

City of Romulus, Michigan

**Financial Report
with Supplemental Information
June 30, 2009**

City of Romulus, Michigan

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Romulus, Michigan (the "City") as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Romulus, Michigan's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 City of Romulus, Michigan as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule as identified in the table of contents are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Romulus, Michigan's basic financial statements. The accompanying other supplemental information as identified in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2009, included at the end of this document, on our consideration of the City of Romulus, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As discussed in Note 15, the City implemented GASB Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year. As a result, the government-wide statements, Enterprise Funds, Internal Service Funds, and component units now report the cost of retiree health care as those benefits are earned by the employees.

Plante & Moran, PLLC

December 8, 2009

City of Romulus, Michigan

Management's Discussion and Analysis

The following discussion and analysis of the City of Romulus, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the City's financial statements.

Financial Highlights

The following represents the most significant financial highlights for the year ended June 30, 2009:

- Total revenues within the General Fund decreased by \$975,142, a decrease of 4.3 percent.
- Although the \$8,130 loss of state-shared revenue was less than previous years, the State of Michigan's budget shortages continue to put our \$661,000 of statutory funds at risk.
- Property taxes are the City's single largest source of revenue. The City's taxable value for fiscal year 2008/2009 was \$1,350,965,582, which represents a decrease of \$13,451,542 or 1.0 percent. As a result, the General Fund had a decrease in tax revenue from the current year levy. Considering the current economic crisis within the state of Michigan, it is certain that the City will sustain a loss in taxable value in future tax years.
- Due to falling interest rates, investment income with the governmental funds decreased \$424,087.
- Total expenditures within the General Fund decreased \$18,088, a decrease of .1 percent.
- Through increased monitoring and enhanced efforts in fuel conservation, the Motor Vehicle Fund's unrestricted net assets have increased to approximately \$643,000. Essentially, with this level of unrestricted net assets, the City only has adequate funds available for minimal investment in capital assets.

Using this Annual Report

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

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

City of Romulus, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2009 and 2008 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets						
Current assets	\$ 13,245	\$ 14,114	\$ 15,115	\$ 14,681	\$ 28,360	\$ 28,795
Noncurrent assets	62,755	63,812	64,397	60,210	127,152	124,022
Total assets	76,000	77,926	79,512	74,891	155,512	152,817
Liabilities						
Current liabilities	2,948	4,410	3,927	3,963	6,875	8,373
Long-term liabilities	6,580	6,134	33,216	30,879	39,796	37,013
Total liabilities	9,528	10,544	37,143	34,842	46,671	45,386
Net Assets						
Invested in capital assets -						
Net of related debt	57,202	57,538	29,683	27,877	86,885	85,415
Restricted	4,430	4,773	6,667	6,604	11,097	11,377
Unrestricted	4,840	5,071	6,019	5,568	10,859	10,639
Total net assets	<u>\$ 66,472</u>	<u>\$ 67,382</u>	<u>\$ 42,369</u>	<u>\$ 40,049</u>	<u>\$ 108,841</u>	<u>\$ 107,431</u>

The City's combined net assets increased by \$1,410,000. The net assets of the governmental activities decreased by approximately \$910,000 or 1.4 percent and business-type activities increased \$2.3 million or 5.8 percent. The decrease in the governmental activities net assets was primarily a result of the recognition of the City's other postemployment benefits liability. The increase in business-type activities net assets primarily relates to the Hildebrandt and Wahrman water main replacement projects.

City of Romulus, Michigan

Management's Discussion and Analysis (Continued)

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

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
	Net Assets - Beginning of year	\$ 67,382	\$ 63,243	\$ 40,049	\$ 38,295	\$ 107,431
Revenue						
Program revenue:						
Charges for services	8,102	7,368	10,208	10,169	18,310	17,537
Operating grants and contributions	2,770	2,936	-	57	2,770	2,993
Capital grants and contributions	2,620	6,031	1,401	1,268	4,021	7,299
General revenue:						
Property taxes:						
City	10,823	10,754	-	-	10,823	10,754
Sanitation	993	998	-	-	993	998
Street lighting	384	416	-	-	384	416
EPA	-	-	2,266	2,125	2,266	2,125
State-shared revenue	3,585	3,644	-	-	3,585	3,644
Unrestricted investment earnings	228	744	144	372	372	1,116
Transfers	438	-	(438)	-	-	-
Miscellaneous revenue	1,299	1,204	109	89	1,408	1,293
Total revenue	31,242	34,095	13,690	14,080	44,932	48,175
Program Expenses						
General government	4,800	4,628	-	-	4,800	4,628
Public safety	12,993	12,459	-	-	12,993	12,459
Public works	10,544	10,530	-	-	10,544	10,530
Health and welfare	244	233	-	-	244	233
Community and economic development	73	129	-	-	73	129
Recreation and culture	3,353	1,810	-	-	3,353	1,810
Interest on long-term debt	145	167	-	-	145	167
Water and sewer	-	-	11,370	12,326	11,370	12,326
Total program expenses	32,152	29,956	11,370	12,326	43,522	42,282
Change in Net Assets	(910)	4,139	2,320	1,754	1,410	5,893
Net Assets - End of year	\$ 66,472	\$ 67,382	\$ 42,369	\$ 40,049	\$ 108,841	\$ 107,431

Governmental Activities

The City's total governmental revenues decreased by approximately \$2.9 million, primarily due to decreases in inspection fees and interest income.

Total program expenses increased by 7.3 percent primarily due to an increase in the first full year of operations at the new Romulus Athletic Center.

City of Romulus, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund. We provide water to residents from the Detroit water system. We provide sewage treatment through Wayne County Downriver Sewage Disposal System and Rouge Valley Sewage Disposal System. The operating loss in fiscal year 2008/2009 was decreased from \$772,000 to \$487,000, which was primarily due to a decrease in bad debt expense.

The City's Funds

The analysis of the City's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The City's major funds for 2009 include the General Fund and the Water and Sewer Fund. The Water and Sewer Fund is described above.

The General Fund pays for most of the City's governmental services. The most noteworthy are police and fire, which incurred expenses of approximately \$11.5 million in 2009. Additionally, the building and grounds department is significant in that it contains 10.5 percent of the total General Fund expenditures.

General Fund Budgetary Highlights

Although the City of Romulus achieved a slight increase in fund balance, this must be tempered with the State's current economic downturn and the recent increase in mortgage foreclosures and bankruptcies. In addition, expenditures for energy and legacy costs have continued to rise; therefore, it must be understood that we must actively pursue cost-cutting measures and enhance revenues in order to maintain a positive fund balance.

The most significant budget variances were mainly related to other postemployment benefits (OPEB), in which actual expenditures were under budget by approximately \$1.1 million due to not fully funding the annual required contribution (ARC).

Capital Asset and Debt Administration

Capital projects include the replacement of the Hildebrandt water main, the extension of Vining Road, and the reconstruction of Wahrman Road. Future projects include the relocation of the Wayne/Wahrman intersection, the replacement of portions of the Harrison water main, and the road reconstruction of portions of Harrison and Hildebrandt. The City is constructing a new 5,800 square foot animal shelter to replace the existing aging facility. The City does not intend to issue debt for these projects.

City of Romulus, Michigan

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

The City's budget for next year requires \$1.9 million of fund balance in order to provide a balanced budget. The decline in City revenues may materially impair our ability to provide City services in the future. Together, the deteriorating state and local economies are having a significant negative impact on our City. We must act now. Community leaders in and out of City government must chart a transformative course that will carry our City forward to a financially sustainable future. The City is beginning this process in December 2009.

Contacting the City's Management

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

City of Romulus, Michigan

Statement of Net Assets June 30, 2009

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 8,315,641	\$ 2,550,870	\$ 10,866,511	\$ 10,413,159
Receivables - Net (Note 4)	2,828,215	4,077,494	6,905,709	17,175
Accounts receivable from component units (Note 6)	379,971	-	379,971	-
Accounts receivable from primary government (Note 6)	-	-	-	59,940
Advances to primary government (Note 6)	-	-	-	316,729
Due from other governmental units	1,300,244	255,422	1,555,666	30,644
Inventories	202,247	67,981	270,228	-
Prepaid costs and other assets	218,402	-	218,402	3,411
Restricted assets (Note 7)	-	7,996,639	7,996,639	-
Other assets	-	166,730	166,730	1,012,476
Capital assets - Net (Note 5):				
Assets not being depreciated	8,027,479	163,025	8,190,504	3,230,627
Assets being depreciated	<u>54,728,172</u>	<u>64,233,722</u>	<u>118,961,894</u>	<u>23,674,877</u>
Total assets	76,000,371	79,511,883	155,512,254	38,759,038
Liabilities				
Accounts payable	687,718	766,832	1,454,550	841,682
Accrued and other liabilities	988,930	721,956	1,710,886	9,197
Retainage payable	-	-	-	110,165
Customer deposits payable	-	53,762	53,762	-
Accounts payable to primary government (Note 6)	-	-	-	379,971
Advances from component units (Note 6)	316,729	-	316,729	-
Accounts payable to component units (Note 6)	15,059	44,881	59,940	-
Due to other governmental units	-	-	-	1,321,698
Deferred revenue (Note 4)	200	-	200	-
Compensated absences due within one year (Note 9)	723,267	82,620	805,887	18,613
Debt obligations due within one year (Note 9)	533,013	2,256,958	2,789,971	1,510,000
Noncurrent liabilities:				
Compensated absences due in more than one year (Note 9)	377,501	20,655	398,156	4,654
Debt obligations due in more than one year (Note 9)	5,020,607	33,127,419	38,148,026	23,215,000
Net OPEB obligation	<u>865,257</u>	<u>68,192</u>	<u>933,449</u>	<u>17,024</u>
Total liabilities	<u>9,528,281</u>	<u>37,143,275</u>	<u>46,671,556</u>	<u>27,428,004</u>
Net Assets				
Invested in capital assets - Net of related debt	57,202,031	29,683,188	86,885,219	5,390,504
Restricted:				
Streets and highways	1,008,718	-	1,008,718	-
Debt service	1,023	6,666,557	6,667,580	-
Capital purposes	1,297,168	-	1,297,168	-
Grants	1,438,577	-	1,438,577	-
Other purposes	684,202	-	684,202	-
Unrestricted	<u>4,840,371</u>	<u>6,018,863</u>	<u>10,859,234</u>	<u>5,940,530</u>
Total net assets	<u>\$ 66,472,090</u>	<u>\$ 42,368,608</u>	<u>\$ 108,840,698</u>	<u>\$ 11,331,034</u>

