

**VILLAGE OF ROMEO, MICHIGAN**

**ANNUAL FINANCIAL REPORT  
with Supplementary Information**

**FOR THE YEAR ENDED  
JUNE 30, 2016**

**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

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**Macomb County, Michigan**

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## INDEPENDENT AUDITOR'S REPORT

To the President and Members  
of the Village Council  
Village of Romeo  
Romeo, 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 Village of Romeo, Michigan as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

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

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 Village'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 Village'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 opinions.

## ***Opinions***

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 Village of Romeo, Michigan, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and pension system schedules, as listed 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, who 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 supplementary 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Romeo, Michigan's basic financial statements. The combining and individual fund statements and schedules (supplementary information), as listed in the table of contents, are presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

  
Certified Public Accountants

December 7, 2016

### OVERVIEW OF THE FINANCIAL STATEMENTS

The Village of Romeo's (the "Village") 2016 annual report is presented in conformity with the requirements of Governmental Accounting Standards Board Statement No. 34. This annual report consists of four parts - management's discussion and analysis, the basic financial statements, required supplementary information, and supplementary information, which presents combining statements for nonmajor governmental funds, internal service funds, and component unit information. The basic financial statements include two kinds of statements that present different views of the Village. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Village's government, reporting the Village's operations in more detail than the government-wide statements.

#### *Government-wide Financial Statements*

The government-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Village's net position and how they have changed. Net position, defined as the difference between the Village's assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure the Village's financial health or position.

The government-wide financial statements of the Village are divided into three categories:

**Governmental activities** - most of the Village's basic services are included here, such as the police, fire, public works, parks and recreation, general administration and debt retirement, property taxes, state-shared revenues, and charges for services are most of the funding.

**Business-type activities** - the Village charges fees to customers to help it cover the costs of certain services it provides. The Village's water and wastewater operations are treated as business-type activities.

**Component unit** - although separate, the Downtown Development Authority and Brownsfield Redevelopment Authority are important because the Village is financially accountable for them.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the Village's most significant funds, not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The Village Council establishes other funds to control and manage money for particular purposes.

The funds of the Village can be divided into three categories:

**Governmental Funds** - Most of the Village's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. These funds are reported using the modified accrual basis of accounting. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. We describe the relationship (or differences) between governmental activities and governmental funds in the reconciliation schedules on pages 12 and 14.

**Proprietary Funds** - Proprietary funds use the accrual basis of accounting, which is the same basis used by the private businesses. The Village maintains two different types of proprietary funds.

**Enterprise Funds** - are used to report services for which the Village charges customers a fee for those services. The Village has two enterprise funds, the Water Supply System and Wastewater Funds.

**Internal Service Fund** - reports activities that provide services and supplies to other Village programs. The Village utilizes a Motor Pool Fund and a Retiree Healthcare Fund.

**Fiduciary Fund** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Village's operations. The Village has one fiduciary fund for tax collections.

## FINANCIAL OVERVIEW (Government-wide financial analysis)

The Village's net position of \$7,162,327 is a decrease of \$705,494 from 2015. Government-type activities comprise \$(2,143,329) and business-type activities make up \$9,305,656 of the total net position. In a condensed format, the table below shows net position as of June 30, 2016 and 2015:

	Governmental Activities		Business-type Activities	
	2016	2015	2016	2015
<b>Assets</b>				
Current assets	\$ 1,145,310	\$ 1,198,878	\$ 839,453	\$ 639,929
Restricted assets	-	-	277,071	191,326
Capital assets	2,408,129	2,519,207	14,031,470	14,668,037
Total Assets	3,553,439	3,718,085	15,147,994	15,499,292
<b>Deferred Outflows of Resources</b>	575,934	122,080	303,796	143,089
<b>Liabilities</b>				
Current liabilities	217,436	145,585	119,555	116,031
Non-current liabilities	5,973,357	5,241,971	5,996,284	6,111,138
Total Liabilities	6,190,793	5,387,556	6,115,839	6,227,169
<b>Deferred Inflows of Resources</b>	81,909	-	30,295	-
<b>Net Position</b>				
Net investment in capital assets	2,091,093	2,112,495	9,545,901	9,862,956
Restricted	277,601	290,562	277,071	191,326
Unrestricted	(4,512,023)	(3,950,448)	(517,316)	(639,070)
Total Net Position	\$(2,143,329)	\$(1,547,391)	\$9,305,656	\$9,415,212

The Village's governmental activities experienced a decrease in net position of \$595,938, mainly due to an increase in the net OPEB obligation and net pension liability. The business-type activities experienced a decrease in net position of \$109,556, mainly as a result of depreciation expense. Over the past few years the General Fund has subsidized the wastewater operations by paying a portion of the debt retirement.

The following table shows the changes in net position for 2016 and 2015:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Revenue</b>				
Program Revenue:				
Charges for services	\$ 249,388	\$ 243,188	\$ 1,927,616	\$ 1,813,406
Operating grants and contributions	342,331	393,867	-	-
General Revenue:				
Property taxes	2,359,894	2,378,942	-	-
State-shared revenue	367,181	355,595	-	-
Unrestricted investment income	<u>13,187</u>	<u>28,203</u>	<u>25</u>	<u>208</u>
Total Revenue	<u>3,331,981</u>	<u>3,399,795</u>	<u>1,927,641</u>	<u>1,813,614</u>
<b>Program Expenses</b>				
General Government	744,486	779,606	-	-
Public Safety	1,907,777	1,828,831	-	-
Public Works	1,012,871	1,140,329	-	-
Recreation and Culture	61,105	61,561	-	-
Community and Economic Development	2,656	1,601	-	-
Interest on Long-Term Debt	25,024	29,434	-	-
Water Supply System	-	-	823,584	1,028,542
Wastewater	<u>-</u>	<u>-</u>	<u>1,387,613</u>	<u>1,508,452</u>
Total Program Expenses	<u>3,753,919</u>	<u>3,841,362</u>	<u>2,211,197</u>	<u>2,536,994</u>
Changes in net position before transfers	( 421,938)	( 441,567)	( 283,556)	( 723,380)
Transfers	( <u>174,000</u> )	( <u>174,000</u> )	<u>174,000</u>	<u>174,000</u>
<b>Change in Net Position</b>	<u><u>\$ ( 595,938)</u></u>	<u><u>\$ ( 615,567)</u></u>	<u><u>\$ ( 109,556)</u></u>	<u><u>\$ ( 549,380)</u></u>

### ***Governmental Activities***

Revenues for governmental activities totaled \$3,331,981 in 2016. Of this amount \$2,359,894 or 71% of total revenue was received from property taxes followed by state shared revenue of \$367,181 or 11% of total revenue.

### ***Business-type Activities***

The Village has two business-type activities, water supply system and wastewater. The Village operates its own water and sewage treatment facility as well as purchasing water from the Great Lakes for certain customers. The water supply system and wastewater funds had a change in net position of \$(97,400) and \$(12,156), respectively.



## **FINANCIAL ANALYSIS OF MAJOR FUNDS**

The General Fund ended 2016 with a fund balance of \$239,669, of which \$47,842 was nonspendable for advances to other funds, \$12,969 was nonspendable for inventory, and \$4,581 was restricted for drug forfeiture, with the remaining amount of \$174,277 unassigned. This is a decrease of \$73,253 from the prior year.

The Major Street Fund ended 2016 with a restricted fund balance of \$122,467, which is a decrease of \$33,721. The decrease is due primarily to budgeted transfers to the Local Street Fund.

The Municipal Street Fund ended 2016 with a fund balance of \$61,483, which was a decrease of \$9,243 from the prior year. The decrease is due to 32-Mile Road expenditures and budgeted transfers to the Local Street Fund.

The other major funds are the Water Supply System and Wastewater Fund, which have been discussed earlier.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the Village administration and Council monitor the budget, and if necessary, amend the budget to take into account unanticipated events that occur during the year. During the year, the General Fund was not amended.

During the year, there were no significant variances between actual amounts and the final budget for the General Fund.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The Village had \$16,439,599 in capital assets net of accumulated depreciation for its governmental and business-type activities as of June 30, 2016. The investment in capital assets includes, land, building and building improvements, machinery and equipment, vehicles, and water and wastewater systems. Infrastructure (e.g. roads, drains, etc.) purchased on or after July 1, 2003 is also included. During the year, the Village added \$152,283 of capital assets before taking into account depreciation, \$121,808 in the governmental activities, and \$30,475 in the business-type activities. The addition in the governmental activities was for street improvements. The addition in the business-type activities was for construction-in-progress of the sewer media replacement. Depreciation for the year was \$899,928.

More detailed information about the Village's capital assets is presented in Note 7 to the financial statements.

### **Long-term Debt**

At June 30, 2016, the Village had \$5,614,132 in long-term debt, compared to \$6,120,284 at June 30, 2015. There was no new debt issued during the year.

More detailed information about the Village's long-term liabilities is presented in Note 8 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Village of Romeo, General Law Village, has a population of 3,596, according to the 2010 Census figures, and is primarily a residential community, proud of its historic character and small town charm with a strong industrial district.

The commitment of the Village Administration, Departmental Supervisors, and staff to provide the best quality of service at the least, amount of cost has proven itself well over a number of fiscal years.

The Residential and Central Business Districts have not experienced any noticeable changes in property values. Property values are increasing on the north side of the Village, which is Bruce Township. The south side of the Village, which is Washington Township, hasn't experienced any noticeable increase in property values. The Village Industrial District has experienced growth, with new construction projects in the Industrial Condo Faculty and along Peyerck Court. Ford Motor Company has retooled and is doing well, along with the L&L Product being a great contributor to local area jobs.

The Village Board has continued with their negotiations with neighboring municipalities to provide sewer and water to develop their Industrial Districts by using the Village's Wastewater Treatment Plant and GLWA resources. The Village Board has taken steps to halt the transfer of monies from the General Fund to the Sewer Fund by increasing sewer rates. The Village has lost a good portion of its budget due to the elimination of the Personal Property Tax. The Village looks forward to the 100% reimbursement by the State of Michigan for the Personal Property Tax decrease and the Essential Services.

For fiscal year 2016/2017, the Village adopted a balanced General Fund budget and anticipates revenues and expenditures of \$2,792,564.

## **CONTACTING THE VILLAGE**

This financial report is designed to provide a general overview of the Village's finances to our residents and other interested parties in understanding the Village's financial condition. If you have questions about this report or need additional financial information, please contact the Village Clerk/Administrator, Michael A. Lee, at (586)752-3565, or in writing to the same, 121 W. St. Clair, Romeo, MI. 48065. Additionally, you may visit the Village of Romeo website [www.villageofromeo.org](http://www.villageofromeo.org) under the Clerk's department to review the Financial Dashboard and Citizens Guide to Local Unit Finances.

## **BASIC FINANCIAL STATEMENTS**

# VILLAGE OF ROMEO, MICHIGAN

## STATEMENT OF NET POSITION

JUNE 30, 2016

	Primary Government			Component
	Governmental	Business Type	Total	Units
	Activities	Activities		
<b>Assets:</b>				
Cash and cash equivalents	\$ 744,000	\$ 272,253	\$ 1,016,253	\$ 573,391
Receivables (net of allowance)	230,268	534,341	764,609	-
Due from primary government/component unit	64,430	-	64,430	94,612
Advance to primary government	-	-	-	57,500
Inventory	12,969	-	12,969	-
Prepaid expenses	111,519	14,983	126,502	-
Internal balances	( 17,876)	17,876	-	-
Restricted assets -				
Cash and cash equivalents	-	217,121	217,121	-
Accounts receivable	-	59,950	59,950	-
Capital assets (net of accumulated depreciation) -				
Assets not being depreciated	695,114	45,791	740,905	-
Assets being depreciated	1,713,015	13,985,679	15,698,694	175,701
Total Assets	<u>3,553,439</u>	<u>15,147,994</u>	<u>18,701,433</u>	<u>901,204</u>
<b>Deferred Outflows of Resources:</b>				
Related to the pension plan	575,934	210,757	786,691	-
Deferred charges on refunding	-	93,039	93,039	-
Total Deferred Outflows of Resources	<u>575,934</u>	<u>303,796</u>	<u>879,730</u>	<u>-</u>
<b>Liabilities:</b>				
Payables and accrued liabilities	114,815	83,906	198,721	-
Accrued interest	8,009	35,649	43,658	-
Due to component unit/primary government	94,612	-	94,612	64,430
Non-current liabilities -				
Compensated absences	166,290	64,698	230,988	-
Net OPEB obligation	2,730,660	544,585	3,275,245	-
Net pension liability	2,271,871	808,393	3,080,264	-
Due within one year	186,540	322,675	509,215	-
Due in more than one year	617,996	4,255,933	4,873,929	-
Total Liabilities	<u>6,190,793</u>	<u>6,115,839</u>	<u>12,306,632</u>	<u>64,430</u>
<b>Deferred Inflows of Resources:</b>				
Related to pension plan	81,909	30,295	112,204	-
<b>Net Position:</b>				
Net investment in capital assets	2,091,093	9,545,901	11,636,994	175,701
Restricted -				
Inspections	56,734	-	56,734	-
Equipment replacement	-	277,071	277,071	-
Drug forfeiture	4,581	-	4,581	-
Streets	216,286	-	216,286	-
Unrestricted (Deficit)	<u>( 4,512,023)</u>	<u>( 517,316)</u>	<u>( 5,029,339)</u>	<u>661,073</u>
Total Net Position (Deficit)	<u><u>\$( 2,143,329)</u></u>	<u><u>\$ 9,305,656</u></u>	<u><u>\$ 7,162,327</u></u>	<u><u>\$ 836,774</u></u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF ROMEO, MICHIGAN

