

City of Romulus, Michigan

**Financial Report
with Supplemental Information
June 30, 2010**

City of Romulus, Michigan

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City of Romulus, Michigan

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Independent Auditor's Report

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

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, 2010, 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, 2010 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 schedules, as identified in the table of contents, are not a required part 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 16, 2010 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, and grant agreements. 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.

Plante & Moran, PLLC

December 16, 2010

City of Romulus, Michigan

Statement of Net Assets June 30, 2010

| | Primary Government | | | Component Units |
|--|----------------------------|-----------------------------|-----------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Cash and investments (Note 3) | \$ 5,185,488 | \$ 3,635,676 | \$ 8,821,164 | \$ 8,801,334 |
| Receivables - Net (Note 4) | 5,101,291 | 3,211,003 | 8,312,294 | 132,760 |
| Accounts receivable from component units (Note 6) | 246,108 | - | 246,108 | - |
| Accounts receivable from primary government (Note 6) | - | - | - | 15,059 |
| Advances to primary government (Note 6) | - | - | - | 455,609 |
| Inventories | 292,180 | 73,888 | 366,068 | - |
| Prepaid costs and other assets | 232,440 | - | 232,440 | 6,973 |
| Restricted assets (Note 7) | - | 7,760,614 | 7,760,614 | - |
| Capital assets - Net (Note 5): | | | | |
| Assets not being depreciated | 11,176,228 | 244,366 | 11,420,594 | 3,409,485 |
| Assets being depreciated | 51,516,201 | 63,020,964 | 114,537,165 | 23,078,319 |
| Other assets | - | 156,922 | 156,922 | 996,707 |
| Total assets | 73,749,936 | 78,103,433 | 151,853,369 | 36,896,246 |
| Liabilities | | | | |
| Accounts payable | 615,498 | 671,688 | 1,287,186 | 1,167,162 |
| Retainage payable | - | - | - | 176,735 |
| Due to other governmental units | 15,737 | - | 15,737 | 1,185,579 |
| Accounts payable to component units (Note 6) | 15,059 | - | 15,059 | - |
| Accounts payable to primary government (Note 6) | - | - | - | 246,108 |
| Customer deposits payable | - | 82,127 | 82,127 | - |
| Accrued liabilities and other | 1,683,989 | 731,763 | 2,415,752 | 10,291 |
| Advances from component units (Note 6) | 455,609 | - | 455,609 | - |
| Noncurrent liabilities: | | | | |
| Due within one year: | | | | |
| Compensated absences due within one year (Note 9) | 703,392 | 93,021 | 796,413 | 22,103 |
| Debt obligations due within one year (Note 9) | 846,773 | 2,408,296 | 3,255,069 | 1,560,000 |
| Due in more than one year: | | | | |
| Compensated absences due in more than one year (Note 9) | 264,424 | 20,971 | 285,395 | 5,526 |
| Net OPEB obligation | 1,757,228 | 138,489 | 1,895,717 | 34,574 |
| Debt obligations due in more than one year (Note 9) | 4,173,834 | 30,720,097 | 34,893,931 | 21,655,000 |
| Total liabilities | 10,531,543 | 34,866,452 | 45,397,995 | 26,063,078 |
| Net Assets | | | | |
| Invested in capital assets - Net of related debt | 57,671,822 | 30,808,980 | 88,480,802 | 5,952,804 |
| Restricted for: | | | | |
| Streets and highways | 565,333 | - | 565,333 | - |
| Debt service | 1,025 | 6,437,850 | 6,438,875 | - |
| Capital purposes | 1,207,307 | - | 1,207,307 | - |
| Grants | 1,384,490 | - | 1,384,490 | - |
| Property taxes and cable fees | 652,907 | - | 652,907 | - |
| Unrestricted | 1,735,509 | 5,990,151 | 7,725,660 | 4,880,364 |
| Total net assets | \$ 63,218,393 | \$ 43,236,981 | \$ 106,455,374 | \$ 10,833,168 |

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

City of Romulus, Michigan

| Functions/Programs | Expenses | Program Revenue | | |
|--|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 6,295,250 | \$ 1,116,027 | \$ - | \$ - |
| Public safety | 14,337,213 | 2,819,219 | 1,041,956 | 23,750 |
| Public works | 6,742,512 | 817,260 | 1,589,277 | 3,375,013 |
| Health and welfare | 539,770 | - | - | - |
| Community and economic development | 42,138 | - | - | (11,163) |
| Recreation and culture | 3,366,909 | 1,413,118 | 468,575 | - |
| Interest on long-term debt | 116,014 | - | - | - |
| Total governmental activities | 31,439,806 | 6,165,624 | 3,099,808 | 3,387,600 |
| Business-type activities - Water and Sewer | 10,936,038 | 8,811,945 | - | 563,414 |
| Total primary government | \$ 42,375,844 | \$ 14,977,569 | \$ 3,099,808 | \$ 3,951,014 |
| Component units: | | | | |
| Tax Increment Financing Authority | \$ 5,857,706 | \$ - | \$ - | \$ - |
| Downtown Development Authority | 422,471 | - | - | 249,000 |
| Total component units | \$ 6,280,177 | \$ - | \$ - | \$ 249,000 |
| General revenue: | | | | |
| Property taxes | | | | |
| State-shared revenue | | | | |
| Unrestricted investment earnings | | | | |
| 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, 2010**

| Net (Expense) Revenue and Changes in Net Assets | | | |
|---|-----------------------------|-----------------------|----------------------|
| Primary Government | | | |
| Governmental Activities | Business-type Activities | Total | Component Units |
| \$ (5,179,223) | \$ - | \$ (5,179,223) | \$ - |
| (10,452,288) | - | (10,452,288) | - |
| (960,962) | - | (960,962) | - |
| (539,770) | - | (539,770) | - |
| (53,301) | - | (53,301) | - |
| (1,485,216) | - | (1,485,216) | - |
| (116,014) | - | (116,014) | - |
| (18,786,774) | - | (18,786,774) | - |
| - | (1,560,679) | (1,560,679) | - |
| (18,786,774) | (1,560,679) | (20,347,453) | - |
| - | - | - | (5,857,706) |
| - | - | - | (173,471) |
| - | - | - | (6,031,177) |
| 11,278,672 | 2,401,254 | 13,679,926 | 5,456,858 |
| 3,354,170 | - | 3,354,170 | - |
| 114,555 | 27,798 | 142,353 | - |
| 785,680 | - | 785,680 | 76,453 |
| 15,533,077 | 2,429,052 | 17,962,129 | 5,533,311 |
| (3,253,697) | 868,373 | (2,385,324) | (497,866) |
| 66,472,090 | 42,368,608 | 108,840,698 | 11,331,034 |
| \$ 63,218,393 | \$ 43,236,981 | \$ 106,455,374 | \$ 10,833,168 |

City of Romulus, Michigan

Governmental Funds Balance Sheet June 30, 2010

| | General Fund | Nonmajor Governmental Funds | Total |
|---|---------------------|-----------------------------------|---------------------|
| Assets | | | |
| Cash and investments | \$ 1,384,600 | \$ 2,447,535 | \$ 3,832,135 |
| Receivables - Net | 3,438,562 | 1,662,729 | 5,101,291 |
| Accounts receivable from component units (Note 6) | 246,108 | - | 246,108 |
| Due from other funds (Note 6) | 92,353 | - | 92,353 |
| Inventories | 32,194 | 168,559 | 200,753 |
| Prepaid costs and other assets | 232,440 | - | 232,440 |
| Total assets | <u>\$ 5,426,257</u> | <u>\$ 4,278,823</u> | <u>\$ 9,705,080</u> |
| Liabilities and Fund Balances (Deficits) | | | |
| Liabilities | | | |
| Accounts payable | \$ 323,773 | \$ 273,658 | \$ 597,431 |
| Due to other governmental units | 15,737 | - | 15,737 |
| Accounts payable to component units (Note 6) | 14,040 | 1,019 | 15,059 |
| Due to other funds (Note 6) | - | 92,353 | 92,353 |
| Accrued and other liabilities | 1,466,107 | 198,761 | 1,664,868 |
| Advances from component units (Note 6) | - | 455,609 | 455,609 |
| Deferred revenue (Note 4) | 1,522,608 | 1,045,242 | 2,567,850 |
| Total liabilities | 3,342,265 | 2,066,642 | 5,408,907 |
| Fund Balances (Deficits) | | | |
| Reserved (Note 10) | 40,905 | 1,597,490 | 1,638,395 |
| Unreserved, reported in: | | | |
| General Fund: | | | |
| Designated for subsequent years' expenditures | 307,047 | - | 307,047 |
| Undesignated | 1,736,040 | - | 1,736,040 |
| Special Revenue Funds: | | | |
| Designated for subsequent years' expenditures | - | 487,275 | 487,275 |
| Undesignated | - | (148,107) | (148,107) |
| Debt Service Funds | - | 1,025 | 1,025 |
| Capital Projects Funds | - | 274,498 | 274,498 |
| Total fund balances (deficits) | <u>2,083,992</u> | <u>2,212,181</u> | <u>4,296,173</u> |
| Total liabilities and fund balances (deficits) | <u>\$ 5,426,257</u> | <u>\$ 4,278,823</u> | <u>\$ 9,705,080</u> |

City of Romulus, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets June 30, 2010

| | |
|---|-----------------------------|
| Fund Balance Reported in Governmental Funds | \$ 4,296,173 |
| 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 | 60,511,066 |
| Delinquent property tax receivables are expected to be collected over several years and are not available to pay for current year expenditures | 1,303,646 |
| Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures | 902,177 |
| Grant and other receivables 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 | 362,027 |
| Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds | (5,020,607) |
| Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities | (929,760) |
| Net OPEB obligation does not present a claim on current financial resources and is not reported as fund liabilities | (1,690,850) |
| Internal Service Funds are included as part of governmental activities | <u>3,484,521</u> |
| Net Assets of Governmental Activities | <u>\$ 63,218,393</u> |