City of Romulus, Michigan

	Program Revenues			
	Charges for	Operating	Capital Grants	
Expenses	Services	Grants and Contributions	and Contributions	
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 4,800,270	\$ 1,142,755	\$ 68,031	\$ -
Public safety	12,992,650	3,900,711	1,112,633	36,986
Public works	10,544,146	1,159,264	1,585,068	2,582,671
Health and welfare	244,190	-	-	-
Community and economic development	72,619	-	3,710	-
Recreation and culture	3,352,870	1,899,351	500	-
Interest on long-term debt	145,115	-	-	-
Total governmental activities	32,151,860	8,102,081	2,769,942	2,619,657
Business-type activities - Water and sewer	11,370,387	10,207,577	-	1,400,716
Total primary government	\$ 43,522,247	\$ 18,309,658	\$ 2,769,942	\$ 4,020,373
Component units:				
Tax Increment Financing Authority	\$ 6,661,504	\$ -	\$ -	\$ -
Downtown Development Authority	501,794	-	-	398,930
Economic Development Corporation	379	-	-	-
Total component units	\$ 7,163,677	\$ -	\$ -	\$ 398,930
General revenue:				
Property taxes:				
City				
Sanitation				
Street lighting				
EPA				
Component unit				
State-shared revenues				
Unrestricted investment earnings				
Transfers				
Miscellaneous				
Total general revenue				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2009

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (3,589,484)	\$ -	\$ (3,589,484)	\$ -
(7,942,320)	-	(7,942,320)	-
(5,217,143)	-	(5,217,143)	-
(244,190)	-	(244,190)	-
(68,909)	-	(68,909)	-
(1,453,019)	-	(1,453,019)	-
(145,115)	-	(145,115)	-
(18,660,180)	-	(18,660,180)	-
-	237,906	237,906	-
(18,660,180)	237,906	(18,422,274)	-
-	-	-	(6,661,504)
-	-	-	(102,864)
-	-	-	(379)
-	-	-	(6,764,747)
10,823,067	-	10,823,067	-
992,895	-	992,895	-
384,412	-	384,412	-
-	2,266,205	2,266,205	-
-	-	-	6,378,925
3,584,753	-	3,584,753	-
228,109	144,157	372,266	264,030
437,465	(437,465)	-	-
1,299,311	109,293	1,408,604	149,559
17,750,012	2,082,190	19,832,202	6,792,514
(910,168)	2,320,096	1,409,928	27,767
67,382,258	40,048,512	107,430,770	11,303,267
\$ 66,472,090	\$ 42,368,608	\$ 108,840,698	\$ 11,331,034

City of Romulus, Michigan

Governmental Funds Balance Sheet June 30, 2009

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and investments	\$ 3,524,605	\$ 3,307,481	\$ 6,832,086
Receivables - Net	1,582,155	1,244,805	2,826,960
Prepaid costs and other assets	218,402	-	218,402
Due from other funds (Note 6)	186,808	-	186,808
Accounts receivable from component units (Note 6)	379,696	275	379,971
Due from other governmental units	1,031,087	269,157	1,300,244
Inventories	31,205	89,172	120,377
Total assets	<u>\$ 6,953,958</u>	<u>\$ 4,910,890</u>	<u>\$ 11,864,848</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 352,095	\$ 299,283	\$ 651,378
Accrued and other liabilities	850,066	121,986	972,052
Due to other funds (Note 6)	-	186,808	186,808
Accounts payable to component units (Note 6)	14,040	1,019	15,059
Advances from component units (Note 6)	-	316,729	316,729
Deferred revenue (Note 4)	1,531,154	1,139,297	2,670,451
Total liabilities	2,747,355	2,065,122	4,812,477
Fund Balances			
Reserved (Note 10)	39,916	1,553,231	1,593,147
Unreserved - Designated for subsequent year's expenditures - Reported in:			
General Fund	1,909,508	-	1,909,508
Special Revenue Funds	-	952,587	952,587
Unreserved - Undesignated:			
General Fund	2,257,179	-	2,257,179
Special Revenue Funds	-	62,195	62,195
Debt Service Funds	-	1,023	1,023
Capital Projects Fund	-	276,732	276,732
Total fund balances	<u>4,206,603</u>	<u>2,845,768</u>	<u>7,052,371</u>
Total liabilities and fund balances	<u>\$ 6,953,958</u>	<u>\$ 4,910,890</u>	<u>\$ 11,864,848</u>

City of Romulus, Michigan

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2009

Fund Balances - Total Governmental Funds	\$ 7,052,371
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	60,460,654
Special assessment and state-shared revenue receivables are expected to be collected over the next several years and are not available to pay current year expenditures	1,315,769
Grant revenue and delinquent personal property tax not collected within 60 days of year end are recognized as revenue in the statement of net assets, but shown as deferred revenue in the funds	1,354,482
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:	
Compensated absences	(1,035,679)
Long-term debt and accrued interest	(5,553,620)
Net OPEB obligation	(832,572)
Internal Service Funds are also included as governmental activities	<u>3,710,685</u>
Net Assets of Governmental Activities	<u>\$ 66,472,090</u>

City of Romulus, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2009

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue			
Property taxes	\$ 10,848,311	\$ 1,373,273	\$ 12,221,584
Licenses and permits	930,917	-	930,917
Federal sources	60,591	622,749	683,340
Intergovernmental revenues	3,884,864	1,441,214	5,326,078
Charges for services	1,927,968	1,119,029	3,046,997
Fines and forfeitures	3,585,974	576,284	4,162,258
Investment income	155,709	60,708	216,417
Other	448,184	1,248,490	1,696,674
Total revenue	<u>21,842,518</u>	<u>6,441,747</u>	<u>28,284,265</u>
Expenditures			
Current:			
Legislative	77,247	-	77,247
General government	6,058,754	186,845	6,245,599
Public safety	12,944,719	777,081	13,721,800
Public works	214,726	3,094,410	3,309,136
Health and welfare	542,939	-	542,939
Community and economic development	46,444	296,360	342,804
Recreation and culture	1,421,641	2,027,916	3,449,557
Debt service	-	564,840	564,840
Total expenditures	<u>21,306,470</u>	<u>6,947,452</u>	<u>28,253,922</u>
Excess of Revenues Over (Under) Expenditures	536,048	(505,705)	30,343
Other Financing Sources (Uses)			
Transfers in	-	821,648	821,648
Transfers out	(393,356)	(506,097)	(899,453)
Total other financing (uses) sources	<u>(393,356)</u>	<u>315,551</u>	<u>(77,805)</u>
Net Change in Fund Balances	142,692	(190,154)	(47,462)
Fund Balances - Beginning of year	<u>4,063,911</u>	<u>3,035,922</u>	<u>7,099,833</u>
Fund Balances - End of year	<u><u>\$ 4,206,603</u></u>	<u><u>\$ 2,845,768</u></u>	<u><u>\$ 7,052,371</u></u>

City of Romulus, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds	\$ (47,462)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are recorded as assets	552,579
Capital contributions from DDA and outside developers are not a current financial resource	2,582,671
Depreciation on capital assets reported on governmental funds report as capital outlays expenditures	(3,985,479)
Loss on sale of capital assets is not reported in the governmental funds	(72,331)
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(84,850)
Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)	2,002
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	507,068
Increase in accumulated employee sick and vacation pay is recorded when taken in the statement of activities	112,799
Increase in net OPEB obligation expense reported in the statement of activities does not require the use of current resources, and therefore is not reported in the fund statements until it comes due for payment	(832,573)
Internal Service Funds are also included as governmental activities	355,408
Change in Net Assets of Governmental Activities	<u>\$ (910,168)</u>

City of Romulus, Michigan

Proprietary Funds Statement of Net Assets June 30, 2009

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,550,870	\$ 1,483,555
Receivables - Net	4,077,494	1,255
Due from other governmental units	255,422	-
Inventories and prepaid expenses	67,981	81,870
Total current assets	6,951,767	1,566,680
Noncurrent assets:		
Restricted assets	7,996,639	-
Other assets	166,730	-
Capital assets:		
Assets not being depreciated	163,025	-
Assets being depreciated	64,233,722	2,294,997
Total noncurrent assets	72,560,116	2,294,997
Total assets	79,511,883	3,861,677
Liabilities		
Current liabilities:		
Accounts payable	766,832	36,340
Accounts payable to component units (Note 6)	44,881	-
Accrued and other liabilities	721,956	16,878
Customer deposits payable	53,762	-
Current portion of compensated absences	82,620	52,071
Current portion of long-term debt	2,256,958	-
Total current liabilities	3,927,009	105,289
Noncurrent liabilities:		
Provision for compensated absences - Net of current portion	20,655	13,018
Long-term debt - Net of current portion	33,127,419	-
Net OPEB obligation	68,192	32,685
Total noncurrent liabilities	33,216,266	45,703
Total liabilities	37,143,275	150,992
Net Assets		
Invested in capital assets - Net of related debt	29,683,188	2,294,997
Restricted for debt service	6,666,557	-
Unrestricted	6,018,863	1,415,688
Total net assets	\$ 42,368,608	\$ 3,710,685

City of Romulus, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2009

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
Operating Revenue		
Charges for services	\$ 9,841,543	\$ 2,725,585
Other charges for services	151,579	82,043
Total operating revenue	9,993,122	2,807,628
Operating Expenses		
Administrative charges	740,954	-
Salaries	1,341,480	597,090
Sewer and water disposal	4,407,866	-
Operating supplies	125,165	212,957
Repairs and maintenance	10,331	177,673
Gas and oil	-	287,047
Insurance	103,860	791,598
Fringe benefits	843,417	284,501
Equipment rental	578,348	-
Miscellaneous	31,425	15,015
Depreciation	1,769,616	534,804
Contractual services	155,772	71,321
Claims and legal	15,242	53,091
Bad debt expense	356,988	-
Total operating expenses	10,480,464	3,025,097
Operating Loss	(487,342)	(217,469)
Nonoperating Revenue (Expenses)		
Property taxes	2,266,205	-
Investment income	144,157	12,462
Interest expense	(889,923)	(6,700)
Debt service charges	323,684	-
Gain on disposal of assets	64	51,845
Total nonoperating revenue	1,844,187	57,607
Change in Net Assets - Before capital contributions and transfers	1,356,845	(159,862)
Transfers to Other Funds	(437,465)	-
Transfers from Other Funds	-	515,270
Capital Contributions	1,400,716	-
Increase in Net Assets	2,320,096	355,408
Net Assets - Beginning of year	40,048,512	3,355,277
Net Assets - End of year	\$ 42,368,608	\$ 3,710,685