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government -</b>				
Governmental activities:				
General Government	\$ 744,486	\$ 43,497	\$ -	\$ -
Public Safety	1,907,777	142,698	1,629	-
Public Works	1,012,871	63,193	245,574	-
Recreation and Culture	61,105	-	95,128	-
Community & Economic Development	2,656	-	-	-
Interest on Long Term Debt	25,024	-	-	-
Total governmental activities	<u>3,753,919</u>	<u>249,388</u>	<u>342,331</u>	<u>-</u>
Business type activities				
Water Supply System	823,584	726,184	-	-
Wastewater	<u>1,387,613</u>	<u>1,201,432</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>2,211,197</u>	<u>1,927,616</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 5,965,116</u>	<u>\$ 2,177,004</u>	<u>\$ 342,331</u>	<u>\$ -</u>
<b>Component Units -</b>				
Downtown Development Authority	\$ 160,106	\$ -	\$ -	\$ -
Brownsfield Development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Component Units	<u>\$ 160,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Grants and contributions not				
restricted to specific programs				
Unrestricted investment income				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position at beginning of year				
Net position at end of year				

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Position

Primary Government			Component Units
Governmental Activities	Business Type Activities	Total	
\$( 700,989)	\$ -	\$( 700,989)	\$ -
( 1,763,450)	-	( 1,763,450)	-
( 704,104)	-	( 704,104)	-
34,023	-	34,023	-
( 2,656)	-	( 2,656)	-
( 25,024)	-	( 25,024)	-
<u>( 3,162,200)</u>	<u>-</u>	<u>( 3,162,200)</u>	<u>-</u>
-	( 97,400)	( 97,400)	-
<u>-</u>	<u>( 186,181)</u>	<u>( 186,181)</u>	<u>-</u>
<u>-</u>	<u>( 283,581)</u>	<u>( 283,581)</u>	<u>-</u>
<u>( 3,162,200)</u>	<u>( 283,581)</u>	<u>( 3,445,781)</u>	<u>-</u>
-	-	-	( 160,106)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>( 160,106)</u>
2,359,894	-	2,359,894	203,118
367,181	-	367,181	-
13,187	25	13,212	542
<u>( 174,000)</u>	<u>174,000</u>	<u>-</u>	<u>-</u>
<u>2,566,262</u>	<u>174,025</u>	<u>2,740,287</u>	<u>203,660</u>
( 595,938)	( 109,556)	( 705,494)	43,554
<u>( 1,547,391)</u>	<u>9,415,212</u>	<u>7,867,821</u>	<u>793,220</u>
<u><u>\$( 2,143,329)</u></u>	<u><u>\$ 9,305,656</u></u>	<u><u>\$ 7,162,327</u></u>	<u><u>\$ 836,774</u></u>

# VILLAGE OF ROMEO, MICHIGAN

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2016

	General	Major Street	Municipal Street	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and cash equivalents	\$ 126,661	\$ 109,141	\$ 65,382	\$ 381,070	\$ 682,254
Receivables - interest and accounts	7,059	-	-	24,672	31,731
Due from other governmental units	140,320	22,255	-	29,282	191,857
Due from other funds	14,944	-	63	7,229	22,236
Due from component units	63,193	-	1,237	-	64,430
Advance to other funds	47,842	-	-	-	47,842
Inventory	12,969	-	-	-	12,969
<b>Total Assets</b>	<b>\$ 412,988</b>	<b>\$ 131,396</b>	<b>\$ 66,682</b>	<b>\$ 442,253</b>	<b>\$ 1,053,319</b>
<b>Liabilities:</b>					
Accounts payable	\$ 60,209	\$ 820	\$ 4,431	\$ 779	\$ 66,239
Accrued liabilities	13,398	152	201	22,225	35,976
Deposit	5,000	-	-	-	5,000
Due to other funds	100	7,957	567	79,945	88,569
Due to component units	94,612	-	-	-	94,612
<b>Total Liabilities</b>	<b>173,319</b>	<b>8,929</b>	<b>5,199</b>	<b>102,949</b>	<b>290,396</b>
<b>Fund Balances:</b>					
Nonspendable -					
Advance to other funds	47,842	-	-	-	47,842
Inventory	12,969	-	-	-	12,969
Restricted -					
Streets	-	122,467	61,483	32,336	216,286
Drug forfeiture	4,581	-	-	-	4,581
Inspections	-	-	-	56,734	56,734
Committed -					
Cemetery	-	-	-	162,179	162,179
Cable	-	-	-	54,478	54,478
Capital Projects	-	-	-	33,577	33,577
Unassigned	174,277	-	-	-	174,277
<b>Total Fund Balances</b>	<b>239,669</b>	<b>122,467</b>	<b>61,483</b>	<b>339,304</b>	<b>762,923</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 412,988</b>	<b>\$ 131,396</b>	<b>\$ 66,682</b>	<b>\$ 442,253</b>	<b>\$ 1,053,319</b>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF ROMEO, MICHIGAN

## RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2016

Fund Balances - total governmental funds	\$	762,923
Amounts reported for governmental activities in the statement of net position are different because:		
Expenses recorded in the funds on the purchase method		111,519
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Capital assets		4,325,983
Accumulated depreciation	(	2,279,080)
Certain pension contributions and changes in pension plan liabilities are reported as deferred outflows (inflows) of resources in the statement of net position.		
Deferred outflows of resources		560,200
Deferred inflows of resources	(	79,665)
Internal Service Fund used by management to charge cost of the motor pool activities and retiree healthcare premiums. The assets and liabilities of the internal services funds are included in the governmental activities in the statement of net position.		
		105,891
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Bonds/notes payable	(	430,000)
Loan payable	(	57,500)
Capital leases	(	51,695)
Net OPEB obligation	(	2,730,660)
Net pension liability	(	2,210,265)
Compensated absences	(	166,290)
Accrued interest	(	4,690)
		( 5,651,100)
Net position of governmental activities		<u><u>\$ ( 2,143,329)</u></u>

The accompanying notes are an integral part of these financial statements.



# VILLAGE OF ROMEO, MICHIGAN

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2016

	General	Major Street	Municipal Street	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property taxes	\$ 2,192,201	\$ -	\$ 187,304	\$ -	\$ 2,379,505
Intergovernmental	360,314	135,326	-	110,248	605,888
Charges for services	-	-	63,193	110,295	173,488
Fines and forfeits	62,053	-	-	-	62,053
Interest and rent	13,149	-	-	38	13,187
Other	13,847	-	100	103,524	117,471
Total Revenues	<u>2,641,564</u>	<u>135,326</u>	<u>250,597</u>	<u>324,105</u>	<u>3,351,592</u>
<b>Expenditures:</b>					
General Government	419,642	-	-	46,998	466,640
Public Safety	1,436,250	-	-	48,655	1,484,905
Public Works	368,199	78,150	249,913	238,323	934,585
Recreation and Cultural	693	-	-	60,412	61,105
Community & Economic Development	2,656	-	-	-	2,656
Other Activities	213,035	-	-	-	213,035
Debt Service -					
Principal	147,656	-	-	-	147,656
Interest	26,458	-	-	-	26,458
Total Expenditures	<u>2,614,589</u>	<u>78,150</u>	<u>249,913</u>	<u>394,388</u>	<u>3,337,040</u>
Revenues over (under) expenditures	<u>26,975</u>	<u>57,176</u>	<u>684</u>	<u>( 70,283)</u>	<u>14,552</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In	73,772	-	20,808	121,632	216,212
Transfers Out	( 174,000)	( 90,897)	( 30,735)	( 25,808)	( 321,440)
Total Other Financing Sources (Uses)	<u>( 100,228)</u>	<u>( 90,897)</u>	<u>( 9,927)</u>	<u>95,824</u>	<u>( 105,228)</u>
Net Change in fund balance	( 73,253)	( 33,721)	( 9,243)	25,541	( 90,676)
Fund Balances at beginning of year	<u>312,922</u>	<u>156,188</u>	<u>70,726</u>	<u>313,763</u>	<u>853,599</u>
Fund Balances at end of year	<u>\$ 239,669</u>	<u>\$ 122,467</u>	<u>\$ 61,483</u>	<u>\$ 339,304</u>	<u>\$ 762,923</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF ROMEO, MICHIGAN

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds	\$( 90,676)
Change in prepaid expenses recorded in the funds on the purchase method	4,697
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	121,808
Depreciation expense	( 155,812)
Revenue in the statement of activities that does not provide current financial resources are not reported as revenues in the governmental funds.	( 19,611)
The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any affect on net position.	
Principal payments on long-term liabilities	147,656
Decrease in accrued interest	1,434
Internal service funds used by management to charge costs of the motor pool activities and retiree health premiums. The net revenues (expenses) attributable to those funds are reported with governmental activities.	( 54,679)
Change in pension contributions made subsequent to the measurement date	1,503
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Increase in accrued compensated absences	( 17,347)
Increase in net OPEB obligation	( 360,824)
Change in deferred outflows/inflows of resources as a result in changes of assumptions, differences between expected and actual experience, and projected and actual earnings	360,252
Increase in net pension liability	( 534,339)
Change in net position of governmental activities	<u><u>\$( 595,938)</u></u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF ROMEO, MICHIGAN

## STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2016

	Business Type Activities-Enterprise Funds			Governmental Activities
	Water Supply System	Wastewater	Total	Internal Service Fund
<b>Assets:</b>				
Current Assets:				
Cash and cash equivalents	\$ 58,462	\$ 213,791	\$ 272,253	\$ 61,746
Accounts and interest receivable	181,870	318,907	500,777	-
Due from other governmental units	-	33,564	33,564	-
Prepaid expenses	6,150	8,833	14,983	-
Due from other funds	106,034	1,655	107,689	7,436
Total Current Assets	<u>352,516</u>	<u>576,750</u>	<u>929,266</u>	<u>69,182</u>
Restricted Assets:				
Cash and cash equivalents	185,247	31,874	217,121	-
Accounts receivable	27,115	32,835	59,950	-
Total Restricted Assets	<u>212,362</u>	<u>64,709</u>	<u>277,071</u>	<u>-</u>
Capital Assets:				
Net, property, plant and equipment	<u>4,563,590</u>	<u>9,467,880</u>	<u>14,031,470</u>	<u>361,226</u>
Total Assets	<u>5,128,468</u>	<u>10,109,339</u>	<u>15,237,807</u>	<u>430,408</u>
<b>Deferred Outflows of Resources:</b>				
Related to pension plan	72,453	138,304	210,757	15,734
Refunding loss	-	93,039	93,039	-
	<u>72,453</u>	<u>231,343</u>	<u>303,796</u>	<u>15,734</u>
<b>Liabilities:</b>				
Current Liabilities:				
Accounts payable	47,763	31,390	79,153	7,003
Accrued expenses	1,331	3,422	4,753	597
Accrued interest	962	34,687	35,649	3,319
Due to other funds	5,688	36,283	41,971	141
Bond/Notes payable (current portion)	24,680	297,995	322,675	49,976
Total Current Liabilities	<u>80,424</u>	<u>403,777</u>	<u>484,201</u>	<u>61,036</u>
Long-Term Liabilities (less current portions):				
Compensated absences	22,976	41,722	64,698	-
Advance from other funds	6,141	41,701	47,842	-
Net OPEB obligation	165,072	379,513	544,585	-
Net pension liability	300,500	507,893	808,393	61,606
Bond/Notes payable (net of current portion)	-	4,255,933	4,255,933	215,365
Total Long-Term Liabilities	<u>494,689</u>	<u>5,226,762</u>	<u>5,721,451</u>	<u>276,971</u>
Total Liabilities	<u>575,113</u>	<u>5,630,539</u>	<u>6,205,652</u>	<u>338,007</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF ROMEO, MICHIGAN

## STATEMENT OF NET POSITION

### PROPRIETARY FUNDS

JUNE 30, 2016

	Business Type Activities-Enterprise Funds			Governmental Activities
	Water Supply System	Wastewater	Total	Internal Service Fund
<b>Deferred Inflows of Resources:</b>				
Related to pension plan	\$ 10,099	\$ 20,196	\$ 30,295	\$ 2,244
<b>Net Position:</b>				
Net investment in capital assets	4,538,910	5,006,991	9,545,901	95,885
Restricted equipment replacement	212,362	64,709	277,071	-
Unrestricted	( 135,563)	( 381,753)	( 517,316)	10,006
Total Net Position	<u>\$ 4,615,709</u>	<u>\$ 4,689,947</u>	<u>\$ 9,305,656</u>	<u>\$ 105,891</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF ROMEO, MICHIGAN

