

# **City of Romulus, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2011**

# 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 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, 2011, 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, 2011 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not 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 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 20, 2011 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.

During the year, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Note 17. As a result of this required implementation, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB Statement No. 54.

*Plante & Moran, PLLC*

December 20, 2011

# City of Romulus, Michigan

## Management's Discussion and Analysis

The following discussion and analysis of the City of Romulus, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the City's financial statements.

### Financial Highlights

The following represents the most significant financial highlights for the year ended June 30, 2011:

- Total revenue within the General Fund decreased by \$1,509,720, a decrease of 8.0 percent. Decreases were reflected in every revenue category except licenses and permits and state and federal sources.
- Property taxes are the City's single largest source of revenue. The City's tax revenue for fiscal year 2010/2011 was \$9,210,071, which represents a decrease of \$767,916 or 7.7 percent. Considering the current economic crisis within the state of Michigan, it is expected that the City will sustain a loss in tax revenue in future tax years.
- The 2010 census resulted in a retroactive increase in state revenue sharing of \$50,001 for the City; however, the State of Michigan has replaced statutory revenue sharing with the "Economic Vitality Incentive Program" (EVIP) which will be reduced by approximately 1/3 and will require the City to compete for the remaining \$200 million (statewide) by demonstrating best practices through transparency, service sharing, and employee benefit reductions. It is the City's intent to qualify for these incentives. It is unknown if this program will continue in future years.
- There was a reduction of \$819,137 in fines and forfeitures. This can be attributed to both a decrease in tickets issued and a reduction in staffing of the traffic control unit.
- Due to the loss of principal, investment income within the General Fund decreased by \$56,834 or 62.1 percent. Any future decreases in the General Fund's fund balance will only escalate this revenue loss.
- In the current fiscal year, licenses and permits increased by \$143,324 or 21.4 percent. This increase can be attributed to an increase in building permits and certifications. Although a positive sign, this revenue is still under 2005/2006 levels by almost \$1 million.
- Total expenditures and transfers out within the General Fund decreased \$3,114,240, a decrease of 14.8 percent. This decline in expenditures can be mainly attributed to reductions in staffing.
- Road funding through the State of Michigan's gas tax has slightly increased in fiscal year 2010/2011; the fund balances in the Major and Local Streets Funds have increased as well to \$499,438 and \$266,088, respectively. The City continues to take advantage of federal and state grant funding programs when available.

# City of Romulus, Michigan

## Management's Discussion and Analysis (Continued)

- The Romulus Athletic Center (the "Center") reduced its deficit by \$59,160. Due to future budgeted rental revenue reductions, it may be difficult for the Center to maintain this trend.
- The Vehicle and Equipment Fund's unrestricted net assets have increased by approximately 31 percent to \$585,000. Essentially, with this level of unrestricted net assets, the City only has adequate funds available for minimal investment in capital assets.

### Using this Annual Report

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

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

### The City as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2011 and 2010 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Assets</b>						
Current assets	\$ 9,934	\$ 11,057	\$ 14,968	\$ 14,838	\$ 24,902	\$ 25,895
Capital assets	63,724	62,693	61,643	63,265	125,367	125,958
Total assets	73,658	73,750	76,611	78,103	150,269	151,853
<b>Liabilities</b>						
Current liabilities	3,983	4,337	4,250	3,987	8,233	8,324
Long-term liabilities	7,125	6,195	28,424	30,879	35,549	37,074
Total liabilities	11,108	10,532	32,674	34,866	43,782	45,398
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	59,550	57,672	30,499	30,809	90,049	88,481
Restricted	2,728	3,810	6,239	6,438	8,967	10,248
Unrestricted	272	1,736	7,199	5,990	7,471	7,726
Total net assets	<u>\$ 62,550</u>	<u>\$ 63,218</u>	<u>\$ 43,937</u>	<u>\$ 43,237</u>	<u>\$ 106,487</u>	<u>\$ 106,455</u>

# City of Romulus, Michigan

## Management's Discussion and Analysis (Continued)

The City's combined net assets increased by \$32,000. The net assets of the governmental activities decreased by approximately \$668,000 or 1.1 percent and business-type activities increased by \$700,000 or 1.6 percent. The decrease in the governmental activities net assets was primarily related to the write-off of uncollectible delinquent personal property taxes. The increase in business-type activities net assets primarily relates to the addition of the fixed water charge.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Net Assets - Beginning of year</b>	\$ 63,218	\$ 66,472	\$ 43,237	\$ 42,369	\$ 106,455	\$ 108,841
<b>Revenue</b>						
Program revenue:						
Charges for services	5,615	6,257	9,809	8,812	15,424	15,069
Operating grants and contributions	2,822	3,105	-	-	2,822	3,105
Capital grants and contributions	5,705	3,399	114	563	5,819	3,962
General revenue:						
Property taxes:						
City	8,408	9,963	-	-	8,408	9,963
Sanitation	779	901	-	-	779	901
Street lighting	446	400	-	-	446	400
EPA	-	-	2,299	2,401	2,299	2,401
State-shared revenue	3,354	3,354	-	-	3,354	3,354
Unrestricted investment earnings	45	114	45	28	90	142
Transfers	160	-	(160)	-	-	-
Miscellaneous revenue	854	703	1	-	855	703
<b>Total revenue</b>	<b>28,188</b>	<b>28,196</b>	<b>12,108</b>	<b>11,804</b>	<b>40,296</b>	<b>40,000</b>
<b>Program Expenses</b>						
General government	5,071	6,105	-	-	5,071	6,105
Public safety	13,740	14,337	-	-	13,740	14,337
Public works	6,875	6,835	-	-	6,875	6,835
Health and welfare	459	540	-	-	459	540
Community and economic development	18	53	-	-	18	53
Recreation and cultural	2,499	3,367	-	-	2,499	3,367
Interest on long-term debt	194	213	-	-	194	213
Water and sewer	-	-	11,408	10,936	11,408	10,936
<b>Total program expenses</b>	<b>28,856</b>	<b>31,450</b>	<b>11,408</b>	<b>10,936</b>	<b>40,264</b>	<b>42,386</b>
<b>Change in Net Assets</b>	<b>(668)</b>	<b>(3,254)</b>	<b>700</b>	<b>868</b>	<b>32</b>	<b>(2,386)</b>
<b>Net Assets - End of year</b>	<b>\$ 62,550</b>	<b>\$ 63,218</b>	<b>\$ 43,937</b>	<b>\$ 43,237</b>	<b>\$ 106,487</b>	<b>\$ 106,455</b>

### Governmental Activities

The City's total governmental revenue decreased by approximately \$8,000, primarily due to the write-off of uncollectible personal property taxes offset by revenue increases in other funds.

Total program expenses decreased by \$2,594,000 primarily due to reductions in staffing.

# **City of Romulus, Michigan**

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

### **Business-type Activities**

The City's business-type activities consist of the Water and Sewer Fund. We provide water to residents from the Detroit water system. We provide sewage treatment through Wayne County Downriver Sewage Disposal System and Rouge Valley Sewage Disposal System. The operating loss in fiscal year 2010/2011 was \$820,060. A portion of this was related to a decline of usage by several significant customers.

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

The analysis of the City's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The City's major funds for 2011 include the General Fund and the Water and Sewer Fund. The Water and Sewer Fund is described above.

The General Fund pays for most of the City's governmental services. The most noteworthy are police and fire, which incurred expenses of approximately \$10.4 million in 2011. Additionally, the building and grounds department is significant in that it contains 8.4 percent of the total General Fund expenditures.

### **General Fund Budgetary Highlights**

Due to a significant decline in revenue, fund balance decreased by 24.9 percent to \$1,565,901, reflecting the State's current economic downturn and the recent increase in mortgage foreclosures and bankruptcies. In addition, expenditures in legacy costs have continued to rise and tax revenue from personal property is at risk; therefore, it must be understood that we must continue to actively pursue cost-cutting measures and enhance revenue in order to maintain a positive fund balance. Without additional revenue, it is most certain that City services will need to be reduced.

Although most revenue categories were under expectations, the most significant budget variances were mainly related to fines and forfeitures and property tax revenue.