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

City of Romulus, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2009

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
Cash Flows from Operating Activities		
Receipts from customers	\$ 9,152,921	\$ 2,806,373
Payments to suppliers	(6,237,749)	(1,088,258)
Payments to employees	(2,151,440)	(1,454,104)
Net cash provided by operating activities	763,732	264,011
Cash Flows from Noncapital Financing Activities		
Transfers from other funds	-	515,270
Transfers to other funds	(437,465)	-
Net cash (used in) provided by noncapital financing activities	(437,465)	515,270
Cash Flows from Capital and Related Financing Activities		
Proceeds from property tax levy - Restricted for debt service	2,266,205	-
Payments to County from Debt Service Fund	(1,922,324)	-
Principal paid on long-term debt	(248,372)	(213,560)
Interest paid on long-term debt	(889,923)	(6,700)
Debt service charges	323,684	-
Gain on sale of assets	64	51,845
Purchase of capital assets	(23,310)	(400,722)
Net cash used in capital and related financing activities	(493,976)	(569,137)
Cash Flows from Investing Activities - Investment income	144,157	12,462
Net (Decrease) Increase in Cash and Cash Equivalents	(23,552)	222,606
Cash and Cash Equivalents - Beginning of year	10,571,061	1,260,949
Cash and Cash Equivalents - End of year	\$ 10,547,509	\$ 1,483,555
Balance Sheet Classification of Cash and Cash Equivalents		
Cash and investments	\$ 2,550,870	\$ 1,483,555
Restricted investments	7,996,639	-
Total cash and cash equivalents	\$ 10,547,509	\$ 1,483,555
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (487,342)	\$ (217,469)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	1,769,616	534,804
Amortization of bond issuance costs	9,808	-
Bad debt expense	356,988	-
Changes in assets and liabilities:		
Receivables	(975,221)	(1,255)
Due from other funds	135,020	-
Due from other governmental units	-	-
Inventory	15,297	(35,536)
Accounts payable	(109,133)	(57,909)
Accrued and other liabilities	(19,493)	8,691
Net OPEB obligation	68,192	32,685
Net cash provided by operating activities	\$ 763,732	\$ 264,011

Noncash Capital and Related Financing Activities - During the year, \$1,400,716 of water and sewer lines was donated to the City by developers and other governmental units. In addition, the County issued completion bonds for the Downriver Sewage Treatment System. The City has recorded its share of the debt and related utility improvements in the amount of \$4,531,814 at June 30, 2009.

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

City of Romulus, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2009

	Other Employee Benefits Trust Retirees' Insurance Benefits Fund	Agency Funds
Assets		
Cash and investments	\$ 2,891,009	\$ 2,398,593
Accounts receivable	1,027	-
Prepaid expenses	80,091	-
Due from other governmental units	-	52,160
Total assets	2,972,127	\$ 2,450,753
Liabilities		
Accounts payable	9,624	\$ 7,581
Due to other governmental units	-	89,278
Accrued and other liabilities	-	2,353,894
Total liabilities	9,624	\$ 2,450,753
Net Assets - Held in trust for employee benefits	\$ 2,962,503	

City of Romulus, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2009

	Other Employee Benefits Trust Retirees' Insurance Benefits Fund
Additions	
Investment income:	
Interest income	\$ 17,915
Net increase in fair value of investments	<u>23,670</u>
Total investment income	41,585
Contributions - Employer	1,461,388
Contributions - Employee	<u>50,867</u>
Total additions	1,553,840
Deductions - Benefit payments	<u>1,037,262</u>
Net Increase in Net Assets Held for Retirees' Insurance Benefits	516,578
Net Assets Held in Trust for Retiree Insurance Benefits	
Beginning of year	<u>2,445,925</u>
End of year	<u><u>\$ 2,962,503</u></u>

City of Romulus, Michigan

Component Units Statement of Net Assets (Deficit) June 30, 2009

	Tax Increment Finance Authority	Downtown Development Authority	Economic Development Corporation	Total
Assets				
Cash and investments	\$ 10,149,417	\$ 263,742	\$ -	\$ 10,413,159
Receivables - Interest	17,175	-	-	17,175
Due from other governmental units	28,332	2,312	-	30,644
Receivable from primary government (Note 6)	44,881	15,059	-	59,940
Advances to primary government (Note 6)	316,729	-	-	316,729
Prepaid expenses	3,411	-	-	3,411
Other assets	1,012,476	-	-	1,012,476
Capital assets:				
Assets not being depreciated	3,018,274	212,353	-	3,230,627
Assets being depreciated	23,385,870	289,007	-	23,674,877
Total assets	37,976,565	782,473	-	38,759,038
Liabilities				
Accounts payable	820,449	21,233	-	841,682
Accrued and other liabilities	6,247	2,950	-	9,197
Retainage payable	110,165	-	-	110,165
Payable to primary government (Note 6)	379,971	-	-	379,971
Due to other governmental units	1,319,625	2,073	-	1,321,698
Compensated absences:				
Due within one year	15,706	2,907	-	18,613
Due in more than one year	3,927	727	-	4,654
Bonds payable:				
Due within one year	980,000	530,000	-	1,510,000
Due in more than one year	20,535,000	2,680,000	-	23,215,000
Net OPEB obligation	11,981	5,043	-	17,024
Total liabilities	24,183,071	3,244,933	-	27,428,004
Net Assets (Deficit)				
Invested in capital assets - Net of related debt	4,889,144	501,360	-	5,390,504
Unrestricted	8,904,350	(2,963,820)	-	5,940,530
Total net assets (deficit)	<u>\$ 13,793,494</u>	<u>\$ (2,462,460)</u>	<u>\$ -</u>	<u>\$ 11,331,034</u>

City of Romulus, Michigan

	Expenses	Program Revenues		
		Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions
Tax Increment Finance Authority:				
Public works	\$ 5,530,800	\$ -	\$ -	\$ -
Recreation and culture	1,130,704	-	-	-
Total Tax Increment Finance Authority	6,661,504	-	-	-
Downtown Development Authority -				
Public works	501,794	-	-	398,930
Economic Development Corporation -				
Community development	379	-	-	-
Total component units	<u>\$ 7,163,677</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 398,930</u>

General revenues:
 Property taxes
 Interest income and other

Change in Net Assets

Net Assets (Deficit) - Beginning of year

Net Assets (Deficit) - End of year

**Component Units
Statement of Activities
Year Ended June 30, 2009**

Net (Expense) Revenue and Changes in Net Assets			
Tax Increment Finance Authority	Downtown Development Authority	Economic Development Corporation	Total
\$ (5,530,800)	\$ -	\$ -	\$ (5,530,800)
(1,130,704)	-	-	(1,130,704)
(6,661,504)	-	-	(6,661,504)
-	(102,864)	-	(102,864)
-	-	(379)	(379)
(6,661,504)	(102,864)	(379)	(6,764,747)
5,645,683	733,242	-	6,378,925
403,360	10,229	-	413,589
(612,461)	640,607	(379)	27,767
14,405,955	(3,103,067)	379	11,303,267
<u>\$ 13,793,494</u>	<u>\$ (2,462,460)</u>	<u>\$ -</u>	<u>\$ 11,331,034</u>

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Romulus, Michigan (the “City”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used:

Reporting Entity

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

Blended Component Units

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

Discretely Presented Component Units

The following component units are reported within the component units column to emphasize that they are legally separate from the City.

The Economic Development Corporation (the “Corporation”) was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation’s governing body, which consists of nine individuals, is appointed by the mayor with the approval of the City Council.

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

Note I - Summary of Significant Accounting Policies (Continued)

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

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

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

The City of Romulus Housing Authority (the "Housing Authority") has not been included in the City's reporting entity because the City lacks the ability to impose its will on the Housing Authority under the guidelines of Governmental Accounting Standards Board Statement Number 14. This entity is subject to separate audit requirements.

Jointly Governed Organizations

Jointly governed organizations are discussed in Note I 6.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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, normally 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants 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 revenue.

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.

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 and fiduciary fund financial statements. Revenue is 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, federal grant reimbursements will be collected after the period availability; therefore, receivables have been recorded for these, along with a "deferred revenue" liability. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Note 1 - Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental fund:

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

The City reports the following major proprietary fund:

Water and Sewer Fund - The Water and Sewer Fund is used to account for the activities of the water distribution systems and sewage collection system.

Additionally, the City reports the following fund types:

Internal Service Funds - Internal Service Funds account for major vehicle and equipment purchases and maintenance, as well as risk management services provided to other departments of the City on a cost reimbursement basis.

Pension and Other Employee Benefit Trust Funds - The Pension and Other Employee Benefit Trust Funds account for the activities of the Retirees' Insurance Benefit Fund, which accumulates resources for postretirement health benefit payments to qualified retirees.

Agency Funds - The Agency Funds are used to account for assets held by the City in a trustee capacity for others. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements, except for such activity between the governmental and business-type funds. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Note I - Summary of Significant Accounting Policies (Continued)

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to first apply restricted resources.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds relates to charges to customers for services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost for services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value, based on quoted market prices. Pooled investment income from the General Fund is generally allocated to each fund using a weighted average of balance for the principal.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Property Taxes - Properties are assessed as of December 31 of each year. The related property taxes are billed on July 1 of the following year and become a lien at that time. These taxes are due on September 30 with the final collection date of February 28 before they are added to the county tax rolls, at which time penalties and interest are assessed.

Note 1 - Summary of Significant Accounting Policies (Continued)

The 2008 taxable valuation of the City totaled \$1,350,965,582, on which ad valorem taxes levied consisted of 9.4063 mills for the City's operating purposes, .9500 mills for sanitation, and 1.2724 mills for an EPA judgment levy. The ad valorem taxes levied raised approximately \$9.7 million for operations, \$1.0 million for sanitation, and \$1.7 million for the EPA judgment levy. These amounts are recognized in the respective General Fund, Special Revenue Fund, and Water and Sewer Fund financial statements as tax revenue.

