)</b>	<b>119,674</b>	<b>(52,372)</b>	<b>141,521</b>	<b>(95,023)</b>	<b>(2,779)</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	366,500	-	-	-	-	-
Transfers out	(571,310)	-	-	-	-	-	-
<b>Total other financing (uses) sources</b>	<b>(571,310)</b>	<b>366,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(32,008)</b>	<b>19,230</b>	<b>119,674</b>	<b>(52,372)</b>	<b>141,521</b>	<b>(95,023)</b>	<b>(2,779)</b>
<b>Fund Balances - Beginning of year</b>	<b>1,324,774</b>	<b>343,571</b>	<b>598,961</b>	<b>199,110</b>	<b>406,931</b>	<b>14,585</b>	<b>118,778</b>
<b>Fund Balances - End 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>

**Other Supplemental Information  
Combining Statement of Revenue, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2017**

Nonmajor Special Revenue Funds							Nonmajor Capital Project Funds				Total Nonmajor Governmental Funds
Merriman Road Special Assessment District	Oakwood Special Assessment District	Narcotics Enforcement	Romulus Athletic Center	Cemetery Perpetuation	Library	Community - Employee Activity Fund	Debt Service Fund	Court Building Construction Fund	Construction Fund		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 368,165	\$ -	\$ -	\$ -	\$ -	\$ 2,053,237	
-	-	9,845	-	-	-	-	-	-	-	136,237	
-	-	130,879	-	-	41,344	-	-	-	-	2,454,197	
-	-	-	1,827,563	-	22,472	-	-	-	-	1,850,035	
-	-	-	-	-	9,259	-	954,962	-	-	964,221	
186	139	1,174	2,040	(1)	583	(3)	1,995	988	845	15,841	
85,772	18,550	-	300,000	2,383	28,582	-	-	-	97,371	999,057	
85,958	18,689	141,898	2,129,603	2,382	470,405	(3)	956,957	988	98,216	8,472,825	
-	-	-	-	-	-	-	-	-	-	251,290	
-	-	143,185	-	-	-	-	-	-	-	266,403	
83,666	6,128	-	-	5,960	-	7,200	-	66,816	-	3,838,526	
-	-	-	-	-	-	-	-	-	-	221,415	
-	-	-	-	-	597,007	-	-	-	-	597,007	
-	-	-	2,060,383	-	-	-	-	-	-	2,060,383	
-	-	-	-	-	-	-	150,000	-	85,000	235,000	
-	-	-	-	-	-	-	54,724	-	22,968	77,692	
83,666	6,128	143,185	2,060,383	5,960	597,007	7,200	204,724	66,816	107,968	7,547,716	
2,292	12,561	(1,287)	69,220	(3,578)	(126,602)	(7,203)	752,233	(65,828)	(9,752)	925,109	
10,080	2,060	-	-	-	-	-	204,810	305,293	-	888,743	
-	-	-	-	-	-	-	-	-	-	(571,310)	
10,080	2,060	-	-	-	-	-	204,810	305,293	-	317,433	
12,372	14,621	(1,287)	69,220	(3,578)	(126,602)	(7,203)	957,043	239,465	(9,752)	1,242,542	
50,818	33,405	425,033	130,571	5,969	194,666	7,279	1,606	37,484	319,398	4,212,939	
<b>\$ 63,190</b>	<b>\$ 48,026</b>	<b>\$ 423,746</b>	<b>\$ 199,791</b>	<b>\$ 2,391</b>	<b>\$ 68,064</b>	<b>\$ 76</b>	<b>\$ 958,649</b>	<b>\$ 276,949</b>	<b>\$ 309,646</b>	<b>\$ 5,455,481</b>	