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2016

	Business Type Activities-Enterprise Funds			Governmental Activities
	Water Supply System	Wastewater	Total	Internal Service Funds
<b>Operating Revenues:</b>				
Charges for services	\$ 724,275	\$ 1,200,319	\$ 1,924,594	\$ 411,812
Other	1,909	1,113	3,022	-
Total Operating Revenues	<u>726,184</u>	<u>1,201,432</u>	<u>1,927,616</u>	<u>411,812</u>
<b>Operating Expenses:</b>				
Personal services	188,676	483,225	671,901	281,270
Purchase of water	223,023	-	223,023	-
Utilities	57,009	100,472	157,481	493
Repairs and maintenance	55,462	49,716	105,178	23,673
Other	92,039	153,888	245,927	6,441
Depreciation/Amortization	206,242	467,957	674,199	77,074
Total Operating Expenses	<u>822,451</u>	<u>1,255,258</u>	<u>2,077,709</u>	<u>388,951</u>
Operating Income (Loss)	<u>( 96,267)</u>	<u>( 53,826)</u>	<u>( 150,093)</u>	<u>22,861</u>
<b>Non-Operating Revenues (Expenses):</b>				
Interest earned	-	25	25	47
Interest, fiscal and issuance costs	<u>( 1,133)</u>	<u>( 132,355)</u>	<u>( 133,488)</u>	<u>( 8,815)</u>
Total Non-Operating Revenues (Expenses)	<u>( 1,133)</u>	<u>( 132,330)</u>	<u>( 133,463)</u>	<u>( 8,768)</u>
Net Income (Loss) Before Transfers	<u>( 97,400)</u>	<u>( 186,156)</u>	<u>( 283,556)</u>	<u>14,093</u>
<b>Transfers:</b>				
Transfers In - General Fund	-	174,000	174,000	-
Transfers Out - General Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 68,772)</u>
Total Transfers	<u>-</u>	<u>174,000</u>	<u>174,000</u>	<u>( 68,772)</u>
Change in Net Position	<u>( 97,400)</u>	<u>( 12,156)</u>	<u>( 109,556)</u>	<u>( 54,679)</u>
Net position at beginning of year	<u>4,713,109</u>	<u>4,702,103</u>	<u>9,415,212</u>	<u>160,570</u>
Net position end of year	<u>\$ 4,615,709</u>	<u>\$ 4,689,947</u>	<u>\$ 9,305,656</u>	<u>\$ 105,891</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF ROMEO, MICHIGAN

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2016

	Business Type Activities-Enterprise Funds			Governmental Activities
	Water Supply System	Wastewater	Total	Internal Service Funds
<b>Cash Flows From Operating Activities:</b>				
Cash receipts from customers	\$ 725,550	\$ 1,135,345	\$ 1,860,895	\$ -
Cash receipts from interfund services	-	-	-	411,812
Cash payments to suppliers	( 396,523)	( 254,406)	( 650,929)	( 260,958)
Cash payments to employees	( 190,568)	( 475,907)	( 666,475)	( 39,419)
Net Cash Provided by Operating Activities	<u>138,459</u>	<u>405,032</u>	<u>543,491</u>	<u>111,435</u>
<b>Cash Flows From Noncapital Financing Activities:</b>				
Due from/to other funds	( 105,983)	34,425	( 71,558)	4,499
Advances from other funds	( 22,413)	( 50,808)	( 73,221)	-
Transfers from/to other funds	-	174,000	174,000	( 68,772)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>( 128,396)</u>	<u>157,617</u>	<u>29,221</u>	<u>( 64,273)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Debt retirement/interest and fees paid	( 25,729)	( 436,825)	( 462,554)	( 57,942)
Acquisition and construction of capital assets	-	( 30,475)	( 30,475)	-
Net Cash Used in Capital and Related Financing Activities	<u>( 25,729)</u>	<u>( 467,300)</u>	<u>( 493,029)</u>	<u>( 57,942)</u>
<b>Cash Flows From Investing Activities:</b>				
Interest received	-	25	25	47
Net Increase (Decrease) in Cash and Cash Equivalents	( 15,666)	95,374	79,708	( 10,733)
Cash and Cash Equivalents at Beginning of Year	<u>259,375</u>	<u>150,291</u>	<u>409,666</u>	<u>72,479</u>
Cash and Cash Equivalents at End of Year	<u>\$ 243,709</u>	<u>\$ 245,665</u>	<u>\$ 489,374</u>	<u>\$ 61,746</u>
<b>Reconciliation of Net Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income (loss) for the year	\$( 96,267)	\$( 53,826)	\$( 150,093)	\$ 22,861
Adjustments to reconcile operating income (loss) to net cash provided by operating activities -				
Depreciation/amortization	206,242	467,957	674,199	77,074
Change in assets and liabilities:				
Receivables	( 634)	( 66,087)	( 66,721)	-
Prepaid expenses	3,136	2,803	5,939	-
Deferred outflows/inflows of resources	( 45,856)	( 91,713)	( 137,569)	( 10,190)
Accounts payable/accrued expenses	1,324	3,943	5,267	6,638
Net pension liability	67,733	135,466	203,199	15,052
Net OPEB Obligation	2,781	6,489	9,270	-
<b>Net Cash Provided By Operating Activities</b>	<u>\$ 138,459</u>	<u>\$ 405,032</u>	<u>\$ 543,491</u>	<u>\$ 111,435</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF ROMEO, MICHIGAN**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND  
JUNE 30, 2016**

**Assets:**

Cash and cash equivalents	\$	6,108
Accounts receivable		<u>2,908</u>
Total Assets	\$	<u><u>9,016</u></u>

**Liabilities:**

Accounts payable	\$	2,336
Due to other funds		<u>6,680</u>
	\$	<u><u>9,016</u></u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF ROMEO, MICHIGAN

## COMBINING STATEMENT OF NET POSITION DISCRETELY PRESENTED COMPONENT UNITS JUNE 30, 2016

	Downtown Development Authority	Brownfield Development Authority	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 100,249	\$ 473,142	\$ 573,391
Due from primary government	63,193	31,419	94,612
Advance to primary government	57,500	-	57,500
Capital assets (net of accumulated depreciation)			
Assets being depreciated	175,701	-	175,701
	<u>396,643</u>	<u>504,561</u>	<u>901,204</u>
Total Assets			
	<u>396,643</u>	<u>504,561</u>	<u>901,204</u>
<b>Liabilities:</b>			
Due to primary government	63,193	1,237	64,430
	<u>63,193</u>	<u>1,237</u>	<u>64,430</u>
<b>Net Position:</b>			
Investment in capital assets	175,701	-	175,701
Unrestricted	157,749	503,324	661,073
	<u>157,749</u>	<u>503,324</u>	<u>661,073</u>
Total Net Position	<u>\$ 333,450</u>	<u>\$ 503,324</u>	<u>\$ 836,774</u>

The accompanying notes are an integral part of these financial statements.



# VILLAGE OF ROMEO, MICHIGAN

## COMBINING STATEMENT OF ACTIVITIES DISCRETELY PRESENTED COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Downtown Development Authority</b>				
Governmental Activities:				
Community and Economic Development	\$ 160,106	\$ -	\$ -	\$ -
<b>Brownsfield Redevelopment Authority</b>				
Governmental Activities:				
Community and Economic Development	-	-	-	-
Total Component Units	<u>\$ 160,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Unrestricted investment income				
Total general revenues				
Change in net position				
Net position at the beginning of year				
Net position at the end of year				

The accompanying notes are an integral part of these financial statements.

<u>Net (Expense) Revenue and Change in Net Position</u>		
<u>Downtown Development Authority</u>	<u>Brownsfield Redevelopment Authority</u>	<u>Total</u>
\$( 160,106)	\$ -	\$( 160,106)
-	-	-
<u>( 160,106)</u>	<u>-</u>	<u>( 160,106)</u>
138,603	64,515	203,118
<u>107</u>	<u>435</u>	<u>542</u>
<u>138,710</u>	<u>64,950</u>	<u>203,660</u>
( 21,396)	64,950	43,554
<u>354,846</u>	<u>438,374</u>	<u>793,220</u>
<u>\$ 333,450</u>	<u>\$ 503,324</u>	<u>\$ 836,774</u>

**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. Reporting Entity -**

The Village of Romeo, Michigan (the "Village") was incorporated as a General Law Village in 1838, under the provisions of the Constitution and General Law of the State of Michigan, with its Charter provided by Act 3 of 1895. The Village is located in Northern Macomb County and covers an area of approximately 1.5 square miles. The Village operates under an elected Village Council, which consists of the president and six council members, with the daily activities operated by the Village Administrator/Clerk and Treasurer. The Village provides services to its more than 3,700 residents in many areas including law enforcement, fire protection, highways and streets, water, sewer, cemetery, parks and recreation, and general administrative services.

These financial statements present the Village and its component units, entities for which the Village is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Village.

**DISCRETELY PRESENTED COMPONENT UNITS -**

**DOWNTOWN DEVELOPMENT AUTHORITY** - a twelve-member council, who are appointed by the Village President, controls the Authority. The DDA is responsible for the creation of a development and financing plan for the downtown district or a development area within the district to promote economic growth. The Authority must obtain Village Council approval of all development and financial plans. The annual operating budget and any modification also require the approval of the Village Council.

**BROWNSFIELD REDEVELOPMENT AUTHORITY** - was created to promote the reclamation, redevelopment, and revitalization of a distressed area. The Authority is under the supervision of the Village Council and the Macomb County Brownsfield Redevelopment Authority.

**B. Government-wide and Fund Financial Statements -**

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. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation -**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are due. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Agency funds do not have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are normally collected within 60 days after year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, net OPEB obligations, net pension liability, and claims and judgements, are recorded only when payment is due.

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes, which are levied on July 1, and due on September 15, are recognized as revenue in the year due. All other revenue items are considered to be measurable and available only when cash is received by the Village.

**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

The Village reports the following major governmental funds:

**General Fund** - is the Village's primary operating fund. It accounts for all financial resources of the primary government, except those required to be accounted for in another fund.

**Major Street Fund** - is used to account for the revenues received from the State of Michigan under Act 51, which are restricted for construction and maintenance of roads designated as major streets in the Village.

**Municipal Street Fund** - is used to account for the revenues received from taxes levied, which are restricted for construction and maintenance of roads in the Village.

The Village reports the following major proprietary funds:

**Water Supply System Fund** - is used to account for the treatment and distribution of water to residential and commercial users.

**Wastewater Fund** - is used to account for sanitary sewer services provided to the residential and commercial users.

Additionally, the Village reports the following fund types:

**Governmental Fund Types -**

**Special Revenue Fund** - is used to account for specific revenue sources that are restricted, or committed for expenditures for specific purposes other than major capital projects.

**Capital Projects Fund** - is used to account for revenue and report financial resources that are committed for the acquisition and/or construction of capital assets not being financed by proprietary funds.

**Proprietary Fund Type -**

**Internal Service Fund** - is used to account for the costs of operating and maintaining the Village's motor pool and retiree healthcare. Charges are made to other funds based on equipment usage and estimated retiree healthcare costs. The internal service funds of the Village are the Motor Pool and Retiree Healthcare Funds.

**Fiduciary Fund Type -**

**Agency Fund** - is used to account for assets held by the Village as an agent for other governments and other funds.

**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal on-going operations. The principal operating revenues of the Enterprise Funds and the Internal Service Fund are charges to customers and other funds for sales and services. Operating expenses from Enterprise Funds and Internal Service Fund include costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first then unrestricted resources as they are needed.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance -**

**Deposits -**

The Village's cash and cash equivalents are considered to be cash on hand, demand and time deposits, and money markets.

State statutes authorize the Village to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

**Receivables and Payables -**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are reported as nonspendable to indicate that they are not available for appropriation and are not expendable available financial resources.

**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**Inventories and Prepaid Items -**

Inventories of governmental funds, except gasoline supplies, are recorded as expenditures when purchased. The gasoline inventory is valued at cost using the first in/first out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

**Property Tax Calendar -**

Property taxes are levied as of July 1 on the taxable value of property in the Village as of the preceding December 31. The taxes are due to the Village by September 15, after which time they are added to the delinquent roll and must be paid at Macomb County. The collection and remittance of the taxes are accounted for in the Agency Fund.

**Capital Assets -**

Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year, except for items capitalized in years prior to 2004 in the proprietary funds, which utilized a \$500, capitalized threshold. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

As permitted by GASB Statement No. 34, the Village has elected not to report governmental infrastructure assets (principally roads and sidewalks) acquired prior to July 1, 2003.

Capital assets of the primary government and the discretely presented component units are depreciated using the straight-line method over the following estimated useful lives:

Buildings and building improvements	50 yrs
Land improvements	20 yrs
Utility systems	10-50 yrs
Machinery/equipment/vehicles	3-15 yrs
Street improvements/sidewalks	10-20 yrs

**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**Compensated Absences -**

In accordance with contracts negotiated with the various employee groups of the Village, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All vested vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements, due to occur within one year.

**Long-Term Obligations -**

In the government-wide financial statements, and 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 statements of net position. Bond premiums and discounts, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Deferred Outflows/Inflows of Resources -**

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statements element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The Village has two items that qualify for reporting in this category. The Village has deferred charges on bond refinancing in the proprietary funds and business-type statement of net position. This results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter life of the refunded or refunding debt. In addition, the Village has pension payments made subsequent to the measurement date, pension related changes in assumptions, and the net difference between expected and actual plan investment earnings, which are all reported on the government-wide and proprietary fund statements of net position. The contributions made subsequent to the measurement date are recognized in the following plan year, and the other pension related deferred outflows of resources are amortized over the expected remaining service lives of the participants, with the exception of the net difference between expected and actual plan investment earnings which is amortized over five (5) years.



**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

In addition to liabilities, the government funds report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) so will not be recognized as an inflow of resources (revenues) until that time. The Village had one item that qualified for reporting under this category, which was the difference between expected and actual experience. This deferred inflow is amortized over the average expected remaining service lives of the participants.

**Fund Balance -**

In the fund financial statements, governmental funds reported fund balances in one or more of the following classifications:

*Nonspendable fund balance* – the portion of fund balance that is not in a spendable form or is required to be maintained intact.

*Restricted fund balance* – the portion of fund balance that is mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation.

*Committed fund balance* – the portion of fund balance that is set aside for a specific purpose by the Village itself, using the highest level of decision-making authority (Village Council) by the passage of a resolution.

*Assigned fund balance* – the portion of fund balance that reflects the Village's intended use of resources. Such intent currently must be determined by the Village Council. Also, amounts in excess of nonspendable, restricted and committed fund balance in funds other than the General Fund are reported as assigned.

*Unassigned fund balance* – the portion of fund balance in the General Fund that cannot be classified into one of the four categories previously listed.