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

Restricted Assets - Restricted asset information is included in Note 7.

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

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

Land improvements	20 years
Infrastructure	20 years
Utility system	50 years
Meters	50 years
Buildings and improvements	20 to 33 years
Equipment and machinery	3 to 10 years
Vehicles	3 to 15 years

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Employees may receive payment of the accumulated sick leave and vacation balance at the rate determined by union contracts, which varies from unit to unit. A liability is accrued when incurred in the government-wide and proprietary fund financial statements.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, 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 reported as deferred charges and amortized over the term of the related debt. 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 are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

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

Note 2 - Stewardship, Compliance, and Accountability

The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act), as amended. The following statements represent a brief synopsis of the major provisions of the Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

The City adopts its budget on an activity basis (department), which is in accordance with the State's legal requirements and is the level of classification detail at which expenditures may not legally exceed appropriations.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In February, the mayor holds a meeting with all departments. At this time, the finance department provides the necessary budget materials with instructions and discusses intended strategies.
2. In March, the mayor and finance director hold meetings with each department to review proposed spending and activities. Working with the finance director, alternative approaches are sought to provide better services and reduce costs. Departmental recommendations are refined by the mayor according to overall City needs and estimated available revenue.
3. The City Charter provides that the mayor must submit his recommendations on the upcoming year's budget on or before the first day of April. With his line item recommendations, the mayor summarizes major policy and concerns, along with his proposed tax levy and the estimated revenue generated in his transmittal letter located in the supplemental schedules section of this document.

Note 2 - Stewardship, Compliance, and Accountability (Continued)

4. The City Council conducts budget hearings with the mayor and the finance director during the month of April. Citizens are given an opportunity to comment on proposed spending at a City Council public hearing, which is generally held on the first or second Monday in May. Prior to this public hearing, the proposed budget is available to the public in the City clerk's office for inspection for a period of not less than three weeks. The City Council then makes final adjustments to the proposed budget, according to the concerns developed during its public hearings. Under the Charter, the City Council must adopt the final budget for the ensuing fiscal year on or before May 15 of each year.
5. The City budget is adopted by resolution, which incorporates the line items in the mayor's recommendations, amendments, and refinements as developed by changing events and concerns established in the City Council hearing process, and policy guidelines for expenditure of funds. A vote of four of the seven City Council members serving is necessary for budget adoption. The mayor has item veto authority, which he may exercise subsequent to budget adoption.

Budget appropriations lapse at year end; encumbrances are not included as expenditures. Encumbrances outstanding of \$480,117 at June 30, 2009 have been reappropriated into next year's budget. During the current year, the budget was amended in a legally permissible manner. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the General Fund is presented as required supplemental information. Budgetary comparisons for the Special Revenue Funds can be obtained at City Hall.

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

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

There were no significant budget overruns at June 30, 2009.

Note 2 - Stewardship, Compliance, and Accountability (Continued)

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

Shortfall at July 1, 2008		\$ (1,224,890)
Current year building permit revenue		726,665
Related expenses:		
Direct costs	\$ 1,374,230	
Estimated indirect costs	<u>96,014</u>	
Total construction code expenses		<u>1,470,244</u>
Cumulative shortfall at June 30, 2009		<u>\$ (1,968,469)</u>

Fund Deficits - There was a fund deficit in the Romulus Athletic Center Fund of \$469,511 and in the Community Development Block Grant Fund of \$3,056 at June 30, 2009. The component units are presented on the full accrual basis in the basic financial statements, resulting in a deficit on that basis in the Downtown Development Authority.

Note 3 - Deposits and Investments

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

The City has designated 52 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the options discussed above.

Note 3 - Deposits and Investments (Continued)

The above-mentioned City investment policy applies to all financial assets of the City except for its Pension and Other Employee Benefit Trust Fund, which is organized and administered separately. Investments are made pursuant to provisions of the Public Employee Retirement System Investment Act of 1965. Michigan Public Act 314 of 1965 and Michigan Public Act 149 of 1999, as amended, authorize investments in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

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

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

At year end, the City had no bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$8,201,765 of bank deposits that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. At year end, the City had \$114,423 invested in U.S. government investment pools with a weighted average maturity of 15.06 months and \$4,538,829 invested in negotiable CDs with a weighted average maturity of 56.72 months.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy does not further limit its investment choices.

As of year end, the City had \$14,500,526 invested in mutual funds and negotiable CDs that were unrated, \$2,025,079 in mutual funds with an AAA rating from Standard & Poor's, and \$1,479,074 in mutual funds with an Aaa rating from Moody's. The City's component units had \$2,735,946 invested in mutual funds that were unrated.

City of Romulus, Michigan

Notes to Financial Statements June 30, 2009

Note 4 - Receivables

Receivables as of year end for the City's individual major funds, the nonmajor funds, and fiduciary funds, in the aggregate, are as follows:

	General Fund	Nonmajor Governmental Funds	Enterprise Fund	Internal Service Fund	Fiduciary Fund	Total
Receivables:						
Taxes	\$ 1,257,515	\$ 118,035	\$ 267,031	\$ -	\$ -	\$ 1,642,581
Accounts	324,640	142,163	3,810,463	1,255	1,027	4,279,548
Special assessment	-	984,607	-	-	-	984,607
Net receivables	<u>\$ 1,582,155</u>	<u>\$ 1,244,805</u>	<u>\$ 4,077,494</u>	<u>\$ 1,255</u>	<u>\$ 1,027</u>	<u>\$ 6,906,736</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Special assessments	\$ 984,607	\$ -
Delinquent personal property tax	1,318,027	-
Receivable from other governmental units	367,617	-
Grant payment received prior to meeting all eligibility requirements	-	200
Total	<u>\$ 2,670,251</u>	<u>\$ 200</u>

City of Romulus, Michigan

Notes to Financial Statements June 30, 2009

Note 5 - Capital Assets

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

	Balance July 1, 2008	Additions	Deletions	Transfers	Balance June 30, 2009
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 5,458,932	\$ 195,872	\$ (47,463)	\$ -	\$ 5,607,341
Construction in progress	744,778	2,379,197	-	(703,837)	2,420,138
Subtotal	6,203,710	2,575,069	(47,463)	(703,837)	8,027,479
Capital assets being depreciated:					
Land improvements	889,087	-	-	-	889,087
Buildings and improvements	19,500,079	13,119	-	-	19,513,198
Vehicles	6,450,772	380,436	(291,610)	-	6,539,598
Equipment and machinery	7,965,192	499,901	(170,895)	-	8,294,198
Infrastructure	61,300,832	67,447	-	703,837	62,072,116
Subtotal	96,105,962	960,903	(462,505)	703,837	97,308,197
Accumulated depreciation:					
Land improvements	461,381	28,483	-	-	489,864
Buildings and improvements	4,244,201	430,384	-	-	4,674,585
Vehicles	4,356,816	425,995	(291,610)	-	4,491,201
Equipment and machinery	6,032,257	553,794	(146,026)	-	6,440,025
Infrastructure	23,402,723	3,081,627	-	-	26,484,350
Subtotal	38,497,378	4,520,283	(437,636)	-	42,580,025
Net capital assets being depreciated	57,608,584	(3,559,380)	(24,869)	703,837	54,728,172
Net capital assets	\$ 63,812,294	\$ (984,311)	\$ (72,332)	\$ -	\$ 62,755,651

City of Romulus, Michigan

Notes to Financial Statements June 30, 2009

Note 5 - Capital Assets (Continued)

	Balance July 1, 2008	Additions	Deletions	Transfers	Balance June 30, 2009
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 88,065	\$ -	\$ -	\$ -	\$ 88,065
Construction in progress	714,278	673,220	-	(1,312,538)	74,960
Subtotal	802,343	673,220	-	(1,312,538)	163,025
Capital assets being depreciated:					
Utility system	83,496,647	5,259,310	-	1,312,538	90,068,495
Meters	1,701,533	-	-	-	1,701,533
Equipment	304,606	23,310	-	-	327,916
Subtotal	85,502,786	5,282,620	-	1,312,538	92,097,944
Accumulated depreciation:					
Utility system	24,830,882	1,690,977	-	-	26,521,859
Meters	989,426	69,137	-	-	1,058,563
Equipment	274,298	9,502	-	-	283,800
Subtotal	26,094,606	1,769,616	-	-	27,864,222
Net capital assets being depreciated	59,408,180	3,513,004	-	1,312,538	64,233,722
Net capital assets	<u>\$ 60,210,523</u>	<u>\$ 4,186,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,396,747</u>

City of Romulus, Michigan

Notes to Financial Statements June 30, 2009

Note 5 - Capital Assets (Continued)

	Balance July 1, 2008	Additions	Deletions	Transfers	Balance June 30, 2009
Component units:					
Downtown Development Authority:					
Capital assets not being depreciated:					
Land	\$ 162,694	\$ 12,616	\$ -	\$ -	\$ 175,310
Construction in progress	9,184	27,859	-	-	37,043
Subtotal	171,878	40,475	-	-	212,353
Capital assets being depreciated:					
Equipment	-	4,003	-	-	4,003
Land improvements	-	104,619	-	-	104,619
Buildings	233,859	-	-	-	233,859
Building improvements	6,250	15,735	-	-	21,985
Accumulated depreciation:					
Equipment	-	286	-	-	286
Land improvements	-	5,231	-	-	5,231
Buildings	46,252	23,126	-	-	69,378
Building improvements	138	426	-	-	564
Net capital assets - Downtown Development Authority	365,597	135,763	-	-	501,360
Tax Increment Finance Authority:					
Capital assets not being depreciated:					
Land	2,965,673	21,203	-	-	2,986,876
Construction in progress	27,188	4,210	-	-	31,398
Subtotal	2,992,861	25,413	-	-	3,018,274
Capital assets being depreciated:					
Buildings	23,107,000	267,096	-	-	23,374,096
Building improvements	11,880	-	-	-	11,880
Machinery and equipment	582,338	4,003	-	-	586,341
Accumulated depreciation:					
Buildings	-	507,783	-	-	507,783
Building improvements	-	1,129	-	-	1,129
Machinery and equipment	-	77,535	-	-	77,535
Net capital assets - Tax Increment Finance Authority	26,694,079	(289,935)	-	-	26,404,144
Net capital assets - Component units	<u>\$ 27,059,676</u>	<u>\$ (154,172)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,905,504</u>