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

Capital projects included the reconstruction of Goddard Road Water Main from Inkster to Middlebelt. The City also contributed a 20 percent match for the Wayne County Wayne Road repaving project from Goddard to Wick. The City opened the new 5,800 square foot animal shelter in spring 2011. The City constructed a 40x80 foot picnic pavilion at the historic park utilizing a \$130,000 grant through the Wayne County Department of Recreation. The Downtown Development Authority contributed \$46,000 toward this project. The City did not issue debt for these projects.

# **City of Romulus, Michigan**

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

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

Without additional revenue enhancement, staffing reductions may be required in order to maintain a balanced budget. Additional declines in City revenue will materially impair our ability to provide City services in the future. Together, the deteriorating state and local economies are having a significant negative impact on our City.

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

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

# City of Romulus, Michigan

## Statement of Net Assets June 30, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments	\$ 6,608,184	\$ 5,368,885	\$ 11,977,069	\$ 2,685,668
Receivables - Net	2,512,915	2,465,367	4,978,282	205,224
Accounts receivable from component units (Note 6)	246,108	-	246,108	-
Advances to primary government (Note 6)	-	-	-	474,260
Inventories	394,652	75,709	470,361	-
Prepaid costs and other assets	172,325	-	172,325	5,316
Restricted assets (Note 7)	-	6,903,997	6,903,997	-
Capital assets - Net (Note 5):				
Assets not being depreciated	6,282,203	153,539	6,435,742	4,380,736
Assets being depreciated	57,441,344	61,496,109	118,937,453	22,446,465
Other assets	-	147,114	147,114	927,827
<b>Total assets</b>	<b>73,657,731</b>	<b>76,610,720</b>	<b>150,268,451</b>	<b>31,125,496</b>
<b>Liabilities</b>				
Accounts payable	441,116	831,369	1,272,485	224,795
Retainage payable	-	-	-	5,000
Due to other governmental units	292,510	-	292,510	1,184,574
Accounts payable to primary government (Note 6)	-	-	-	246,108
Customer deposits payable	-	89,534	89,534	-
Accrued liabilities and other	1,384,431	694,208	2,078,639	1,153,570
Advances from component units (Note 6)	474,260	-	474,260	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences due within one year (Note 9)	510,385	110,860	621,245	23,365
Debt obligations due within one year (Note 9)	879,194	2,524,214	3,403,408	1,615,000
Due in more than one year:				
Compensated absences due in more than one year (Note 9)	251,140	27,715	278,855	5,841
Net OPEB obligation (Note 14)	3,579,699	373,918	3,953,617	73,610
Debt obligations due in more than one year (Note 9)	3,294,641	28,022,257	31,316,898	20,040,000
<b>Total liabilities</b>	<b>11,107,376</b>	<b>32,674,075</b>	<b>43,781,451</b>	<b>24,571,863</b>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	59,549,712	30,499,150	90,048,862	7,307,201
Restricted for:				
Roads	794,012	-	794,012	-
Debt service	-	6,238,130	6,238,130	-
Police	1,690,211	-	1,690,211	-
Grants	33,879	-	33,879	-
PEG fees	195,201	-	195,201	-
Street lighting	13,572	-	13,572	-
Cemetery operations	1,455	-	1,455	-
Unrestricted	272,313	7,199,365	7,471,678	(753,568)
<b>Total net assets</b>	<b>\$ 62,550,355</b>	<b>\$ 43,936,645</b>	<b>\$ 106,487,000</b>	<b>\$ 6,553,633</b>

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	\$ 5,071,148	\$ 1,113,696	\$ -	\$ -
Public safety	13,739,561	2,021,457	859,127	33,017
Public works	6,875,056	993,308	1,571,422	5,671,639
Health and welfare	458,665	-	-	-
Community and economic development	17,792	-	-	-
Recreation and culture	2,499,002	1,486,825	391,849	-
Interest on long-term debt	193,966	-	-	-
Total governmental activities	28,855,190	5,615,286	2,822,398	5,704,656
Business-type activities - Water and sewer	11,408,583	9,809,135	-	114,095
Total primary government	<u>\$ 40,263,773</u>	<u>\$ 15,424,421</u>	<u>\$ 2,822,398</u>	<u>\$ 5,818,751</u>
Component units:				
Tax Increment Financing Authority	\$ 7,713,370	\$ -	\$ -	\$ 87,077
Downtown Development Authority	380,903	-	-	212,000
Total component units	<u>\$ 8,094,273</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 299,077</u>
General revenue:				
Property taxes				
State-shared revenue				
Unrestricted investment earnings				
Miscellaneous				
Gain on sale of fixed assets				
Total general revenue				
<b>Transfers</b>				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year</b>				
<b>Net Assets - End of year</b>				

**Statement of Activities  
Year Ended June 30, 2011**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (3,957,452)	\$ -	\$ (3,957,452)	\$ -
(10,825,960)	-	(10,825,960)	-
1,361,313	-	1,361,313	-
(458,665)	-	(458,665)	-
(17,792)	-	(17,792)	-
(620,328)	-	(620,328)	-
(193,966)	-	(193,966)	-
(14,712,850)	-	(14,712,850)	-
-	(1,485,353)	(1,485,353)	-
(14,712,850)	(1,485,353)	(16,198,203)	-
-	-	-	(7,626,293)
-	-	-	(168,903)
-	-	-	(7,795,196)
9,632,607	2,298,894	11,931,501	3,432,435
3,354,170	-	3,354,170	-
44,563	45,193	89,756	-
853,883	-	853,883	83,226
-	519	519	-
13,885,223	2,344,606	16,229,829	3,515,661
159,589	(159,589)	-	-
(668,038)	699,664	31,626	(4,279,535)
63,218,393	43,236,981	106,455,374	10,833,168
<b>\$ 62,550,355</b>	<b>\$ 43,936,645</b>	<b>\$ 106,487,000</b>	<b>\$ 6,553,633</b>

# City of Romulus, Michigan

## Governmental Funds Balance Sheet June 30, 2011

	General Fund	Nonmajor Governmental Funds	Total
<b>Assets</b>			
Cash and investments	\$ 2,319,112	\$ 2,735,784	\$ 5,054,896
Receivables - Net	1,897,098	1,432,817	3,329,915
Accounts receivable from component units (Note 6)	246,108	-	246,108
Due from other funds (Note 6)	92,353	-	92,353
Inventory	23,225	268,077	291,302
Prepaid expenses and other assets	172,325	-	172,325
Total assets	<u>\$ 4,750,221</u>	<u>\$ 4,436,678</u>	<u>\$ 9,186,899</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 215,170	\$ 182,405	\$ 397,575
Due to other governmental units	292,510	-	292,510
Due to other funds (Note 6)	-	92,353	92,353
Accrued and other liabilities	1,230,949	144,625	1,375,574
Advances from component units (Note 6)	-	474,260	474,260
Deferred revenue (Note 4)	1,445,691	944,995	2,390,686
Total liabilities	3,184,320	1,838,638	5,022,958
<b>Fund Balances</b>			
Nonspendable - Inventory and prepaids	195,550	268,077	463,627
Restricted:			
Roads	-	555,796	555,796
Police	-	1,690,211	1,690,211
Grants	-	27,461	27,461
PEG fees	-	195,201	195,201
Street lighting	-	13,572	13,572
Cemetery operations	-	1,455	1,455
Assigned:			
Subsequent year's budget	718,929	30,420	749,349
Cable television operations	-	84,008	84,008
Debt service	-	276,444	276,444
Library operations	1,350	-	1,350
Unassigned	650,072	(544,605)	105,467
Total fund balances	<u>1,565,901</u>	<u>2,598,040</u>	<u>4,163,941</u>
Total liabilities and fund balances	<u>\$ 4,750,221</u>	<u>\$ 4,436,678</u>	<u>\$ 9,186,899</u>

# City of Romulus, Michigan

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets June 30, 2011

<b>Fund Balance Reported in Governmental Funds</b>	\$ 4,163,941
Capital assets used in governmental activities are not financial resources and are not reported in the funds	61,846,790
Delinquent property tax receivables are expected to be collected over several years and are not available to pay for current year expenditures	422,825
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	819,935
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	330,926
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(4,173,835)
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	(724,664)
Net OPEB obligation does not present a claim on current financial resources and is not reported as fund liabilities	(3,449,775)
Internal service funds are included as part of governmental activities	<u>3,314,212</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 62,550,355</u></b>