City of Romulus, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2010

| | General Fund | Nonmajor Governmental Funds | Total |
|--|---------------------|-----------------------------------|---------------------|
| Revenue | | | |
| Property taxes | \$ 9,977,987 | \$ 1,300,685 | \$ 11,278,672 |
| Licenses and permits | 669,819 | - | 669,819 |
| Federal sources | 25,601 | 691,084 | 716,685 |
| Intergovernmental revenue | 3,556,037 | 1,421,138 | 4,977,175 |
| Charges for services | 1,719,907 | 1,184,496 | 2,904,403 |
| Fines and forfeitures | 2,529,074 | 530,356 | 3,059,430 |
| Investment income | 91,578 | 23,283 | 114,861 |
| Other | 369,510 | 1,241,010 | 1,610,520 |
| Total revenue | 18,939,513 | 6,392,052 | 25,331,565 |
| Expenditures | | | |
| Current: | | | |
| General government | 5,953,025 | 224,782 | 6,177,807 |
| Public safety | 12,692,299 | 1,093,431 | 13,785,730 |
| Public works | 156,118 | 3,246,331 | 3,402,449 |
| Health and welfare | 539,770 | - | 539,770 |
| Community and economic development | 47,637 | 264,828 | 312,465 |
| Recreation and culture | 1,403,312 | 1,896,864 | 3,300,176 |
| Debt service | - | 565,366 | 565,366 |
| Total expenditures | 20,792,161 | 7,291,602 | 28,083,763 |
| Excess of Expenditures Over Revenue | (1,852,648) | (899,550) | (2,752,198) |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | 932,758 | 932,758 |
| Transfers out | (269,963) | (666,795) | (936,758) |
| Net Change in Fund Balances | (2,122,611) | (633,587) | (2,756,198) |
| Fund Balances - Beginning of year | 4,206,603 | 2,845,768 | 7,052,371 |
| Fund Balances - End of year | \$ 2,083,992 | \$ 2,212,181 | \$ 4,296,173 |

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, 2010

Net Change in Fund Balances - Total Governmental Funds \$ (2,756,198)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

| | |
|---|-------------|
| Capital outlay | 821,503 |
| Depreciation expense | (4,067,123) |
| Capital contributions from DDA and outside developers | 3,296,032 |

| | |
|---|-----------|
| Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end | (102,401) |
|---|-----------|

| | |
|---|---------|
| Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) | 533,013 |
|---|---------|

| | |
|--|---------|
| Decrease in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment | 105,919 |
|--|---------|

| | |
|--|-----------|
| Increase in net OPEB obligation reported in the statement of activities does not require the use of current resources, and therefore is not reported in the fund statements until it comes due for payment | (858,278) |
|--|-----------|

| | |
|--|------------------|
| Internal Service Funds are included as part of governmental activities | <u>(226,164)</u> |
|--|------------------|

Change in Net Assets of Governmental Activities \$ (3,253,697)

City of Romulus, Michigan

Proprietary Funds Statement of Net Assets June 30, 2010

| | Enterprise Fund - Water and Sewer Fund | Internal Service Funds |
|---|---|---------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 3,635,676 | \$ 1,353,353 |
| Receivables - Net | 3,211,003 | - |
| Inventories | 73,888 | 91,427 |
| Total current assets | 6,920,567 | 1,444,780 |
| Noncurrent assets: | | |
| Restricted assets | 7,760,614 | - |
| Capital assets: | | |
| Assets not subject to depreciation | 244,366 | - |
| Assets subject to depreciation | 63,020,964 | 2,181,363 |
| Other assets | 156,922 | - |
| Total noncurrent assets | 71,182,866 | 2,181,363 |
| Total assets | 78,103,433 | 3,626,143 |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable | 671,688 | 18,067 |
| Customer deposits payable | 82,127 | - |
| Accrued and other liabilities | 731,763 | 19,121 |
| Current portion of compensated absences | 93,021 | 30,445 |
| Current portion of long-term debt | 2,408,296 | - |
| Total current liabilities | 3,986,895 | 67,633 |
| Noncurrent liabilities: | | |
| Provision for compensated absences - Net of current portion | 20,971 | 7,611 |
| Net OPEB obligation | 138,489 | 66,378 |
| Long-term debt - Net of current portion | 30,720,097 | - |
| Total noncurrent liabilities | 30,879,557 | 73,989 |
| Total liabilities | 34,866,452 | 141,622 |
| Net Assets | | |
| Invested in capital assets - Net of related debt | 30,808,980 | 2,181,363 |
| Restricted | 6,437,850 | - |
| Unrestricted | 5,990,151 | 1,303,158 |
| Total net assets | \$ 43,236,981 | \$ 3,484,521 |

City of Romulus, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2010

| | Enterprise Fund - Water and Sewer Fund | Internal Service Funds |
|--|---|---------------------------|
| | | |
| Operating Revenue | | |
| Charges for services | \$ 8,684,377 | \$ 2,395,126 |
| Other charges for services | 120,472 | 99,379 |
| Total operating revenue | 8,804,849 | 2,494,505 |
| Operating Expenses | | |
| Cost of water | 1,960,419 | - |
| Cost of sewage treatment | 2,303,270 | - |
| Insurance | 103,860 | 553,769 |
| Cost of vehicle and equipment maintenance | - | 1,323,824 |
| Cost of computer and equipment maintenance | - | 433,530 |
| Salaries and fringes | 2,144,428 | - |
| Administrative and other | 1,594,833 | - |
| Depreciation | 1,851,132 | 427,036 |
| Total operating expenses | 9,957,942 | 2,738,159 |
| Operating Loss | (1,153,093) | (243,654) |
| Nonoperating Revenue (Expenses) | | |
| Property taxes | 2,401,254 | - |
| Investment income | 27,798 | 7,927 |
| Interest expense | (978,096) | - |
| Gain on disposal of assets | - | 5,563 |
| Debt service charge | 7,096 | - |
| Total nonoperating revenue | 1,458,052 | 13,490 |
| Income (Loss) - Before contributions | 304,959 | (230,164) |
| Capital Contributions - Other capital contributions | 563,414 | - |
| Transfers from Other Funds | - | 4,000 |
| Increase (Decrease) in Net Assets | 868,373 | (226,164) |
| Net Assets - Beginning of year | 42,368,608 | 3,710,685 |
| Net Assets - End of year | \$ 43,236,981 | \$ 3,484,521 |

City of Romulus, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2010

| | Enterprise Fund - Water and Sewer Fund | Internal Service Funds |
|--|--|---------------------------|
| Cash Flows from Operating Activities | | |
| Receipts from customers | \$ 9,926,762 | \$ 2,495,760 |
| Payments to suppliers | (6,070,141) | (1,030,929) |
| Payments to employees | (2,053,607) | (1,304,684) |
| | 1,803,014 | 160,147 |
| Cash Flows from Noncapital Financing Activities - | | |
| Transfers from other funds | - | 4,000 |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from sales of capital assets | - | 13,075 |
| Proceeds from property tax levy - Restricted for debt service | 2,401,254 | - |
| Purchase of capital assets | (156,301) | (315,351) |
| Principal and interest paid on capital debt | (1,309,806) | - |
| Debt service charge | 7,096 | - |
| Payments to County from Debt Service Fund | (1,924,274) | - |
| | (982,031) | (302,276) |
| Cash Flows from Investing Activities - Investment income | 27,798 | 7,927 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 848,781 | (130,202) |
| Cash and Cash Equivalents - Beginning of year | 10,547,509 | 1,483,555 |
| Cash and Cash Equivalents - End of year | \$ 11,396,290 | \$ 1,353,353 |
| Balance Sheet Classification of Cash and Cash Equivalents | | |
| Cash and investments | \$ 3,635,676 | \$ 1,353,353 |
| Restricted cash | 7,760,614 | - |
| | \$ 11,396,290 | \$ 1,353,353 |
| Reconciliation of Operating Loss to Net Cash from Operating Activities | | |
| Operating loss | \$ (1,153,093) | \$ (243,654) |
| Adjustments to reconcile operating loss to net cash from operating activities: | | |
| Depreciation and amortization | 1,851,132 | 427,036 |
| Amortization of bond issuance costs | 9,808 | - |
| Gain on sale of asset | - | (5,563) |
| Changes in assets and liabilities: | | |
| Receivables | 1,121,913 | 1,255 |
| Inventories | (5,907) | (7,939) |
| Accounts payable | (111,660) | (18,273) |
| Accrued and other liabilities | 20,524 | (26,408) |
| Net OPEB obligation | 70,297 | 33,693 |
| | \$ 1,803,014 | \$ 160,147 |

Noncash Capital and Related Financing Activities - During the year, \$563,414 of water and sewer lines was donated to the City by developers and other governmental units.