City of Romulus, Michigan

Notes to Financial Statements June 30, 2009

Note 5 - Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 225,667
Public safety		452,694
Public works		3,205,561
Recreation and culture		101,557
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset		<u>534,804</u>
Total governmental activities		<u>\$ 4,520,283</u>
Business-type activities - Water and sewer		<u>\$ 1,769,616</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
Primary government - General Fund	Nonmajor governmental funds	\$ 186,808

Due to/from Primary Government and Component Units

Primary government - General Fund	Component unit - Tax Increment Finance Authority	379,696
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Primary government - Other nonmajor governmental funds	Component unit - Tax Increment Finance Authority	<u>275</u>
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Total primary government		<u>\$ 379,971</u>
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Component unit - Downtown Development Authority	Primary government - General Fund	\$ 14,040
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	Primary government - Other nonmajor funds	<u>1,019</u>
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Total Downtown Development Authority		<u>\$ 15,059</u>
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Component unit - Tax Increment Finance Authority	Primary government - Water and Sewer Fund (major fund)	<u>\$ 44,881</u>
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Advances Due to/from Primary Government and Component Units

Component unit - Tax Increment Finance Authority	Primary government - Other nonmajor governmental funds	<u>\$ 316,729</u>
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City of Romulus, Michigan

Notes to Financial Statements June 30, 2009

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund balances arise from the centralized disbursement system as well as the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund Transfers

Transfers In	Transfers Out			Total
	General Fund	Nonmajor Governmental Funds	Enterprise Funds	
Nonmajor governmental funds	\$ 315,551	\$ 506,097	\$ -	\$ 821,648
Internal Service Funds	77,805	-	437,465	515,270

The transfers from the General Fund to nonmajor governmental funds were primarily related to the General Fund's portion of debt service expenditures. A transfer was made from the Major Streets Fund to the Beverly Road Fund for construction of a major road. The transfers from the General Fund and Water and Sewer Fund to the Vehicle and Equipment Internal Service Fund related to capital asset purchases. Remaining transfers were mainly between the City's two Street Funds to redistribute Act 51 monies from the Major Streets Fund to the Local Streets Fund in accordance with a City Council-approved resolution.

Note 7 - Restricted Assets

Restricted assets at June 30, 2009 consist of the following:

Business-type activities:

Cash on deposit at Wayne County	\$ 3,966,524
Cash and investments	<u>4,030,115</u>
Total business-type activities	<u>\$ 7,996,639</u>

Note 7 - Restricted Assets (Continued)

The cash on deposit at Wayne County is being held at Wayne County for County sewage disposal system bonds. These restricted assets resulted from property tax collections and are restricted for debt service payments. Net assets have been restricted for these amounts. Total tax collections received in the current year were \$2,215,032 compared to principal and interest payments of \$2,376,541 on the related debt.

The cash and investments for the business-type activities consist of property tax collections held by the City to pay certain Water and Sewer Fund debt service payments, as well as unspent bond proceeds. Net assets have been restricted for the amounts related to the property tax collections.

Note 8 - Lease Agreement

The City has entered into a lease agreement as lessee for financing the purchase of various City renovations. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date (see Note 9). The future minimum lease obligations for the years ending June 30, 2010 through June 30, 2015 and the net present value are as follows:

Years Ending June 30	Amount
2010	\$ 190,001
2011	491,495
2012	491,495
2013	491,495
2014	491,495
2015	491,495
Total minimum payments	2,647,476
Less amount representing interest	<u>(363,856)</u>
Present value at June 30, 2009	<u>\$ 2,283,620</u>

City of Romulus, Michigan

Notes to Financial Statements June 30, 2009

Note 9 - Long-term Debt

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

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

	Interest Rate Range	Maturity Date Range	Maturity Payment Range	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:								
General Obligation Bonds:								
Building Authority Bonds - \$2,080,000	2.50%-3.25%	2013	\$230,000-\$270,000	\$ 1,455,000	\$ -	\$ (220,000)	\$ 1,235,000	\$ 230,000
Beverly Road Bond - \$1,650,000	4.00%-5.10%	2016	\$120,000-\$155,000	1,065,000	-	(115,000)	950,000	120,000
Installment purchase agreements - \$1,750,064	4.17%-6.30%	2009	\$ -	213,560	-	(213,560)	-	-
Capital lease - Honeywell agreement - \$2,499,858	4.29%	2015	\$93,013-\$475,936	2,365,688	-	(82,068)	2,283,620	93,013
Special Assessment Bonds - Beverly Rd. - \$1,650,000	4.00%-5.10%	2022	\$80,000-\$90,000	1,175,000	-	(90,000)	1,085,000	90,000
Compensated absences				1,207,262	-	(106,494)	1,100,768	723,267
Total governmental activities				\$ 7,481,510	\$ -	\$ (827,122)	\$ 6,654,388	\$ 1,256,280
Business-type activities:								
Wayne County Contractual Obligations - \$41,663,856	1.63%-6.30%	2029	\$98,840-\$2,675,877	\$ 26,253,259	\$ 4,531,814	\$ (1,930,696)	\$ 28,854,377	\$ 2,006,958
Capital Improvement Bonds - Water and Sewer - \$7,000,000	3.5%-5.0%	2027	\$250,000-\$535,000	6,770,000	-	(240,000)	6,530,000	250,000
Compensated absences				120,053	-	(16,778)	103,275	82,620
Total business-type activities				\$ 33,143,312	\$ 4,531,814	\$ (2,187,474)	\$ 35,487,652	\$ 2,339,578

City of Romulus, Michigan

Notes to Financial Statements June 30, 2009

Note 9 - Long-term Debt (Continued)

Long-term obligation activity for the component units is as follows:

	Interest Rate Range	Maturity Date Range	Maturity Payment Range	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Tax Increment Finance Authority:								
General Obligation Bonds - \$14,070,000	2.00%-6.75%	2009	\$ -	\$ 690,000	\$ -	\$ (690,000)	\$ -	\$ -
General Obligation Bonds - \$5,445,000	2.50%-4.30%	2020	\$320,000-\$470,000	4,570,000	-	(310,000)	4,260,000	320,000
General Obligation Bonds - \$18,500,000	4.0%-5.0%	2027	\$660,000-\$1,355,000	17,890,000	-	(635,000)	17,255,000	660,000
Compensated absences				23,020	-	(3,387)	19,633	15,706
Total - Tax Increment Finance Authority				23,173,020	-	(1,638,387)	21,534,633	995,706
Downtown Development Authority:								
General Obligation Bonds - \$2,500,000	2.00%-3.80%	2014	\$195,000-\$235,000	1,245,000	-	(185,000)	1,060,000	195,000
General Obligation Bonds - \$3,400,000	2.50%-3.60%	2015	\$335,000-\$385,000	2,475,000	-	(325,000)	2,150,000	335,000
Compensated absences				7,929	-	(4,295)	3,634	2,907
Total - Downtown Development Authority				3,727,929	-	(514,295)	3,213,634	532,907
Total component units				\$ 26,900,949	\$ -	\$ (2,152,682)	\$ 24,748,267	\$ 1,528,613

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

	Governmental Activities			Business-type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 533,013	\$ 224,091	\$ 757,104	\$ 2,256,958	\$ 963,672	\$ 3,220,630	\$ 1,510,000	\$ 1,005,681	\$ 2,515,681
2011	846,773	201,575	1,048,348	2,409,355	908,119	3,317,474	1,560,000	949,718	2,509,718
2012	879,194	168,072	1,047,266	2,530,892	839,785	3,370,677	1,615,000	889,910	2,504,910
2013	912,370	132,580	1,044,950	2,598,791	768,444	3,367,235	1,675,000	828,635	2,503,635
2014	951,334	95,536	1,046,870	2,674,936	694,811	3,369,747	1,750,000	762,908	2,512,908
2015-2019	1,190,936	142,260	1,333,196	12,981,263	2,359,700	15,340,963	6,835,000	2,930,515	9,765,515
2020-2024	240,000	18,360	258,360	5,995,058	832,130	6,827,188	5,890,000	1,535,153	7,425,153
2025-2029	-	-	-	3,937,124	72,403	4,009,527	3,890,000	267,750	4,157,750
Total	\$ 5,553,620	\$ 982,474	\$ 6,536,094	\$ 35,384,377	\$ 7,439,064	\$ 42,823,441	\$ 24,725,000	\$ 9,170,270	\$ 33,895,270

City of Romulus, Michigan

Notes to Financial Statements June 30, 2009

Note 9 - Long-term Debt (Continued)

Defeased Debt - During the year ended June 30, 2005, the City issued \$2,080,000 in general obligation bonds with interest rates ranging from 2.50 percent to 3.25 percent. The proceeds of these bonds were used to advance refund \$2,205,000 of outstanding Building Authority bonds with an interest rate of 5 percent. The proceeds of the bonds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability has been removed from the government-wide statement of net assets. At June 30, 2009, \$1,255,000 of bonds outstanding are considered defeased.

In addition, during the year ended June 30, 2005, the City's Tax Increment Finance Authority issued \$5,445,000 in general obligation bonds with interest rates ranging from 2.5 percent to 4.3 percent. The proceeds of these bonds were used to advance refund \$5,695,000 of outstanding Tax Increment Finance Authority bonds with interest rates ranging from 2.00 percent to 6.75 percent. The proceeds of the bonds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability has been removed from the component unit's debt in the statement of net assets. At June 30, 2009, \$3,995,000 of bonds outstanding are considered defeased.

Note 10 - Reserved/Restricted Fund Balances/Net Assets

Fund balances/net assets have been reserved or restricted for the following purposes:

	General Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Total
Reserved for drain maintenance	\$ 8,711	\$ -	\$ -	\$ 8,711
Reserved for inventory	31,205	89,172	-	120,377
Reserved for PEG-related expenditures	-	25,482	-	25,482
Reserved for grants expenditures	-	1,438,577	-	1,438,577
Restricted for debt service	-	-	6,666,557	6,666,557
Total	<u>\$ 39,916</u>	<u>\$ 1,553,231</u>	<u>\$ 6,666,557</u>	<u>\$ 8,259,704</u>

Note 11 - Risk Management

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

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

The City was a member of the Michigan Municipal Risk Management Authority (MMRMA) risk pool program prior to July 1, 1998. MMRMA operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums were paid annually to MMRMA that MMRMA used to pay claims up to the retention limits, the ultimate liability for those claims remains with the City. The City no longer maintains a provision for claims incurred prior to July 1, 1998.