# City of Romulus, Michigan

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2011

	General Fund	Nonmajor Governmental Funds	Total
<b>Revenue</b>			
Property taxes	\$ 9,210,071	\$ 1,303,356	\$ 10,513,427
Licenses and permits	813,143	-	813,143
Federal sources	150,905	695,748	846,653
Intergovernmental revenue	3,639,084	1,444,454	5,083,538
Charges for services	1,507,413	1,399,506	2,906,919
Fines and forfeitures	1,709,937	153,293	1,863,230
Investment income	34,744	9,945	44,689
Other	364,496	1,294,241	1,658,737
Total revenue	17,429,793	6,300,543	23,730,336
<b>Expenditures</b>			
Current:			
General government	5,130,660	190,191	5,320,851
Public safety	11,383,031	718,294	12,101,325
Public works	143,967	2,800,427	2,944,394
Health and welfare	458,665	-	458,665
Community and economic development	13,095	261,304	274,399
Recreation and culture	554,190	1,813,580	2,367,770
Debt service	-	554,753	554,753
Total expenditures	17,683,608	6,338,549	24,022,157
<b>Excess of Expenditures Over Revenue</b>	(253,815)	(38,006)	(291,821)
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	623,865	623,865
Transfers out	(264,276)	(200,000)	(464,276)
Total other financing (uses) sources	(264,276)	423,865	159,589
<b>Net Change in Fund Balances</b>	(518,091)	385,859	(132,232)
<b>Fund Balances - Beginning of year</b>	2,083,992	2,212,181	4,296,173
<b>Fund Balances - End of year</b>	\$ 1,565,901	\$ 2,598,040	\$ 4,163,941

# 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, 2011**

**Net Change in Fund Balances - Total Governmental Funds** \$ (132,232)

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	347,186
Depreciation expense	(4,616,109)
Capital contributions from TIFA and outside developers	5,604,647

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	(994,164)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	846,772
---	---------

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	205,096
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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	(1,758,925)
--	-------------

Internal service funds are included as part of governmental activities	<u>(170,309)</u>
--	------------------

**Change in Net Assets of Governmental Activities** \$ (668,038)

# City of Romulus, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2011

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,368,885	\$ 1,553,288
Receivables - Net	2,465,367	-
Inventories	75,709	103,350
Total current assets	7,909,961	1,656,638
Noncurrent assets:		
Restricted assets	6,903,997	-
Capital assets:		
Assets not subject to depreciation	153,539	-
Assets subject to depreciation	61,496,109	1,876,757
Other assets	147,114	-
Total noncurrent assets	68,700,759	1,876,757
Total assets	76,610,720	3,533,395
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	831,369	43,541
Customer deposits payable	89,534	-
Accrued and other liabilities	694,208	8,857
Current portion of compensated absences	110,860	29,489
Current portion of long-term debt	2,524,214	-
Total current liabilities	4,250,185	81,887
Noncurrent liabilities:		
Provision for compensated absences - Net of current portion	27,715	7,372
Net OPEB obligation	373,918	129,924
Long-term debt - Net of current portion	28,022,257	-
Total noncurrent liabilities	28,423,890	137,296
Total liabilities	32,674,075	219,183
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	30,499,150	1,876,757
Restricted	6,238,130	-
Unrestricted	7,199,365	1,437,455
Total net assets	<b>\$ 43,936,645</b>	<b>\$ 3,314,212</b>

# City of Romulus, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2011

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
<b>Operating Revenue</b>		
Charges for services	\$ 9,517,167	\$ 2,295,028
Other charges for services	97,906	49,970
Total operating revenue	9,615,073	2,344,998
<b>Operating Expenses</b>		
Cost of water	2,424,536	-
Cost of sewage treatment	2,122,359	-
Insurance	103,860	580,445
Cost of vehicle and equipment maintenance	-	1,241,263
Cost of computer and equipment maintenance	-	360,607
Salaries and fringes	2,308,453	-
Administrative and other	1,624,650	-
Depreciation	1,851,275	337,076
Total operating expenses	10,435,133	2,519,391
<b>Operating Loss</b>	(820,060)	(174,393)
<b>Nonoperating Revenue (Expenses)</b>		
Property taxes	2,298,894	-
Investment income	45,193	4,084
Interest expense	(973,450)	-
Gain on disposal of assets	519	-
Debt service charge	16,070	-
Adjustments to joint venture debt balance	177,992	-
Total nonoperating revenue	1,565,218	4,084
<b>Income (Loss) - Before contributions and transfers</b>	745,158	(170,309)
<b>Capital Contributions - Other capital contributions</b>	114,095	-
<b>Transfers Out</b>	(159,589)	-
<b>Increase (Decrease) in Net Assets</b>	699,664	(170,309)
<b>Net Assets - Beginning of year</b>	43,236,981	3,484,521
<b>Net Assets - End of year</b>	\$ 43,936,645	\$ 3,314,212

# City of Romulus, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2011

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 10,176,843	\$ 2,344,998
Payments to suppliers	(6,100,330)	(1,542,104)
Payments to employees	(2,085,996)	(574,573)
	1,990,517	228,321
<b>Cash Flows from Noncapital Financing Activities -</b>		
Transfers to other funds	(159,589)	-
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from sales of capital assets	3,220	-
Proceeds from property tax levy - Restricted for debt service	2,482,760	-
Purchase of capital assets	(124,199)	(32,470)
Principal and interest paid on capital debt	(852,438)	-
Debt service charge	16,070	-
Payments to County from the Debt Service Fund	(2,524,942)	-
	(999,529)	(32,470)
<b>Cash Flows from Investing Activities - Investment income</b>	45,193	4,084
<b>Net Increase in Cash and Cash Equivalents</b>	876,592	199,935
<b>Cash and Cash Equivalents - Beginning of year</b>	11,396,290	1,353,353
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 12,272,882</b>	<b>\$ 1,553,288</b>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>		
Cash and investments	\$ 5,368,885	\$ 1,553,288
Restricted cash	6,903,997	-
	<b>\$ 12,272,882</b>	<b>\$ 1,553,288</b>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
Operating loss	\$ (820,060)	\$ (174,393)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	1,851,275	337,076
Amortization of bond issuance costs	9,808	-
Changes in assets and liabilities:		
Receivables	561,770	-
Inventories	(1,821)	(11,923)
Accounts payable	167,088	25,474
Accrued and other liabilities	(12,972)	(11,459)
Net OPEB obligation	235,429	63,546
	<b>\$ 1,990,517</b>	<b>\$ 228,321</b>

**Noncash Capital and Related Financing Activities** - During the year, \$114,095 of water and sewer lines was donated to the City by developers and other governmental units. In addition, the debt balance associated with the Downriver Sewage Disposal System joint venture was adjusted by \$177,992 through nonoperating revenue.

# City of Romulus, Michigan

## Fiduciary Funds Statement of Fiduciary Net Assets June 30, 2011

	Other Employee Benefits Trust Retirees' Insurance Benefits Fund	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,251,563	\$ 2,400,459
Investments:		
U.S. government securities	214,535	-
Common stock	860,095	-
Corporate bonds and notes	261,082	-
Mutual funds	57,588	-
Asset-backed securities	39,016	-
Accounts receivable	2,170	134,145
Prepaid expenses	165,568	-
	<u>2,851,617</u>	<u>\$ 2,534,604</u>
Total assets		
<b>Liabilities</b>		
Accounts payable	3,092	\$ 229,702
Due to other governmental units	-	170,328
Accrued and other liabilities	-	2,134,574
	<u>3,092</u>	<u>\$ 2,534,604</u>
Total liabilities		
<b>Net Assets Held in Trust for Other Postemployment Benefits</b>		<u><b>\$ 2,848,525</b></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, 2011

<b>Additions</b>	
Investment income	\$ 236,420
Contributions:	
Employer	1,160,212
Employee	<u>76,504</u>
Total contributions	<u>1,236,716</u>
Total additions - Net	1,473,136
<b>Deductions - Benefit payments</b>	<u>1,958,707</u>
<b>Net Decrease in Net Assets Held in Trust</b>	(485,571)
<b>Net Assets Held in Trust for Other Postemployment Benefits - Beginning of year</b>	<u>3,334,096</u>
<b>Net Assets Held in Trust for Other Postemployment Benefits - End of year</b>	<u><u>\$ 2,848,525</u></u>