When different classifications of fund balance are present, it is the Village's policy that expenditures are to be spent from restricted fund balance first, if appropriate, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

**Estimates -**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**Upcoming Accounting Pronouncements -**

The Governmental Accounting Standards Board (GASB) issued the following statements that could have an impact on the Village's financial statements when adopted. The Village is currently evaluating the implications of the pronouncements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plan Other Than Pension Plans*, was issued in June 2015 and will become effective for the Village's June 30, 2018 fiscal year. The statement requires governments providing defined benefit plans to report the net OPEB liability in their statement of net position. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets accumulated in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries.

GASB Statement No. 77, *Tax Abatement Disclosures*, was issued in August 2015 and will become effective for the Village's June 30, 2017 fiscal year. The statement requires governments that enter into tax abatement agreements to disclose certain information about agreements, including the tax being abated, the authority under which abatements are provided, the gross dollar amount of taxes abated during the period, and commitments made by the government.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

**Budgetary Information -**

Prior to June 1, the Clerk/Administrator prepares, from data submitted from administration and officials of the Village, proposed budgets for the year commencing the following July 1. The operating budgets include proposed expenditures and resources to finance them. A public hearing is conducted to obtain the taxpayers' comments, and then prior to June 30, the budgets are legally enacted through passage of a resolution. After the budget is adopted, all amendments are approved by the Village Council.

The approved budgets of the Village were adopted for the General and Special Revenue Funds at the activity level and function level, respectively. These are legally enacted levels under the State of Michigan Uniform Budgeting and Accounting Act. However, for control purposes all budgets are maintained at the account level.

The Village does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

Michigan Public Act 621 of 1978 Section 18, as amended, provides that a local government unit shall not incur expenditures in excess of the amount appropriated at the legally enacted level.

**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - (cont'd):**

During the fiscal year ended June 30, 2016, the Village's Primary Government incurred expenditures which were in excess of the amounts appropriated as follows:

**Excess of Expenditures Over Appropriations -**

<u>Fund/Function/Activity</u>	<u>Appropriations</u>	<u>Expended</u>	<u>Variance</u>
Primary Government -			
General Fund -			
General Government -			
Treasurer	\$ 50,158	\$ 51,896	\$ 1,738
Public Safety -			
Fire Department	405,000	405,689	689
Police Department	802,998	810,006	7,008
Communication (Dispatch)	214,374	220,555	6,181
Other -			
Insurance	65,000	65,217	217
Municipal Street Fund -			
Public Works	128,370	249,913	121,543
Inspection Fund -			
Public Safety	28,000	48,655	20,655
Cable Fund -			
Transfers Out	4,250	25,808	21,558

**NOTE 3 - DEPOSITS:**

As of June 30, 2016, the carrying amount of the deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Fund</u>	<u>Component Units</u>	<u>Reporting Entity</u>
Cash on Hand - Petty Cash	\$ 518	\$ -	\$ -	\$ 518
Deposits with Financial Institutions	<u>1,232,856</u>	<u>6,108</u>	<u>573,391</u>	<u>1,812,355</u>
Total	<u>\$ 1,233,374</u>	<u>\$ 6,108</u>	<u>\$ 573,391</u>	<u>\$ 1,812,873</u>

**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 3 - DEPOSITS - (cont'd):**

**Deposits -**

Act 217 PA 1982, as amended, authorizes the Village to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state of federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, by section 21.145 and 21.146 of the Michigan Compiled Laws.

***Custodial Credit Risk - Deposits*** - is the risk that in the event of a bank failure, the Village's deposits may not be returned. As an indication of the level of deposit custodial credit risk assumed by the Village as of June 30, 2016 the bank balance of the Village's deposits was \$1,843,995, of which \$786,964 was covered by depository insurance, with the remaining \$1,057,031 uninsured and uncollateralized.

**NOTE 4 - TAXES:**

The Village property taxes are levied each July on the assessment valuation of the property in the Village as of the preceding December 31, as adjusted by the March and July Board of Review.

Assessed values are established annually by the respective Townships and are equalized by the State at an estimated percentage of the current market value. The millage rates levied by the Village were 13.00 for General Operating and 1.50 for Municipal Streets.

The County of Macomb has established a Tax Collection Revolving Fund whereby all local units of government are paid for the delinquent real property taxes each year.

**NOTE 5 - RECEIVABLES:**

Receivables in the governmental and business-type activities at June 30, 2016 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts and interest	\$ 31,731	\$ 500,777
Due from other governmental units	191,857	33,564
Due from agency fund	<u>6,680</u>	<u>-</u>
	<u>\$ 230,268</u>	<u>\$ 534,341</u>

**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6 - INTERFUND RECEIVABLE, PAYABLE, TRANSFERS, AND ADVANCES:**

The composition of interfund balances as of June 30, 2016 is as follows:

**Due From/To Other Funds -**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Major Street Fund	\$ 1,714
	Local Street Fund	6,389
	Municipal Street Fund	83
	Motor Pool Fund	141
	Agency Fund	6,617
Municipal Street Fund	Agency Fund	63
Local Street Fund	Municipal Street Fund	335
	Major Street Fund	5,799
Cemetery Fund	General Fund	86
Inspections Fund	General Fund	14
	Cemetery Fund	995
Water Supply System Fund	Local Street Fund	70,000
	Wastewater Fund	36,034
Wastewater Fund	Water Supply System Fund	1,655
Internal Service Fund	Major Street Fund	444
	Local Street Fund	2,561
	Municipal Street Fund	149
	Wastewater Fund	249
	Water Supply System Fund	4,033
		<u>\$ 137,361 (1)</u>

(1) Reimbursement and reclassification of costs

**Advances From/To Other Fund -**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Payable</u>
General Fund	Wastewater Fund	\$ 41,701
	Water Supply System Fund	6,141
		<u>\$ 47,842</u>

The advances were executed in order to assist with cash flow.

**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6 - INTERFUND RECEIVABLE, PAYABLE, TRANSFERS, AND ADVANCES - (cont'd):**

**Due From/To Primary Government and Components Units -**

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Component Unit - Brownsfield Development Authority	Primary Government - General Fund	\$ 31,419 (2)
Component Unit - Downtown Development Authority	Primary Government - General Fund	<u>63,193 (3)</u>
		<u>\$ 94,612</u>
Primary Government - General Fund	Component Unit - Downtown Development Authority	\$ 63,193 (3)
Primary Government - Municipal Street Fund	Component Unit - Brownsfield Development Authority	<u>1,237 (2)</u>
		<u>\$ 64,430</u>

(2) Property tax capture/adjustment

(3) Reimbursement for services

**Transfers In/Out -**

<u>Receiving Fund</u>	<u>Expending Fund</u>	<u>Amount</u>
General Fund	Cable Fund	\$ 10,000
	Internal Service Fund	63,772
Municipal Street Fund	Cable Fund	15,808
	Internal Service Fund	5,000
Local Street Fund	Major Street Fund	90,897
	Municipal Street Fund	30,735
Wastewater Fund	General Fund	<u>174,000</u>
		<u>\$ 390,212 (4)</u>

(4) Annual appropriation

**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - CAPITAL ASSETS:**

**Primary Government -**

Capital asset activity of the Village for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 695,114	\$ -	\$ -	\$ 695,114
Capital assets, being depreciated:				
Land improvements	416,128	-	-	416,128
Buildings	1,623,290	-	-	1,623,290
Machinery and equipment	852,142	-	-	852,142
Vehicles	1,320,431	-	1,250	1,319,181
Street improvement	418,931	121,808	-	540,739
Sidewalks	160,760	-	-	160,760
Total capital assets being depreciated	<u>4,791,682</u>	<u>121,808</u>	<u>1,250</u>	<u>4,912,240</u>
Less accumulated depreciation for:				
Land improvements	284,402	42,020	-	326,422
Buildings	821,668	26,046	-	847,714
Machinery and equipment	708,497	47,363	-	755,860
Vehicles	900,973	81,850	1,250	981,573
Street improvement	131,709	27,037	-	158,746
Sidewalks	120,340	8,570	-	128,910
Total accumulated depreciation	<u>2,967,589</u>	<u>232,886</u>	<u>1,250</u>	<u>3,199,225</u>
Total capital assets being depreciated, net	<u>1,824,093</u>	<u>( 111,078)</u>	<u>-</u>	<u>1,713,015</u>
Governmental activities capital assets, net	<u>\$ 2,519,207</u>	<u>\$( 111,078)</u>	<u>\$ -</u>	<u>\$ 2,408,129</u>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 15,316	\$ -	\$ -	\$ 15,316
Construction in progress	-	30,475	-	30,475
Total capital assets not being depreciated	<u>15,316</u>	<u>30,475</u>	<u>-</u>	<u>45,791</u>
Capital assets, being depreciated:				
Buildings and improvements	7,402,124	-	-	7,402,124
Utility systems	18,676,814	-	-	18,676,814
Machinery and equipment	524,897	-	-	524,897
Total capital assets being depreciated	<u>26,603,835</u>	<u>-</u>	<u>-</u>	<u>26,603,835</u>
Less accumulated depreciation for:				
Buildings and improvements	5,556,325	176,011	-	5,732,336
Utility systems	6,047,486	452,767	-	6,500,253
Machinery and equipment	347,303	38,264	-	385,567
Total accumulated depreciation	<u>11,951,114</u>	<u>667,042</u>	<u>-</u>	<u>12,618,156</u>
Total capital assets being depreciated, net	<u>14,652,721</u>	<u>( 667,042)</u>	<u>-</u>	<u>13,985,679</u>
Business-type activities capital assets, net	<u>\$ 14,668,037</u>	<u>\$( 636,567)</u>	<u>\$ -</u>	<u>\$ 14,031,470</u>

**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - CAPITAL ASSETS - (cont'd):**

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

Governmental Activities:	
General Government	\$ 72,745
Public Safety	44,417
Public Works	<u>38,650</u>
Total depreciation expense-governmental activities	<u>\$ 155,812</u>
Business-type Activities:	
Wastewater	\$ 460,800
Water Supply System	<u>206,242</u>
Total depreciation expense-business-type activities	<u>\$ 667,042</u>

In addition, there was depreciation of \$77,074 in the Internal Service Fund.

**Discretely Presented Component Units -**

Activity for the Downtown Development Authority for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets, being depreciated -				
Land improvement	\$ 242,345	\$ -	\$ -	\$ 242,345
Less: accumulated depreciation for -				
Land improvement	<u>54,527</u>	<u>12,117</u>	<u>-</u>	<u>66,644</u>
Total capital assets being depreciated, net	<u>\$ 187,818</u>	<u>\$ 12,117</u>	<u>\$ -</u>	<u>\$ 175,701</u>



**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 8 - LONG-TERM DEBT:**

The following is a summary of changes in the long-term liabilities (including current portion) of the Primary Government for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
<u>Governmental Activities:</u>					
Governmental Fund -					
2010 General Obligation					
Limited Tax Bonds	\$ 525,000	\$ -	\$ 95,000	\$ 430,000	\$ 100,000
Downtown Development					
Authority Loan*	69,000	-	11,500	57,500	11,500
Software Capital Lease	75,625	-	23,930	51,695	25,064
Vehicle Capital Lease	17,226	-	17,226	-	-
Compensated Absences	<u>148,943</u>	<u>17,347</u>	<u>-</u>	<u>166,290</u>	<u>-</u>
	835,794	17,347	147,656	705,485	136,564
Internal Service Fund -					
Street Vac Capital Lease	<u>313,861</u>	<u>-</u>	<u>48,520</u>	<u>265,341</u>	<u>49,976</u>
Total Governmental Activities	<u>1,149,655</u>	<u>17,347</u>	<u>196,176</u>	<u>970,826</u>	<u>186,540</u>
<u>Business-type Activities:</u>					
2014 Refunding Bonds	4,745,000	-	295,000	4,450,000	290,000
Installment Purchase Contract:					
Municipal Water Well	48,354	-	23,674	24,680	24,680
Compensated Absences	65,352	-	654	64,698	-
Deferred Amounts for:					
Bond Premium	<u>111,923</u>	<u>-</u>	<u>7,995</u>	<u>103,928</u>	<u>7,995</u>
Total Business-type Activities	<u>4,970,629</u>	<u>-</u>	<u>327,323</u>	<u>4,643,306</u>	<u>322,675</u>
Total Primary Government	<u>\$ 6,120,284</u>	<u>\$ 17,347</u>	<u>\$ 523,499</u>	<u>\$ 5,614,132</u>	<u>\$ 509,215</u>

\*Amount shown as due from primary government on the component unit statement of net position.

Significant details regarding outstanding long-term debt (including current portions) are presented as follows:

**Governmental Activities -**

**2010 General Obligation Limited Tax Bonds:**

The 2010 \$950,000 General Obligation Limited Tax Bonds, dated June 8, 2010 were issued to fund the Village's Tax Tribunal Settlement liability with Ford Motor Co. The bonds are due in annual installments of \$95,000 to \$115,000 through April 1, 2020 with interest ranging from 4.00% to 4.65%, payable semi-annually.