Note 12 - Contingencies

Clean Water Act

The City has been named as a defendant in a lawsuit alleging violations of the Clean Water Act occurring in the Downriver Sewage Treatment System. Several other communities, including Wayne County, were also named as defendants. Under the terms of the consent decree, the communities are required to undertake construction projects to expand the capacity of the system and eliminate any violations of the Clean Water Act. The estimated total cost of the project is approximately \$344,000,000, with the City's share estimated to be approximately \$47,000,000. The outstanding balance payable at June 30, 2009 was approximately \$23,000,000. The bonds will be paid through a court-ordered judgment levy. In addition, approximately \$32,000,000 of capital improvement bonds were issued in September 2008. The City's share of the outstanding balance payable at June 30, 2009 was approximately \$5,700,000. The bonds will be paid through rates.

Note 12 - Contingencies (Continued)

Tax Appeals

The City is a defendant in several tax appeal cases. In one of these cases, the Wayne County Airport Authority is asserting that the properties are tax exempt. Since the Wayne County Airport Authority has paid some of the taxes on these properties, the City has recorded a liability for potential refunds. The City is also a defendant in various other cases. Since the outcome of these matters is also uncertain, the City has not recorded a liability for potential refunds related to these appeals.

Wayne County Airport Authority

During 2006, the Wayne County Airport Authority (the "Airport Authority") made a claim that it has overpaid glycol disposal charges in the past. The Airport Authority is relying upon a 1973 agreement between the City and Wayne County in which the City agreed to charge 110 percent of the wholesale rate to the Airport Authority. The City's position is that glycol emissions did not exist when this agreement was entered into; therefore, the agreement should not govern these charges and that certain charges were covered by a separate agreement between the City and the Airport Authority. The Airport Authority and the City have other arguments in support of their positions.

In addition, the Wayne County Airport Authority made a claim that it has overpaid sewer charges in 2007. The Airport Authority is relying upon the 1973 agreement noted above between the City and Wayne County in which the City agreed to charge 110 percent of the wholesale rate to the Airport Authority. The City's position is that EPA regulations which required all users of the same classes be charged the same amount and that certain properties were not included in the original agreement. The Airport Authority and the City have other arguments in support of their positions.

In both instances, the Airport Authority has been paying the rate billed for a number of years and only recently claimed that it should be paying at the 110 percent rate. In addition, it has been paying its bills at only 110 percent of the wholesale rate even though the City continues to bill at the retail rate. Subsequent to year end, the City and the Airport Authority approved a settlement related to both issues. The financial statements reflect the terms of the settlement.

Note 13 - Pension Plan - Michigan Municipal Employees' Retirement System

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

Funding Policy - The obligation to contribute to and maintain MERS for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from the employees of 5.0 percent of gross wages for Police Officers Labor Council, 5.0 percent of gross wages for Police Officers Association of Michigan, 5.0 percent of gross wages for the International Association of Firefighters, and 5.0 percent from the mayor.

Annual Pension Costs - For the year ended June 30, 2009, the City's annual pension cost of \$1,429,400 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return and (b) projected salary increases of 4.5 percent per year plus a percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The amortization period is 28 years.

City of Romulus, Michigan

Notes to Financial Statements June 30, 2009

Note 13 - Pension Plan - Michigan Municipal Employees' Retirement System (Continued)

Three-year trend information is as follows:

	Fiscal Year Ended June 30		
	2007	2008	2009
Annual pension costs (APC)	\$ 1,189,056	\$ 1,334,460	\$ 1,429,400
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None
	Actuarial Valuation as of December 31		
	2006	2007	2008
Actuarial value of assets	\$ 15,573,416	\$ 17,031,725	\$ 17,991,440
Actuarial accrued liability (entry age) (AAL)	\$ 32,916,682	\$ 36,686,484	\$ 39,217,286
Unfunded AAL (UAAL)	\$ 17,343,266	\$ 19,654,759	\$ 21,225,846
Funded ratio	47.3%	46.4%	45.9%
Covered payroll	\$ 5,358,087	\$ 5,905,009	\$ 5,449,276
UAAL as a percentage of covered payroll	323.7%	332.8%	389.5%

Note 14 - Defined Contribution Pension Plan

The City provides pension benefits to all groups not covered in the MERS plan through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by labor contracts with the approval of the City Council, the City contributes from 9.5 percent to 10.5 percent of employees' gross earnings and employees contribute 0.5 percent to 1.0 percent of earnings. In accordance with these requirements, the City contributed \$628,306 during the current year and employees contributed \$113,934.

Note 15 - Postemployment Benefits

Plan Description - The City provides healthcare benefits to eligible employees and their spouses and dependents through the City of Romulus Retiree Health Care Plan. Currently, the plan has 322 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

Note 15 - Postemployment Benefits (Continued)

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

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

Funding Progress - For the year ended June 30, 2009, the City estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2007. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation’s computed contribution and actual funding are summarized as follows:

	Governmental Activities	Water and Sewer Fund	Component Units	Total
Annual required contribution (recommended)	\$ 2,195,622	\$ 173,040	\$ 43,199	\$ 2,411,861
Amounts contributed - Advance funding	1,330,365	104,848	26,175	1,461,388
Increase in net OPEB obligation	865,257	68,192	17,024	950,473
OPEB obligation - Beginning of year	-	-	-	-
OPEB obligation - End of year	<u>\$ 865,257</u>	<u>\$ 68,192</u>	<u>\$ 17,024</u>	<u>\$ 950,473</u>

Note 15 - Postemployment Benefits (Continued)

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current year are as follows:

	Fiscal Year Ended June 30 2009
Annual OPEB costs	\$ 2,411,861
Percentage contributed	55.2%
Net OPEB obligation	\$ 950,473

The funding progress of the plan as of the most recent valuation date is as follows:

	2007
Valuation as of June 30:	
Actuarial value of assets	\$ 2,188,000
Actuarial accrued liability (AAL)	\$ 32,275,721
Unfunded AAL (UAAL)	\$ 30,087,721
Funded ratio	6.8%
Annual covered payroll	\$ 12,935,421
Ratio of UAAL to covered payroll	232.6%

Approximately \$2,900,000 of the actuarial accrued liability at June 30, 2007 relates to the 34th District Court.

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

Note 15 - Postemployment Benefits (Continued)

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

In the June 30, 2007 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included an 8.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10.0 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. Both rates included a 4.5 percent inflation assumption. The UAAL is being amortized as a percentage of payroll. The remaining amortization period at June 30, 2007 was 30 years.

New Accounting Standard - In the current year, the City implemented the Governmental Accounting Standards Board's Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new pronouncement causes the government-wide statements, proprietary funds, and component units to recognize the cost of providing retiree healthcare expenses over the working life of the employee, rather than at the time the healthcare expenses are paid. This statement was implemented prospectively. Implementing the statement caused an additional expense to be reported in the governmental activities of \$865,258, business-type activities of \$68,192, and the component units of \$17,024 in excess of what would have been reported in prior years.

Note 16 - Joint Venture

The City is a member of the 34th District Court (the "Court"), which provides services to the City of Romulus, the City of Belleville, and the townships of Huron, Sumpter, and Van Buren. The City has a two-thirds interest in the revenue of the Court and provides the annual funding for its operations. During the year, the City received net revenue from the Court of \$3,585,974. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the 34th District Court can be obtained from the administrative offices at 11131 Wayne Road, Romulus, Michigan.

The City, along with 12 other communities, jointly participates in the Downriver Sewage Disposal System. The City's share of capital assets, restricted assets (for debt service), and related debt is recorded in the Water and Sewer Fund. During the year, the City paid \$2,190,401 for operations of the system and \$2,376,541 for debt service. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future, except as discussed in Note 12. Financial statements for the joint venture can be obtained from the administrative offices at 415 Clifford, Detroit, MI 48226.

Required Supplemental Information

City of Romulus, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 3,358,267	\$ 4,063,911	\$ 4,063,911	\$ -
Resources (Inflows)				
Property taxes	10,903,705	10,903,705	10,848,311	(55,394)
Licenses and permits	939,850	939,850	930,917	(8,933)
Federal sources	37,486	52,245	60,591	8,346
State sources	3,858,172	3,858,172	3,884,864	26,692
Charges for services	1,788,623	1,788,623	1,927,968	139,345
Fines and forfeitures	3,000,000	3,000,000	3,585,974	585,974
Interest income	500,000	500,000	155,709	(344,291)
Other	862,946	865,446	448,184	(417,262)
Total resources (inflows)	21,890,782	21,908,041	21,842,518	(65,523)
Charges to Appropriations (Outflows)				
General government:				
City Council	74,720	77,210	77,247	(37)
Mayor	438,004	440,511	433,746	6,765
Elections	161,526	161,922	133,409	28,513
Assessor	539,182	542,090	477,517	64,573
Attorney	355,000	355,000	347,722	7,278
Clerk	486,058	487,510	438,212	49,298
Finance department	655,601	659,277	652,901	6,376
Human resources	321,315	337,806	316,005	21,801
Treasurer	521,748	524,100	514,861	9,239
Building and grounds	2,448,722	2,458,723	2,243,870	214,853
City-owned property	15,500	28,483	28,308	175
Cemetery	101,530	101,876	100,366	1,510
Board of Review	1,938	1,938	1,077	861
Tax Tribunal refunds	50,000	50,000	35,838	14,162
Nondepartmental	1,479,514	1,479,514	334,922	1,144,592
Public safety:				
Police	9,259,819	9,301,067	9,118,528	182,539
Fire	2,513,273	2,534,739	2,357,883	176,856
Building inspection	1,191,939	1,200,233	1,107,170	93,063
Planning and zoning	278,677	279,821	267,060	12,761
Emergency preparedness	102,022	102,549	94,078	8,471
Community and economic development:				
Community service	15,300	15,300	14,146	1,154
Community and development	271,073	272,060	24,834	247,226
Public relations	14,900	14,900	7,464	7,436
Public works:				
Department of Public Works	138,125	138,863	133,653	5,210
Drains-at-large	126,500	126,500	81,073	45,427
Health and welfare:				
Ordinance	293,144	301,780	298,749	3,031
Animal control	247,401	249,691	244,190	5,501