# City of Romulus, Michigan

## Component Units Statement of Net Assets (Deficit) June 30, 2011

	Tax Increment Finance Authority	Downtown Development Authority	Total
<b>Assets</b>			
Cash and investments	\$ 2,382,996	\$ 302,672	\$ 2,685,668
Receivables:			
Property taxes receivable	98,069	13,079	111,148
Accrued interest receivable	17,208	-	17,208
Due from other governmental units	76,868	-	76,868
Advances to primary government (Note 6)	474,260	-	474,260
Prepaid expenses and other assets	3,761	1,555	5,316
Capital assets (Note 5):			
Assets not subject to depreciation	4,065,262	315,474	4,380,736
Assets subject to depreciation	22,203,501	242,964	22,446,465
Other assets	927,827	-	927,827
Total assets	30,249,752	875,744	31,125,496
<b>Liabilities</b>			
Accounts payable	156,815	67,980	224,795
Retainage payable	5,000	-	5,000
Due to other governmental units	1,183,506	1,068	1,184,574
Payable to primary government (Note 6)	246,108	-	246,108
Accrued and other liabilities	1,094,349	59,221	1,153,570
Due within one year:			
Compensated absences (Note 9)	17,125	6,240	23,365
Current portion of long-term debt (Note 9)	1,055,000	560,000	1,615,000
Due in more than one year:			
Compensated absences (Note 9)	4,281	1,560	5,841
Net OPEB obligation	45,997	27,613	73,610
Long-term debt (Note 9)	18,465,000	1,575,000	20,040,000
Total liabilities	22,273,181	2,298,682	24,571,863
<b>Net Assets (Deficit)</b>			
Invested in capital assets - Net of related debt	6,748,763	558,438	7,307,201
Unrestricted	1,227,808	(1,981,376)	(753,568)
Total net assets (deficit)	\$ 7,976,571	\$ (1,422,938)	\$ 6,553,633

# 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	\$ 6,728,853	\$ -	\$ -	\$ 87,077
Recreation and culture	984,517	-	-	-
Total Tax Increment Finance Authority	7,713,370	-	-	87,077
Downtown Development Authority -				
Public works	380,903	-	-	212,000
Total component units	<b>\$ 8,094,273</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 299,077</b>
General revenue:				
Property taxes				
Interest income and other				
Total general revenue				
<b>Change in Net Assets (Deficit)</b>				
<b>Net Assets (Deficit) - Beginning of year</b>				
<b>Net Assets (Deficit) - End of year</b>				

**Component Units  
Statement of Activities  
Year Ended June 30, 2011**

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Tax Increment Finance Authority</u>	<u>Downtown Development Authority</u>	<u>Total</u>
\$ (6,641,776)	\$ -	\$ (6,641,776)
(984,517)	-	(984,517)
(7,626,293)	-	(7,626,293)
-	(168,903)	(168,903)
(7,626,293)	(168,903)	(7,795,196)
2,790,435	642,000	3,432,435
74,583	8,643	83,226
2,865,018	650,643	3,515,661
(4,761,275)	481,740	(4,279,535)
12,737,846	(1,904,678)	10,833,168
<b>\$ 7,976,571</b>	<b>\$ (1,422,938)</b>	<b>\$ 6,553,633</b>

### **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, 2011.

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 15.

#### **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 30-60 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; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City reports the following major governmental fund:

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

**Internal Service Funds** - 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.

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

**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. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the City's policy to spend funds in this order: committed, assigned, and unassigned.

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 2010 taxable valuation of the City totaled \$1,168,720,874, on which ad valorem taxes levied consisted of 9.4063 mills for the City's operating purposes, .9500 mills for sanitation, and 1.5460 mills for an EPA judgment levy. The ad valorem taxes levied (net of tax captures) raised approximately \$8.8 million for operations, \$0.9 million for sanitation, and \$1.7 million for the EPA judgment levy. These amounts are recognized in the respective General Fund, Special Revenue Fund, and Water and Sewer Fund financial statements as tax revenue.

#### **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. 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 1 - 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 I - 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 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 on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned. The City implemented GASB Statement No. 54 during the year.

In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable** - Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted** - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed** - Amounts that have been formally set aside by the City Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Council.
- **Assigned** - Intent to spend resources on specific purposes expressed by the City Council or finance director, who is authorized by resolution approved by the City Council to make assignments.

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

- Unassigned - Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

**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.

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:

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

1. In February, the mayor holds a meeting with all departments. At this time, the finance department provides the necessary budget materials with instructions and discusses intended strategies.
2. In March, the mayor and the finance director hold meetings with each department to review proposed spending and activities. Working with the finance director, alternative approaches are sought to provide better services and reduce costs. Departmental recommendations are refined by the mayor according to overall City needs and estimated available revenue.
3. The City Charter provides that the mayor must submit his 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.

Budget appropriations lapse at year end; encumbrances are not included as expenditures. Encumbrances outstanding of \$604,896 at June 30, 2011 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:

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

- 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, 2011.

**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, 2010		\$ (2,865,851)
Current year building permit revenue		567,602
Related expenses:		
Direct costs	\$ 955,061	
Estimated indirect costs	<u>85,799</u>	
Total construction code expenses		<u>1,040,860</u>
Current year shortfall		<u>(473,258)</u>
Cumulative shortfall at June 30, 2011		<u>\$ (3,339,109)</u>

**Fund Deficits** - There was a fund deficit in the Romulus Athletic Center Fund of \$485,768 at June 30, 2011. There was also a fund deficit in the Sanitation Fund of \$26,486 at June 30, 2011. 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 10 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 \$8,837,920 in bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$262,489 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, 2011

### 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	\$ 2,816,328	\$ 2,078,704	\$ 737,624	\$ -	\$ -
U.S. government agency securities	3,851	-	3,851	-	-
<b>Total</b>	<b>\$ 2,820,179</b>	<b>\$ 2,078,704</b>	<b>\$ 741,475</b>	<b>\$ -</b>	<b>\$ -</b>

  

Fiduciary Funds	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Corporate bonds and notes	\$ 261,082	\$ 48,366	\$ 139,945	\$ 72,771	\$ -
U.S. government agency securities	214,535	36,836	106,163	71,546	-
Asset-backed securities	39,016	-	16,288	-	22,728
<b>Total</b>	<b>\$ 514,633</b>	<b>\$ 85,202</b>	<b>\$ 262,396</b>	<b>\$ 144,317</b>	<b>\$ 22,728</b>

**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: AA+	S&P: AA	S&P: A+	S&P: A	S&P: A-	S&P: BBB+	S&P: BBB	A1/PI/FI	Not Rated
<b>Primary Government</b>									
Negotiable CDs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,816,328
Money market	-	-	-	-	-	-	-	-	2,157,986
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,974,314</b>
<b>Fiduciary Funds</b>									
Corporate bonds and notes	\$ 10,619	\$ 11,589	\$ 51,744	\$ 109,149	\$ 57,845	\$ 10,142	\$ 9,994	\$ -	\$ -
Money market	-	-	-	-	-	-	-	-	49,473
Asset-backed securities	-	-	-	-	-	-	-	-	39,016
<b>Total</b>	<b>\$ 10,619</b>	<b>\$ 11,589</b>	<b>\$ 51,744</b>	<b>\$ 109,149</b>	<b>\$ 57,845</b>	<b>\$ 10,142</b>	<b>\$ 9,994</b>	<b>\$ -</b>	<b>\$ 88,489</b>
<b>Component Units -</b>									
Money market	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,824,125	\$ 327,542

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2011

### 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	\$ 1,178,171	\$ 113,916	\$ 263,910	\$ -	\$ 1,555,997
Special assessment	-	819,935	-	-	819,935
Accounts	141,111	193,325	2,201,457	-	2,535,893
Due from other governmental units	577,816	305,641	-	136,315	1,019,772
Net receivables	<u>\$ 1,897,098</u>	<u>\$ 1,432,817</u>	<u>\$ 2,465,367</u>	<u>\$ 136,315</u>	<u>\$ 5,931,597</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	\$ 1,239,825
Special assessments	819,935
Receivable from other governmental units	330,926
Total	<u>\$ 2,390,686</u>