City of Romulus, Michigan

Fiduciary Funds Statement of Fiduciary Net Assets June 30, 2010

| | Other Employee Benefits Trust Retirees' Insurance Benefits Fund | Agency Funds |
|---|--|----------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 2,006,870 | \$ 7,168,821 |
| Investments: | | |
| U.S. government securities | 187,987 | - |
| Common stock | 642,474 | - |
| Corporate bonds and notes | 276,927 | - |
| Mutual funds | 46,330 | - |
| Asset-backed securities | 44,991 | - |
| Accounts receivable | 2,206 | 129,956 |
| Prepaid expenses | 141,922 | - |
| Total assets | 3,349,707 | <u>\$ 7,298,777</u> |
| Liabilities | | |
| Accounts payable | 15,611 | \$ 7,457 |
| Due to other governmental units | - | 5,210,080 |
| Accrued and other liabilities | - | 2,081,240 |
| Total liabilities | 15,611 | <u>\$ 7,298,777</u> |
| Net Assets Held in Trust for Other Postemployment Benefits | <u>\$ 3,334,096</u> | |

City of Romulus, Michigan

Fiduciary Funds

Statement of Changes in Fiduciary Net Assets - Other Employee Benefits Trust Retirees' Insurance Benefits Fund Year Ended June 30, 2010

Additions

| | |
|---|----------------------------|
| Investment income (loss): | |
| Interest income | \$ 3,166 |
| Net decrease in fair value of investments | <u>(25,834)</u> |
| Net investment loss | (22,668) |
| Contributions: | |
| Employer | 1,616,616 |
| Employee | <u>62,755</u> |
| Total contributions | <u>1,679,371</u> |
| Total additions - Net | 1,656,703 |
| Deductions - Benefit payments | <u>1,285,110</u> |
| Net Increase in Net Assets Held in Trust | 371,593 |
| Net Assets Held in Trust for Other Postemployment Benefits - Beginning of year | <u>2,962,503</u> |
| Net Assets Held in Trust for Other Postemployment Benefits - End of year | <u><u>\$ 3,334,096</u></u> |

City of Romulus, Michigan

Component Units Statement of Net Assets (Deficit) June 30, 2010

| | Tax Increment Finance Authority | Downtown Development Authority | Total |
|--|---------------------------------------|--------------------------------------|---------------|
| Assets | | | |
| Cash and investments | \$ 8,539,167 | \$ 262,167 | \$ 8,801,334 |
| Receivables: | | | |
| Property taxes receivable | 85,188 | 12,925 | 98,113 |
| Accrued interest receivable | 4,003 | - | 4,003 |
| Due from other governmental units | 28,332 | 2,312 | 30,644 |
| Receivable from primary government (Note 6) | - | 15,059 | 15,059 |
| Advances to primary government (Note 6) | 455,609 | - | 455,609 |
| Prepaid expenses and other assets | 4,932 | 2,041 | 6,973 |
| Capital assets: | | | |
| Assets not subject to depreciation | 3,183,991 | 225,494 | 3,409,485 |
| Assets subject to depreciation | 22,796,169 | 282,150 | 23,078,319 |
| Other assets | 996,707 | - | 996,707 |
| Total assets | 36,094,098 | 802,148 | 36,896,246 |
| Liabilities | | | |
| Accounts payable | 1,162,901 | 4,261 | 1,167,162 |
| Retainage payable | 176,735 | - | 176,735 |
| Due to other governmental units | 1,183,506 | 2,073 | 1,185,579 |
| Payable to primary government (Note 6) | 246,108 | - | 246,108 |
| Accrued and other liabilities | 6,669 | 3,622 | 10,291 |
| Noncurrent liabilities: | - | - | - |
| Due within one year: | | | |
| Compensated absences | 16,801 | 5,302 | 22,103 |
| Current portion of long-term debt | 1,015,000 | 545,000 | 1,560,000 |
| Due in more than one year: | | | |
| Compensated absences | 4,200 | 1,326 | 5,526 |
| Net OPEB obligation | 24,332 | 10,242 | 34,574 |
| Long-term debt | 19,520,000 | 2,135,000 | 21,655,000 |
| Total liabilities | 23,356,252 | 2,706,826 | 26,063,078 |
| Net Assets (Deficit) | | | |
| Invested in capital assets - Net of related debt | 5,445,160 | 507,644 | 5,952,804 |
| Unrestricted | 7,292,686 | (2,412,322) | 4,880,364 |
| Total net assets (deficit) | \$ 12,737,846 | \$ (1,904,678) | \$ 10,833,168 |

City of Romulus, Michigan

| Functions/Programs | Expenses | Program Revenue | | |
|---|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Tax Increment Finance Authority: | | | | |
| Public works | \$ 4,799,430 | \$ - | \$ - | \$ - |
| Recreation and culture | 1,058,276 | - | - | - |
| Total Tax Increment Finance Authority | 5,857,706 | - | - | - |
| Downtown Development Authority - Public works | 422,471 | - | - | 249,000 |
| Total component units | \$ 6,280,177 | \$ - | \$ - | \$ 249,000 |

General revenue:

 Property taxes

 Interest income and other

 Total general revenue

Change in Net Assets (Deficit)

Net Assets (Deficit) - Beginning of year

Net Assets (Deficit) - End of year

**Component Units
Statement of Activities
Year Ended June 30, 2010**

| <u>Net (Expense) Revenue and Changes in Net Assets</u> | | |
|--|---|-----------------------------|
| <u>Tax Increment Finance Authority</u> | <u>Downtown Development Authority</u> | <u>Total</u> |
| \$ (4,799,430) | \$ - | \$ (4,799,430) |
| (1,058,276) | - | (1,058,276) |
| (5,857,706) | - | (5,857,706) |
| - | (173,471) | (173,471) |
| (5,857,706) | (173,471) | (6,031,177) |
| 4,737,587 | 719,271 | 5,456,858 |
| 64,471 | 11,982 | 76,453 |
| <u>4,802,058</u> | <u>731,253</u> | <u>5,533,311</u> |
| (1,055,648) | 557,782 | (497,866) |
| <u>13,793,494</u> | <u>(2,462,460)</u> | <u>11,331,034</u> |
| <u>\$ 12,737,846</u> | <u>\$ (1,904,678)</u> | <u>\$ 10,833,168</u> |

Note I - Nature of Business and 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 by the City of Romulus, Michigan:

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 appointed by the City Council. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings.

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

The Economic Development Corporation (the "Corporation") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation's governing body, which consists of nine individuals, is appointed by the mayor with the approval of the City Council. The Economic Development Corporation had no financial activity during the year ended June 30, 2010.

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

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

Note I - Nature of Business and Significant Accounting Policies (Continued)

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

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

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

Jointly Governed Organizations - Jointly governed organizations are discussed in Note 16.

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 revenue, 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.

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

Note I - Nature of Business and Significant Accounting Policies (Continued)

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, fiduciary fund, and component unit 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 revenue to be available if it is 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, special assessments and federal grant reimbursements will be collected after the period of availability; therefore, receivables have been recorded for these, along with a "deferred revenue" liability. During the year ended June 30, 2010, property tax revenue was recognized for receipts beyond the normal 60 days, because the Wayne County delinquent tax sale occurred in October 2010. The property tax revenue was recognized in order for the current year revenue recognition not to be misleading.

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.

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:

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Internal Service Funds - The 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.

Other Employee Benefits Trust Retirees' Insurance Benefits Fund - The Other Employee Benefits Trust Retirees' Insurance Benefits Fund accounts 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. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

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 of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Property Tax Revenue

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.

The 2009 taxable valuation of the City totaled \$1,277,591,551, on which ad valorem taxes levied consisted of 9.4063 mills for the City's operating purposes, .9500 mills for sanitation, and 1.4418 mills for an EPA judgment levy. The ad valorem taxes levied raised approximately \$8.8 million for operations, \$0.9 million for sanitation, and \$1.8 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.

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.

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.

Note I - Nature of Business and Significant Accounting Policies (Continued)

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

Land improvements, infrastructure, utility system assets, meters, buildings and building improvements, equipment and machinery, 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 building improvements | 20 to 33 years |
| Equipment and machinery | 3 to 10 years |
| Vehicles | 3 to 15 years |

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.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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 amount, if any.

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.

Reclassifications - Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

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.

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

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.
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.

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

Budget appropriations lapse at year end; encumbrances are not included as expenditures. Encumbrances outstanding of \$94,126 at June 30, 2010 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 revenue and expenditures, including budget variances, for the General Fund is presented as required supplemental information. Budgetary comparisons for the Special Revenue Funds can be obtained at City Hall.

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

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

There were no significant budget overruns at June 30, 2010.

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

| | | |
|---------------------------------------|---------------|-----------------------|
| Shortfall at July 1, 2009 | | \$ (1,968,469) |
| Current year building permit revenue | | 492,771 |
| Related expenses: | | |
| Direct costs | \$ 1,293,783 | |
| Estimated indirect costs | <u>96,370</u> | |
| Total construction code expenses | | <u>1,390,153</u> |
| Current year shortfall | | <u>(897,382)</u> |
| Cumulative shortfall at June 30, 2010 | | <u>\$ (2,865,851)</u> |

Fund Deficits - There was a fund deficit in the Romulus Athletic Center Fund of \$544,928 at June 30, 2010. 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. The law also allows investments outside the State of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

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

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

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

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

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 \$2,166,549 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.