City of Romulus, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Charges to Appropriations (Outflows) (Continued)				
Recreation and cultural:				
Recreation	\$ 755,552	\$ 977,507	\$ 864,058	\$ 113,449
Library	350,931	351,279	326,273	25,006
Historical	650	650	570	80
Senior services	244,221	245,092	230,740	14,352
Transfers to other funds	<u>899,525</u>	<u>911,356</u>	<u>393,356</u>	<u>518,000</u>
Total charges to appropriations (outflows)	<u>24,353,410</u>	<u>24,729,347</u>	<u>21,699,826</u>	<u>3,029,521</u>
Fund Balance - End of year	<u>\$ 895,639</u>	<u>\$ 1,242,605</u>	<u>\$ 4,206,603</u>	<u>\$ 2,963,998</u>

Other Supplemental Information

City of Romulus, Michigan

	Nonmajor Special				
	Major Streets	Local Streets	Cable TV	911	Sanitation
Assets					
Cash and investments	\$ 600,357	\$ 106,101	\$ 63,712	\$ 221,616	\$ 338,447
Taxes receivable	-	-	-	-	118,035
Special assessment receivable	-	-	-	-	-
Accounts receivable	1,235	1,235	67,061	56,849	-
Accounts receivable from component units	-	-	-	-	275
Due from other governmental units	171,402	61,300	-	-	-
Inventories	21,543	32,074	2,034	-	-
Total assets	<u>\$ 794,537</u>	<u>\$ 200,710</u>	<u>\$ 132,807</u>	<u>\$ 278,465</u>	<u>\$ 456,757</u>
Liabilities					
Accounts payable	\$ 34,210	\$ 37,411	\$ 107	\$ 3,375	\$ 148,800
Accrued and other liabilities	-	-	-	-	35,569
Accrued wages	11,520	16,808	3,668	-	-
Due to other funds	-	-	-	-	-
Accounts payable to component units	-	-	-	-	1,019
Advances from component units	-	-	-	-	-
Deferred revenue	-	-	-	-	118,035
Total liabilities	45,730	54,219	3,775	3,375	303,423
Fund Balances (Deficit)					
Reserved	21,543	32,074	27,516	-	-
Unreserved:					
Designated	685,783	114,417	45,496	49,800	8,543
Undesignated	41,481	-	56,020	225,290	144,791
Total fund balances (deficit)	<u>748,807</u>	<u>146,491</u>	<u>129,032</u>	<u>275,090</u>	<u>153,334</u>
Total liabilities and fund balances (deficit)	<u>\$ 794,537</u>	<u>\$ 200,710</u>	<u>\$ 132,807</u>	<u>\$ 278,465</u>	<u>\$ 456,757</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009**

Revenue Funds

		Merriman Road						Total Nonmajor
Community Development Block Grant	Street Lighting	Special Assessment District	Narcotics Enforcement	Romulus Athletic Center	Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund		Governmental Funds
\$ 5,569	\$ 113,420	\$ 44,486	\$ 1,451,687	\$ 84,331	\$ 1,023	\$ 276,732	\$	3,307,481
-	-	-	-	-	-	-		118,035
-	-	-	-	-	-	984,607		984,607
-	-	-	-	15,783	-	-		142,163
-	-	-	-	-	-	-		275
36,455	-	-	-	-	-	-		269,157
-	-	-	-	33,521	-	-		89,172
\$ 42,024	\$ 113,420	\$ 44,486	\$ 1,451,687	\$ 133,635	\$ 1,023	\$ 1,261,339		\$ 4,910,890
\$ 8,304	\$ -	\$ 8,657	\$ 13,110	\$ 45,309	\$ -	\$ -	\$	299,283
-	-	-	-	8,214	-	-		43,783
121	-	-	-	46,086	-	-		78,203
-	-	-	-	186,808	-	-		186,808
-	-	-	-	-	-	-		1,019
-	-	-	-	316,729	-	-		316,729
36,655	-	-	-	-	-	984,607		1,139,297
45,080	-	8,657	13,110	603,146	-	984,607		2,065,122
-	-	-	1,438,577	33,521	-	-		1,553,231
-	24,080	24,468	-	-	-	-		952,587
(3,056)	89,340	11,361	-	(503,032)	1,023	276,732		339,950
(3,056)	113,420	35,829	1,438,577	(469,511)	1,023	276,732		2,845,768
\$ 42,024	\$ 113,420	\$ 44,486	\$ 1,451,687	\$ 133,635	\$ 1,023	\$ 1,261,339		\$ 4,910,890

City of Romulus, Michigan

Nonmajor Special

	Major Streets	Local Streets	Cable TV	911	Sanitation
Revenue					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 988,861
Federal sources	-	-	-	-	-
State sources	1,061,610	379,604	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures - State	-	-	-	-	-
Interest income	13,611	1,948	1,558	6,059	5,029
Other	3,647	37,433	187,526	100,310	673
Total revenue	1,078,868	418,985	189,084	106,369	994,563
Expenditures					
Current:					
General government	-	-	186,845	-	-
Public safety	-	-	-	267,607	-
Public works	812,175	862,344	-	-	912,271
Community and economic development	-	-	-	-	-
Recreation and culture	-	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	812,175	862,344	186,845	267,607	912,271
Excess of Revenue Over (Under) Expenditures	266,693	(443,359)	2,239	(161,238)	82,292
Other Financing Sources (Uses)					
Transfers in	1,610	399,218	-	-	-
Transfers out	(506,097)	-	-	-	-
Total other financing sources (uses)	(504,487)	399,218	-	-	-
Net Change in Fund Balances	(237,794)	(44,141)	2,239	(161,238)	82,292
Fund Balances (Deficit) - July 1, 2008	986,601	190,632	126,793	436,328	71,042
Fund Balances (Deficit) - June 30, 2009	\$ 748,807	\$ 146,491	\$ 129,032	\$ 275,090	\$ 153,334

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2009

Revenue Funds

Community Development Block Grant	Street Lighting	Merriman Road Special Assessment District	Narcotics Enforcement	Romulus Athletic Center	Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ 384,412	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,373,273
274,933	-	-	347,816	-	-	-	622,749
-	-	-	-	-	-	-	1,441,214
-	-	-	-	1,119,029	-	-	1,119,029
-	-	-	576,284	-	-	-	576,284
-	2,483	770	21,843	484	426	6,497	60,708
-	-	68,511	12,920	693,616	-	143,854	1,248,490
274,933	386,895	69,281	958,863	1,813,129	426	150,351	6,441,747
-	-	-	-	-	-	-	186,845
-	-	-	509,474	-	-	-	777,081
-	418,242	89,378	-	-	-	-	3,094,410
296,360	-	-	-	-	-	-	296,360
-	-	-	-	2,027,916	-	-	2,027,916
-	-	-	-	-	261,875	302,965	564,840
296,360	418,242	89,378	509,474	2,027,916	261,875	302,965	6,947,452
(21,427)	(31,347)	(20,097)	449,389	(214,787)	(261,449)	(152,614)	(505,705)
-	-	-	-	-	261,525	159,295	821,648
-	-	-	-	-	-	-	(506,097)
-	-	-	-	-	261,525	159,295	315,551
(21,427)	(31,347)	(20,097)	449,389	(214,787)	76	6,681	(190,154)
18,371	144,767	55,926	989,188	(254,724)	947	270,051	3,035,922
<u>\$ (3,056)</u>	<u>\$ 113,420</u>	<u>\$ 35,829</u>	<u>\$ 1,438,577</u>	<u>\$ (469,511)</u>	<u>\$ 1,023</u>	<u>\$ 276,732</u>	<u>\$ 2,845,768</u>

City of Romulus, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2009

	Vehicle and Equipment Fund	Computer and Equipment Fund	Property and Liability Self- insurance Fund	Long-term Disability Self- insurance Fund	Total
Assets					
Current assets:					
Cash and investments	\$ 663,725	\$ 644,871	\$ 135,773	\$ 39,186	\$ 1,483,555
Accounts receivable	1,255	-	-	-	1,255
Inventories and prepaid expenses	81,870	-	-	-	81,870
Total current assets	746,850	644,871	135,773	39,186	1,566,680
Noncurrent assets - Capital assets	2,230,128	64,869	-	-	2,294,997
Total assets	2,976,978	709,740	135,773	39,186	3,861,677
Liabilities					
Current liabilities:					
Accounts payable	26,187	10,153	-	-	36,340
Accrued wages	13,110	3,768	-	-	16,878
Current portion of compensated absences	34,851	17,220	-	-	52,071
Total current liabilities	74,148	31,141	-	-	105,289
Noncurrent liabilities:					
Provision for compensated absences - Net of current portion	8,713	4,305	-	-	13,018
Net OPEB obligation	21,318	11,367	-	-	32,685
Total liabilities	104,179	46,813	-	-	150,992
Net Assets					
Invested in capital assets - Net of related debt	2,230,128	64,869	-	-	2,294,997
Unrestricted	642,671	598,058	135,773	39,186	1,415,688
Total net assets	\$ 2,872,799	\$ 662,927	\$ 135,773	\$ 39,186	\$ 3,710,685

City of Romulus, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2009

	Vehicle and Equipment Fund	Computer and Equipment Fund	Property and Liability Self- insurance Fund	Long-term Disability Self- insurance Fund	Total
Operating Revenue					
Charges to other funds	\$ 1,679,692	\$ 463,613	\$ 582,280	\$ -	\$ 2,725,585
Other	80,170	1,873	-	-	82,043
Total operating revenue	1,759,862	465,486	582,280	-	2,807,628
Operating Expenses					
Salaries	374,979	222,111	-	-	597,090
Operating supplies	212,666	291	-	-	212,957
Repairs and maintenance	64,222	113,451	-	-	177,673
Gas and oil	287,047	-	-	-	287,047
Insurance	213,490	17,310	560,798	-	791,598
Fringe benefits	235,464	49,037	-	-	284,501
Miscellaneous	4,666	10,349	-	-	15,015
Depreciation	486,972	47,832	-	-	534,804
Contractual services	56,143	15,178	-	-	71,321
Claims and legal	-	-	53,091	-	53,091
Total operating expenses	1,935,649	475,559	613,889	-	3,025,097
Operating Loss	(175,787)	(10,073)	(31,609)	-	(217,469)
Nonoperating Revenue (Expense)					
Investment income	966	8,822	2,002	672	12,462
Interest expense	(6,700)	-	-	-	(6,700)
Gain on sale of fixed assets	51,845	-	-	-	51,845
Total nonoperating revenue	46,111	8,822	2,002	672	57,607
(Loss) Income - Before transfers	(129,676)	(1,251)	(29,607)	672	(159,862)
Transfers - Transfers from other funds	515,270	-	-	-	515,270
Net Increase (Decrease) in Net Assets	385,594	(1,251)	(29,607)	672	355,408
Net Assets - Beginning of year	2,487,205	664,178	165,380	38,514	3,355,277
Net Assets - End of year	<u>\$ 2,872,799</u>	<u>\$ 662,927</u>	<u>\$ 135,773</u>	<u>\$ 39,186</u>	<u>\$ 3,710,685</u>