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2011

### Note 5 - Capital Assets

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

	Balance July 1, 2010	Reclassifications	Additions	Disposals	Balance June 30, 2011
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 5,566,341	\$ -	\$ -	\$ -	\$ 5,566,341
Construction in progress	5,609,887	(9,874,648)	4,980,623	-	715,862
Subtotal	11,176,228	(9,874,648)	4,980,623	-	6,282,203
Capital assets being depreciated:					
Infrastructure	62,259,111	9,874,648	753,821	-	72,887,580
Buildings and improvements	19,550,084	-	-	-	19,550,084
Machinery and equipment	8,972,162	-	237,631	(109,422)	9,100,371
Vehicles	6,569,759	-	24,114	(736,333)	5,857,540
Land improvements	889,087	-	-	-	889,087
Subtotal	98,240,203	9,874,648	1,015,566	(845,755)	108,284,662
Accumulated depreciation:					
Infrastructure	29,567,769	-	3,594,519	-	33,162,288
Buildings and improvements	5,104,970	-	431,893	-	5,536,863
Machinery and equipment	6,758,314	-	683,023	(109,422)	7,331,915
Vehicles	4,774,540	-	217,303	(724,447)	4,267,396
Land improvements	518,409	-	26,447	-	544,856
Subtotal	46,724,002	-	4,953,185	(833,869)	50,843,318
Net capital assets being depreciated	51,516,201	9,874,648	(3,937,619)	(11,886)	57,441,344
Net capital assets	\$ 62,692,429	\$ -	\$ 1,043,004	\$ (11,886)	\$ 63,723,547
<b>Business-type Activities</b>					
Capital assets not being depreciated:					
Land	\$ 88,065	\$ -	\$ -	\$ -	\$ 88,065
Construction in progress	156,301	(156,301)	65,474	-	65,474
Subtotal	244,366	(156,301)	65,474	-	153,539
Capital assets being depreciated:					
Water and sewer lines	90,706,869	-	114,095	-	90,820,964
Machinery and equipment	327,916	156,301	58,725	(5,400)	537,542
Other depreciable assets	1,701,533	-	-	-	1,701,533
Subtotal	92,736,318	156,301	172,820	(5,400)	93,060,039
Accumulated depreciation:					
Water and sewer lines	28,295,661	-	1,752,998	-	30,048,659
Machinery and equipment	293,301	-	32,100	(2,699)	322,702
Other depreciable assets	1,126,392	-	66,177	-	1,192,569
Subtotal	29,715,354	-	1,851,275	(2,699)	31,563,930
Net capital assets being depreciated	63,020,964	156,301	(1,678,455)	(2,701)	61,496,109
Net capital assets	\$ 63,265,330	\$ -	\$ (1,612,981)	\$ (2,701)	\$ 61,649,648

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2011

### Note 5 - Capital Assets (Continued)

Component Units	Balance July 1, 2010	Reclassifications	Additions	Disposals	Balance June 30, 2011
Capital assets not being depreciated:					
Land	\$ 3,203,186	\$ -	\$ -	\$ -	\$ 3,203,186
Construction in progress	206,299	-	971,251	-	1,177,550
Subtotal	3,409,485	-	971,251	-	4,380,736
Capital assets being depreciated:					
Machinery and equipment	590,344	-	-	-	590,344
Buildings	23,607,955	-	-	-	23,607,955
Building improvements	33,865	-	-	-	33,865
Land improvements	134,792	-	-	-	134,792
Subtotal	24,366,956	-	-	-	24,366,956
Accumulated depreciation:					
Machinery and equipment	156,214	-	78,393	-	234,607
Buildings	1,111,039	-	536,845	-	1,647,884
Building improvements	3,536	-	1,844	-	5,380
Land improvements	17,848	-	14,772	-	32,620
Subtotal	1,288,637	-	631,854	-	1,920,491
Net capital assets being depreciated	23,078,319	-	(631,854)	-	22,446,465
Net capital assets	\$ 26,487,804	\$ -	\$ 339,397	\$ -	\$ 26,827,201

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

#### Governmental activities:

General government	\$ 202,281
Public safety	569,789
Public works	3,718,452
Recreation and culture	125,587
Internal service fund depreciation is charged to the various functions based on their usage of the asset	337,076

Total governmental activities \$ 4,953,185

Business-type activities - Water and sewer \$ 1,851,275

#### Component unit activities:

TIFA	\$ 592,668
DDA	39,186

Total component unit activities \$ 631,854

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2011

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
General Fund	Nonmajor governmental funds	<u>\$ 92,353</u>
<b>Advances to/from Primary Government and Component Units</b>		
Component unit - Tax Increment Finance Authority	Primary government - Other nonmajor governmental funds	<u>\$ 474,260</u>
<b>Due to/from Primary Government and Component Units</b>		
Primary government - General Fund	Component unit - Tax Increment Finance Authority	<u>\$ 246,108</u>

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

#### Interfund Transfers

Transfers In	Transfers Out		
	General Fund	Nonmajor Governmental Funds	Water and Sewer Fund
Nonmajor governmental funds	\$ 264,276	\$ 200,000	\$ 159,589

The transfers from the General Fund to nonmajor governmental funds were primarily related to debt service expenditures. A transfer was made from the Water and Sewer Fund to the Capital Projects Fund for construction. 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.

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2011

### Note 7 - Restricted Assets

Restricted assets at June 30, 2011 consist of the following:

	<u>Business-type Activities</u>
Cash deposits at Wayne County	\$ 3,943,370
Cash and investments	<u>2,960,627</u>
Total business-type activities	<u>\$ 6,903,997</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 \$2,300,000 compared to principal and interest payments of \$2,816,828 on the related debt.

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

### Note 8 - Lease Agreement

The City has entered into a lease agreement as lessee for financing the purchase of various City renovations. The lease agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of the future minimum lease payments as of the inception date (see Note 9). The future minimum lease obligations for the years ending June 30, 2012 through June 30, 2015 and the net present value are as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2012	\$ 491,495
2013	491,495
2014	491,495
2015	<u>491,495</u>
Total minimum lease payments	1,965,980
Less amount representing interest	<u>(177,145)</u>
Present value	<u>\$ 1,788,835</u>

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2011

### 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.

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

	<u>Interest Rate Ranges</u>	<u>Maturity Date Range</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>								
General obligation bonds:								
Building Authority Bonds - \$2,080,000	2.50%-3.25%	2013	\$245,000-\$270,000	\$ 1,005,000	\$ -	\$ 235,000	\$ 770,000	\$ 245,000
Beverly Road Bond - \$1,650,000	4.00%-5.10%	2016	\$130,000-\$155,000	830,000	-	125,000	705,000	130,000
Capital lease - Honeywell agreement - \$2,499,858	4.29%	2015	\$419,174-\$475,936	2,190,607	-	401,772	1,788,835	419,194
Special assessment bonds - Beverly Road - \$1,650,000	4.00%-5.10%	2022	\$85,000-\$90,000	995,000	-	85,000	910,000	85,000
Total bonds payable				5,020,607	-	846,772	4,173,835	879,194
Compensated absences				967,816	497,101	703,392	761,525	510,385
Total governmental activities				\$ 5,988,423	\$ 497,101	\$ 1,550,164	\$ 4,935,360	\$ 1,389,579
	<u>Interest Rate Ranges</u>	<u>Maturity Date Range</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions and Adjustments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type Activities</b>								
Wayne County contractual obligations - \$41,663,856	1.63%-6.30%	2031	\$96,250-\$2,350,878	\$ 26,848,393	\$ -	\$ 2,321,922	\$ 24,526,471	\$ 2,254,214
Capital improvement bonds - Water and sewer - \$7,000,000	3.5%-5.0%	2027	\$270,000-\$535,000	6,280,000	-	260,000	6,020,000	270,000
Total bonds payable				33,128,393	-	2,581,922	30,546,471	2,524,214
Compensated absences				113,992	117,604	93,021	138,575	110,860
Total business-type activities				\$ 33,242,385	\$ 117,604	\$ 2,674,943	\$ 30,685,046	\$ 2,635,074