City of Romulus, Michigan

Notes to Financial Statements June 30, 2010

Note 3 - Deposits and Investments (Continued)

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

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

| Primary Government | Fair Value | Less than 1 Year | 1-5 Years | 6-10 Years | More than 10 Years |
|-----------------------------------|---------------------|---------------------|---------------------|---------------|-----------------------|
| Negotiable CDs | \$ 4,149,444 | \$ 1,173,606 | \$ 2,975,838 | \$ - | \$ - |
| U.S. government agency securities | 55,609 | - | 55,609 | - | - |
| Total | \$ 4,205,053 | \$ 1,173,606 | \$ 3,031,447 | \$ - | \$ - |

| Fiduciary Funds | Fair Value | Less than 1 Year | 1-5 Years | 6-10 Years | More than 10 Years |
|-----------------------------------|-------------------|---------------------|-------------------|-------------------|-----------------------|
| Corporate bonds and notes | \$ 276,927 | \$ - | \$ 194,419 | \$ 82,508 | \$ - |
| U.S. government agency securities | 139,137 | 20,293 | 70,826 | 48,018 | - |
| Asset-backed securities | 44,991 | - | 8,844 | 8,753 | 27,394 |
| Total | \$ 461,055 | \$ 20,293 | \$ 274,089 | \$ 139,279 | \$ 27,394 |

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

| Investment | S&P: AAA | S&P: AA+ | S&P: AA | S&P: A+ | S&P: A | S&P: A- | S&P: BBB+ | S&P: BBB | Not Rated |
|---------------------------|------------------|------------------|------------------|------------------|-------------------|------------------|-----------------|-----------------|----------------------|
| Primary Government | | | | | | | | | |
| Negotiable CDs | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,149,444 |
| Money market | - | - | - | - | - | - | - | - | 17,850,987 |
| Bank investment pool | - | - | - | - | - | - | - | - | 1,004,685 |
| Total | \$ - | \$ - | \$ - | \$ - | \$ 23,005,116 |
| Fiduciary Funds | | | | | | | | | |
| Corporate bonds and notes | \$ 16,455 | \$ 10,661 | \$ 11,608 | \$ 43,202 | \$ 127,256 | \$ 48,657 | \$ 9,933 | \$ 9,155 | \$ - |
| Money market | - | - | - | - | - | - | - | - | 49,626 |
| Asset-backed securities | - | - | - | - | - | - | - | - | 44,991 |
| Total | \$ 16,455 | \$ 10,661 | \$ 11,608 | \$ 43,202 | \$ 127,256 | \$ 48,657 | \$ 9,933 | \$ 9,155 | \$ 94,617 |
| Component Units - | | | | | | | | | |
| Money market | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 5,023,711 |

City of Romulus, Michigan

Notes to Financial Statements June 30, 2010

Note 4 - Receivables and Deferred Revenue

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

| | Nonmajor | | Enterprise Fund | Fiduciary Fund | Total |
|-----------------------------------|---------------------|-----------------------|---------------------|-------------------|---------------------|
| | General Fund | Governmental Funds | | | |
| Receivables: | | | | | |
| Taxes | \$ 2,404,746 | \$ 210,128 | \$ 447,776 | \$ - | \$ 3,062,650 |
| Special assessment | - | 975,099 | - | - | 975,099 |
| Accounts | 232,876 | 135,665 | 2,507,805 | - | 2,876,346 |
| Due from other governmental units | 800,940 | 341,837 | 255,422 | 129,956 | 1,528,155 |
| Net receivables | <u>\$ 3,438,562</u> | <u>\$ 1,662,729</u> | <u>\$ 3,211,003</u> | <u>\$ 129,956</u> | <u>\$ 8,442,250</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 |
|--|---------------------|
| Delinquent property taxes | \$ 1,303,646 |
| Special assessments | 902,177 |
| Receivable from other governmental units | 362,027 |
| Total | <u>\$ 2,567,850</u> |

City of Romulus, Michigan

Notes to Financial Statements June 30, 2010

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, 2009 | Reclassifications | Additions | Disposals | Balance June 30, 2010 |
|---------------------------------------|-------------------------|-------------------|----------------|------------|--------------------------|
| Governmental Activities | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 5,607,341 | \$ (41,000) | \$ - | \$ - | \$ 5,566,341 |
| Construction in progress | 2,420,138 | - | 3,189,749 | - | 5,609,887 |
| Subtotal | 8,027,479 | (41,000) | 3,189,749 | - | 11,176,228 |
| Capital assets being depreciated: | | | | | |
| Infrastructure | 62,072,116 | - | 186,995 | - | 62,259,111 |
| Buildings and improvements | 19,513,198 | - | 36,886 | - | 19,550,084 |
| Machinery and equipment | 8,294,198 | - | 1,009,792 | (331,828) | 8,972,162 |
| Vehicles | 6,539,598 | - | 56,026 | (25,865) | 6,569,759 |
| Land improvements | 889,087 | - | - | - | 889,087 |
| Subtotal | 97,308,197 | - | 1,289,699 | (357,693) | 98,240,203 |
| Accumulated depreciation: | | | | | |
| Infrastructure | 26,484,350 | - | 3,083,419 | - | 29,567,769 |
| Buildings and improvements | 4,674,585 | - | 430,385 | - | 5,104,970 |
| Machinery and equipment | 6,440,025 | - | 650,006 | (331,717) | 6,758,314 |
| Vehicles | 4,491,201 | - | 301,804 | (18,465) | 4,774,540 |
| Land improvements | 489,864 | - | 28,545 | - | 518,409 |
| Subtotal | 42,580,025 | - | 4,494,159 | (350,182) | 46,724,002 |
| Net capital assets being depreciated | 54,728,172 | - | (3,204,460) | (7,511) | 51,516,201 |
| Net capital assets | \$ 62,755,651 | \$ (41,000) | \$ (14,711) | \$ (7,511) | \$ 62,692,429 |
| Business-type Activities | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 88,065 | \$ - | \$ - | \$ - | \$ 88,065 |
| Construction in progress | 74,960 | (638,374) | 719,715 | - | 156,301 |
| Subtotal | 163,025 | (638,374) | 719,715 | - | 244,366 |
| Capital assets being depreciated: | | | | | |
| Utility system | 90,068,495 | 638,374 | - | - | 90,706,869 |
| Equipment | 327,916 | - | - | - | 327,916 |
| Meters | 1,701,533 | - | - | - | 1,701,533 |
| Subtotal | 92,097,944 | 638,374 | - | - | 92,736,318 |
| Accumulated depreciation: | | | | | |
| Utility system | 26,521,859 | - | 1,773,802 | - | 28,295,661 |
| Equipment | 283,800 | - | 9,501 | - | 293,301 |
| Meters | 1,058,563 | - | 67,829 | - | 1,126,392 |
| Subtotal | 27,864,222 | - | 1,851,132 | - | 29,715,354 |
| Net capital assets being depreciated | 64,233,722 | 638,374 | (1,851,132) | - | 63,020,964 |
| Net capital assets | \$ 64,396,747 | \$ - | \$ (1,131,417) | \$ - | \$ 63,265,330 |

City of Romulus, Michigan

Notes to Financial Statements June 30, 2010

Note 5 - Capital Assets (Continued)

| Component Units | Balance | | | | Balance June 30, 2010 |
|--|---------------|-------------------|--------------|-----------|--------------------------|
| | July 1, 2009 | Reclassifications | Additions | Disposals | |
| Downtown Development Authority: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 175,310 | \$ 41,000 | \$ - | \$ - | \$ 216,310 |
| Construction in progress | 37,043 | (30,173) | 2,314 | - | 9,184 |
| Subtotal | 212,353 | 10,827 | 2,314 | - | 225,494 |
| Capital assets being depreciated: | | | | | |
| Equipment | 4,003 | - | - | - | 4,003 |
| Land improvements | 104,619 | 30,173 | - | - | 134,792 |
| Buildings | 233,859 | - | - | - | 233,859 |
| Building improvements | 21,985 | - | - | - | 21,985 |
| Subtotal | 364,466 | 30,173 | - | - | 394,639 |
| Accumulated depreciation: | | | | | |
| Equipment | - | - | - | - | - |
| Land improvements | 286 | - | 572 | - | 858 |
| Buildings | 5,231 | - | 12,617 | - | 17,848 |
| Building improvements | 69,378 | - | 23,126 | - | 92,504 |
| Building improvements | 564 | - | 715 | - | 1,279 |
| Subtotal | 75,459 | - | 37,030 | - | 112,489 |
| Net capital assets - Downtown Development Authority | 501,360 | 41,000 | (34,716) | - | 507,644 |
| Tax Increment Finance Authority: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | 2,986,876 | - | - | - | 2,986,876 |
| Construction in progress | 31,398 | - | 165,717 | - | 197,115 |
| Subtotal | 3,018,274 | - | 165,717 | - | 3,183,991 |
| Capital assets being depreciated: | | | | | |
| Buildings | - | - | - | - | - |
| Building improvements | 23,374,096 | - | - | - | 23,374,096 |
| Machinery and equipment | 11,880 | - | - | - | 11,880 |
| Machinery and equipment | 586,341 | - | - | - | 586,341 |
| Subtotal | 26,990,591 | - | 165,717 | - | 27,156,308 |
| Accumulated depreciation: | | | | | |
| Buildings | 507,783 | - | 510,752 | - | 1,018,535 |
| Building improvements | 1,129 | - | 1,128 | - | 2,257 |
| Machinery and equipment | 77,535 | - | 77,821 | - | 155,356 |
| Net capital assets - Tax Increment Finance Authority | 26,404,144 | - | (423,984) | - | 25,980,160 |
| Net capital assets - Component units | \$ 26,905,504 | \$ 41,000 | \$ (458,700) | \$ - | \$ 26,487,804 |

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

Governmental activities:

| | |
|--|----------------|
| General government | \$ 228,313 |
| Public safety | 525,856 |
| Public works | 3,207,351 |
| Recreation and culture | 105,603 |
| Internal Service Fund depreciation is charged to the various functions based on their usage of the asset | <u>427,036</u> |

Total governmental activities \$ 4,494,159

Business-type activities - Water and sewer \$ 1,851,132

City of Romulus, Michigan

Notes to Financial Statements June 30, 2010

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

| Receivable Fund | Payable Fund | Amount |
|--|--|------------|
| Due to/from Other Funds | | |
| Primary government - General Fund | Nonmajor governmental funds | \$ 92,353 |
| Advances to/from Primary Government and Component Units | | |
| Component unit - Tax Increment Finance Authority | Primary government - Other nonmajor governmental funds | \$ 455,609 |
| Due to/from Primary Government and Component Units | | |
| Primary government - General Fund | Component unit - Tax Increment Finance Authority | \$ 246,108 |
| Component unit - Downtown Development Authority | Primary government - General Fund | \$ 14,040 |
| | Primary government - Other nonmajor governmental funds | 1,019 |
| | Total component unit - Downtown Development Authority | \$ 15,059 |

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.