\$ 430,000

**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 8 - LONG-TERM DEBT - (cont'd):**

**Downtown Development Authority Loan:**

The Village was ordered by a consent judgement on September 9, 2011 to pay the Village of Romeo Downtown Development Authority \$115,000 for prior year's tax capture. Payments are due in annual installments of \$11,500, without interest through September 9, 2021. \$ 57,500

**Software Capital Lease:**

The Village entered into a lease purchase agreement for AT&T software in the amount of \$120,372. Payment is due in annual installments of \$27,019, including interest of 4.637% through June 15, 2018. The asset has a net book value of \$48,149 at June 30, 2016. 51,695

**Sewer Vacuum Capital Lease:**

The Village entered into a lease purchase agreement for a sewer vacuum in the amount of \$366,184. Payment is due in annual installments of \$57,942, including interest of 3.00% through February 1, 2024. The asset has a net book value of \$281,547 at June 30, 2016. 265,341

**Business-type Activities -**

**2014 Refunding Bonds:**

In 2014, the Village refunded \$4,745,000 of the 2004 General Obligated Limited Tax Bonds. Refunding Bonds, Series 2014, dated April 2, 2014, were issued in the amount of \$4,745,000, due in annual installments of \$290,000 to \$425,000 through October 1, 2028, with interest of 2.00% - 4.00% payable semi-annually. The proceeds of the refunding bonds were placed in escrow for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Village's financial statements. The principal balance of the defeased bonds at June 30, 2016 is \$4,375,000. 4,450,000

**Contracts Payable:**

The Village entered into an installment purchase contract, dated July 28, 2009, to finance a municipal water well. Payments are due in annual installments ranging from \$23,674 to \$24,680 through July 28, 2016 with interest of 4.25%, payable annually. 24,680

**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 8 - LONG-TERM DEBT - (cont'd):**

**Accrued Vacation and Sick -**

In accordance with contracts negotiated with the various employee groups of the Village, individual employees have vested rights upon termination of employment to receive payments for unused vacation under formulas and conditions specified in the contracts. The Governmental activities portion of \$166,290 has been recorded in the government-wide financial statements as a long term liability. The Enterprise Funds portion of \$64,698 has been recorded as a long-term liability in the government-wide and fund financial statements.

**Annual Debt Requirements -**

The annual requirements to pay the debt outstanding at June 30, 2016 for the following bonds, notes, and leases (excluding compensated absences) of the Primary Government are as follows:

Year	Governmental Activities				
	G.O. Bond		Capital Leases		Note
	Principal	Interest	Principal	Interest	Principal
2017	\$ 100,000	\$ 18,760	\$ 75,040	\$ 9,823	\$ 11,500
2018	105,000	14,760	78,108	7,132	11,500
2019	225,000	15,645	53,022	4,920	11,500
2020	-	-	54,613	3,328	11,500
2021	-	-	56,253	1,689	11,500
	<u>\$ 430,000</u>	<u>\$ 49,165</u>	<u>\$ 317,036</u>	<u>\$ 26,892</u>	<u>\$ 57,500</u>

Year	Business-type Activities			
	G.O. Refunding Bonds		Installment Purchase	
	Principal	Interest	Principal	Interest
2017	\$ 290,000	\$ 135,850	\$ 24,680	\$ 1,049
2018	310,000	129,850	-	-
2019	300,000	123,750	-	-
2020	320,000	117,550	-	-
2021	315,000	110,413	-	-
2022-2026	1,725,000	396,463	-	-
2027-2029	1,190,000	73,000	-	-
	<u>\$ 4,450,000</u>	<u>\$ 1,086,876</u>	<u>\$ 24,680</u>	<u>\$ 1,049</u>

**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9 - PENSION PLANS:**

**Defined Benefit Plan:**

**Plan Descriptions -**

The Village of Romeo participates in the Michigan Municipal Employees' Retirement System (MERS); an agent multiple-employer state-wide public employee defined benefit pension plan, that covers all employees that work at least 40 hours per week except for the Village Clerk and Treasurer. MERS was created under Public Act of 1945 and now operates under Public Act 220 of 1996. MERS was established to provide retirement, survivor, and disability benefits on a voluntary basis to the State of Michigan's local government employees. Act No. 427 of the Public Acts of 1974, as amended, establishes and amends the benefits provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information at [www.mersofmich.com](http://www.mersofmich.com) or by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to the pension and pension expense have been determined on the same basis as they are reported by the pension plan (the "Plan"). The Plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenues recorded as contributions are due pursuant to legal, statutory, and contractual requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with benefit terms.

The membership at December 31, 2015 was comprised of 23 active participants, 19 retirees and beneficiaries, and 4 other vested inactive participants.

**Benefits Provided -**

Retirement benefits are calculated based on division as 1.7% to 2.5% of the employee's final three-year (3) or five-year (5) average salary times the employee's years of service. Employees are vested after 10 years of service. Normal retirement age is 60. Early retirement with a reduced benefit is at 50 with 25 years of service or at 55 with 15 years of service or for an unreduced benefit at 55 with 25 years of service for employees in the public works division only. Employees are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability benefits are determined in the same manner as retirement benefits but are payable immediately. An employee who leaves service may withdraw his or her contributions, plus accumulated interest. Benefit terms provide for annual cost-of-living adjustments to each employee's retirement benefit subsequent to the employee's retirement date of 2.50%.

Benefit terms, within the parameters established by MERS, are established and amended by authority of Village Council.

**Contributions -**

The Village pays the actuarially determined amount, which for the year ended June 30, 2016, ranged from 8.5% to 38.76% of covered payroll. No employee contributions are required. At June 30, 2016, \$19,246 was payable to the Plan relating to June 2016 contributions.

**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9 PENSION PLANS - (cont'd):**

**Net Pension Liability -**

The net pension liability of the Village has been measured as of December 31, 2015 as determined by an actuarial valuation performed as of that date and is composed of the following:

	<u>Total Pension Liability</u>	<u>Plan's Net Position</u>	<u>Net Pension Liability</u>
Beginning balance	\$ 7,099,257	\$ 4,771,583	\$ 2,327,674
Service cost	104,863	-	104,863
Interest on total pension liability	574,966	-	574,966
Net investment income	-	( 70,706)	70,706
Difference between expected and actual experience	( 140,255)	-	( 140,255)
Changes in assumptions	338,305	-	338,305
Contributions from employer	-	206,359	( 206,359)
Benefit payments	( 364,804)	( 364,804)	-
Administrative costs	<u>-</u>	<u>( 10,364)</u>	<u>10,364</u>
Ending balance	<u>\$ 7,612,332</u>	<u>\$ 4,532,068</u>	<u>\$ 3,080,264</u>

Plan fiduciary net position as a percentage of the total pension liability 60%

**Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions -**

At June 30, 2016, the Village had a net pension liability of \$3,080,264. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2016, the Village recognized pension expense of \$451,552 in the government-wide and proprietary fund financial statements of the primary government. At June 30, 2016, the Village reported deferred outflows/inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>Primary Government</b>		
Net difference between projected and actual earnings on Plan investments	\$ 416,804	\$ -
Contributions made subsequent to the measurement date	99,243	-
Difference between expected and actual experience	-	112,204
Changes in assumptions	<u>270,644</u>	<u>-</u>
	<u>\$ 786,691</u>	<u>\$ 112,204</u>

**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9 PENSION PLANS - (cont'd):**

The amounts of deferred outflows of resources and deferred inflows of resources related to pension, excluding contributions to the plan subsequent to the measurement date which will be recognized by the Plan in the next measurement period, will be recognized in pension expense as follows:

2017	\$	148,051
2018		148,051
2019		148,053
2020		<u>131,089</u>
	\$	<u>575,244</u>

**Actuarial Assumptions -**

The total pension liability was determined by an actuarial valuation as of December 31, 2015. The valuation used the following actuarial assumptions based on the most recent study of Plan experience covering the period from December 31, 2009 through December 31, 2013.

**Salary increases - 3.75%**

**Inflation - 2.5%**

**Investment rate of return - 8.25%, 8.00% on December 31, 2015 and thereafter**

**Mortality rates -** 50% Male and 50% Female blend of the following tables: 1) the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%; 2) the RP-2014 Employee Mortality Tables; and 3) the RP-2014 Juvenile Mortality Tables. For disabled retirees, the RP-2014 Disabled Retiree Mortality Tables using a 50% Male and 50% Female blend were used.

**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 assumed that employee contributions will be made at the current contribution rate and that Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

**Projected Cash Flows -** Based on the assumptions above, the 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 Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9 PENSION PLANS - (cont'd):**

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of December 31, 2015 for each major asset class included in the Plan's target asset allocation, as disclosed in the investment footnote of the Plan, are summarized in the following table.

<u>Asset Class</u>	<u>Long-term Expected Real Target Allocation</u>	<u>Rate of Return</u>
Global Equity	57.5 %	5.0 %
Global Fixed Income	20.0	2.2
Real Assets	12.5	4.2
Diversifying Strategies	10.0	6.6

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the Village, calculated using the discount rate of 8.00 percent, as well as what the Village'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.

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1 % Increase (9.00%)</u>
Net pension liability of the Primary Government	\$ 3,986,498	\$ 3,080,264	\$ 2,313,705

**Defined Contribution Plan -**

Effective July 16, 2014, the Village has established a defined contribution plan for the Clerk and Treasurer elected positions. The Plan requires the Village to match on behalf of each participant 5% of each participating employees' base salary. Participants are not required to make a contribution to the Plan. Both employer and employee contributions are 100% vested immediately. Employees are eligible to begin contribution to the Plan immediately upon hire. The Village Council has the authority to rescind the match provision due to budget constraints via Council resolution. Employer contributions to the Plan for the year ended June 30, 2016 totaled \$1,001.

**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS:**

**Plan Description -**

In addition to the pension benefits described in Note 9, the Village provides postemployment retirement health care, dental and life insurance benefits through a single-employer defined benefit healthcare plan (the "Retiree Health Plan") to all employees covered by the basic retirement plan, plus the Village Clerk/Administrator and Treasurer, who retire from the Village after attaining a minimum age of 55 and years of service of 15-25 based on the employment unit. The Retiree Health Plan was established by the Village Council who has the authority to establish and amend benefit provisions. The Retiree Health Plan is audited within the scope of the audit of the basic financial statements. Separate audited financial statements are not issued.

**Contribution and Funding Policy -**

The Village recognizes the cost of providing these benefits on a "pay-as-you-go" basis, except in the government-wide statements and the proprietary funds where the unfunded annual required contributions (ARC) is recorded as a long-term liability. The Village has no obligation to make contributions in advance of when the insurance premiums are due for payment. The Retiree Health Plan requires no member contributions.

The 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 calculation.

During the year ended June 30, 2016, contributions of \$241,285 (20.12% of covered payroll) were made. The actuarial valuation dated June 30, 2016 determined a contribution rate of \$655,105 (54.63% of covered payroll).

**Annual OPEB Cost and Net OPEB Obligation -**

The Village's annual other postemployment benefits (OPEB) cost is based on the ARC of the employer, an amount calculated in accordance with the alternative measurement method permitted by GASB No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents the level of funding necessary to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) amortized over a period of thirty years. The Village's annual OPEB cost for the year, the amount actually contributed, and changes in net OPEB obligation are as follows:

	<u>Primary Government</u>
Annual required contribution	\$ 655,105
Interest on net OPEB obligation	145,258
Adjustment to annual required contribution	( 188,984)
Annual OPEB cost (expense)	611,379
Contributions made	( 241,285)
Increase in net OPEB obligation	370,094
Net OPEB obligation - beginning of year	<u>2,905,151</u>
Net OPEB obligation - end of year	<u>\$ 3,275,245</u>



**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS - (cont'd):**

**Funded Status and Progress -**

The projection of future benefit payments for an obligation for an ongoing plan involves estimates for the value of reported amounts and assumptions about the probability or occurrence into the future. Amounts determined regarding the funding 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.

**Schedule of Funding Progress**

Actuarial Valuation Date	Value of of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
6/30/10	\$ -	\$ 6,388,599	\$ 6,388,599	- %	\$ 1,350,620	473 %
6/30/13	-	10,003,750	10,003,750	-	1,212,288	825
6/30/16	-	7,184,188	7,184,188	-	1,299,625	553

The assumptions and determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

**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. The schedule of funding progress, presented above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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.

The following simplifying assumptions were made:

Retirement Age of Active Employees - Based on the union contract's requirements for retirement age for the covered group, active plan members were assumed to retire at age 55.

Marital Status - Marital status of members at the calculation date was assumed to continue throughout retirement.

**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS - (cont'd):**

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The United States Life Tables for Males and for Females were obtained from the Center for Disease Control ([www.cdc.gov](http://www.cdc.gov)). The most recent data are the life tables for males and females, 2011 version (Tables 2 and 3 from the National Vital Statistics Report, Vol. 64, No. 11 dated September 22, 2015).

Turnover - Nongroup-specific age-based turnover data from GASB Statement No. 45 was used as the basis for assigning active members a probability of remaining employment until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare Cost Trend Rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. The rate was estimated at 6.0 percent for 2018, increasing each year to 6.2 percent in 2022 before dropping to 6.0 percent in 2023 and for years thereafter.

Health Insurance Premiums - 2017 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Payroll Growth Rate - The expected long-term payroll growth rate assumption of 2.0 percent was based on the salary increases per the union contracts.

Based on historical and expected returns of the short-term investment portfolio, a discount rate of 5 percent and 5 percent investment rate was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open period with a remaining amortization period of 30 years.

**Investment Rate of Return** - In the 2016 valuation, the investment rate of return was 5.00 percent.

**Schedule of Employer Contributions**

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 827,535	23 %	\$ 2,322,149
2015	817,948	29	2,905,150
2016	611,379	39	3,275,245

**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 11 - WATER PURCHASES AGREEMENT:**

The Village entered into an agreement with the City of Detroit for the purchase of water for the Ford Motor Company and certain other industrial users. The agreement as amended, among other things, requires the Village to pay for a minimum of 5.5 million cubic feet of water at such rates as the City of Detroit may establish, assuming such rates are reasonable in relation to the cost incurred by the City of Detroit. The term of the agreement is for a period of at least thirty-five (35) years and will automatically renew at the conclusion of the thirty (30) year term for an additional ten (10) years, unless notified on or before the conclusion of the twenty-fifth (25) year of the contract. Thereafter, the contract shall automatically renew every ten years for an additional ten-year term unless notified in writing on or before the conclusion of the fifth year of the then current ten-year term.