### 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	\$340,000-\$470,000	\$ 3,940,000	\$ -	\$ 330,000	\$ 3,610,000	\$ 340,000
General obligation bonds - \$18,500,000	4.0%-5.0%	2027	\$715,000-\$1,355,000	16,595,000	-	685,000	15,910,000	715,000
Compensated absences				21,001	17,206	16,801	21,406	17,125
Total - Tax Increment Finance Authority				20,556,001	17,206	1,031,801	19,541,406	1,072,125
Downtown Development Authority:								
General obligation bonds - \$2,500,000	2.00%-3.80%	2014	\$210,000-\$235,000	865,000	-	205,000	660,000	210,000
General obligation bonds - \$3,400,000	2.50%-3.60%	2015	\$350,000-\$385,000	1,815,000	-	340,000	1,475,000	350,000
Compensated absences				6,628	6,474	5,302	7,800	6,240
Total - Downtown Development Authority				2,686,628	6,474	550,302	2,142,800	566,240
Total component units				\$ 23,242,629	\$ 23,680	\$ 1,582,103	\$ 21,684,206	\$ 1,638,365

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
2012	\$ 879,194	\$ 168,072	\$ 1,047,266	\$ 2,524,214	\$ 889,721	\$ 3,413,935	\$ 1,615,000	\$ 889,910	\$ 2,504,910
2013	912,370	132,580	1,044,950	2,592,538	818,543	3,411,081	1,675,000	828,635	2,503,635
2014	951,334	95,536	1,046,870	2,668,517	745,013	3,413,530	1,750,000	762,908	2,512,908
2015	705,937	56,677	762,614	2,655,878	670,546	3,326,424	1,575,000	697,344	2,272,344
2016	240,000	30,375	270,375	2,669,161	596,327	3,265,488	1,235,000	639,864	1,874,864
2017-2021	405,000	71,528	476,528	11,051,535	1,924,168	12,975,703	6,520,000	2,360,948	8,880,948
2022-2026	80,000	2,040	82,040	4,381,328	776,834	5,158,162	5,930,000	1,004,775	6,934,775
2027-2031	-	-	-	2,003,300	131,017	2,134,317	1,355,000	30,488	1,385,488
Total	\$ 4,173,835	\$ 556,808	\$ 4,730,643	\$ 30,546,471	\$ 6,552,169	\$ 37,098,640	\$ 21,655,000	\$ 7,214,872	\$ 28,869,872

**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, 2011, \$795,000 of bonds outstanding are considered defeased.

### **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, 2011, \$3,460,000 of bonds outstanding are considered defeased.

### **Note 10 - Risk Management**

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

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

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

### **Note 11 - 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, 2011 was approximately \$19,200,000. 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, 2011 was approximately \$5,300,000. The bonds will be paid through sewer rates.

#### **Tax Appeals**

The City is a defendant in several tax appeal cases. In one of the largest cases, General Motors Co. is asserting the City has overvalued the properties. The City and General Motors Co. have reached a settlement. Since General Motors Co. has paid some of the taxes on these properties, the City has recorded a liability for potential refunds based on the settlement. The City is also a defendant in various other cases. Based on recent settlements and estimates of potential refunds by management, the City has recorded a liability for potential refunds related to these appeals. The City's component units (Tax Increment Financing Authority and Downtown Development Authority) are also impacted by certain tax appeal cases. A liability has been recorded in the component units for potential refunds in these cases.

### **Note 12 - 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.

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2011

### Note 12 - Defined Benefit Pension Plan (Continued)

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

**Annual Pension Cost** - For the year ended June 30, 2011, the City's annual pension cost of \$1,630,648 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, 2008 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		
	2011	2010	2009
Annual pension cost (APC)	\$ 1,630,648	\$ 1,517,296	\$ 1,429,400
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -
	Actuarial Valuation as of December 31		
	2010	2009	2008
Actuarial value of assets	\$ 19,946,665	\$ 18,990,578	\$ 17,991,440
Actuarial accrued liability (AAL)			
(entry age)	\$ 42,414,806	\$ 40,993,307	\$ 39,217,286
Unfunded AAL (UAAL)	\$ 22,468,141	\$ 22,002,729	\$ 21,225,846
Funded ratio	47.0 %	46.3 %	45.9 %
Covered payroll	\$ 4,854,341	\$ 6,342,769	\$ 5,449,276
UAAL as a percentage of covered payroll	462.8 %	346.9 %	389.5 %

### **Note 13 - 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 11.5 percent of employees' gross earnings for Teamsters and AFSCME employees during the year ended June 30, 2011. Employees contribute 0.5 percent to 1.0 percent of earnings. In accordance with these requirements, the City contributed \$490,577 during the current year and employees contributed \$74,096.

### **Note 14 - 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.

**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, 2011, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2009. 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:

# City of Romulus, Michigan

## Notes to Financial Statements June 30, 2011

### Note 14 - Other Postemployment Benefits (Continued)

Annual required contribution (recommended)	\$ 3,244,311
Interest on the prior year's net OPEB obligation	115,817
Less adjustment to the annual required contribution	<u>(102,980)</u>
Annual OPEB cost	3,257,148
Amounts contributed	<u>(1,160,212)</u>
Increase in net OPEB obligation	2,096,936
OPEB obligation - Beginning of year	<u>1,930,291</u>
OPEB obligation - End of year	<u>\$ 4,027,227</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
6/30/11	6/30/09	3,244,311	3,257,149	35.8	35.6	4,027,227

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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.

### **Note 14 - Other Postemployment Benefits (Continued)**

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

In the June 30, 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 15 - 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 \$1,709,937. 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 \$1,930,363 for operations of the system and \$2,816,828 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 11. Financial statements for the joint venture can be obtained from the administrative offices at 415 Clifford, Detroit, MI 48226.

### Note 16 - Upcoming Accounting Pronouncements

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses financial reporting related to service concession arrangements which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (whether a government or nongovernment) in which the transferor conveys to an operator the right and relation obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and the operator collects and is compensated by fees from third parties. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement 14 and Statement 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the City's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

### **Note 17 - Accounting and Reporting Change**

During the year, the City adopted GASB 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. For more detailed information regarding the implementation of GASB Statement No. 54, see Note 1.

## **Required Supplemental Information**

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# City of Romulus, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 9,593,963	\$ 9,593,963	\$ 9,210,071	\$ (383,892)
Licenses and permits	673,850	701,674	813,143	111,469
Federal sources	29,584	281,871	150,905	(130,966)
State sources	3,555,433	3,555,433	3,639,084	83,651
Charges for services	1,695,341	1,697,334	1,507,413	(189,921)
Fines and forfeitures	2,400,000	2,400,000	1,709,937	(690,063)
Interest income	52,500	52,500	34,744	(17,756)
Other	436,762	436,762	364,496	(72,266)
Total revenue	18,437,433	18,719,537	17,429,793	(1,289,744)
<b>Expenditures - Current</b>				
General government:				
City Council	76,709	75,709	73,530	2,179
Mayor	433,323	431,423	408,610	22,813
Finance department	609,708	537,548	536,693	855
Treasurer	362,963	362,963	353,206	9,757
Assessing	433,453	371,983	342,064	29,919
Board of Review	1,777	1,777	1,023	754
Clerk	461,247	395,983	349,523	46,460
Elections	143,424	144,524	143,612	912
Buildings and grounds	2,561,845	1,839,808	1,480,751	359,057
Attorney	315,000	455,650	435,425	20,225
Human resources	286,670	286,370	267,806	18,564
Nondepartmental	(1,975,149)	1,452,030	640,096	811,934
City-owned property	13,000	13,000	10,118	2,882
Cemetery	97,469	82,404	79,133	3,271
Tax tribunal refunds	-	-	9,070	(9,070)
Total general government	3,821,439	6,451,172	5,130,660	1,320,512
Public safety:				
Police	8,935,532	8,899,726	8,474,021	425,705
Fire	2,388,987	2,027,161	1,943,425	83,736
Emergency preparedness	24,982	30,862	10,523	20,339
Building inspection	974,117	885,982	781,260	104,722
Planning and zoning	219,832	222,790	173,802	48,988
Total public safety	12,543,450	12,066,521	11,383,031	683,490
Public works:				
Department of Public Works	115,818	121,923	111,844	10,079
Drains-at-large	94,000	79,000	32,123	46,877
Total public works	209,818	200,923	143,967	56,956