# City of Romulus, Michigan

## Other Supplemental Information Combining Statement of Net Position Internal Service Funds June 30, 2017

	Vehicle and Equipment Fund	Computer and Equipment Fund	Property and Liability Self- insurance Fund	Total
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 2,215,313	\$ 546,064	\$ 416,291	\$ 3,177,668
Receivables	4,900	-	-	4,900
Inventories	57,021	-	-	57,021
Prepaid expenses and other assets	-	1,245	-	1,245
Total current assets	2,277,234	547,309	416,291	3,240,834
Noncurrent assets - Capital assets	1,385,642	419,962	-	1,805,604
Total assets	3,662,876	967,271	416,291	5,046,438
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	21,711	71,380	-	93,091
Accrued liabilities and other	38,075	5,331	-	43,406
Current portion of compensated absences	16,360	14,027	-	30,387
Total current liabilities	76,146	90,738	-	166,884
Noncurrent liabilities:				
Provision for compensated absences - Net of current portion	4,090	3,507	-	7,597
Net OPEB obligation	281,809	177,746	-	459,555
Total noncurrent liabilities	285,899	181,253	-	467,152
Total liabilities	362,045	271,991	-	634,036
<b>Net Position</b>				
Net investment in capital assets	1,385,642	419,962	-	1,805,604
Unrestricted	1,915,189	275,318	416,291	2,606,798
Total net position	<b>\$ 3,300,831</b>	<b>\$ 695,280</b>	<b>\$ 416,291</b>	<b>\$ 4,412,402</b>

# City of Romulus, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended June 30, 2017

	Vehicle and Equipment Fund	Computer and Equipment Fund	Property and Liability Self- insurance Fund	Total
<b>Operating Revenue</b>				
Charges to other funds	\$ 1,651,391	\$ 768,830	\$ 467,500	\$ 2,887,721
Other	10,902	3,103	63,150	77,155
Total operating revenue	1,662,293	771,933	530,650	2,964,876
<b>Operating Expenses</b>				
Cost of insurance claims	-	-	544,698	544,698
Cost of vehicle and equipment maintenance	991,889	-	-	991,889
Cost of computer and equipment maintenance	-	553,487	-	553,487
Depreciation	294,369	100,874	-	395,243
Total operating expenses	1,286,258	654,361	544,698	2,485,317
<b>Operating Income (Loss)</b>	376,035	117,572	(14,048)	479,559
<b>Nonoperating Revenue</b> - Investment income	5,434	1,443	1,199	8,076
<b>Change in Net Position</b>	381,469	119,015	(12,849)	487,635
<b>Net Position</b> - Beginning of year	2,919,362	576,265	429,140	3,924,767
<b>Net Position</b> - End of year	<u>\$ 3,300,831</u>	<u>\$ 695,280</u>	<u>\$ 416,291</u>	<u>\$ 4,412,402</u>

# City of Romulus, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2017

	Vehicle and Equipment Fund	Computer and Equipment Fund	Property and Liability Self- insurance Fund	Total
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 1,660,943	\$ 771,933	\$ 530,650	\$ 2,963,526
Payments to suppliers	(598,301)	(278,526)	(544,698)	(1,421,525)
Payments to employees	(397,006)	(201,088)	-	(598,094)
Net cash provided by (used in) operating activities	665,636	292,319	(14,048)	943,907
<b>Cash Flows from Capital and Related Financing Activities - Purchase of capital assets</b>	(350,246)	(83,675)	-	(433,921)
<b>Cash Flows from Investing Activities - Investment income</b>	5,434	1,443	1,199	8,076
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	320,824	210,087	(12,849)	518,062
<b>Cash and Cash Equivalents - Beginning of year</b>	1,894,489	335,977	429,140	2,659,606
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 2,215,313</u>	<u>\$ 546,064</u>	<u>\$ 416,291</u>	<u>\$ 3,177,668</u>
<b>Statement of Net Position Classification of Cash and Cash Equivalents - Cash and investments</b>	<u>\$ 2,215,313</u>	<u>\$ 546,064</u>	<u>\$ 416,291</u>	<u>\$ 3,177,668</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ 376,035	\$ 117,572	\$ (14,048)	\$ 479,559
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	294,369	100,874	-	395,243
Changes in assets and liabilities:				
Receivables	(1,350)	-	-	(1,350)
Inventories	(4,213)	-	-	(4,213)
Prepaid and other assets	-	(1,245)	-	(1,245)
Accounts payable	7,090	44,577	-	51,667
Accrued and other liabilities	(15,757)	(429)	-	(16,186)
Net OPEB obligation	9,462	30,970	-	40,432
Net cash provided by (used in) operating activities	<u>\$ 665,636</u>	<u>\$ 292,319</u>	<u>\$ (14,048)</u>	<u>\$ 943,907</u>