**NOTE 12 - WASTEWATER TREATMENT FACILITY:**

The Village has entered into an agreement with Bruce Township (the "Township") for the treatment of the Township's wastewater. Under the agreement the Township pays a 24.29% of all fixed operating costs. All variable costs are allocated based on each unit's percentage of flow. For the year ended June 30, 2016, the Township's portion was \$183,564.

**NOTE 13 - PRINCIPAL TAXPAYER AND UTILITY CUSTOMER:**

The Ford Motor Company Engine Division, located within the Village, provides a significant portion of both property tax and utility revenues. Such revenues and the approximate percentage of the total individual revenues for the year ended June 30, 2016 are summarized below:

	<u>Revenues Provided</u>	<u>Approximate Percentage</u>
Property Taxes	\$ 407,602	16 %
Wastewater Treatment Service	130,768	11
Water Purchase	144,250	20

**NOTE 14 - DEFERRED COMPENSATION:**

The Village offers all of its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer the Village of Romeo for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer for assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Village's financial statements.

**VILLAGE OF ROMEO, MICHIGAN**  
**Macomb County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 15 - INTERGOVERNMENTAL AGREEMENT:**

On February 9, 1999 the Village signed an agreement with the Township of Bruce. The agreement provides that the Township will provide Fire, Basic Life Support, and Advanced Life Support Services to the Village for all fire and emergency medical calls originating within the Village. The Township acquired title to, and obtained ownership interest in, all vehicles and equipment owned by the Village for one dollar (\$1.00). In the event this agreement is not renewed by the parties or is otherwise terminated, the Township shall re-convey all then existing equipment and vehicles, which it previously purchased from the Village for one dollar (\$1.00). The Village will pay the Township a base rent plus an incremental rent. The agreement was originally for a term of four (4) years and five (5) months ending on June 30, 2003. The agreement is automatically renewed for successive four-year periods, unless either party notifies the other party twenty-four (24) months prior to the expiration of the agreement.

**NOTE 16 - RISK MANAGEMENT:**

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, injuries to employees, medical benefits provided to employees, etc. The Village has purchased issuance coverage for each of these types of losses, however, would be responsible should limits of coverage be exceeded.

The Downtown Development Authority insurance coverage expired in January 2015 and was not renewed until November 2016 when a retroactive policy was purchased for the year January 5, 2016 to January 5, 2017.

**NOTE 17 - SUBSEQUENT EVENT:**

On October 31, 2016, the Village sold the Fire Hall property for \$185,000.

**NOTE 18 - CONTRACT COMMITMENTS:**

On April 23, 2016, the Village signed a contract for \$121,900 for the Media Replacement for the sewer system. At June 30, 2016, the Village had spent \$30,475, leaving \$91,425 remaining on the commitment.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# VILLAGE OF ROMEO, MICHIGAN

## GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

#### BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 2,222,086	\$ 2,222,086	\$ 2,192,201	\$( 29,885)
Intergovernmental - State	364,538	364,538	360,314	( 4,224)
Fines and forfeits	100,000	100,000	62,053	( 37,947)
Interest and rents	18,000	18,000	13,149	( 4,851)
Other	20,250	20,250	13,847	( 6,403)
<b>Total Revenues</b>	<b>2,724,874</b>	<b>2,724,874</b>	<b>2,641,564</b>	<b>( 83,310)</b>
<b>Expenditures:</b>				
General Government -				
Legislative	24,650	24,650	23,535	1,115
Clerk/Administrator	82,391	82,391	78,918	3,473
Elections	2,000	2,000	747	1,253
Treasurer	50,158	50,158	51,896	( 1,738)
Village Hall	275,461	275,461	264,546	10,915
	<b>434,660</b>	<b>434,660</b>	<b>419,642</b>	<b>15,018</b>
Public Safety -				
Fire Department	405,000	405,000	405,689	( 689)
Police Department	802,998	802,998	810,006	( 7,008)
Communication (Dispatch)	214,374	214,374	220,555	( 6,181)
	<b>1,422,372</b>	<b>1,422,372</b>	<b>1,436,250</b>	<b>( 13,878)</b>
Public Works -				
Department of Public Works	118,546	118,546	114,522	4,024
Sanitation	254,000	254,000	253,677	323
	<b>372,546</b>	<b>372,546</b>	<b>368,199</b>	<b>4,347</b>
Recreation and Culture -				
Historical District Commission	900	900	693	207
Community & Economic Development -				
Planning	4,590	4,590	2,656	1,934
Other -				
Retiree health care	147,818	147,818	147,818	-
Insurance	65,000	65,000	65,217	( 217)
	<b>212,818</b>	<b>212,818</b>	<b>213,035</b>	<b>( 217)</b>
Debt Service -				
Principal	147,656	147,656	147,656	-
Interest	29,104	29,104	26,458	2,646
	<b>176,760</b>	<b>176,760</b>	<b>174,114</b>	<b>2,646</b>
<b>Total Expenditures</b>	<b>2,624,646</b>	<b>2,624,646</b>	<b>2,614,589</b>	<b>10,057</b>
Revenues over expenditures	100,228	100,228	26,975	( 73,253)
<b>Other Financing Sources (Uses):</b>				
Transfer In	73,772	73,772	73,772	-
Transfer Out - Sewer Fund	( 174,000)	( 174,000)	( 174,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>( 100,228)</b>	<b>( 100,228)</b>	<b>( 100,228)</b>	<b>-</b>
Net change in fund balance	-	-	( 73,253)	( 73,253)
Fund Balance at beginning of year	312,922	312,922	312,922	-
Fund Balance at end of year	<b>\$ 312,922</b>	<b>\$ 312,922</b>	<b>\$ 239,669</b>	<b>\$( 73,253)</b>

# VILLAGE OF ROMEO, MICHIGAN

## MAJOR STREET FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

#### BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental - State	\$ 120,000	\$ 120,000	\$ 135,326	\$ 15,326
Interest	2,000	2,000	-	( 2,000)
	<u>122,000</u>	<u>122,000</u>	<u>135,326</u>	<u>13,326</u>
<b>Expenditures:</b>				
Public Works -				
Preservation	61,704	61,704	66,312	( 4,608)
Winter maintenance	13,195	13,195	11,838	1,357
Construction	4,900	4,900	-	4,900
	<u>79,799</u>	<u>79,799</u>	<u>78,150</u>	<u>1,649</u>
Revenues over expenditures	42,201	42,201	57,176	14,975
<b>Other Financing Uses:</b>				
Transfers Out - Local Street	( 90,897)	( 90,897)	( 90,897)	-
Net change in fund balance	( 48,696)	( 48,696)	( 33,721)	14,975
Fund Balance at beginning of year	<u>156,188</u>	<u>156,188</u>	<u>156,188</u>	-
Fund Balance at end of year	<u>\$ 107,492</u>	<u>\$ 107,492</u>	<u>\$ 122,467</u>	<u>\$ 14,975</u>

# VILLAGE OF ROMEO, MICHIGAN

## MUNICIPAL STREET FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

#### BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 262,991	\$ 262,991	\$ 187,304 *	\$ ( 75,687)
Charges for services	-	-	63,193	63,193
Other	-	-	100	100
	<u>262,991</u>	<u>262,991</u>	<u>250,597</u>	<u>( 12,394)</u>
<b>Expenditures:</b>				
Public Works -				
Preservation	51,134	51,134	55,922	( 4,788)
Village beautification	76,911	76,911	72,038	4,873
Sidewalks	325	325	145	180
Construction	-	-	121,808	( 121,808)
	<u>128,370</u>	<u>128,370</u>	<u>249,913</u>	<u>( 121,543)</u>
Revenues over expenditures	<u>134,621</u>	<u>134,621</u>	<u>684</u>	<u>( 133,937)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In -				
Cable Fund	-	-	15,808	15,808
Motor Pool Fund	-	-	5,000	5,000
Transfers Out -				
Local Street Fund	( 93,735)	( 134,735)	( 30,735)	104,000
	<u>( 93,735)</u>	<u>( 134,735)</u>	<u>( 9,927)</u>	<u>124,808</u>
Net change in fund balance	40,886	( 114)	( 9,243)	( 9,129)
Fund Balance at beginning of year	<u>70,726</u>	<u>70,726</u>	<u>70,726</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 111,612</u>	<u>\$ 70,612</u>	<u>\$ 61,483</u>	<u>\$ ( 9,129)</u>

\* The taxes revenue has been reduced by \$63,193 and charges for services increased to reflect the captured Village taxes and the services provided by the Village to the DDA.



# VILLAGE OF ROMEO, MICHIGAN

## EMPLOYEES RETIREMENT SYSTEM

### SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

#### LAST TEN YEARS

#### (PLAN YEAR)

	For the Year Ended December 31,		
	2015	2014	2013-2006*
<b>Total Pension Liability</b>			
Service Cost	\$ 104,863	\$ 109,550	\$ -
Interest	574,966	548,479	-
Differences between expected and actual experience	( 140,255)	-	-
Change in assumptions	338,305		
Benefit payments, including refunds	( 364,804)	( 304,460)	-
Change in total pension liability	513,075	353,569	-
Total pension liability, beginning of year	7,099,257	6,745,688	-
Total pension liability, end of year	<u>\$ 7,612,332</u>	<u>\$ 7,099,257</u>	<u>\$ 6,745,688</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 206,359	\$ 233,550	\$ -
Net investment income	( 70,706)	288,416	-
Benefit payments, including refunds	( 364,804)	( 304,460)	-
Administrative expenses	( 10,364)	( 10,596)	-
Net change in plan fiduciary net position	( 239,515)	206,910	-
Plan fiduciary net position, beginning of year	4,771,583	4,564,673	-
Plan fiduciary net position, end of year	<u>\$ 4,532,068</u>	<u>\$ 4,771,583</u>	<u>\$ 4,564,673</u>
<b>Village's Net Pension Liability - Ending</b>	<u>\$ 3,080,264</u>	<u>\$ 2,327,674</u>	<u>\$ 2,181,015</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	59.54%	67.21%	67.67%
<b>Covered Employee Payroll</b>	\$ 1,171,339	\$ 1,232,203	
<b>Village's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	263.0%	188.9%	

\* GASB 68 was implemented for fiscal year ended June 30, 2015, the Village did not elect to retroactively implement.

**VILLAGE OF ROMEO, MICHIGAN**

**EMPLOYEES RETIREMENT SYSTEM**

**SCHEDULE OF VILLAGE CONTRIBUTIONS**

**LAST TEN FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contributions	\$ 208,501	\$ 222,434	\$ 218,709	\$ 191,536
Contributions in relation to the actuarially determined contribution	<u>208,501</u>	<u>222,434</u>	<u>218,709</u>	<u>191,536</u>
<b>Contribution Deficiency (Excess)</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>Covered Payroll</b>	\$ 1,199,225	\$ 1,257,782	\$ 1,232,203	\$ 1,224,904
<b>Contributions as a Percentage of Covered Employee Payroll</b>	17.39%	17.68%	17.75%	15.64%

**Valuation Date** December 31, two years prior of the end of the fiscal year

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll, open
Remaining amortization period	25 years
Asset valuation method	10-year smoothed market value
Salary increases	1% for 2014, 2% for 2015, 3% for 2016, and 4.5% thereafter
Investment rate of return	8.25%
Retirement age	Replacement Index up to age 70, then 100%
Mortality	1994 Group Annuity Mortality Table with 50% Male and 50% Female blend

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 185,320	\$ 194,488	\$ 179,340	\$ 151,985	\$ 170,149	\$ 161,084
<u>185,320</u>	<u>194,488</u>	<u>179,340</u>	<u>151,985</u>	<u>170,149</u>	<u>161,084</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,156,576	\$ 1,209,895	\$ 1,165,346	\$ 1,350,620	\$ 1,250,877	\$ 1,275,425
16.02%	16.07%	15.39%	11.25%	13.60%	12.63%

## **SUPPLEMENTARY INFORMATION**

# VILLAGE OF ROMEO, MICHIGAN

## COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2016

	Special Revenue Funds			
	Local Street	Cemetery	Inspections	Cable
<b>Assets:</b>				
Cash and cash equivalents	\$ 76,874	\$ 163,440	\$ 76,427	\$ 30,752
Receivables	-	825	-	23,847
Due from other governmental units	29,282	-	-	
Due from other funds	6,134	86	1,009	-
Total Assets	<u>\$ 112,290</u>	<u>\$ 164,351</u>	<u>\$ 77,436</u>	<u>\$ 54,599</u>
<b>Liabilities:</b>				
Accounts payables	\$ 594	\$ 64	\$ -	\$ 121
Accrued liabilities	410	1,113	20,702	-
Due to other funds	78,950	995	-	-
Total Liabilities	<u>79,954</u>	<u>2,172</u>	<u>20,702</u>	<u>121</u>
<b>Fund Balances:</b>				
Restricted -				
Streets	32,336	-	-	-
Inspections	-	-	56,734	-
Committed -				
Cemetery	-	162,179	-	-
Cable	-	-	-	54,478
Capital projects	-	-	-	-
Total Fund Balances	<u>32,336</u>	<u>162,179</u>	<u>56,734</u>	<u>54,478</u>
Total Liabilities and Fund Balances	<u>\$ 112,290</u>	<u>\$ 164,351</u>	<u>\$ 77,436</u>	<u>\$ 54,599</u>

Capital  
Project Fund

Public Improvement	Total
-----------------------	-------

\$ 33,577	\$ 381,070
-	24,672
-	29,282
-	7,229
<u>\$ 33,577</u>	<u>\$ 442,253</u>