# City of Romulus, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Expenditures - Current (Continued)</b>				
Health and welfare:				
Ordinance	\$ 286,947	\$ 236,060	\$ 225,481	\$ 10,579
Animal control	242,208	241,985	233,184	8,801
Total health and welfare	529,155	478,045	458,665	19,380
Community and economic development:				
Community and development	12,258	12,073	10,448	1,625
Community service	2,925	2,775	279	2,496
Public relations	8,550	8,122	2,368	5,754
Total community and economic development	23,733	22,970	13,095	9,875
Recreation and culture:				
Library	286,819	157,027	173,856	(16,829)
Recreation	880,320	620,887	227,329	393,558
Historical	350	300	299	1
Senior services	185,120	171,020	152,706	18,314
Total recreation and culture	1,352,609	949,234	554,190	395,044
Total expenditures	18,480,204	20,168,865	17,683,608	2,485,257
<b>Excess of Expenditures Over Revenue</b>	(42,771)	(1,449,328)	(253,815)	1,195,513
<b>Other Financing Uses - Transfers out</b>	(264,276)	(264,276)	(264,276)	-
<b>Net Change in Fund Balance</b>	(307,047)	(1,713,604)	(518,091)	1,195,513
<b>Fund Balance - Beginning of year</b>	2,083,992	2,083,992	2,083,992	-
<b>Fund Balance - End of year</b>	<u>\$ 1,776,945</u>	<u>\$ 370,388</u>	<u>\$ 1,565,901</u>	<u>\$ 1,195,513</u>

## **Other Supplemental Information**

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# City of Romulus, Michigan

Nonmajor Special Revenue Funds						
	Major Streets	Local Streets	Cable TV	911	Sanitation	Community Development Block Grant
<b>Assets</b>						
Cash and investments	\$ 212,574	\$ 88,932	\$ 231,188	\$ 341,001	\$ 142,457	\$ 4,629
Receivables:						
Property taxes receivable	-	-	-	-	113,916	-
Special assessments receivable	-	-	-	-	-	-
Other receivables	-	-	79,509	63,350	-	-
Due from other governmental units	214,784	61,578	-	-	-	29,279
Inventories	93,524	139,965	2,237	-	795	-
<b>Total assets</b>	<b>\$ 520,882</b>	<b>\$ 290,475</b>	<b>\$ 312,934</b>	<b>\$ 404,351</b>	<b>\$ 257,168</b>	<b>\$ 33,908</b>
<b>Liabilities and Fund Balances (Deficit)</b>						
<b>Liabilities</b>						
Accounts payable	\$ 13,793	\$ 19,976	\$ -	\$ -	\$ 78,613	\$ 29
Due to other funds	-	-	-	-	-	-
Accrued liabilities and other:						
Accrued salaries and wages	2,924	4,411	1,558	-	-	-
Accrued and other liabilities	-	-	-	-	91,126	-
Advances from component units	-	-	-	-	-	-
Deferred revenue	4,727	-	-	-	113,915	6,418
<b>Total liabilities</b>	<b>21,444</b>	<b>24,387</b>	<b>1,558</b>	<b>-</b>	<b>283,654</b>	<b>6,447</b>
<b>Fund Balances (Deficit)</b>						
Nonspendable - Inventory	93,524	139,965	2,237	-	795	-
Restricted:						
Roads	405,914	126,123	-	-	-	-
Police	-	-	-	404,351	-	-
Grants	-	-	-	-	-	27,461
PEG fees	-	-	195,201	-	-	-
Street lighting	-	-	-	-	-	-
Cemetery operations	-	-	-	-	-	-
Assigned:						
Subsequent year's budget	-	-	29,930	-	-	-
Cable television operations	-	-	84,008	-	-	-
Debt service	-	-	-	-	-	-
Unassigned	-	-	-	-	(27,281)	-
<b>Total fund balances (deficit)</b>	<b>499,438</b>	<b>266,088</b>	<b>311,376</b>	<b>404,351</b>	<b>(26,486)</b>	<b>27,461</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 520,882</b>	<b>\$ 290,475</b>	<b>\$ 312,934</b>	<b>\$ 404,351</b>	<b>\$ 257,168</b>	<b>\$ 33,908</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2011**

Nonmajor Special Revenue Funds					Nonmajor Debt Service Funds		Total Nonmajor Governmental Funds
Street Lighting	Merriman Road Special Assessment District	Narcotics Enforcement	Romulus Athletic Center	Cemetery Perpetuation	Debt Service Fund	Capital Projects Fund	
\$ 13,572	\$ 35,205	\$ 1,296,549	\$ 91,288	\$ 1,455	\$ 1,029	\$ 275,905	\$ 2,735,784
-	-	-	-	-	-	-	113,916
-	-	-	-	-	-	819,935	819,935
-	-	-	50,466	-	-	-	193,325
-	-	-	-	-	-	-	305,641
-	-	-	31,556	-	-	-	268,077
<b>\$ 13,572</b>	<b>\$ 35,205</b>	<b>\$ 1,296,549</b>	<b>\$ 173,310</b>	<b>\$ 1,455</b>	<b>\$ 1,029</b>	<b>\$ 1,095,840</b>	<b>\$ 4,436,678</b>
\$ -	\$ 11,446	\$ 9,495	\$ 49,053	\$ -	\$ -	\$ -	\$ 182,405
-	-	-	92,353	-	-	-	92,353
-	-	1,194	11,313	-	-	-	21,400
-	-	-	32,099	-	-	-	123,225
-	-	-	474,260	-	-	-	474,260
-	-	-	-	-	-	819,935	944,995
-	11,446	10,689	659,078	-	-	819,935	1,838,638
-	-	-	31,556	-	-	-	268,077
-	23,759	-	-	-	-	-	555,796
-	-	1,285,860	-	-	-	-	1,690,211
-	-	-	-	-	-	-	27,461
-	-	-	-	-	-	-	195,201
13,572	-	-	-	-	-	-	13,572
-	-	-	-	1,455	-	-	1,455
-	-	-	-	-	490	-	30,420
-	-	-	-	-	-	-	84,008
-	-	-	-	-	539	275,905	276,444
-	-	-	(517,324)	-	-	-	(544,605)
13,572	23,759	1,285,860	(485,768)	1,455	1,029	275,905	2,598,040
<b>\$ 13,572</b>	<b>\$ 35,205</b>	<b>\$ 1,296,549</b>	<b>\$ 173,310</b>	<b>\$ 1,455</b>	<b>\$ 1,029</b>	<b>\$ 1,095,840</b>	<b>\$ 4,436,678</b>

# City of Romulus, Michigan

## Nonmajor Special Revenue Funds

	Major Streets	Local Streets	Cable TV	911	Sanitation	Community Development Block Grant
<b>Revenue</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 857,126	\$ -
Federal sources	66,992	-	-	-	-	280,459
State sources	1,057,928	381,647	-	4,879	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Investment income	1,025	397	758	1,039	651	-
Other revenue	25	10,063	312,044	208,210	3,583	-
<b>Total revenue</b>	<b>1,125,970</b>	<b>392,107</b>	<b>312,802</b>	<b>214,128</b>	<b>861,360</b>	<b>280,459</b>
<b>Expenditures</b>						
Current:						
General government	-	-	190,191	-	-	-
Public safety	-	-	-	65,964	-	-
Public works	726,315	537,550	-	-	969,318	-
Community and economic development - Redevelopment and housing	-	-	-	-	-	261,304
Recreation and culture - Parks and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-
<b>Total expenditures</b>	<b>726,315</b>	<b>537,550</b>	<b>190,191</b>	<b>65,964</b>	<b>969,318</b>	<b>261,304</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>399,655</b>	<b>(145,443)</b>	<b>122,611</b>	<b>148,164</b>	<b>(107,958)</b>	<b>19,155</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	200,000	-	-	-	-
Transfers out	(200,000)	-	-	-	-	-
<b>Total other financing (uses) sources</b>	<b>(200,000)</b>	<b>200,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>199,655</b>	<b>54,557</b>	<b>122,611</b>	<b>148,164</b>	<b>(107,958)</b>	<b>19,155</b>
<b>Fund Balances (Deficit) - Beginning of year</b>	<b>299,783</b>	<b>211,531</b>	<b>188,765</b>	<b>256,187</b>	<b>81,472</b>	<b>8,306</b>
<b>Fund Balances (Deficit) - End of year</b>	<b>\$ 499,438</b>	<b>\$ 266,088</b>	<b>\$ 311,376</b>	<b>\$ 404,351</b>	<b>\$ (26,486)</b>	<b>\$ 27,461</b>

**Other Supplemental Information  
Combining Statement of Revenue, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2011**