City of Romulus, Michigan

Notes to Financial Statements June 30, 2010

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

Interfund Transfers

| Transfers In | Transfers Out | |
|-----------------------------|---------------|-----------------------------|
| | General Fund | Nonmajor Governmental Funds |
| Nonmajor governmental funds | \$ 265,963 | \$ 666,795 |
| Internal Service Funds | 4,000 | - |

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

Note 7 - Restricted Assets

Restricted assets at June 30, 2010 consist of the following:

| | Business-type Activities |
|--------------------------------|--------------------------|
| Cash deposits at Wayne County | \$ 3,833,112 |
| Cash and investments | 3,927,502 |
| Total business-type activities | <u>\$ 7,760,614</u> |

The cash on deposit at Wayne County is being held at Wayne County for County sewage disposal system bonds. These restricted assets resulted from property tax collections and are restricted for debt service payments. Net assets have been restricted for these amounts. Total tax and other collections received in the current year were approximately \$2,400,000 compared to principal and interest payments of \$2,697,087 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.

City of Romulus, Michigan

Notes to Financial Statements June 30, 2010

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, 2011 through June 30, 2015 and the net present value are as follows:

| Years Ending June 30 | Amount |
|--------------------------------------|---------------------|
| 2011 | \$ 491,495 |
| 2012 | 491,495 |
| 2013 | 491,495 |
| 2014 | 491,495 |
| 2015 | 491,495 |
| Total minimum lease payments | 2,457,475 |
| Less amount representing interest | <u>(266,868)</u> |
| Present value | <u>\$ 2,190,607</u> |

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 reassessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

City of Romulus, Michigan

Notes to Financial Statements June 30, 2010

Note 9 - Long-term Debt (Continued)

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

| | Interest Rate Ranges | Maturity Date Range | Principal Maturity Ranges | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|---------------------|---------------------------|-------------------|------------|--------------|----------------|---------------------|
| Governmental Activities | | | | | | | | |
| General obligation bonds: | | | | | | | | |
| Building Authority Bonds - \$2,080,000 | 2.50%-3.25% | 2013 | \$235,000-\$270,000 | \$ 1,235,000 | \$ - | \$ 230,000 | \$ 1,005,000 | \$ 235,000 |
| Beverly Road Bond - \$1,650,000 | 4.00%-5.10% | 2016 | \$125,000-\$155,000 | 950,000 | - | 120,000 | 830,000 | 125,000 |
| Capital lease - Honeywell agreement - \$2,499,858 | 4.29% | 2015 | \$401,773-\$475,936 | 2,283,620 | - | 93,013 | 2,190,607 | 401,773 |
| Special assessment bonds - Beverly Road - \$1,650,000 | 4.00%-5.10% | 2022 | \$85,000-\$90,000 | 1,085,000 | - | 90,000 | 995,000 | 85,000 |
| Total bonds payable | | | | 5,553,620 | - | 533,013 | 5,020,607 | 846,773 |
| Compensated absences | | | | 1,100,768 | 590,315 | 723,267 | 967,816 | 703,392 |
| Total governmental activities | | | | \$ 6,654,388 | \$ 590,315 | \$ 1,256,280 | \$ 5,988,423 | \$ 1,550,165 |
| Business-type Activities | | | | | | | | |
| Wayne County contractual obligations - \$41,663,856 | 1.63%-6.30% | 2031 | \$98,840-\$2,675,877 | \$ 28,854,377 | \$ - | \$ 2,005,984 | \$ 26,848,393 | \$ 2,148,296 |
| Capital improvement bonds - Water and sewer - \$7,000,000 | 3.5%-5.0% | 2027 | \$260,000-\$535,000 | 6,530,000 | - | 250,000 | 6,280,000 | 260,000 |
| Total bonds payable | | | | 35,384,377 | - | 2,255,984 | 33,128,393 | 2,408,296 |
| Compensated absences | | | | 103,275 | 94,337 | 83,620 | 113,992 | 93,021 |
| Total business-type activities | | | | \$ 35,487,652 | \$ 94,337 | \$ 2,339,604 | \$ 33,242,385 | \$ 2,501,317 |

Note 9 - Long-term Debt (Continued)

| Component Unit Activities | Interest Rate Ranges | Maturity Date Range | Principal Maturity Ranges | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|---------------------|---------------------------|-------------------|-----------|--------------|----------------|---------------------|
| Tax Increment Finance Authority: | | | | | | | | |
| General obligation bonds - \$5,445,000 | 2.50%-4.30% | 2020 | \$330,000-\$470,000 | \$ 4,260,000 | \$ - | \$ 320,000 | \$ 3,940,000 | \$ 330,000 |
| General obligation bonds - \$18,500,000 | 4.0%-5.0% | 2027 | \$660,000-\$1,355,000 | 17,255,000 | - | 660,000 | 16,595,000 | 685,000 |
| Compensated absences | | | | 19,633 | 17,074 | 15,706 | 21,001 | 16,801 |
| Total - Tax Increment Finance Authority | | | | 21,534,633 | 17,074 | 995,706 | 20,556,001 | 1,031,801 |
| Downtown Development Authority: | | | | | | | | |
| General obligation bonds - \$2,500,000 | 2.00%-3.80% | 2014 | \$205,000-\$235,000 | 1,060,000 | - | 195,000 | 865,000 | 205,000 |
| General obligation bonds - \$3,400,000 | 2.50%-3.60% | 2015 | \$340,000-\$385,000 | 2,150,000 | - | 335,000 | 1,815,000 | 340,000 |
| Compensated absences | | | | 3,634 | 5,901 | 2,907 | 6,628 | 5,302 |
| Total - Downtown Development Authority | | | | 3,213,634 | 5,901 | 532,907 | 2,686,628 | 550,302 |
| Total component units | | | | \$ 24,748,267 | \$ 22,975 | \$ 1,528,613 | \$ 23,242,629 | \$ 1,582,103 |

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

| Years Ending June 30 | Governmental Activities | | | Business-type Activities | | | Component Units | | |
|----------------------|-------------------------|------------|--------------|--------------------------|--------------|---------------|-----------------|--------------|---------------|
| | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2011 | \$ 846,773 | \$ 201,575 | \$ 1,048,348 | \$ 2,408,296 | \$ 908,119 | \$ 3,316,415 | \$ 1,560,000 | \$ 949,718 | \$ 2,509,718 |
| 2012 | 879,194 | 168,072 | 1,047,266 | 2,532,529 | 839,785 | 3,372,314 | 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 | 705,936 | 56,677 | 762,613 | 2,662,483 | 620,108 | 3,282,591 | 1,575,000 | 697,344 | 2,272,344 |
| 2016-2020 | 565,000 | 95,783 | 660,783 | 12,107,206 | 2,004,286 | 14,111,492 | 6,720,000 | 2,644,566 | 9,364,566 |
| 2021-2025 | 160,000 | 8,160 | 168,160 | 5,123,260 | 759,943 | 5,883,203 | 5,670,000 | 1,270,908 | 6,940,908 |
| 2026-2030 | - | - | - | 2,922,052 | 147,523 | 3,069,575 | 2,650,000 | 120,600 | 2,770,600 |
| 2031-2035 | - | - | - | 98,840 | - | 98,840 | - | - | - |
| Total | \$ 5,020,607 | \$ 758,383 | \$ 5,778,990 | \$ 33,128,393 | \$ 6,743,019 | \$ 39,871,412 | \$ 23,215,000 | \$ 8,164,589 | \$ 31,379,589 |

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, 2010, \$1,030,000 of bonds outstanding are considered defeased.

City of Romulus, Michigan

Notes to Financial Statements June 30, 2010

Note 9 - Long-term Debt (Continued)

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, 2010, \$3,735,000 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 |
|--|------------------|-----------------------------------|-------------------------|
| Reserved for drain maintenance | \$ 8,711 | \$ - | \$ - |
| Reserved for inventory | 32,194 | 168,559 | - |
| Reserved for PEG-related expenditures | - | 78,040 | - |
| Reserved for grants expenditures | - | 1,350,891 | - |
| Restricted for debt service | - | - | 6,437,850 |
| Total | <u>\$ 40,905</u> | <u>\$ 1,597,490</u> | <u>\$ 6,437,850</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.

Note 11 - Risk Management (Continued)

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 - Contingent Liabilities

Clean Water Act

The City has been named as a defendant in a lawsuit alleging violations of the Clean Water Act occurring in the downriver sewage treatment system. Several other communities, including Wayne County, were also named as defendants. Under the terms of the consent decree, the communities are required to undertake construction projects to expand the capacity of the system and eliminate any violations of the Clean Water Act. The estimated total cost of the project is approximately \$344,000,000, with the City's share estimated to be approximately \$47,000,000. The outstanding balance payable at June 30, 2010 was approximately \$21,200,000. 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, 2010 was approximately \$5,600,000. The bonds will be paid through sewer rates.

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. In another case, General Motors Co. is asserting the City has overvalued the properties. Since the Wayne County Airport Authority and General Motors Co. have 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.

Note 13 - Defined Benefit Pension Plan

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

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

Annual Pension Cost - For the year ended June 30, 2010, the City's annual pension cost of \$1,517,296 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2007 using the entry age cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return and (b) projected salary increases of 4.5 percent 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 percentage of payroll on a closed basis. The remaining amortization period is 28 years.