\$ -	\$ 779
-	22,225
-	79,945
<u>-</u>	<u>102,949</u>

-	32,336
-	56,734
-	162,179
-	54,478
<u>33,577</u>	<u>33,577</u>
<u>33,577</u>	<u>339,304</u>
<u>\$ 33,577</u>	<u>\$ 442,253</u>

# VILLAGE OF ROMEO, MICHIGAN

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds			
	Local Street	Cemetery	Inspections	Cable
<b>Revenues:</b>				
Intergovernmental	\$ 110,248	\$ -	\$ -	\$ -
Charges for services	-	29,650	80,645	-
Interest and rent	-	25	-	-
Other	-	8,380	16	95,128
Total Revenues	<u>110,248</u>	<u>38,055</u>	<u>80,661</u>	<u>95,128</u>
<b>Expenditures:</b>				
General Government	-	46,998	-	-
Public Safety	-	-	48,655	-
Public Works	238,323	-	-	-
Recreation and Cultural	-	-	-	60,412
Total Expenditures	<u>238,323</u>	<u>46,998</u>	<u>48,655</u>	<u>60,412</u>
Revenues over (under) expenditures	<u>( 128,075)</u>	<u>( 8,943)</u>	<u>32,006</u>	<u>34,716</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	121,632	-	-	-
Transfer Out	-	-	-	( 25,808)
Total Other Financing Sources (Uses)	<u>121,632</u>	<u>-</u>	<u>-</u>	<u>( 25,808)</u>
Net change in fund balance	( 6,443)	( 8,943)	32,006	8,908
Fund Balances at beginning of year	<u>38,779</u>	<u>171,122</u>	<u>24,728</u>	<u>45,570</u>
Fund Balances at end of year	<u>\$ 32,336</u>	<u>\$ 162,179</u>	<u>\$ 56,734</u>	<u>\$ 54,478</u>

<u>Capital Project Fund</u>	
<u>Public Improvement</u>	<u>Total</u>
\$ -	\$ 110,248
-	110,295
13	38
-	103,524
<u>13</u>	<u>324,105</u>
-	46,998
-	48,655
-	238,323
-	60,412
<u>-</u>	<u>394,388</u>
<u>13</u>	<u>( 70,283)</u>
-	121,632
-	( 25,808)
-	95,824
13	25,541
<u>33,564</u>	<u>313,763</u>
<u>\$ 33,577</u>	<u>\$ 339,304</u>



# VILLAGE OF ROMEO, MICHIGAN

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>LOCAL STREET</b>				
<b>Revenues:</b>				
Intergovernmental - State -				
Act 51	\$ 70,000	\$ 70,000	\$ 69,356	\$( 644)
Public Act 48	-	-	30,688	30,688
Other	8,000	8,000	10,204	2,204
	<u>78,000</u>	<u>78,000</u>	<u>110,248</u>	<u>32,248</u>
<b>Expenditures:</b>				
Public Works -				
Preservation	172,514	172,514	160,005	12,509
Traffic markers and street signs	400	400	319	81
Winter maintenance	66,718	66,718	60,433	6,285
Construction	20,000	20,000	17,566	2,434
	<u>259,632</u>	<u>259,632</u>	<u>238,323</u>	<u>21,309</u>
Revenues under expenditures	<u>( 181,632)</u>	<u>( 181,632)</u>	<u>( 128,075)</u>	<u>53,557</u>
<b>Other Financing Sources:</b>				
Transfers In-				
Major Street Fund	90,897	90,897	90,897	-
Municipal Street Fund	90,735	131,735	30,735	( 101,000)
	<u>181,632</u>	<u>222,632</u>	<u>121,632</u>	<u>( 101,000)</u>
Net change in fund balance	-	41,000	( 6,443)	( 47,443)
Fund Balance at beginning of year	<u>38,779</u>	<u>38,779</u>	<u>38,779</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 38,779</u>	<u>\$ 79,779</u>	<u>\$ 32,336</u>	<u>\$( 47,443)</u>

# VILLAGE OF ROMEO, MICHIGAN

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>CEMETERY</b>				
<b>Revenues:</b>				
Charges for services	\$ 24,000	\$ 24,000	\$ 29,650	\$ 5,650
Interest	-	-	25	25
Other	5,000	5,000	8,380	3,380
	<u>29,000</u>	<u>29,000</u>	<u>38,055</u>	<u>9,055</u>
<b>Expenditures:</b>				
General Government -				
Salaries	35,500	35,500	38,747	( 3,247)
Fringe benefits	3,900	3,900	4,197	( 297)
Contracted service	7,400	7,400	575	6,825
Supplies	2,300	2,300	1,528	772
Utilities	900	900	557	343
Repairs and maintenance	1,500	1,500	1,053	447
Capital outlay	2,000	2,000	242	1,758
Miscellaneous	500	500	99	401
	<u>54,000</u>	<u>54,000</u>	<u>46,998</u>	<u>7,002</u>
Revenues under expenditures	( 25,000)	( 25,000)	( 8,943)	16,057
<b>Other Financing Sources:</b>				
Transfer In - Motor Pool Fund	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>( 25,000)</u>
Net change in fund balance	-	-	( 8,943)	( 8,943)
Fund Balance at beginning of year	<u>171,122</u>	<u>171,122</u>	<u>171,122</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 171,122</u>	<u>\$ 171,122</u>	<u>\$ 162,179</u>	<u>\$( 8,943)</u>

# VILLAGE OF ROMEO, MICHIGAN

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>INSPECTIONS</b>				
<b>Revenues:</b>				
Charges for services -				
Building permits	\$ 10,000	\$ 10,000	\$ 60,850	\$ 50,850
Electrical permits	6,000	6,000	7,095	1,095
Heating permits	10,000	10,000	10,700	700
Zoning permits	2,000	2,000	2,000	-
Other	-	-	16	16
	<u>28,000</u>	<u>28,000</u>	<u>80,661</u>	<u>52,661</u>
<b>Expenditures:</b>				
Public Safety -				
Salaries	22,000	22,000	42,705	( 20,705)
Fringe benefits	2,000	2,000	2,123	( 123)
Code enforcement	1,000	1,000	482	
Supplies	200	200	71	129
Contracted services	1,500	1,500	2,794	( 1,294)
Telephone	300	300	-	300
Education and training	500	500	480	20
Other	500	500	-	500
	<u>28,000</u>	<u>28,000</u>	<u>48,655</u>	<u>( 20,655)</u>
Net change in fund balance	-	-	32,006	32,006
Fund Balance at beginning of year	<u>24,728</u>	<u>24,728</u>	<u>24,728</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 24,728</u>	<u>\$ 24,728</u>	<u>\$ 56,734</u>	<u>\$ 32,006</u>

# VILLAGE OF ROMEO, MICHIGAN

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>
<b>CABLE</b>				
<b>Revenues:</b>				
Other	\$ 89,000	\$ 89,000	\$ 95,128	\$ 6,128
<b>Expenditures:</b>				
Recreation and Cultural -				
Tri-Community Cable Communication Commission	81,000	81,000	57,944	23,056
Other	3,750	3,750	2,468	1,282
	<u>84,750</u>	<u>84,750</u>	<u>60,412</u>	<u>24,338</u>
Revenues over expenditures	<u>4,250</u>	<u>4,250</u>	<u>34,716</u>	<u>30,466</u>
<b>Other Financing Uses:</b>				
Transfers Out -				
General Fund	( 4,250)	( 4,250)	( 10,000)	( 5,750)
Municipal Street Fund	-	-	( 15,808)	( 15,808)
	<u>( 4,250)</u>	<u>( 4,250)</u>	<u>( 25,808)</u>	<u>( 21,558)</u>
Net change in fund balance	-	-	8,908	8,908
Fund Balance at beginning of year	<u>45,570</u>	<u>45,570</u>	<u>45,570</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 45,570</u>	<u>\$ 45,570</u>	<u>\$ 54,478</u>	<u>\$ 8,908</u>

# VILLAGE OF ROMEO, MICHIGAN

## COMBINING STATEMENT OF NET POSITION INTERNAL SERVICE FUNDS JUNE 30, 2016

	Motor Pool Fund	Retiree Health Fund	Total
<b>Assets:</b>			
Current Assets:			
Cash and cash equivalents	\$ 37,128	\$ 24,618	\$ 61,746
Due from other funds	7,436	-	7,436
Total Current Assets	44,564	24,618	69,182
Capital Assets:			
Net, property, plant and equipment	361,226	-	361,226
Total Assets	405,790	24,618	430,408
<b>Deferred Outflows of Resources:</b>			
Related to pension plan	15,734	-	15,734
<b>Liabilities:</b>			
Current Liabilities:			
Accounts payable	7,003	-	7,003
Accrued expenses	597	-	597
Accrued interest	3,319	-	3,319
Due to other funds	141	-	141
Bond/Notes payable (current portion)	49,976	-	49,976
Total Current Liabilities	61,036	-	61,036
Long-Term Liabilities (less current portions):			
Net pension liability	61,606	-	61,606
Bond/Notes payable (net of current portion)	215,365	-	215,365
Total Long-Term Liabilities	276,971	-	276,971
Total Liabilities	338,007	-	338,007
<b>Deferred Inflows of Resources:</b>			
Related to pension plan	2,244	-	2,244
<b>Net Position:</b>			
Net investment in capital assets	95,885	-	95,885
Unrestricted	( 14,612)	24,618	10,006
Total Net Position	\$ 81,273	\$ 24,618	\$ 105,891

# VILLAGE OF ROMEO, MICHIGAN

## COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2016

	Motor Pool Fund	Retiree Health Fund	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 145,811	\$ 266,001	\$ 411,812
<b>Operating Expenses:</b>			
Personal services	39,985	241,285	281,270
Utilities	493	-	493
Repairs and maintenance	23,673	-	23,673
Other	6,343	98	6,441
Depreciation/Amortization	77,074	-	77,074
Total Operating Expenses	<u>147,568</u>	<u>241,383</u>	<u>388,951</u>
Operating Income (Loss)	<u>( 1,757)</u>	<u>24,618</u>	<u>22,861</u>
<b>Non-Operating Revenues (Expenses):</b>			
Interest earned	47	-	47
Interest, fiscal and issuance costs	<u>( 8,815)</u>	<u>-</u>	<u>( 8,815)</u>
Total Non-Operating Revenues (Expenses)	<u>( 8,768)</u>	<u>-</u>	<u>( 8,768)</u>
Net Income (Loss) Before Transfers	<u>( 10,525)</u>	<u>24,618</u>	<u>14,093</u>
<b>Transfers:</b>			
Transfers Out - General Fund	<u>( 68,772)</u>	<u>-</u>	<u>( 68,772)</u>
Change in Net Position	<u>( 79,297)</u>	<u>24,618</u>	<u>( 54,679)</u>
Net position at beginning of year	<u>160,570</u>	<u>-</u>	<u>160,570</u>
Net position end of year	<u><u>\$ 81,273</u></u>	<u><u>\$ 24,618</u></u>	<u><u>\$ 105,891</u></u>

# VILLAGE OF ROMEO, MICHIGAN

## COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2016

	Motor Pool Fund	Retiree Health Fund	Total
<b>Cash Flows From Operating Activities:</b>			
Cash receipts from interfund services	\$ 145,811	\$ 266,001	\$ 411,812
Cash payments to suppliers	( 19,575)	( 241,383)	( 260,958)
Cash payments to employees	( 39,419)	-	( 39,419)
Net Cash Provided by Operating Activities	<u>86,817</u>	<u>24,618</u>	<u>111,435</u>
<b>Cash Flows From Noncapital Financing Activities:</b>			
Due from/to other funds	4,499	-	4,499
Transfers from/to other funds	( 68,772)	-	( 68,772)
Net Cash Used in Noncapital Financing Activities	<u>( 64,273)</u>	<u>-</u>	<u>( 64,273)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Debt retirement/interest and fees paid	( 57,942)	-	( 57,942)
<b>Cash Flows From Investing Activities:</b>			
Interest received	<u>47</u>	<u>-</u>	<u>47</u>
Net Increase (Decrease) in Cash and Cash Equivalents	( 35,351)	24,618	( 10,733)
Cash and Cash Equivalents at Beginning of Year	<u>72,479</u>	<u>-</u>	<u>72,479</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 37,128</u></u>	<u><u>\$ 24,618</u></u>	<u><u>\$ 61,746</u></u>
<b>Reconciliation of Net Income (Loss) to Net Cash Provided by Operating Activities:</b>			
Operating income (loss) for the year	\$( 1,757)	\$ 24,618	\$ 22,861
Adjustments to reconcile operating income (loss) to net cash provided by operating activities -			
Depreciation/amortization	77,074	-	77,074
Change in assets and liabilities:			
Deferred outflows/inflows of resources	( 10,190)	-	( 10,190)
Accounts payable/accrued expenses	6,638	-	6,638
Net pension obligation	<u>15,052</u>	<u>-</u>	<u>15,052</u>
<b>Net Cash Provided By Operating Activities</b>	<u><u>\$ 86,817</u></u>	<u><u>\$ 24,618</u></u>	<u><u>\$ 111,435</u></u>