# City of Romulus, Michigan

## Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds June 30, 2017

	Revolving Fund	General Tax Fund	Current Tax Fund	Delinquent Personal Property Tax Fund	Payroll Fund	Total Fiduciary Funds
<b>Assets</b>						
Cash and investments	\$ 1,906,997	\$ 59,358	\$ (51)	\$ 172,902	\$ 216,240	\$ 2,355,446
Due from other governmental units	1,883	-	51	-	-	1,934
Total assets	<b><u>\$ 1,908,880</u></b>	<b><u>\$ 59,358</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 172,902</u></b>	<b><u>\$ 216,240</u></b>	<b><u>\$ 2,357,380</u></b>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 59,358	\$ -	\$ 6,502	\$ 94	\$ 65,954
Due to other governmental units	284,294	-	-	-	-	284,294
Accrued and other liabilities	1,624,586	-	-	166,400	216,146	2,007,132
Total liabilities	<b><u>\$ 1,908,880</u></b>	<b><u>\$ 59,358</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 172,902</u></b>	<b><u>\$ 216,240</u></b>	<b><u>\$ 2,357,380</u></b>

# City of Romulus, Michigan

## Other Supplemental Information Downtown Development Authority Fund-based Balance Sheet June 30, 2017

	Downtown Development Authority	Full Accrual Adjustments	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 139,414	\$ -	\$ 139,414
Receivables - Property taxes receivable	16,902	-	16,902
Capital assets	-	662,410	662,410
Bond prepaid insurance	-	1,666	1,666
	<b>\$ 156,316</b>	664,076	820,392
<b>Liabilities</b>			
Accounts payable	\$ 7,144	-	7,144
Due to other governmental units	10,577	-	10,577
Due to primary government	36,479	-	36,479
Accrued liabilities and other	3,228	7,900	11,128
Compensated absences	-	6,294	6,294
Net OPEB or pension obligation	-	143,880	143,880
Long-term debt	-	908,059	908,059
	57,428	1,066,133	1,123,561
<b>Deferred Inflows of Resources - Unavailable revenue</b>	6,325	(6,325)	-
<b>Equity - Restricted</b>	92,563	(92,563)	
Total liabilities, deferred inflows of resources, and equity	<b>\$ 156,316</b>		
<b>Net Position</b>			
Net investment in capital assets		662,410	662,410
Unrestricted		(965,579)	(965,579)
		<b>\$ (303,169)</b>	<b>\$ (303,169)</b>

# City of Romulus, Michigan

## Other Supplemental Information Downtown Development Authority Fund-based Schedule of Revenue and Expenditures Year Ended June 30, 2017

	Downtown Development Authority	Full Accrual Adjustments	Total
<b>Revenue</b>			
Property taxes	\$ 402,491	\$ -	\$ 402,491
Other revenue	46,398	-	46,398
Total revenue	448,889	-	448,889
<b>Expenditures - Current</b>			
Salaries and wages	67,098	80	67,178
Fringe benefits	57,421	16,670	74,091
Other current services	131,212	(2,939)	128,273
Depreciation	-	44,511	44,511
Capital outlay and capital contributions	24,839	(9,660)	15,179
Principal expenditures	80,000	(80,000)	-
Interest expense	66,211	(1,458)	64,753
Total expenditures	426,781	(32,796)	393,985
<b>Change in Fund Balance/Net Position</b>	22,108	32,796	54,904
<b>Fund Balance/Net Position - Beginning of year</b>	70,455	(428,528)	(358,073)
<b>Fund Balance/Net Position - End of year</b>	<b>\$ 92,563</b>	<b>\$ (395,732)</b>	<b>\$ (303,169)</b>