Three-year Trend Information

| | Fiscal Year Ended June 30 | | |
|-------------------------------|---------------------------|--------------|--------------|
| | 2010 | 2009 | 2008 |
| Annual pension cost (APC) | \$ 1,517,296 | \$ 1,429,400 | \$ 1,334,460 |
| Percentage of APC contributed | 100.0 % | 100.0 % | 100.0 % |
| Net pension obligation | - | - | - |

City of Romulus, Michigan

Notes to Financial Statements June 30, 2010

Note 13 - Defined Benefit Pension Plan (Continued)

| | Actuarial Valuation as of December 31 | | |
|--|---------------------------------------|---------------|---------------|
| | 2009 | 2008 | 2007 |
| Actuarial value of assets | \$ 18,990,578 | \$ 17,991,440 | \$ 17,031,725 |
| Actuarial accrued liability (AAL) (entry age) | 40,993,307 | 39,217,286 | 36,686,484 |
| Unfunded AAL (UAAL) | 22,002,729 | 21,225,846 | 19,654,759 |
| Funded ratio | 46.3 % | 45.9 % | 46.4 % |
| Covered payroll | 6,342,769 | 5,449,276 | 5,905,009 |
| UAAL as a percentage of covered payroll | 346.9 % | 389.5 % | 332.8 % |

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 contributed 9.5 percent of employees' gross earnings for non-union employees and 11 percent of employees' gross earnings for Teamsters and AFSCME employees during the year ended June 30, 2010. The City's percentage for Teamsters and AFSCME employees was increased to 11.5 percent of employees' gross earnings effective June 30, 2010. Employees contribute 0.5 percent to 1.0 percent of earnings. In accordance with these requirements, the City contributed \$626,277 during the current year and employees contributed \$127,011.

Note 15 - Other Postemployment Benefits

Plan Description - The City provides healthcare benefits to eligible employees and their spouses and dependents through the City of Romulus Retiree Health Care Plan. Currently, the plan has 325 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

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

City of Romulus, Michigan

Notes to Financial Statements June 30, 2010

Note 15 - Other Postemployment Benefits (Continued)

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, 2010, the City has 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 costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

| | |
|--|----------------------------|
| Annual required contribution (recommended) | \$ 2,520,396 |
| Interest on the prior year's net OPEB obligation | <u>76,038</u> |
| Annual OPEB cost | 2,596,434 |
| Amounts contributed - Advance funding | <u>(1,616,616)</u> |
| Increase in net OPEB obligation | 979,818 |
| OPEB obligation - Beginning of year | <u>950,473</u> |
| OPEB obligation - End of year | <u><u>\$ 1,930,291</u></u> |

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 | Actuarial Valuation Date | Annual Required Contribution | Annual OPEB Costs | Employer Contributions | | Net OPEB Obligation |
|----------------------|-----------------------------|------------------------------------|----------------------|-------------------------------------|---|------------------------|
| | | | | Percentage of ARC Contributed | Percentage OPEB Costs Contributed | |
| 6/30/09 | 6/30/07 | \$ 2,411,861 | \$ 2,411,861 | 55.2 % | 55.2 % | \$ 950,473 |
| 6/30/10 | 6/30/07 | 2,520,396 | 2,596,434 | 64.1 | 62.2 | 1,930,291 |

Note 15 - Other Postemployment Benefits (Continued)

The funding progress of the plan is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (Percent) (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll |
|-----------------------------|--|--|---------------------------------|---------------------------------|---------------------------|--|
| 6/30/07 | \$ 2,188,000 | \$ 32,275,721 | \$ 30,087,721 | 6.8 | \$ 12,935,421 | 232.6 |
| 6/30/09 | 2,891,009 | 48,005,400 | 45,114,391 | 6.0 | 12,435,976 | 362.8 |

Approximately \$4,400,000 of the actuarial accrued liability at June 30, 2009 relates to the 34th District Court.

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

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

In the June 30, 2009 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 6.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. Both rates included a 4.5 percent inflation assumption. The UAAL is being amortized as a level percentage of payroll. The remaining amortization period at June 30, 2009 was 30 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 \$2,529,074. 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 \$2,162,141 for operations of the system and \$2,697,087 for debt service. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future, except as discussed in Note 12. Financial statements for the joint venture can be obtained from the administrative offices at 415 Clifford, Detroit, MI 48226.

Note 17 - Upcoming Accounting Pronouncements

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned. The City is currently evaluating the impact this standard will have on the financial statements when adopted.

Required Supplemental Information

City of Romulus, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2010

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|-------------------------------|-----------------|-------------------|--------------|------------------------------------|
| Revenue | | | | |
| Property taxes | \$ 10,335,419 | \$ 10,335,419 | \$ 9,977,987 | \$ (357,432) |
| Licenses and permits | 782,350 | 782,350 | 669,819 | (112,531) |
| Federal sources | 18,500 | 347,172 | 25,601 | (321,571) |
| State sources | 3,864,108 | 3,864,108 | 3,556,037 | (308,071) |
| Charges for services | 1,892,657 | 1,892,657 | 1,719,907 | (172,750) |
| Fines and forfeitures | 3,000,000 | 3,000,000 | 2,529,074 | (470,926) |
| Interest income | 175,000 | 175,000 | 91,578 | (83,422) |
| Other | 385,500 | 385,500 | 369,510 | (15,990) |
| Total revenue | 20,453,534 | 20,782,206 | 18,939,513 | (1,842,693) |
| Expenditures - Current | | | | |
| General government: | | | | |
| City Council | 77,566 | 77,566 | 76,559 | 1,007 |
| Mayor | 440,918 | 443,568 | 443,181 | 387 |
| Finance department | 643,296 | 655,096 | 642,736 | 12,360 |
| Treasurer | 518,764 | 523,064 | 483,685 | 39,379 |
| Assessing | 540,241 | 544,716 | 491,000 | 53,716 |
| Board of Review | 1,777 | 1,777 | 1,400 | 377 |
| Clerk | 474,287 | 483,387 | 424,289 | 59,098 |
| Elections | 158,235 | 158,975 | 137,746 | 21,229 |
| Buildings and grounds | 2,327,882 | 2,387,724 | 2,121,891 | 265,833 |
| Attorney | 310,000 | 375,000 | 369,066 | 5,934 |
| Human resources | 316,646 | 317,846 | 299,734 | 18,112 |
| Nondepartmental | 448,321 | 359,890 | 356,823 | 3,067 |
| City-owned property | 18,500 | 18,500 | 13,498 | 5,002 |
| Cemetery | 122,157 | 123,597 | 89,428 | 34,169 |
| Tax tribunal refunds | 50,000 | 50,000 | 1,989 | 48,011 |
| Total general government | 6,448,590 | 6,520,706 | 5,953,025 | 567,681 |
| Public safety: | | | | |
| Police | 9,220,664 | 9,551,836 | 8,886,750 | 665,086 |
| Fire | 2,522,230 | 2,635,733 | 2,433,314 | 202,419 |
| Emergency preparedness | 97,455 | 99,025 | 78,452 | 20,573 |
| Building inspection | 1,184,968 | 1,175,185 | 1,066,994 | 108,191 |
| Planning and zoning | 265,441 | 271,929 | 226,789 | 45,140 |
| Total public safety | 13,290,758 | 13,733,708 | 12,692,299 | 1,041,409 |
| Public works: | | | | |
| Department of Public Works | 116,572 | 119,232 | 116,177 | 3,055 |
| Drains-at-large | 107,000 | 107,000 | 39,941 | 67,059 |
| Total public works | 223,572 | 226,232 | 156,118 | 70,114 |

City of Romulus, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2010

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|---|---------------------|---------------------|---------------------|------------------------------------|
| Expenditures - Current (Continued) | | | | |
| Health and welfare: | | | | |
| Ordinance | \$ 297,709 | \$ 298,619 | \$ 296,263 | \$ 2,356 |
| Animal control | 247,557 | 247,557 | 243,507 | 4,050 |
| Total health and welfare | 545,266 | 546,176 | 539,770 | 6,406 |
| Community and economic development: | | | | |
| Community and development | 21,694 | 21,694 | 20,605 | 1,089 |
| Community service | 14,950 | 14,950 | 14,319 | 631 |
| Public relations | 13,785 | 13,785 | 12,713 | 1,072 |
| Total community and economic development | 50,429 | 50,429 | 47,637 | 2,792 |
| Recreation and culture: | | | | |
| Library | 345,557 | 349,757 | 303,991 | 45,766 |
| Recreation | 956,440 | 959,580 | 899,117 | 60,463 |
| Historical | 700 | 700 | 674 | 26 |
| Senior services | 235,767 | 235,767 | 199,530 | 36,237 |
| Total recreation and culture | 1,538,464 | 1,545,804 | 1,403,312 | 142,492 |
| Total expenditures | 22,097,079 | 22,623,055 | 20,792,161 | 1,830,894 |
| Other Financing Uses | (1,643,545) | (1,840,849) | (1,852,648) | (11,799) |
| Other Financing Uses - Transfers out | (265,963) | (269,963) | (269,963) | - |
| Net Change in Fund Balance | (1,909,508) | (2,110,812) | (2,122,611) | (11,799) |
| Fund Balance - Beginning of year | 4,206,603 | 4,206,603 | 4,206,603 | - |
| Fund Balance - End of year | <u>\$ 2,297,095</u> | <u>\$ 2,095,791</u> | <u>\$ 2,083,992</u> | <u>\$ (11,799)</u> |