Nonmajor Special Revenue Funds					Nonmajor Debt Service Funds		Total Nonmajor Governmental Funds
Street Lighting	Merriman Road Special Assessment District	Narcotics Enforcement	Romulus Athletic Center	Cemetery Perpetuation	Debt Service Fund	Capital Projects Fund	
\$ 446,230	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,303,356
-	-	348,297	-	-	-	-	695,748
-	-	-	-	-	-	-	1,444,454
-	-	-	1,399,506	-	-	-	1,399,506
-	-	153,293	-	-	-	-	153,293
112	126	5,709	120	5	3	-	9,945
-	73,456	80,000	473,114	1,450	-	132,296	1,294,241
<u>446,342</u>	<u>73,582</u>	<u>587,299</u>	<u>1,872,740</u>	<u>1,455</u>	<u>3</u>	<u>132,296</u>	<u>6,300,543</u>
-	-	-	-	-	-	-	190,191
-	-	652,330	-	-	-	-	718,294
486,789	80,455	-	-	-	-	-	2,800,427
-	-	-	-	-	-	-	261,304
-	-	-	1,813,580	-	-	-	1,813,580
-	-	-	-	-	235,725	210,700	446,425
-	-	-	-	-	28,550	79,778	108,328
<u>486,789</u>	<u>80,455</u>	<u>652,330</u>	<u>1,813,580</u>	<u>-</u>	<u>264,275</u>	<u>290,478</u>	<u>6,338,549</u>
(40,447)	(6,873)	(65,031)	59,160	1,455	(264,272)	(158,182)	(38,006)
-	-	-	-	-	264,276	159,589	623,865
-	-	-	-	-	-	-	(200,000)
-	-	-	-	-	264,276	159,589	423,865
(40,447)	(6,873)	(65,031)	59,160	1,455	4	1,407	385,859
54,019	30,632	1,350,891	(544,928)	-	1,025	274,498	2,212,181
<u>\$ 13,572</u>	<u>\$ 23,759</u>	<u>\$ 1,285,860</u>	<u>\$ (485,768)</u>	<u>\$ 1,455</u>	<u>\$ 1,029</u>	<u>\$ 275,905</u>	<u>\$ 2,598,040</u>

# City of Romulus, Michigan

## Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2011

	Vehicle and Equipment Fund	Computer and Equipment Fund	Property and Liability Self- Insurance Fund	Long-term Disability Self- Insurance Fund	Total
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 633,015	\$ 620,961	\$ 259,631	\$ 39,681	\$ 1,553,288
Inventories and prepaid expenses	101,556	1,794	-	-	103,350
Total current assets	734,571	622,755	259,631	39,681	1,656,638
Noncurrent assets - Capital assets	1,829,268	47,489	-	-	1,876,757
Total assets	2,563,839	670,244	259,631	39,681	3,533,395
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	42,527	1,014	-	-	43,541
Accrued wages	7,418	1,439	-	-	8,857
Current portion of compensated absences	20,101	9,388	-	-	29,489
Total current liabilities	70,046	11,841	-	-	81,887
Noncurrent liabilities:					
Provision for compensated absences - Net of current portion	5,025	2,347	-	-	7,372
Net OPEB obligation	74,362	55,562	-	-	129,924
Total noncurrent liabilities	79,387	57,909	-	-	137,296
Total liabilities	149,433	69,750	-	-	219,183
<b>Net Assets</b>					
Invested in capital assets	1,829,268	47,489	-	-	1,876,757
Unrestricted	585,138	553,005	259,631	39,681	1,437,455
Total net assets	<u>\$ 2,414,406</u>	<u>\$ 600,494</u>	<u>\$ 259,631</u>	<u>\$ 39,681</u>	<u>\$ 3,314,212</u>

# City of Romulus, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2011

	Vehicle and Equipment Fund	Computer and Equipment Fund	Property and Liability Self- Insurance Fund	Long-term Disability Self- Insurance Fund	Total
<b>Operating Revenue</b>					
Charges to other funds	\$ 1,343,194	\$ 372,059	\$ 579,775	\$ -	\$ 2,295,028
Other	49,875	95	-	-	49,970
Total operating revenue	1,393,069	372,154	579,775	-	2,344,998
<b>Operating Expenses</b>					
Cost of insurance claims	-	-	580,445	-	580,445
Cost of vehicle and equipment maintenance	1,241,263	-	-	-	1,241,263
Cost of computer and equipment maintenance	-	360,607	-	-	360,607
Depreciation	314,465	22,611	-	-	337,076
Total operating expenses	1,555,728	383,218	580,445	-	2,519,391
<b>Operating Loss</b>	(162,659)	(11,064)	(670)	-	(174,393)
<b>Nonoperating Revenue</b> - Investment income	1,774	1,607	538	165	4,084
<b>Change in Net Assets</b>	(160,885)	(9,457)	(132)	165	(170,309)
<b>Net Assets</b> - Beginning of year	2,575,291	609,951	259,763	39,516	3,484,521
<b>Net Assets</b> - End of year	<u>\$ 2,414,406</u>	<u>\$ 600,494</u>	<u>\$ 259,631</u>	<u>\$ 39,681</u>	<u>\$ 3,314,212</u>

# City of Romulus, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2011

	Vehicle and Equipment Fund	Computer and Equipment Fund	Property and Liability Self- insurance Fund	Long-term Disability Self- insurance Fund	Total
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 1,393,069	\$ 372,154	\$ 579,775	\$ -	\$ 2,344,998
Payments to suppliers	(727,676)	(233,983)	(580,445)	-	(1,542,104)
Payments to employees	(450,794)	(123,779)	-	-	(574,573)
Net cash provided by (used in) operating activities	214,599	14,392	(670)	-	228,321
<b>Cash Flows from Capital and Related Financing Activities - Purchase of capital assets</b>					
	(14,893)	(17,577)	-	-	(32,470)
<b>Cash Flows from Investing Activities - Interest received on investments</b>					
	1,774	1,607	538	165	4,084
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>					
	201,480	(1,578)	(132)	165	199,935
<b>Cash and Cash Equivalents - Beginning of year</b>					
	431,535	622,539	259,763	39,516	1,353,353
<b>Cash and Cash Equivalents - End of year</b>					
	<u>\$ 633,015</u>	<u>\$ 620,961</u>	<u>\$ 259,631</u>	<u>\$ 39,681</u>	<u>\$ 1,553,288</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>					
Operating loss	\$ (162,659)	\$ (11,064)	\$ (670)	\$ -	\$ (174,393)
Adjustments to reconcile operating loss to net cash from operating activities:					
Depreciation and amortization	314,465	22,611	-	-	337,076
Changes in assets and liabilities:					
Inventories	(12,470)	547	-	-	(11,923)
Accounts payable	32,004	(6,530)	-	-	25,474
Accrued and other liabilities	1,932	(13,391)	-	-	(11,459)
Net OPEB obligation	41,327	22,219	-	-	63,546
Net cash provided by (used in) operating activities	<u>\$ 214,599</u>	<u>\$ 14,392</u>	<u>\$ (670)</u>	<u>\$ -</u>	<u>\$ 228,321</u>

# City of Romulus, Michigan

## Other Supplemental Information Combining Statement of Assets and Liabilities Agency Funds June 30, 2011

	Revolving Fund	General Tax Fund	Current Tax Fund	Delinquent Personal Property Tax Fund	Payroll Fund	Total Agency Funds
<b>Assets</b>						
Cash and investments	\$ 2,047,272	\$ 52,110	\$ 19,951	\$ 101,010	\$ 180,116	\$ 2,400,459
Due from other governmental units	500	-	130,585	-	3,060	134,145
Total assets	<u>\$ 2,047,772</u>	<u>\$ 52,110</u>	<u>\$ 150,536</u>	<u>\$ 101,010</u>	<u>\$ 183,176</u>	<u>\$ 2,534,604</u>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 46,562	\$ -	\$ -	\$ 183,140	\$ 229,702
Due to other governmental units	-	-	150,536	19,792	-	170,328
Accrued and other liabilities	2,047,772	5,548	-	81,218	36	2,134,574
Total liabilities	<u>\$ 2,047,772</u>	<u>\$ 52,110</u>	<u>\$ 150,536</u>	<u>\$ 101,010</u>	<u>\$ 183,176</u>	<u>\$ 2,534,604</u>