City of Romulus, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2009

	Vehicle and Equipment Fund	Computer and Equipment Fund	Property and Liability Self- insurance Fund	Long-term Disability Self- insurance Fund	Total
Cash Flows from Operating Activities					
Receipts from other funds	\$ 1,758,607	\$ 465,486	\$ 582,280	\$ -	\$ 2,806,373
Payments to suppliers	(879,384)	(168,024)	(40,850)	-	(1,088,258)
Payments to employees	(585,787)	(254,428)	(613,889)	-	(1,454,104)
Net cash provided by (used in) operating activities	293,436	43,034	(72,459)	-	264,011
Cash Flows from Noncapital Financing Activities -					
Transfers in	515,270	-	-	-	515,270
Cash Flows from Capital and Related Financing Activities					
Principal paid on long-term debt	(213,560)	-	-	-	(213,560)
Interest paid on long-term debt	(6,700)	-	-	-	(6,700)
Gain on sale of assets	51,845	-	-	-	51,845
Purchase of capital assets	(380,434)	(20,288)	-	-	(400,722)
Net cash used in capital and related financing activities	(548,849)	(20,288)	-	-	(569,137)
Cash Flows from Investing Activities - Investment income					
	966	8,822	2,002	672	12,462
Net Increase (Decrease) in Cash and Cash Equivalents	260,823	31,568	(70,457)	672	222,606
Cash and Cash Equivalents - July 1, 2008	402,902	613,303	206,230	38,514	1,260,949
Cash and Cash Equivalents - June 30, 2009	<u>\$ 663,725</u>	<u>\$ 644,871</u>	<u>\$ 135,773</u>	<u>\$ 39,186</u>	<u>\$ 1,483,555</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities					
Operating loss	\$ (175,787)	\$ (10,073)	\$ (31,609)	\$ -	\$ (217,469)
Adjustments to reconcile operating loss to net cash from operating activities:					
Depreciation	486,972	47,832	-	-	534,804
Changes in assets and liabilities:					
Receivables	(1,255)	-	-	-	(1,255)
Inventory	(35,536)	-	-	-	(35,536)
Accounts payable	(5,614)	(11,445)	(40,850)	-	(57,909)
Accrued and other liabilities	3,338	5,353	-	-	8,691
Net OPEB obligation	21,318	11,367	-	-	32,685
Net cash provided by (used in) operating activities	<u>\$ 293,436</u>	<u>\$ 43,034</u>	<u>\$ (72,459)</u>	<u>\$ -</u>	<u>\$ 264,011</u>

City of Romulus, Michigan

Other Supplemental Information Combining Statement of Assets and Liabilities Agency Funds June 30, 2009

	Agency Funds					Total
	Revolving Fund	General Tax Fund	Current Tax Fund	Delinquent Personal Property Tax Fund	Payroll Fund	
Assets						
Cash and investments	\$ 2,212,725	\$ -	\$ -	\$ 92,485	\$ 93,383	\$ 2,398,593
Due from other governmental units	-	4,359	44,741	-	3,060	52,160
Total assets	<u>\$ 2,212,725</u>	<u>\$ 4,359</u>	<u>\$ 44,741</u>	<u>\$ 92,485</u>	<u>\$ 96,443</u>	<u>\$ 2,450,753</u>
Liabilities						
Accounts payable	-	-	-	-	7,581	7,581
Due to other governmental units	-	4,359	44,741	40,178	-	89,278
Accrued and other liabilities	2,212,725	-	-	52,307	88,862	2,353,894
Total liabilities	<u>\$ 2,212,725</u>	<u>\$ 4,359</u>	<u>\$ 44,741</u>	<u>\$ 92,485</u>	<u>\$ 96,443</u>	<u>\$ 2,450,753</u>

City of Romulus, Michigan

Other Supplemental Information Governmental Fund Balance Sheet/Statement of Net Assets Tax Increment Finance Authority June 30, 2009

	Modified Accrual	Full Accrual Adjustments	Full Accrual
Assets			
Cash and investments	\$ 10,149,417	\$ -	\$ 10,149,417
Receivables - Interest	17,175	-	17,175
Due from other governmental units	28,332	-	28,332
Receivable from primary government	44,881	-	44,881
Advances to primary government	316,729	-	316,729
Prepaid expenses	3,411	-	3,411
Other assets - Capitalized debt costs	-	1,012,476	1,012,476
Capital assets not being depreciated	-	3,018,274	3,018,274
Capital assets being depreciated	-	23,385,870	23,385,870
	\$ 10,559,945	27,416,620	37,976,565
Liabilities			
Accounts payable	\$ 820,449	-	820,449
Accrued and other liabilities	6,247	-	6,247
Retainage payable	110,165	-	110,165
Payable to primary government	379,971	-	379,971
Due to other governmental units	1,319,625	-	1,319,625
Compensated absences:			
Due within one year	-	15,706	15,706
Due in more than one year	-	3,927	3,927
Bonds payable:			
Due within one year	-	980,000	980,000
Due in more than one year	-	20,535,000	20,535,000
Net OPEB obligation	-	11,981	11,981
	2,636,457	21,546,614	24,183,071
Fund Balance - Unreserved - Undesignated	7,923,488	(7,923,488)	
Total liabilities and fund balance	\$ 10,559,945		
Net Assets			
Invested in capital assets - Net of related debt		4,889,144	4,889,144
Unrestricted		8,904,350	8,904,350
		\$ 13,793,494	\$ 13,793,494

City of Romulus, Michigan

Other Supplemental Information Statement of Government Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Tax Increment Finance Authority Year Ended June 30, 2009

	Modified Accrual	Full Accrual Adjustments	Full Accrual
Revenue			
Property taxes	\$ 5,645,683	\$ -	\$ 5,645,683
Interest income and other	403,360	-	403,360
	<u>6,049,043</u>	<u>-</u>	<u>6,049,043</u>
Expenditures			
Capital outlay	3,947,704	(296,513)	3,651,191
Debt service	2,597,560	(1,635,000)	962,560
Depreciation	-	602,215	602,215
Administrative and other	1,436,943	8,595	1,445,538
	<u>7,982,207</u>	<u>(1,320,703)</u>	<u>6,661,504</u>
Excess of Expenditures Over Revenue/Change in Net Assets	(1,933,164)	1,320,703	(612,461)
Fund Balance/Net Assets - Beginning of year	<u>9,856,652</u>	<u>4,549,303</u>	<u>14,405,955</u>
Fund Balance/Net Assets - End of year	<u><u>\$ 7,923,488</u></u>	<u><u>\$ 5,870,006</u></u>	<u><u>\$ 13,793,494</u></u>

**Report on Internal Control Over
Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance with
*Government Auditing Standards***

Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council
City of Romulus, 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 City of Romulus, Michigan as of and for the year ended June 30, 2009, which collectively comprise the City of Romulus, Michigan's basic financial statements, and have issued our report thereon dated December 8, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Romulus, Michigan's internal control over financial reporting as a basis for designing our auditing procedures 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 City of Romulus, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Romulus, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the control deficiency described in the accompanying schedule of findings as item 2009-01 to be a significant deficiency in internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Romulus, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Romulus, Michigan's response to the significant deficiency and finding related to noncompliance identified in our audit and described in the accompanying schedule of findings has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City of Romulus, Michigan's management and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

December 8, 2009

City of Romulus, Michigan

Schedule of Findings Year Ended June 30, 2009

Reference Number	Finding
2009-01	<p>Finding Type - Significant deficiency</p> <p>Criteria - For the period under audit, SAS 112 was effective, under which certain adjusting entries indicative of control matters now represent significant deficiencies.</p> <p>Condition - In connection with the City's financial statement audit for the year ended June 30, 2009, the City was required to post several entries, including an entry to reverse a liability that was resolved during the year and entries to properly reflect beginning fund balance/net assets in the cable TV and Water and Sewer Funds. In addition, the following entries were noted as significant passed adjustments: an entry to record the compensated absences at year end of the 34th District Court, an entry to record accrued interest expense, and an entry to properly reflect the portion of Romulus Athletic Center (RAC) prepaid memberships that were unearned as of year end.</p> <p>Context - Historically, the City's auditors have recommended journal entries as part of the audit. With the implementation of Statement on Auditing Standards (SAS) No. 112, <i>Communicating Internal Control-related Matters Identified in an Audit</i>, SAS 112 now defines entries of this nature to be significant deficiencies.</p> <p>Effect - The City's unadjusted financial statements were misstated by the amount of the liability that was settled, the difference between the prior year ending fund balance/net assets and the amounts recorded, the amount of the 34th District Court compensated absences, the amount of accrued interest expense, and the amount of unearned prepaid memberships related to the RAC.</p> <p>Cause - The adjusting entry related to the settled liability was due to the fact that the settlement required manual adjustment in the accounts payable system, the difference between the prior year ending fund balance/net assets and the amounts recorded were accounts that were not properly coded in the financial reporting system, and a reserve that was recorded in the incorrect account. The entries related to significant passed adjustments were not recorded by the City, as they do not have a material impact on the financial statements.</p>

City of Romulus, Michigan

Schedule of Findings (Continued) Year Ended June 30, 2009

Reference Number	Finding
2009-1 (Continued)	<p>Recommendation - The City should implement procedures to ensure all liabilities from prior years are evaluated to ensure they are still appropriate. The City should also ensure that beginning fund balance/net asset amounts agree to the prior year financial statements when closing the records in preparation for the audit.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City will focus on reviewing liabilities to ensure they are properly recorded. The City will review beginning fund balance/net asset amounts to ensure they agree to the prior year financial statements. In the current year, the City's staff was able to limit and reduce the number of journal entries made by the auditors.</p>