## **COMPONENT UNITS**



# VILLAGE OF ROMEO, MICHIGAN

## COMBINING BALANCE SHEET DISCRETELY PRESENTED COMPONENT UNITS JUNE 30, 2016

	Downtown Development Authority	Brownsfield Redevelopment Authority	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 100,249	\$ 473,142	\$ 573,391
Due from primary government	63,193	31,419	94,612
Advance to primary government	<u>57,500</u>	<u>-</u>	<u>57,500</u>
 Total Assets	 <u><u>\$ 220,942</u></u>	 <u><u>\$ 504,561</u></u>	 <u><u>\$ 725,503</u></u>
 <b>Liabilities:</b>			
Due to primary government	<u>63,193</u>	<u>1,237</u>	<u>64,430</u>
 <b>Fund Balances:</b>			
Nonspendable - Advance to primary government	57,500	-	57,500
Assigned - 2016-2017 Budget	88,000	-	88,000
Unassigned	<u>12,249</u>	<u>503,324</u>	<u>515,573</u>
 Total Fund Balances	 <u><u>157,749</u></u>	 <u><u>503,324</u></u>	 <u><u>661,073</u></u>
 Total Liabilities and Fund Balances	 <u><u>\$ 220,942</u></u>	 <u><u>\$ 504,561</u></u>	 <u><u>\$ 725,503</u></u>

**VILLAGE OF ROMEO, MICHIGAN**

**RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
DISCRETELY PRESENTED COMPONENT UNITS  
JUNE 30, 2016**

	<u>Downtown Development Authority</u>	<u>Brownsfield Redevelopment Authority</u>	<u>Total</u>
Fund Balances - total governmental funds	\$ 157,749	\$ 503,324	\$ 661,073
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.			
Capital assets	242,345	-	242,345
Accumulated depreciation	<u>( 66,644)</u>	<u>-</u>	<u>( 66,644)</u>
Net Position of governmental activities	<u>\$ 333,450</u>	<u>\$ 503,324</u>	<u>\$ 836,774</u>

# VILLAGE OF ROMEO, MICHIGAN

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES DISCRETELY PRESENTED COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2016

	Downtown Development Authority	Brownsfield Redevelopment Authority	Total
<b>Revenues:</b>			
Taxes	\$ 138,603	\$ 64,515	\$ 203,118
Interest	107	435	542
Total Revenues	<u>138,710</u>	<u>64,950</u>	<u>203,660</u>
<b>Expenditures:</b>			
Current -			
Community and Economic Development	<u>147,989</u>	<u>-</u>	<u>147,989</u>
Net change in fund balance	( 9,279)	64,950	55,671
Fund Balance at beginning of year	<u>167,028</u>	<u>438,374</u>	<u>605,402</u>
Fund Balance at end of year	<u><u>\$ 157,749</u></u>	<u><u>\$ 503,324</u></u>	<u><u>\$ 661,073</u></u>

**VILLAGE OF ROMEO, MICHIGAN**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Downtown Development Authority</u>	<u>Brownsfield Redevelopment Authority</u>	<u>Total</u>
Net change in fund balances - total governmental funds	\$( 9,279)	\$ 64,950	\$ 55,671
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated lives and reported as depreciation expense.			
Depreciation expense	<u>( 12,117)</u>	<u>-</u>	<u>( 12,117)</u>
Change in net position of governmental activities	<u><u>\$( 21,396)</u></u>	<u><u>\$ 64,950</u></u>	<u><u>\$ 43,554</u></u>

# VILLAGE OF ROMEO, MICHIGAN

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

### BUDGET AND ACTUAL DOWNTOWN DEVELOPMENT AUTHORITY FOR THE YEAR ENDED JUNE 30, 2016

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 126,300	\$ 138,603	\$ 12,303
Interest and rents	-	107	107
	<u>126,300</u>	<u>138,710</u>	<u>12,410</u>
<b>Expenditures:</b>			
Community and Economic Development -			
Salaries	25,000	23,162	1,838
Downtown decorations	46,000	47,670	( 1,670)
Annual projects	62,500	63,193	( 693)
Advertising	24,250	5,956	18,294
Office	11,450	6,508	4,942
Professional services	4,000	1,500	2,500
Projects	72,800	-	72,800
	<u>246,000</u>	<u>147,989</u>	<u>98,011</u>
Net change in fund balance	( 119,700)	( 9,279)	110,421
Fund Balance at beginning of year	<u>167,028</u>	<u>167,028</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 47,328</u></u>	<u><u>\$ 157,749</u></u>	<u><u>\$ 110,421</u></u>

# VILLAGE OF ROMEO, MICHIGAN

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL BROWNSFIELD REDEVELOPMENT AUTHORITY FOR THE YEAR ENDED JUNE 30, 2016

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 66,000	\$ 64,515	\$( 1,485)
Interest	500	435	( 65)
	<u>66,500</u>	<u>64,950</u>	<u>( 1,550)</u>
<b>Expenditures:</b>			
Community and Economic Development	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	66,500	64,950	( 1,550)
Fund Balance at beginning of year	<u>438,374</u>	<u>438,374</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 504,874</u></u>	<u><u>\$ 503,324</u></u>	<u><u>\$( 1,550)</u></u>

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the President and Members  
of the Village Council  
Village of Romeo  
Romeo, Michigan

In planning and performing our audit of the financial statements of the Village of Romeo (the "Village") as of and for the year ended June 30, 2016 in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and therefore significant deficiencies and material weaknesses may exist that were not identified.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Village's internal control to be significant deficiencies:

### **2016-001: Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles**

Management routinely prepares internal financial information to assess operations and the financial position of the Village on an ongoing basis. Although the internal financial information is useful to management, it is not presented in accordance with generally accepted accounting principles. The Village contracts with us, the auditors, to help prepare adjustments to convert the financial statements from a modified cash basis to the modified accrual or accrual basis, to record the information necessary for the GASB No. 34 adjustments, and to draft the financial statements, including all necessary notes, in accordance with generally accepted accounting principles. (During our audit we proposed a number of closing/audit entries, some of which were significant to the financial statements.)

This is considered to be a control deficiency since errors could occur in the preparation of the financial statements that would result in material deviation from generally accepted accounting principles and the Village would not be in a position to detect them.

**2016-002: All cash receipts, including taxes and utility payments, should be recorded in the receipting system at the time of receipt, with the cash drawer reconciled at the end of each day.**

It is our understanding that all payments received are recorded in the Village's cash receipting system at the time of receipt, with the exception of utility billings and tax payments, which are stamped paid, "batched," and recorded in the receipting system every few days.

This is considered to be a control deficiency since errors/discrepancies could occur and not be detected in a timely manner.

It was communicated by administration that it is not practical to record all utility and tax payments at the time of collection, especially since all taxes must also be entered into separate tax software. Many of our clients are utilizing electronic scanning devices to record these payments. We recommend that the Village investigate if there is some type of electronic scanning device that is available that would make it practical to receipt all payments at the time of collection. If receipting the payments at the time of collection is not possible, then at a minimum the amounts should be batched and the drawers balanced on a daily basis.

This communication is intended solely for the information and use of management, the Village Council, others within the Village, and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountants

December 7, 2016



## AUDIT COMMUNICATION LETTER

December 7, 2016

To the President and Members  
of the Village Council  
Village of Romeo  
Romeo, Michigan

We have audited the 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 Village of Romeo for the year ended June 30, 2016. Professional standards require that we provide you with the information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated September 30, 2016. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village of Romeo are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2015/2016. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate for depreciation. Management's estimate is based on historical data and estimated lives.

Management's estimate of the annual postemployment benefits' cost is based on a calculation in accordance with the alternative method permitted by GASB Statement No. 45.

Management's estimate for the Village's net pension liability, which is based on the Plan's audit of the net pension liability by reporting unit.

We evaluated the key factors and assumptions used to develop these estimates in determining their reasonableness in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the Village's net pension liability and the related deferred outflows/inflows of resources, as reported in Note 9 to the financial statements. The Village's liability is based on several assumptions and can vary significantly from year to year with changes in the market, benefit or assumption changes, and retiree changes.

As noted in Note 10 to the financial statements, the Village provides benefits to retirees other than pensions. This disclosure is particularly sensitive to financial statement users because of the dollar amount of the Net OPEB obligation at year end and future impact this number may have if the Village does not "fund" the annual required contribution.

The disclosure of the custodial credit risk of deposits in Note 3 to the financial statements indicates the Village holds \$1,843,995 of total deposits, of which \$786,964 was covered by depository insurance, and the remaining balance of \$1,057,031 is uninsured and uncollateralized.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements as a whole. The following material misstatements detected as a result of audit procedures were corrected by management (we also proposed and management corrected a number of immaterial adjusting and closing entries):

- To reclassify 32 Mile Road construction expenses from Local Street Fund to Municipal Street Fund (including related funding transfers).
- To reclassify ACT 51 monies to the correct fund.
- Updating the net pension liability and OPEB obligations for the Village.

#### *Assistance with GASB No. 34 Presentation*

As a result of our assistance with the GASB No. 34 presentation, we proposed several entries to the June 30, 2016 account balances to reflect the difference between the Governmental Fund and the government-wide financial statements. These entries are described on pages 12 and 14 of the financial statements.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 7, 2016.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant factors. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

In the Independent Auditor’s Report on Internal Control, we noted deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

In addition to the Independent Auditor’s Report on Internal Control, we noted a few other items that, although are not considered material weaknesses/significant deficiencies, could improve controls, the operational efficiency and/or compliance with laws and regulations. These items are discussed in Attachment A.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We applied certain limited procedures to Management’s Discussion and Analysis, budgetary comparison information, and pension system schedules, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

**Restriction on Use**

This information is intended solely for the use of the Village Council of Romeo and management and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the Village of Romeo Council members.

  
Certified Public Accountants

## **Attachment A**

The following is a list of items that we discussed with administration that are not considered material weaknesses/significant deficiencies, however, are items that could improve controls, the operational efficiency of the accounting department, and/or compliance with laws and regulations:

### **The Village Council should assess and develop a plan on how the Village will pay for “other postemployment benefits”.**

As you know, the Village provides postemployment retirement health care, dental and life insurance to most employees who retire from the Village after attaining a minimum age of 55 and years of service of 15-25 years. Governmental Accounting Standards Board Statement No 45 requires governmental units to estimate the accrued liability of these benefits and disclose the amount in the notes to the financial statements and for the government-wide statements and the enterprise funds record a liability in the Balance Sheet/Statement of Net Position if the governmental unit does not “fund” the annual required contribution. Most large governmental units are required to have an actuary perform an actuarial calculation of the liability and the annual required contribution, however GASB No. 45 allows smaller governmental units, with plan participants of less than 100, to utilize the alternative measurement method based on tables established by GASB.

In connection the Village has contracted with our firm to assist with this calculation, based on information provided by the Village personnel. Based on the calculation the estimated unfunded accrued liability for the postemployment benefits at June 30, 2016 is estimated to be approximately \$7,200,000. (See Note 10 to the financial statements).

Because the alternative measurement method is a less sophisticated method of estimating the cost of these benefits than an actuarial valuation, we recommend that the Village Council consider contracting with an actuarial company that specializes in these calculations to determine if the \$7,200,000 estimated is accurate and then to address how the Village is going to pay and/or fund the benefits.

### **A payment plan should be established for prior year’s taxes owed to the Brownsfield Redevelopment Authority.**

Each year the Village levies a millage and captures taxes for the Brownsfield Redevelopment Authority. In prior years, the amount captured was not transferred to the Brownsfield Fund. As of June 30, 2016, the Village owes the Brownsfield Redevelopment Authority approximately \$31,000.

In addition, the Village has been capturing for the Brownsfield Redevelopment Authority for the past few years; however, based on discussion with administration they do not know how the funds are to be spent.

We recommend that a formal payment plan be established to pay the Brownsfield Redevelopment Authority all the taxes captured and look into how these monies are to be utilized.

### **The Village Council should adopt a formal plan to increase the amount of General Fund Fund Balance.**

As of June 30, 2016, the Village of Romeo General Fund had a total fund balance of \$239,669, with \$65,392 either nonspendable or restricted for specific purposes, with the remaining balance of \$174,277 unassigned. The unassigned fund balance only represents approximately 7% of annual expenditures or seventeen (17) days of operations. Also, a number of the Village’s other funds have very small or no fund balance at June 30, 2016. As you know, fund balance is necessary to provide cash flow as well as resources available in the case of emergencies. The rule of thumb is to maintain an unassigned fund balance of between 10-15% at a minimum. We recommend that the Village adopt a formal plan to build the general fund reserves up to 10-15% of annual expenditures or approximately \$300,000-\$450,000.

**Timecards or timesheets should be approved.**

During our audit, we noted that employees in a couple departments do not sign their time cards. Signatures are considered a control for time verification. We recommend timecards be prepared and signed by each employee prior to approval.

**A cafeteria plan should be established by the Village Council to account for payments to employees in lieu of health insurance.**

During the prior year's audit, it was noted that employees received payment in lieu of health insurance benefits. Although this is a "win-win" situation for both employer and employee, the IRS has ruled that this type of option could make the premiums paid for employees electing the medical insurance a "taxable benefit." These types of arrangements can be accomplished by adopting a formal cafeteria plan. Cafeteria plans are very flexible and can be structured to fit the needs and requirements of the Village.

**The Village should consider the need for signature stamps.**

It is our understanding that the Village utilizes two manual signatures the vast majority of the time to sign checks. However, it was noted that the Village has continued to maintain signature stamps as an alternative to manual signatures for check signing. The signature stamps continue to be kept in the Village safe, which is unlocked during business hours. This could result in unauthorized use and subsequent unauthorized disbursements. We recommend the Village consider the need for the signature stamps in the check signing process and, if possible, eliminate the stamps.

**Delinquent water and sewer amounts added to the tax rolls are not being reconciled to utility billing program.**

As noted during the audit, the adjustments in the utility billing program are not being reconciled to the amounts actually added to resident tax rolls. Therefore, approximately \$7,400 of 2015 delinquents was not collected. We recommend a reconciliation process be implemented to ensure all adjustments in the utility billing equal the amount added to the resident tax rolls. We also recommend the Village analyze whether the \$7,400 can still be collected.