Other Supplemental Information

City of Romulus, Michigan

| Nonmajor Special Revenue Funds | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|---|
| | Major Streets | Local Streets | Cable TV | 911 | Sanitation | Community Development Block Grant |
| Assets | | | | | | |
| Cash and investments | \$ 94,928 | \$ 115,085 | \$ 131,244 | \$ 229,358 | \$ 157,276 | \$ 4,510 |
| Receivables: | | | | | | |
| Property taxes receivable | - | - | - | - | 210,128 | - |
| Special assessments receivable | - | - | - | - | - | - |
| Accounts receivable | 262 | 262 | 73,356 | 42,871 | - | - |
| Due from other governmental units | 234,674 | 61,380 | - | - | - | 45,783 |
| Inventories | 52,550 | 78,315 | 2,934 | - | 1,033 | - |
| Total assets | \$ 382,414 | \$ 255,042 | \$ 207,534 | \$ 272,229 | \$ 368,437 | \$ 50,293 |
| Liabilities and Fund Balances (Deficit) | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 70,150 | \$ 24,790 | \$ 15,172 | \$ 16,042 | \$ 81,363 | \$ 16,694 |
| Due to component units | - | - | - | - | 1,019 | - |
| Due to other funds | - | - | - | - | - | - |
| Accrued and other liabilities: | | | | | | |
| Accrued salaries and wages | 12,481 | 18,721 | 3,597 | - | 373 | - |
| Accrued and other liabilities | - | - | - | - | 86,438 | - |
| Advances from component units | - | - | - | - | - | - |
| Deferred revenue | - | - | - | - | 117,772 | 25,293 |
| Total liabilities | 82,631 | 43,511 | 18,769 | 16,042 | 286,965 | 41,987 |
| Fund Balances (Deficit) | | | | | | |
| Reserved | 52,550 | 78,315 | 80,974 | - | 1,033 | - |
| Unreserved, reported in: | | | | | | |
| Special Revenue Funds: | | | | | | |
| Designated | 239,763 | 106,407 | 35,593 | 19,393 | 52,721 | - |
| Undesignated | 7,470 | 26,809 | 72,198 | 236,794 | 27,718 | 8,306 |
| Debt Service Funds - | | | | | | |
| Undesignated | - | - | - | - | - | - |
| Capital Projects Funds - | | | | | | |
| Undesignated | - | - | - | - | - | - |
| Total fund balances (deficit) | 299,783 | 211,531 | 188,765 | 256,187 | 81,472 | 8,306 |
| Total liabilities and fund balances (deficit) | \$ 382,414 | \$ 255,042 | \$ 207,534 | \$ 272,229 | \$ 368,437 | \$ 50,293 |

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010**

| Nonmajor Special Revenue Funds | | | | | | |
|--------------------------------|--|--------------------------|-------------------------------|----------------------------------|---|--|
| Street Lighting | Merriman Road Special Assessment District | Narcotics Enforcement | Romulus Athletic Center | Nonmajor Debt Service Fund | Nonmajor Capital Projects Fund | Total Nonmajor Governmental Funds |
| \$ 8,760 | \$ 36,825 | \$ 1,375,519 | \$ 42,351 | \$ 1,025 | \$ 250,654 | \$ 2,447,535 |
| - | - | - | - | - | - | 210,128 |
| 45,259 | 3,819 | - | - | - | 926,021 | 975,099 |
| - | - | - | 18,914 | - | - | 135,665 |
| - | - | - | - | - | - | 341,837 |
| - | - | - | 33,727 | - | - | 168,559 |
| \$ 54,019 | \$ 40,644 | \$ 1,375,519 | \$ 94,992 | \$ 1,025 | \$ 1,176,675 | \$ 4,278,823 |
| \$ - | \$ 10,012 | \$ 24,628 | \$ 14,807 | \$ - | \$ - | \$ 273,658 |
| - | - | - | - | - | - | 1,019 |
| - | - | - | 92,353 | - | - | 92,353 |
| - | - | - | 44,044 | - | - | 79,216 |
| - | - | - | 33,107 | - | - | 119,545 |
| - | - | - | 455,609 | - | - | 455,609 |
| - | - | - | - | - | 902,177 | 1,045,242 |
| - | 10,012 | 24,628 | 639,920 | - | 902,177 | 2,066,642 |
| - | - | 1,350,891 | 33,727 | - | - | 1,597,490 |
| 15,080 | 18,318 | - | - | - | - | 487,275 |
| 38,939 | 12,314 | - | (578,655) | - | - | (148,107) |
| - | - | - | - | 1,025 | - | 1,025 |
| - | - | - | - | - | 274,498 | 274,498 |
| 54,019 | 30,632 | 1,350,891 | (544,928) | 1,025 | 274,498 | 2,212,181 |
| \$ 54,019 | \$ 40,644 | \$ 1,375,519 | \$ 94,992 | \$ 1,025 | \$ 1,176,675 | \$ 4,278,823 |

City of Romulus, Michigan

| | Special Revenue Funds | | | | | |
|--|-----------------------|-------------------|-------------------|-------------------|------------------|-----------------------------------|
| | Major Streets | Local Streets | Cable TV | 911 | Sanitation | Community Development Block Grant |
| Revenue | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ 900,749 | \$ - |
| Federal sources | 78,981 | - | - | - | - | 276,190 |
| State sources | 1,042,820 | 374,766 | - | 3,552 | - | - |
| Charges for services | - | - | - | - | - | - |
| Fines and forfeitures - State | - | - | - | - | - | - |
| Investment income | 6,117 | - | 884 | 1,913 | 1,948 | - |
| Other revenue | - | 6,635 | 283,631 | 78,506 | 3,260 | - |
| Total revenue | 1,127,918 | 381,401 | 284,515 | 83,971 | 905,957 | 276,190 |
| Expenditures - Current | | | | | | |
| General government | - | - | 224,782 | - | - | - |
| Public safety | - | - | - | 102,874 | - | - |
| Public works | 910,147 | 823,361 | - | - | 977,819 | - |
| Community and economic development | - | - | - | - | - | 264,828 |
| Recreation and culture | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - |
| Total expenditures | 910,147 | 823,361 | 224,782 | 102,874 | 977,819 | 264,828 |
| Excess of Revenue Over (Under) Expenditures | 217,771 | (441,960) | 59,733 | (18,903) | (71,862) | 11,362 |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | - | 507,000 | - | - | - | - |
| Transfers out | (666,795) | - | - | - | - | - |
| Total other financing sources (uses) | (666,795) | 507,000 | - | - | - | - |
| Net Change in Fund Balances | (449,024) | 65,040 | 59,733 | (18,903) | (71,862) | 11,362 |
| Fund Balances (Deficit) - Beginning of year | 748,807 | 146,491 | 129,032 | 275,090 | 153,334 | (3,056) |
| Fund Balances (Deficit) - End of year | \$ 299,783 | \$ 211,531 | \$ 188,765 | \$ 256,187 | \$ 81,472 | \$ 8,306 |

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2010**

| Special Revenue Funds | | | | Debt Service | Capital | |
|-----------------------|------------------|---------------------|---------------------|-----------------|-------------------|---------------------|
| Merriman | | | | Funds | Projects | Total |
| Street | Road Special | Narcotics | Romulus | Nonmajor | Nonmajor | Nonmajor |
| Lighting | Assessment | Enforcement | Athletic | Debt Service | Capital | Governmental |
| | District | | Center | Fund | Projects | Funds |
| | | | | | Fund | |
| \$ 399,936 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,300,685 |
| - | - | 335,913 | - | - | - | 691,084 |
| - | - | - | - | - | - | 1,421,138 |
| - | - | - | 1,184,496 | - | - | 1,184,496 |
| - | - | 530,356 | - | - | - | 530,356 |
| 838 | 306 | 10,627 | 648 | 2 | - | 23,283 |
| - | 69,326 | 25,975 | 636,303 | - | 137,374 | 1,241,010 |
| 400,774 | 69,632 | 902,871 | 1,821,447 | 2 | 137,374 | 6,392,052 |
| - | - | - | - | - | - | 224,782 |
| - | - | 990,557 | - | - | - | 1,093,431 |
| 460,175 | 74,829 | - | - | - | - | 3,246,331 |
| - | - | - | - | - | - | 264,828 |
| - | - | - | 1,896,864 | - | - | 1,896,864 |
| - | - | - | - | 265,963 | 299,403 | 565,366 |
| 460,175 | 74,829 | 990,557 | 1,896,864 | 265,963 | 299,403 | 7,291,602 |
| (59,401) | (5,197) | (87,686) | (75,417) | (265,961) | (162,029) | (899,550) |
| - | - | - | - | 265,963 | 159,795 | 932,758 |
| - | - | - | - | - | - | (666,795) |
| - | - | - | - | 265,963 | 159,795 | 265,963 |
| (59,401) | (5,197) | (87,686) | (75,417) | 2 | (2,234) | (633,587) |
| 113,420 | 35,829 | 1,438,577 | (469,511) | 1,023 | 276,732 | 2,845,768 |
| \$ 54,019 | \$ 30,632 | \$ 1,350,891 | \$ (544,928) | \$ 1,025 | \$ 274,498 | \$ 2,212,181 |

City of Romulus, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2010

| | 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 | \$ 431,535 | \$ 622,539 | \$ 259,763 | \$ 39,516 | \$ 1,353,353 |
| Inventories and prepaid expenses | 89,086 | 2,341 | - | - | 91,427 |
| Total current assets | 520,621 | 624,880 | 259,763 | 39,516 | 1,444,780 |
| Noncurrent assets - Capital assets | 2,128,840 | 52,523 | - | - | 2,181,363 |
| Total assets | 2,649,461 | 677,403 | 259,763 | 39,516 | 3,626,143 |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 10,523 | 7,544 | - | - | 18,067 |
| Accrued wages | 14,552 | 4,569 | - | - | 19,121 |
| Current portion of compensated absences | 12,848 | 17,597 | - | - | 30,445 |
| Total current liabilities | 37,923 | 29,710 | - | - | 67,633 |
| Noncurrent liabilities: | | | | | |
| Provision for compensated absences - Net of current portion | 3,212 | 4,399 | - | - | 7,611 |
| Other noncurrent liabilities - Greater than one year | 33,035 | 33,343 | - | - | 66,378 |
| Total noncurrent liabilities | 36,247 | 37,742 | - | - | 73,989 |
| Total liabilities | 74,170 | 67,452 | - | - | 141,622 |
| Net Assets | | | | | |
| Invested in capital assets - Net of related debt | 2,128,840 | 52,523 | - | - | 2,181,363 |
| Unrestricted | 446,451 | 557,428 | 259,763 | 39,516 | 1,303,158 |
| Total net assets | \$ 2,575,291 | \$ 609,951 | \$ 259,763 | \$ 39,516 | \$ 3,484,521 |

City of Romulus, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2010

| | 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 | \$ 1,399,446 | \$ 413,400 | \$ 582,280 | \$ - | \$ 2,395,126 |
| Other | 5,956 | 83 | 93,340 | - | 99,379 |
| Total operating revenue | 1,405,402 | 413,483 | 675,620 | - | 2,494,505 |
| Operating Expenses | | | | | |
| Cost of insurance claims | - | - | 553,769 | - | 553,769 |
| Cost of vehicle and equipment maintenance | 1,323,824 | - | - | - | 1,323,824 |
| Cost of computer and equipment maintenance | - | 433,530 | - | - | 433,530 |
| Depreciation | 389,798 | 37,238 | - | - | 427,036 |
| Total operating expenses | 1,713,622 | 470,768 | 553,769 | - | 2,738,159 |
| Operating (Loss) Income | (308,220) | (57,285) | 121,851 | - | (243,654) |
| Nonoperating Revenue (Expenses) | | | | | |
| Investment income | 1,037 | 4,421 | 2,139 | 330 | 7,927 |
| Gain (loss) on sale of assets | 5,675 | (112) | - | - | 5,563 |
| (Loss) Income - Before contributions | (301,508) | (52,976) | 123,990 | 330 | (230,164) |
| Transfers In | 4,000 | - | - | - | 4,000 |
| Change in Net Assets | (297,508) | (52,976) | 123,990 | 330 | (226,164) |
| Net Assets - Beginning of year | 2,872,799 | 662,927 | 135,773 | 39,186 | 3,710,685 |
| Net Assets - End of year | <u>\$ 2,575,291</u> | <u>\$ 609,951</u> | <u>\$ 259,763</u> | <u>\$ 39,516</u> | <u>\$ 3,484,521</u> |

City of Romulus, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2010

| | Vehicle and Equipment Fund | Computer and Equipment Fund | Property and Liability Self- insurance Fund | Long-term Disability Self- insurance Fund | Total |
|---|----------------------------------|--------------------------------------|--|--|---------------------|
| Cash Flows from Operating Activities | | | | | |
| Receipts from customers | \$ 1,406,657 | \$ 413,483 | \$ 675,620 | \$ - | \$ 2,495,760 |
| Payments to suppliers | (798,251) | (232,678) | - | - | (1,030,929) |
| Payments to employees | (568,473) | (182,442) | (553,769) | - | (1,304,684) |
| Net cash provided by (used in) operating activities | 39,933 | (1,637) | 121,851 | - | 160,147 |
| Cash Flows from Noncapital Financing Activities - | | | | | |
| Transfers in | 4,000 | - | - | - | 4,000 |
| Cash Flows from Capital and Related Financing Activities | | | | | |
| Proceeds from sales of capital assets | 13,075 | - | - | - | 13,075 |
| Purchase of capital assets | (290,235) | (25,116) | - | - | (315,351) |
| Net cash used in capital and related financing activities | (277,160) | (25,116) | - | - | (302,276) |
| Cash Flows from Investing Activities - Interest received on investments | | | | | |
| | 1,037 | 4,421 | 2,139 | 330 | 7,927 |
| Net (Decrease) Increase in Cash and Cash Equivalents | | | | | |
| | (232,190) | (22,332) | 123,990 | 330 | (130,202) |
| Cash and Cash Equivalents - Beginning of year | | | | | |
| | 663,725 | 644,871 | 135,773 | 39,186 | 1,483,555 |
| Cash and Cash Equivalents - End of year | | | | | |
| | <u>\$ 431,535</u> | <u>\$ 622,539</u> | <u>\$ 259,763</u> | <u>\$ 39,516</u> | <u>\$ 1,353,353</u> |
| Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities | | | | | |
| Operating (loss) income | \$ (308,220) | \$ (57,285) | \$ 121,851 | \$ - | \$ (243,654) |
| Adjustments to reconcile operating (loss) income to net cash from operating activities: | | | | | |
| Depreciation and amortization | 389,798 | 37,238 | - | - | 427,036 |
| (Gain) loss on sale of assets | (5,675) | 112 | - | - | (5,563) |
| Changes in assets and liabilities: | | | | | |
| Receivables | 1,255 | - | - | - | 1,255 |
| Inventories | (7,216) | (723) | - | - | (7,939) |
| Accounts payable | (15,664) | (2,609) | - | - | (18,273) |
| Accrued and other liabilities | (26,062) | (346) | - | - | (26,408) |
| Net OPEB obligation | 11,717 | 21,976 | - | - | 33,693 |
| Net cash provided by (used in) operating activities | <u>\$ 39,933</u> | <u>\$ (1,637)</u> | <u>\$ 121,851</u> | <u>\$ -</u> | <u>\$ 160,147</u> |

City of Romulus, Michigan

Other Supplemental Information Combining Statement of Assets and Liabilities Agency Funds June 30, 2010

| | Agency Funds | | | | | Total Agency Funds |
|--------------------------------------|---------------------|---------------------|---------------------|--|------------------|-----------------------|
| | Revolving Fund | General Tax Fund | Current Tax Fund | Delinquent Personal Property Tax Fund | Payroll Fund | |
| Assets | | | | | | |
| Cash and investments | \$ 1,811,700 | \$ 2,222 | \$ 4,935,271 | \$ 356,012 | \$ 63,616 | \$ 7,168,821 |
| Due from other governmental units | 500 | - | 126,396 | - | 3,060 | 129,956 |
| Total assets | <u>\$ 1,812,200</u> | <u>\$ 2,222</u> | <u>\$ 5,061,667</u> | <u>\$ 356,012</u> | <u>\$ 66,676</u> | <u>\$ 7,298,777</u> |
| Liabilities | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ 7,457 | \$ 7,457 |
| Due to other governmental units | - | - | 5,061,667 | 148,413 | - | 5,210,080 |
| Accrued and other liabilities | 1,812,200 | 2,222 | - | 207,599 | 59,219 | 2,081,240 |
| Total liabilities | <u>\$ 1,812,200</u> | <u>\$ 2,222</u> | <u>\$ 5,061,667</u> | <u>\$ 356,012</u> | <u>\$ 66,676</u> | <u>\$ 7,298,777</u> |

City of Romulus, Michigan

Other Supplemental Information Tax Increment Finance Authority Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2010

| | Modified Accrual | Full Accrual Adjustments | Full Accrual |
|--|---------------------|-----------------------------|----------------------|
| Assets | | | |
| Cash and investments | \$ 8,539,167 | \$ - | \$ 8,539,167 |
| Receivables: | | | |
| Property taxes receivable | 85,188 | - | 85,188 |
| Accrued interest receivable | 4,003 | - | 4,003 |
| Due from other governmental units | 28,332 | - | 28,332 |
| Advances to primary government | 455,609 | - | 455,609 |
| Other assets - Capitalized debt costs | - | 996,707 | 996,707 |
| Prepaid expenses | 4,932 | - | 4,932 |
| Capital assets not being depreciated | - | 3,183,991 | 3,183,991 |
| Capital assets being depreciated | - | 22,796,169 | 22,796,169 |
| | \$ 9,117,231 | \$ 26,976,867 | \$ 36,094,098 |
| Total assets | \$ 9,117,231 | \$ 26,976,867 | \$ 36,094,098 |
| Liabilities | | | |
| Accounts payable | \$ 1,162,901 | \$ - | \$ 1,162,901 |
| Retainage payable | 176,735 | - | 176,735 |
| Due to other governmental units | 1,183,506 | - | 1,183,506 |
| Payable to primary government | 246,108 | - | 246,108 |
| Accrued and other liabilities | 6,669 | - | 6,669 |
| Deferred revenue | 85,187 | (85,187) | - |
| Compensated absences due within one year | - | 16,801 | 16,801 |
| Compensated absences due in more than one year | - | 4,200 | 4,200 |
| Bond payable due within one year | - | 1,015,000 | 1,015,000 |
| Bonds payable due in more than one year | - | 19,520,000 | 19,520,000 |
| Net OPEB obligation | - | 24,332 | 24,332 |
| | 2,861,106 | 20,495,146 | 23,356,252 |
| Total liabilities | 2,861,106 | 20,495,146 | 23,356,252 |
| Equity | | | |
| Fund balance - Unreserved - Undesignated | 6,256,125 | (6,256,125) | |
| Net assets: | | | |
| Invested in capital assets - Net of related debt | | 5,445,160 | 5,445,160 |
| Unrestricted | | 7,292,686 | 7,292,686 |
| Total net assets | | 12,737,846 | 12,737,846 |
| Total liabilities and equity | \$ 9,117,231 | \$ 26,976,867 | \$ 36,094,098 |

City of Romulus, Michigan

Other Supplemental Information Tax Increment Finance Authority Statement of Government Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2010

| | Modified Accrual | Full Accrual Adjustments | Full Accrual |
|--|---------------------|-----------------------------|----------------------|
| Revenue | | | |
| Property taxes | \$ 4,652,400 | \$ 85,187 | \$ 4,737,587 |
| Interest income and other | 64,471 | - | 64,471 |
| Total revenue | 4,716,871 | 85,187 | 4,802,058 |
| Expenditures | | | |
| Capital outlay | 3,507,958 | (165,716) | 3,342,242 |
| Debt service | 1,886,935 | (980,000) | 906,935 |
| Depreciation | - | 589,701 | 589,701 |
| Administration and other | 989,341 | 29,487 | 1,018,828 |
| Total expenditures | 6,384,234 | (526,528) | 5,857,706 |
| Excess of Expenditures Over Revenue/ Change in Net Assets | (1,667,363) | 611,715 | (1,055,648) |
| Fund Balance/Net Assets - Beginning of year | 7,923,488 | 5,870,006 | 13,793,494 |
| Fund Balance/Net Assets - End of year | \$ 6,256,125 | \$ 6,481,721 | \$ 12,737,846 |